MARKET COMMENTARY

DAVENPORT 1863
BUILDING WEALTH TOGETHER

JANUARY 2023

- Year-end weakness reflected ongoing effects from hawkish monetary policy
- Energy emerged as the best performing sector in 2022
- We anticipate that uncertainties that prevailed into yearend will remain into 2023

Equities suffered through a tough year in 2022 with all major indexes down sharply as investors grappled with a host of challenges ranging from rising interest rates and inflation to war in Europe. Year-end weakness reflected ongoing effects from Fed tightening as well as concerns that hawkish monetary policy could lead to recession in 2023. For the full month, all three major equity indexes decreased with the Dow Jones Industrial Average down 4.2%, the S&P 500® index down 5.9%, and the smaller-cap weighted Russell 2000® decreasing 6.6%.

The best-performing S&P 500 sector in December was Utilities which decreased 0.8% followed by the Health Care sector which was down 2.1%. The weakest performances in the month were posted by the Consumer Discretionary sector which decreased 11.3% followed by the Information Technology sector which was down 8.4%. For the prior-twelve month period, the Energy sector was the best performer with a 59.0% increase followed by the Utilities sector which was down 1.4%, while the Communication Services sector was the worst performer for the past twelve months with a 40.4% decrease followed by the Consumer Discretionary sector which was down 37.6%.

Investor anxiety appears heightened with the U.S. economy showing some signs of slowing; the Fed insists it will continue to tighten until it defeats inflation; geopolitical tensions in multiple arenas remain tense as war persists in Ukraine with no end in sight; and COVID rages across China (the #2 global economy) as it closes the book on its zero-COVID policy playbook. Most remain focused on the Fed's interest rate policy with many questioning if the extreme moves taken in 2022 (the funds rate increased from essentially 0.00% on January 1st to a range of 4.25-4.50% at yearend) along with plans per the 'dot plot' pointing to further rate hikes toward 5.00-5.25% into spring 2023 are excessive and likely to drive recession. Although the latest Consumer Price and Personal Consumption indices point to some moderation of inflation as arriving, labor markets remain extremely tight. Fed officials appear concerned that a wage-price spiral could emerge creating worsening intermediate and longer-term economic fallout versus that potentially arising by an extreme squeezing of the economy over the near term forthcoming from existing policy.

Where to from here?

Turning the page into a New Year, we anticipate uncertainties that prevailed into yearend will persist for now with investors focused on the Fed and the Fed focused on employment and inflationary pressure trends. The S&P 500 trades at about 16x consensus 2023 estimated EPS suggesting that the overall market appears relatively fairly valued today given a challenged outlook. Still, we anticipate the Fed may pause on interest rate hikes in late spring 2023, holding the funds rate in the 500 bps range into yearend, setting the stage for a return to modest growth later in 2H2023 and 2024 with investor sentiment potentially improving. We note that historically markets tend to rebound over the 12 months once the Fed pivots as sentiment typically shifts before the actual economic recovery.

Despite near-term uncertainties, for investors willing to look out for two to three quarters, we view this as an opportune time to establish and or add to positions among reasonably valued, quality stocks. We focus on companies having less sensitivity to interest rates; possessing specialized products and services in demand offering pricing power to drive earnings and cash flow. Most importantly, we are focused on intermediate and longer-term investment given economic uncertainties that exist for the near term. Into 1H2023, we sense that sectors that have lead markets into yearend 2022 will continue to be best positioned including energy, healthcare, and consumer staples where demand is likely to remain strong despite weakening economic trends. Furthermore, given existing interest rates, fixed income offers investors real returns not seen for the past decade with shorter-term government bonds offering attractive risk-free returns in the 4% range, while investment-grade corporate debt yields stand at about 5%.

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MARKET AND ECONOMIC STATISTICS

Market Indices:	**12/30/2022**	**12/31/2021**	**% Change YTD**	**11/30/2022**	**% Change (Monthly)**
S&P Composite	3,839.50	4,766.18	-19.44%	4,080.11	-5.90%
Dow Jones Industrials	33,147.25	36,338.30	-8.78%	34,589.77	-4.17%
NASDAQ Composite	10,466.48	15,644.97	-33.10%	11,468.00	-8.73%
Russell 2000	1,761.25	2,245.31	-21.56%	1,886.58	-6.64%
FTSE 100	7,451.74	7,384.54	0.91%	7,573.05	-1.60%
Shanghai Composite	3,089.26	3,639.78	-15.13%	3,151.34	-1.97%
Nikkei Stock Average	26,094.50	28,791.71	-9.37%	27,968.99	-6.70%
Stoxx Europe 600	424.89	487.80	-12.90%	440.04	-3.44%
MSCI Emerging Markets	956.38	1,232.01	-22.37%	972.29	-1.64%
MSCI Emerging Markets Small Cap	1,127.18	1,412.34	-20.19%	1,141.98	-1.30%

Performance of S&P 500 by Industry:	**% of Index as of 12/30/22**	**1 Month**	**3 Month**	**Year to Date**	**12 Months**
Consumer Discretionary	9.80%	-11.31%	-10.41%	-37.58%	-37.58%
Consumer Staples	7.20%	-3.11%	11.98%	-3.17%	-3.17%
Energy	5.23%	-3.16%	21.68%	59.04%	59.04%
Financials	11.66%	-5.43%	12.96%	-12.35%	-12.35%
Health Care	15.82%	-2.05%	12.34%	-3.55%	-3.55%
Industrials	8.65%	-3.11%	18.67%	-7.10%	-7.10%
Information Technology	25.74%	-8.42%	4.44%	-28.91%	-28.91%
Materials	2.73%	-5.81%	14.44%	-14.06%	-14.06%
Communication Services	7.28%	-7.85%	-1.63%	-40.42%	-40.42%
Utilities	3.18%	-0.77%	7.81%	-1.44%	-1.44%
Real Estate	2.71%	-5.47%	2.85%	-28.45%	-28.45%
S&P 500 (Absolute performance)	100.0%	-5.90%	7.08%	-19.44%	-19.44%

Interest Rates:	**12/30/2022**	**12/31/2021**	**YTD Change (Basis Points)**	**11/30/2022**	**Month Change (BPS)**
Fed Funds Effective Rate	4.33%	0.09%	424	3.83%	50
Prime Rate	7.50%	3.25%	425	7.00%	50
Three Month Treasury Bill	4.40%	0.09%	431	3.37%	103
Ten Year Treasury	3.87%	1.51%	236	3.61%	27
Spread - 10 Year vs 3 Month	-0.52%	1.43%	-195	0.24%	-76

Foreign Currencies:	**12/30/2022**	**12/31/2021**	**% Change YTD**	**11/30/2022**	**% Change (Monthly)**
Brazil Real (in US dollars)	0.19	0.18	5.4%	0.19	-1.8%
British Pound (in US dollars)	1.21	1.35	-10.7%	1.21	0.2%
Canadian Dollar (in US dollars)	0.74	0.79	-6.7%	0.75	-1.0%
Chinese Yuan (per US dollar)	6.90	6.36	8.5%	7.09	-2.7%
Euro (in US dollars)	1.07	1.14	-5.8%	1.04	2.9%
Japanese Yen (per US dollar)	131.12	115.08	13.9%	138.07	-5.0%

Commodity Prices:	**12/30/2022**	**12/31/2021**	**% Change YTD**	**11/30/2022**	**% Change (Monthly)**
CRB (Commodity) Index	554.78	578.31	-4.1%	564.26	-1.7%
Gold (Comex spot per troy oz.)	1824.02	1829.20	-0.3%	1768.52	3.1%
Oil (West Texas int. crude)	80.26	75.21	6.7%	80.55	-0.4%
Aluminum (LME spot per metric ton)	2349.51	2806.00	-16.3%	2447.50	-4.0%
Natural Gas (Futures 10,000 MMBtu)	4.48	3.73	20.0%	6.93	-35.4%

Economic Indicators:	**9/30/2022**	**12/31/2021**	**% Change YTD**	**8/31/2022**	**% Change (Monthly)**
Consumer Price Index	296.8	280.1	5.9%	295.6	0.39%
Producer Price Index	253.1	232.0	9.1%	252.2	0.4%
	Q3 2022	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**
GDP Growth Rate (Quarterly)	3.20%	-0.60%	-1.60%	7.00%	2.70%
Unemployment Rate (End of Month)	**November** **3.7%**	**October** **3.7%**	**September** **3.5%**	**August** **3.7%**	**July** **3.5%**

*GDP growth rate is calculated as the percent change from the previous period seasonally adjusted at annual rates. **S&P Sectors were re-named at the end of 2001. The sector Industrials is a combination of the former sectors Capital Goods & Transportation.Sources: Wall Street Journal, Bloomberg, The Department of Labor, The Bureau of Labor Statistics, The Bureau of Economic Analysis, US Treasury website.

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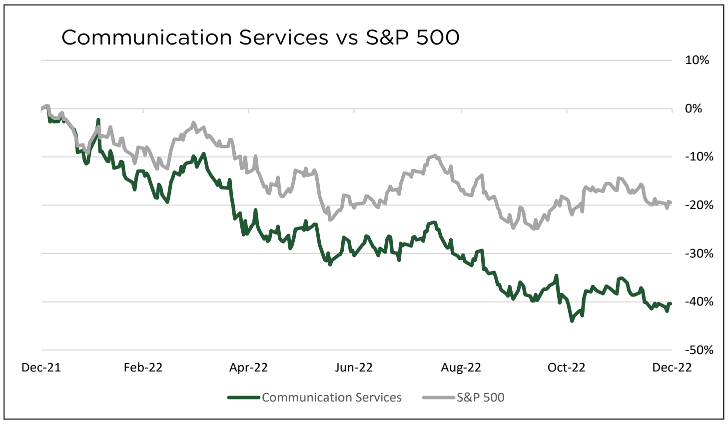
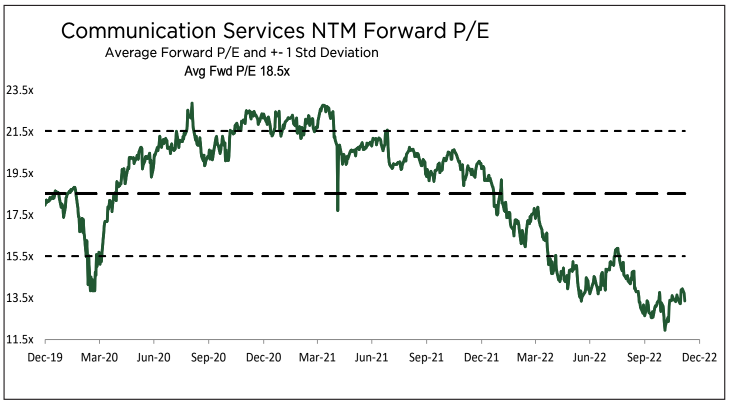
Sector Updates





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-7.85%	-1.63%	-40.42%	-40.42%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-5.90%	7.08%	-19.44%	-19.44%

	Company Performance	1 Month
Leader	Activision Blizzard Inc	3.5%
	Omnicom Group Inc	2.3%
	Meta Platforms Inc	1.9%
	Verizon Comm	1.1%
	Take-Two Interactive	-1.5%
Laggards	Match Group Inc	-17.9%
	Warner Bros Discovery	-16.8%
	Paramount Global	-15.9%
	Charter Comm	-13.3%
	Alphabet Inc	-12.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$11.15	$12.04	$13.95
14.3x	13.2x	11.4x

Sector Update

Communications Services significantly underperformed the market in 2022 due to the decline in the Media, Entertainment, and Interactive Media and Services sectors. We consider the Communications Services attractively valued, with a forward P/E of 13.2x, below its average multiple of 18.5x. The Communications Services sector could outperform the market in 2022 since companies are reducing costs and could deliver improved profit performance when demand recovers.

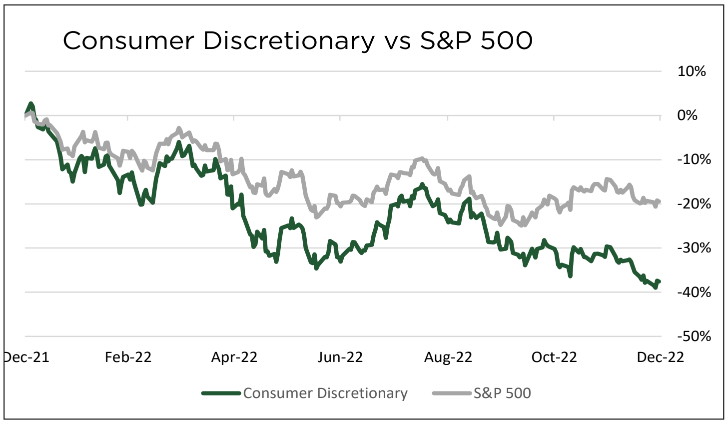
Diversified Telecommunications Services outperformed the market in 2022 driven by the significant appreciation in T Mobile shares. Given that investors can obtain dividend yields greater than 6% from a number of the leading telecommunications companies, we believe this sector could provide investors with a total return above the market.

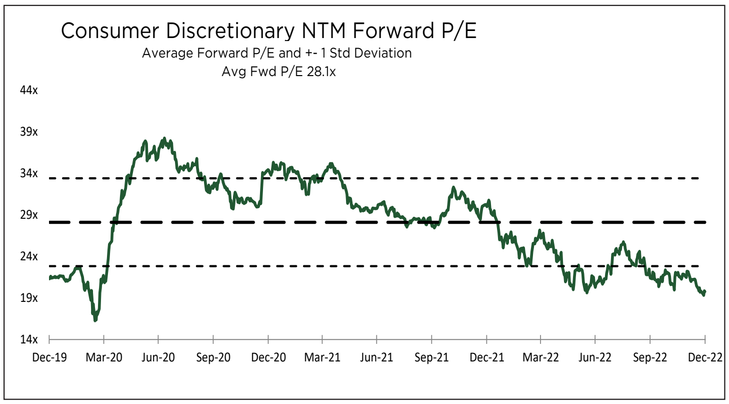
The Entertainment sector lagged the market in 2022 due to Disney's profit warning. The company's profits over the past two years were impacted by significant losses from Disney+, it's streaming media business. Following Disney's profit warning, the company's Board of Directors fired the company's CEO Bob Chapek, and hired former Disney CEO Bog Iger to return as the company's CEO for a two-year term. Given that investors care more about profits in the current market environment, Disney has become more focused on driving profitability in its Disney+ business.

The Interactive Media & Services sub-sector significantly underperformed the market in 2022. Social Media companies Meta Platforms, SNAP, and Twitter reported lower-than-expected profits due to the impact of Apple's privacy initiative on their ability to target ads and measure ad outcomes. In addition, Alphabet and the social media companies were impacted by slower growth in corporate advertising spending as they respond to the weaker global economy.

IAB estimated that global ad spending could increase 5.9% year-over-year in 2023, compared to 9% growth in 2022. IAB estimated that digital paid search ad revenue in 2023 (Alphabet is the dominant search company) could increase 8.9% year-over-year due to the potential increase in segment market share from 13.7% in 2022 to 16% in 2023.

CONSUMER DISCRETIONARY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-11.31%	-10.41%	-37.58%	-37.58%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-5.90%	7.08%	-19.44%	-19.44%

	Company Performance	1 Month
Leader	NIKE Inc	6.7%
	DR Horton Inc	3.7%
	Lennar Corp	3.0%
	Las Vegas Sands Corp	2.6%
	PulteGroup Inc	1.7%
Laggards	Tesla Inc	-36.7%
	Norwegian Cruise Line	-25.5%
	Carnival Corp	-18.8%
	Caesars Entertainment	-18.1%
	Expedia Group Inc	-18.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$37.92	$49.22	$58.53
26.5x	20.4x	17.2x

Sector Update

The Consumer Discretionary sector in December was significantly challenged once again lagging behind the broader equity market as seen in the accompanying table. Sub-sector performance was led by relatively modest increases in the Textiles, Apparel & Luxury Goods, and Household Durables categories. These gains were offset by significant drops in the Automobiles, Internet & Direct Marketing Retail, and Auto Components sub-sectors. Looking at the relative performance of Consumer Discretionary stocks, the sector has significantly underperformed the S&P 500 with the group in deep negative territory for the 1-month, 3-month, year-to-date, and trailing twelve-month periods.

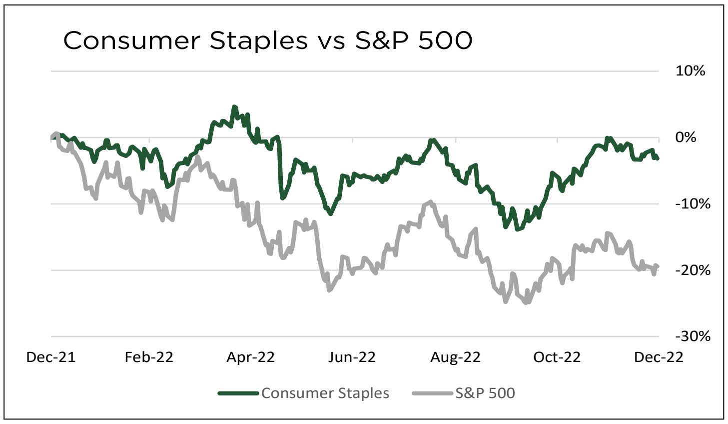
Mastercard SpendingPulse reported that retail sales excluding autos increased 7.6% year-over-year for the holiday shopping season from November 1 through December 24. This result was encouraging following the Commerce Department report that retail sales in November had dropped by the largest amount in almost a year. November retail sales declined 0.6% versus the prior month reflecting a sharp slowdown from October's growth of 1.3%. Discretionary categories were particularly soft in areas such as electronics and sporting goods while staples were stronger in categories such as food and healthcare goods. Inflation continues to be a challenge but improvements were seen in energy prices including gasoline which declined month-over-month.

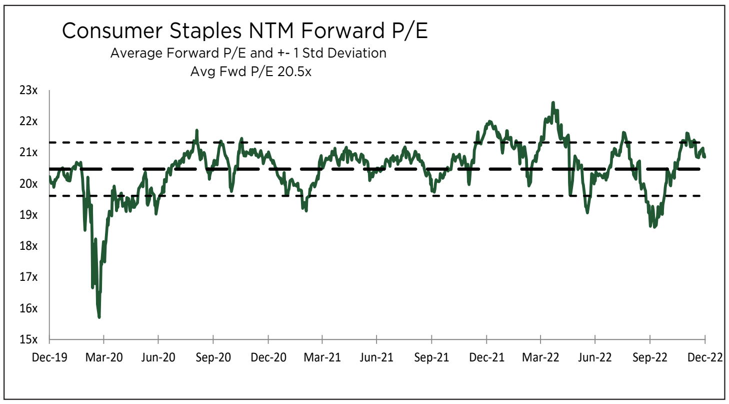
The National Association of Home Builders' monthly confidence index dropped 2 points in December to 31 reflecting ongoing uncertainty in the market and down sharply from the year-ago level of 84. This report reflects the 12th consecutive decline in the index indicating that confidence dropped in every month of 2022. The largest negative contributor to the December decline was the current sales conditions component which dropped by 3 points likely impacted by a combination of interest rates and supply challenges. We note that the November building permits report was released in December which indicates that permits fell 11.2% for the month while housing starts declined 16.4% from the prior year.

In late December, the Case-Shiller 20-city home price index for October was reported indicating that prices declined for the fourth month in a row. Year-over-year prices increased 8.6% which was a deceleration from the September gain of 10.4%. Although home prices are in a declining trend, affordability remains a challenge with mortgage rates above 6% and year-over-year pricing still up in the high single digits.

Consumer optimism picked up according to the Conference Board's December Consumer Confidence report which increased 6.9 points to 108.3. The improvement in confidence appears to have been supported by falling gasoline prices helping to lessen fears of inflation. The increase in Consumer Confidence was the first in three months and took the index to an eight-month high. Although confidence is up, the associated expectations index continues to be soft suggesting that consumers may still be cautious about the outlook into 2023.

CONSUMER STAPLES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-3.11%	11.98%	-3.17%	-3.17%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-5.90%	7.08%	-19.44%	-19.44%

	Company Performance	1 Month
Leader	Campbell Soup Co	5.7%
	Estee Lauder Cos	5.2%
	Kraft Heinz Co	3.5%
	J M Smucker Co	2.9%
	Lamb Weston Holdings	2.8%
Laggards	Costco Wholesale Corp	-15.3%
	Sysco Corp	-11.6%
	Brown-Forman Corp	-10.1%
	Walgreens Boots	-10.0%
	Constellation Brands Inc	-9.9%

Consensus FY EPS / P/E

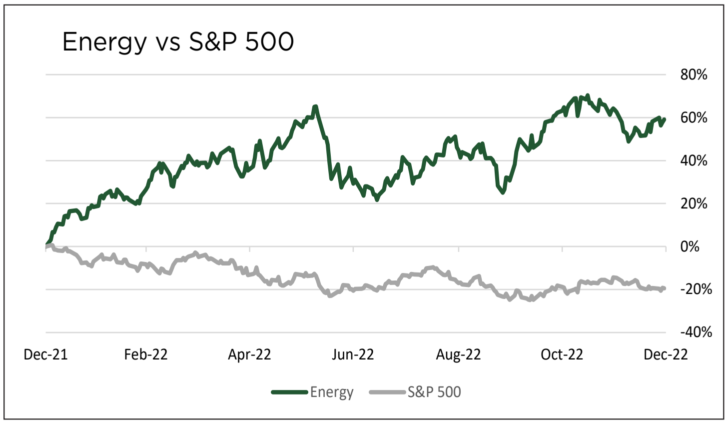
Last Year	Current Year	Next Year
$35.18	$36.55	$39.47
22.1x	21.3x	19.7x

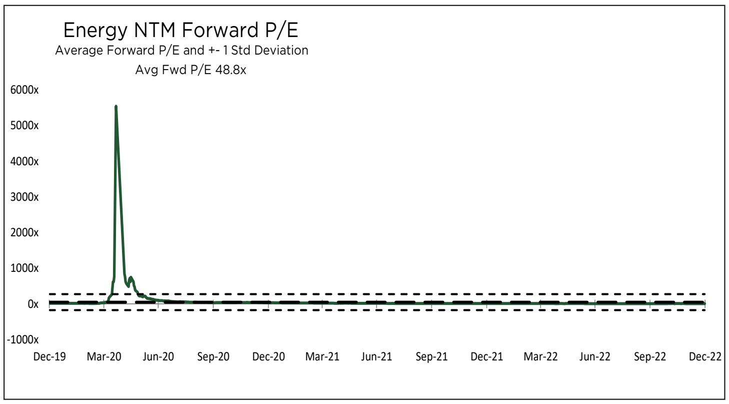
Sector Update

The Consumer Staples sector decreased 3.11% on average in December and outperformed the S&P 500 Index which decreased 5.90% for the month. Performance for December was mixed by segments with the greatest increase in Personal Products rising 5.2% and the greatest decline in Food & Staples Retailing with an 11.2% decrease. For the year, the Beverage segment rose 4.1% while the Personal Product segment declined 33%. The outperformance of the beverage segment reflects the benefit of pricing and increasing consumer mobility given on-premise recovery (restaurants, bars, entertainment places). Personal product sales faced reduced consumer purchases, an unfavorable mix, and the pressure of a volatile global economy. For 2022, the Consumer Staples sector decreased by 3.17% significantly outperforming the S&P 500 Index which declined by 19.44%. The Consumer Staples segment is now trading with a current forward P/E of about 21.3x which is towards the upper end of its historic trading range and above its average P/E. With the uncertain global economic backdrop, investor sentiment remains favorable to exposure to the more defensive stock segment. However, we continue to advise selective investment among Consumer Staples stocks. Historically, the Consumer Staples stocks have weakened as the new year begins and investors reposition portfolios away from more defensive stocks. We continue to prefer investment in companies with pricing, leading market share, strong balance sheets, and experienced management. An investment in many Consumer Staples companies continues to offer an attractive dividend yield.

For 2023, key themes center on the outlook for the global macro environment, including pricing, mix, margin recovery, inventory levels, retailer relations, portfolio management, ESG, consumer demand and purchase patterns, innovation, employment rates, and currency movement. Realized pricing in 2022 along with some moderation in input cost pressures could set up potential margin upside surprises for companies over the next year. The potential for increased promotional activity, competitive pressures, and product discounting remains a key trend to monitor entering 2023 for any potential challenge to margins. Among the Consumer Staples companies, sales for at-home consumption remain strong and elasticity remains below historical levels. Within the household and beauty channel, easing lockdown restrictions in China supports a more favorable expectation for those companies with exposure to China and the travel and leisure channel. With stronger balance sheets, we expect renewed interest in consolidation as consumer staples companies seek to drive faster top-line growth, reformulate brand portfolios, and seek additional cost savings.

ENERGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-3.16%	21.68%	59.04%	59.04%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-5.90%	7.08%	-19.44%	-19.44%

	Company Performance	1 Month
Leader	Halliburton Co	3.9%
	Schlumberger Ltd	3.7%
	Baker Hughes Co	1.8%
	APA Corp	-0.4%
	Exxon Mobil Corp	-0.9%
Laggards	EQT Corp	-20.2%
	Coterra Energy Inc	-12.0%
	Marathon Oil Corp	-11.6%
	Devon Energy Corp	-10.2%
	Occidental Petroleum	-9.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$73.90	$69.07	$61.95
9.1x	9.7x	10.9x

Sector Update

The Energy sector once again trailed the broader market in December as it did in November. The performance came amidst increasing concerns about China with the end of the Zero COVID policy adding to macro concerns related to global demand. Share price performance by sub-sector was led by Energy Equipment & Services with the Oil, Gas, & Consumables sub-sector sharply trailing during the period. Although the Energy sector lagged the S&P 500 during the month, the sector has outperformed on a three-month, year-to-date and on a trailing twelve-month basis, as seen in the accompanying table.

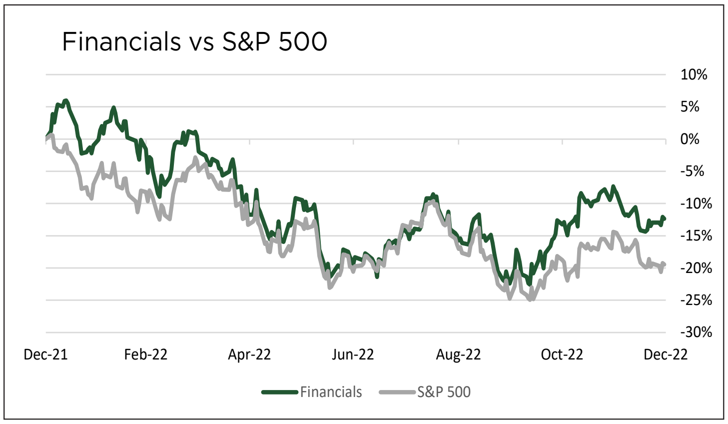
The International Energy Agency or IEA boosted its forecast for oil demand pointing to increased utilization of oil for heating. For 2022, the IEA raised its outlook for oil demand by 140,000 to 2.3 million barrels per day and for 2023 raised it by 100,000 to 1.7 million barrels per day. The IEA indicated that global demand for gasoil had exceeded expectations with European users, in particular, switching at a faster than expected rate. The IEA expects total oil demand of 99.9 million barrels per day in 2022 and demand of 101.6 million barrels per day for 2023. On the oil supply front, the IEA has also raised its outlook expecting global supply of 100 million barrels per day in 2022 and 100.8 million barrels per day in 2023.

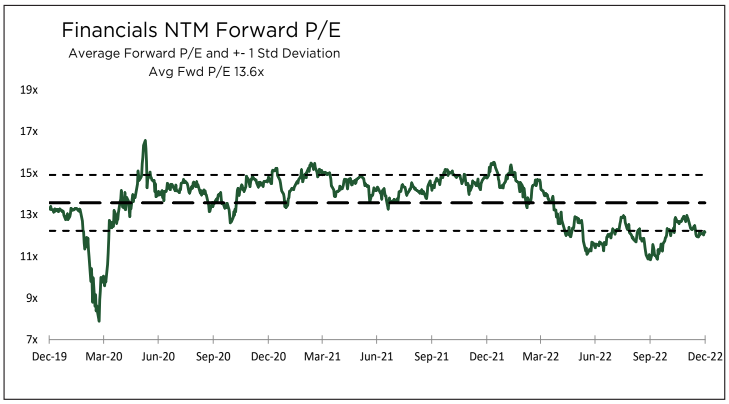
A bright spot for consumers recently has been falling gasoline prices which dropped below prior year levels in early December. Retail gas prices moving towards $3.20 per gallon reflect a sharp drop from record high prices over $5 per gallon seen in mid-June. Lower prices reflect both the drop in crude oil prices and seasonal demand factors after the summer driving and travel season.

West Texas Intermediate crude oil prices moved from the $81 per barrel range generally lower through mid December before rebounding back to end the month at about $80 per barrel. Natural gas prices were quite weak during the month moving from about $6.93 per million Btu to end the month at about $4.48 per million Btu. As was mentioned, retail gasoline prices in December declined to $3.20 per gallon at the end of the month from the $3.65 average price seen at the end of November. We note that gasoline prices have now moved below the prior year level of $3.38 per gallon.

The Baker Hughes oil rig count was down slightly in the month coming in at 621 rigs for December versus 627 rigs in November. Oil rig count at month-end was above the prior year level of 480 rigs as we have seen growth in rig counts over the past year. U.S. crude oil storage at 419 million barrels was flat from last month's level of 419 million barrels. We note that storage levels have generally been declining off the 2020 pandemic highs and are currently below the prior year level of 433 million barrels. Following the downturn seen during the height of the pandemic in 2020, U.S. crude oil production has been in an uptrend which has continued during 2022. The trough daily production seen in 2020 was in the 9.7 million barrels per day range and has now rebounded to about 12.0 million barrels per day at the end of the month.

FINANCIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-5.43%	12.96%	-12.35%	-12.35%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-5.90%	7.08%	-19.44%	-19.44%

	Company Performance	1 Month
Leader	Arch Capital Group Ltd	4.8%
	MarketAxess Holdings	4.1%
	Allstate Corp/The	1.3%
	Charles Schwab Corp/	0.9%
	Globe Life Inc	0.5%
Laggards	Lincoln National Corp	-21.1%
	Signature Ban	-17.4%
	M&T Bank Corp	-14.7%
	Wells Fargo & Co	-13.9%
	FactSet Research	-13.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$42.79	$46.77	$51.43
13.3x	12.2x	11.1x

Sector Update

The Financials sector experienced a tough year-end, along with the broader market, but outpaced the S&P 500 modestly in December on a 5.43% decline. Fourth quarter returns also compare favorably for the Financials sector, up 12.96% in the period compared to a 7.08% gain in the S&P 500. The Sector outperformed the S&P 500 in the full year, declining 12.35% in 2022 compared to the 19.44% slide in the market index.

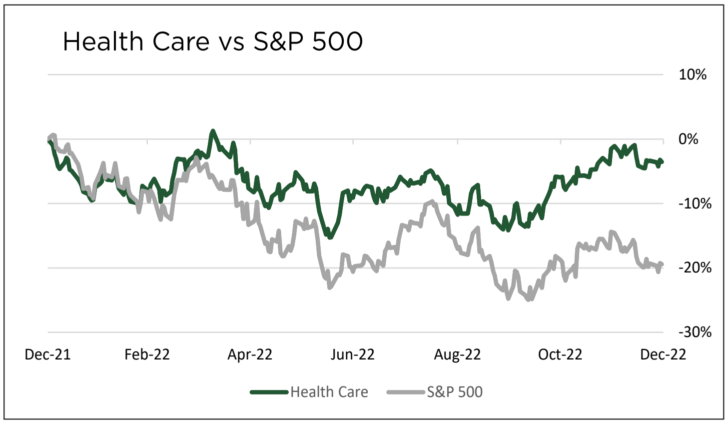
Insurance was the best-performing sub-sector among Financials in December, Q4, and for the full year 2022. The Insurance Group posted strong relative performance to the S&P 500 with an 8.2% gain for the full year and a 16.1% improvement in the fourth quarter. Banks were the largest laggards among sub-sectors for the year, down 21.6% and trailing the broader market. Banks and Consumer Finance were the worst-performing Financial sub-sectors in December, down 7.8% and 8.2%, respectively.

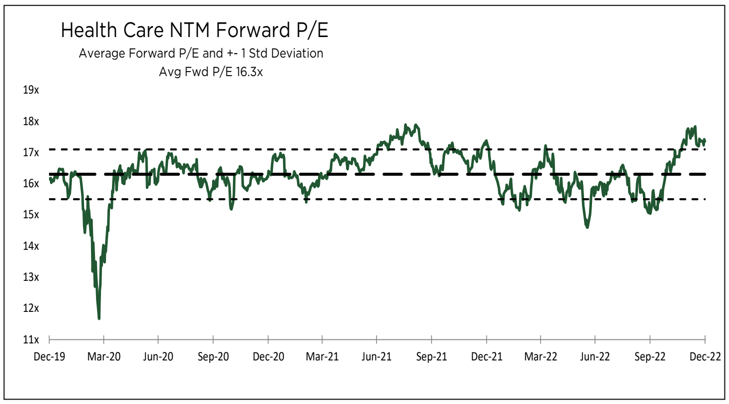
While recessionary concerns have been the primary focus in the latter stages of the year, inflation and central bank policy largely dominated investor focus throughout 2022. The Financial sector's outperformance in 2022 was primarily related to strong gains among insurers, with each of the top-ten performing stocks in the sector being in the Insurance sub-sector. These companies benefitted from inflation tailwinds to policy pricing and gained strong traction in investment income from higher interest rates.

Specialty and consumer lenders were the largest detractors in the Sector for the full year as credit concerns overwhelmed better-than-expected earnings results provided throughout the year. FY22 marked the beginning of a new credit normalization cycle as loss levels bounced from record lows in the third quarter of 2021.

While loss levels remain ~50% below 2019 averages in the closing stages of 2022, a marked increase in early-stage delinquencies and greater uncertainty around future 'peak' losses in the current cycle kept shares of consumer lenders such as Capital One (COF) and Synchrony Financial (SYF) in the penalty box. Joining Lenders in the underperforming camp were high-multiple information services companies like S&P (SPGI) and Moody's (MCO), as increasing interest rates put stiff downward pressure on valuations.

Looking to 2023, we remain cautious and selective on new investment in the Financial sector. Given recessionary concerns and the Fed's stated objective of weakening the labor market to quell inflation, it is difficult to project a catalyst for shares in this cyclically sensitive sector. Valuations, particularly on forward earnings expectations, may be more rich than apparent given expectations of softening economic activity, lower loan demand, and rising credit costs likely to pressure profitability.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.05%	12.34%	-3.55%	-3.55%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-5.90%	7.08%	-19.44%	-19.44%

	Company Performance	1 Month
Leader	Universal Health	7.7%
	Organon & Co	7.3%
	Align Technology Inc	7.2%
	Teleflex Inc	6.6%
	Zimmer Biomet	6.2%
Laggards	Bristol-Myers Squibb	-10.4%
	Catalent Inc	-10.2%
	Baxter International	-9.8%
	ResMed Inc	-9.6%
	Biogen Inc	-9.3%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$81.59	$91.06	$97.53
19.4x	17.4x	16.3x

Sector Update

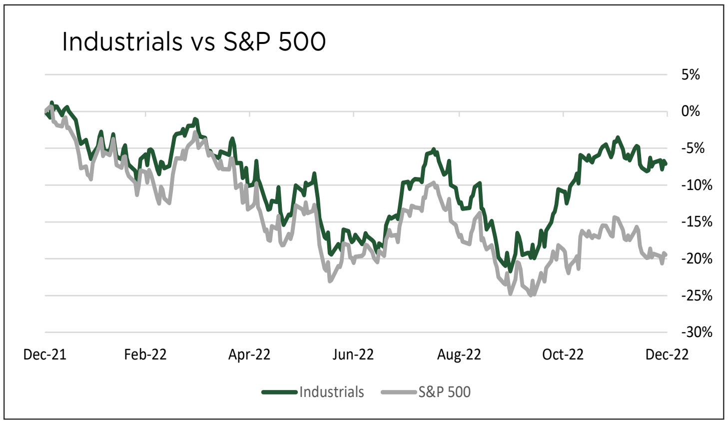
The broad-based market rally sputtered in December as Santa turned into the Grinch – with the S&P 500 selling off by 5.90% ending the year on a down note with full-year performance for the index showing a decline of 19.44%. In contrast, the defensive Health Care sector outperformed after lagging in November – experiencing a modest 2.05% decline. As illustrated in the adjacent table, over the past 3 months, year-to-date, and trailing 12-month periods, the healthcare sector has measurably outperformed the S&P 500 as the sector has delivered fairly consistent earnings growth during a period of challenged economic conditions during the COVID pandemic. That is, the defensive nature of the products and services offered by the sector typically results in outperformance during challenged economic/markets conditions. However, we note that currently trading at about 17.4x forward earnings, the Health Care sector's overall valuation trades at a premium to the historical average of 16.3x, while foreign exchange headwinds (Fx), shifting impacts, and caseload of COVID globally, labor shortages, and inflationary pressures may weigh on individual company performance to varying degrees through at least 1H2023. Still, given a weakening U.S. economic outlook, we anticipate that the healthcare sector is positioned to continue to outperform through 1H2023 (that is as far as we are attempting to forecast today). We recommend investors selectively focus on quality, larger cap stocks among companies offering value-added products/services that provide enhanced pricing power helping to sustain margins, earnings gains, and cash flow.

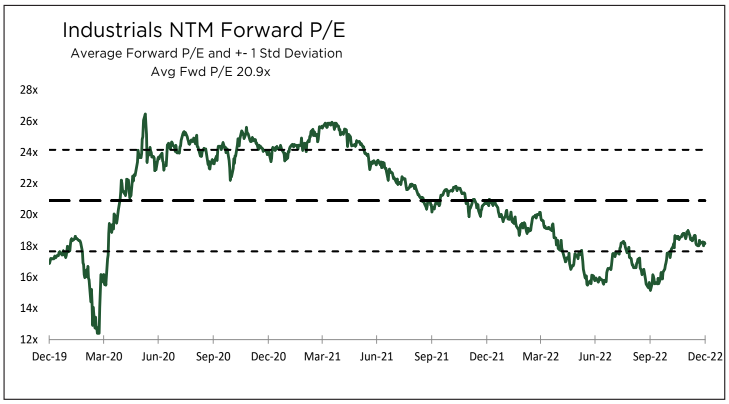
The most recent performance among leading healthcare stocks has been influenced extensively by operating results reported for the 3Q2022 period as well as among those offering subsequent business updates. For example, hospital operator Universal Health Services experienced strength forthcoming from its mental health facilities in 2H2022, while pricing remains sound and labor cost trends have modestly stabilized, helping to drive improved results with analysts recognizing the improved trends via rating increases. Established pharma firm Organon has made progress with its focus on women's health and biosimilars – driving enhanced margins that flowed through to share price appreciation.

In contrast macro and company-specific headwinds that persist drive heightened near-term uncertainty among other firms. Factors such as foreign exchange; inflationary pressures impacting labor and or raw material costs; and varying product/service demand post-COVID; along with weakening economic conditions have weighed on results among companies such as Bristol Myers, Catalent, and Baxter International.

Bristol cited foreign exchange headwinds as a key factor behind a recent reduction to 2022 earnings guidance, while Baxter indicates shortages of key components for its Hill-Rom and infusion pump product lines persist weighing on stock valuations.

Although a range of headwinds persist for the healthcare sector, related to supply chains, raw materials, and labor/wage costs, given the current uncertain macro-economic environment we sense that Health Care is poised to outperform into 2023 compared to many other more economically sensitive S&P sectors suggesting selective investment remains appropriate.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-3.11%	18.67%	-7.10%	-7.10%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-5.90%	7.08%	-19.44%	-19.44%

	Company Performance	1 Month
Leader	Boeing Co	6.5%
	Howmet Aerospace Inc	4.6%
	Northrop Grumman	2.3%
	Raytheon	2.2%
	Caterpillar Inc	1.3%
Laggards	Southwest Airlines Co	-15.6%
	United Airlines	-14.6%
	American Airlines	-11.9%
	Expeditors	-10.5%
	Rollins Inc	-9.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$35.82	$45.55	$51.38
23.2x	18.3x	16.2x

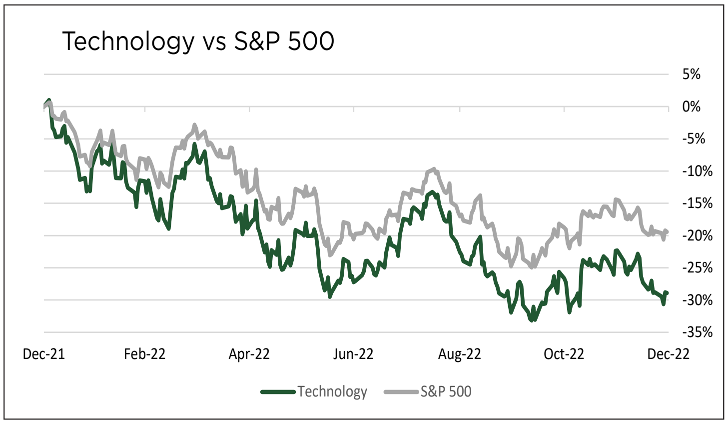
Sector Update

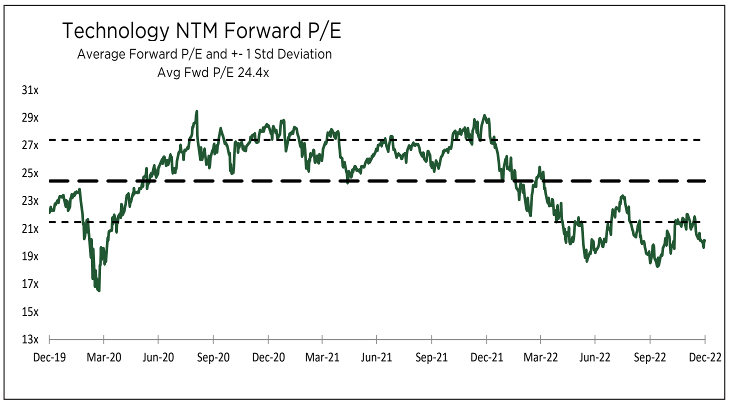
Despite a second consecutive contraction in the manufacturing sector for December, the Industrial sector fared better than the S&P 500 during the month with a 3.11% decline versus the S&P 500's decline of 5.90%. Falling PMIs have suggested to investors that inflation has peaked, providing some hope for the Federal Reserve to slow down on its tightening measures. On the other hand, falling PMIs indicate slower forecasted earnings growth and GDP, a threat to the Industrial Sector given its cyclicality.

The best-performing subsector for the month, the Aerospace & Defense group, is more insulated from cyclical factors than its industrial subsector peers while geopolitical factors may continue to keep government spending in defense strong. Risk-off sentiment also favors well for the subsector, which helped lead the subsector to the only positive performance of the twelve sub-sectors in the Industrial group. Four of the top five sector leaders for the month belong to the Aerospace and Defense subsector, led by Boeing (BA). The aircraft maker received positive news from Congress on the last trading day of November, after it was reported that lawmakers were set to allow the Federal Aviation Administration to certify the MAX 7 and 10 after certain safety measures were met. Meanwhile, Airlines registered the weakest performance with a 12.0% decline in December. The top three laggards belong to this subsector, including Southwest (LUV), United (UAL), and American Airlines (AAL). Airlines canceled thousands of U.S. flights near the holiday season due to weather concerns, while Southwest Airlines emerged as the airline most affected by these cancelations. In December, the ISM reported that U.S. manufacturing recorded the lowest PMI reading since May 2020 – the lowest point since the pandemic.

The December manufacturing PMI registered 48.4%, 0.6% lower than November's reading of 49%. PMIs remain a macro lens into earnings revisions, suggesting that global earnings estimates may be poised to fall. Demand continued to ease as the New Orders Index remained in contraction territory, 2% lower than November's reading. The Production Index also fell, with a reading 3% lower than in November.

INFORMATION TECHNOLOGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-8.42%	4.44%	-28.91%	-28.91%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-5.90%	7.08%	-19.44%	-19.44%

	Company Performance	1 Month
Leader	DXC Technology Co	250.2%
	VeriSign Inc	2.8%
	Broadcom Inc	1.5%
	Seagate Technology	-0.7%
	Roper Technologies Inc	-1.5%
Laggards	Enphase Energy Inc	-17.4%
	Salesforce Inc	-17.3%
	ON Semiconductor	-17.1%
	Advanced Micro	-16.6%
	Trimble Inc	-15.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$93.08	$103.61	$118.04
23.3x	21.0x	18.4x

Sector Update

The Technology sector underperformed the market in 2022 as rising interest rates contributed to the compression of sector valuations and could trail the market in the near term as the weaker global economy may contribute to lower consumer and corporate demand for technology products. We consider the Technology sector close to fairly valued, with a P/E of 21.0x, compared to its average forward P/E multiple of 24.4x.

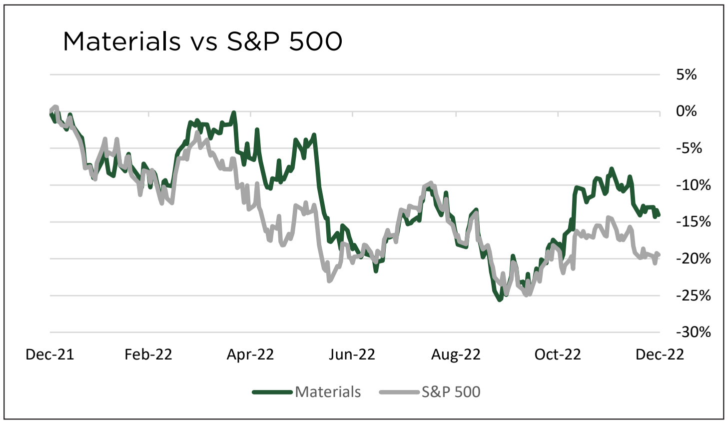
China's suspension of its zero Covid policy in early December contributed to soaring Covid infections, which could engulf the entire country and disrupt the manufacture of technology components and products such as Apple's iPhone. In addition, widespread Covid infections could impact Chinese consumer demand for electronic devices.

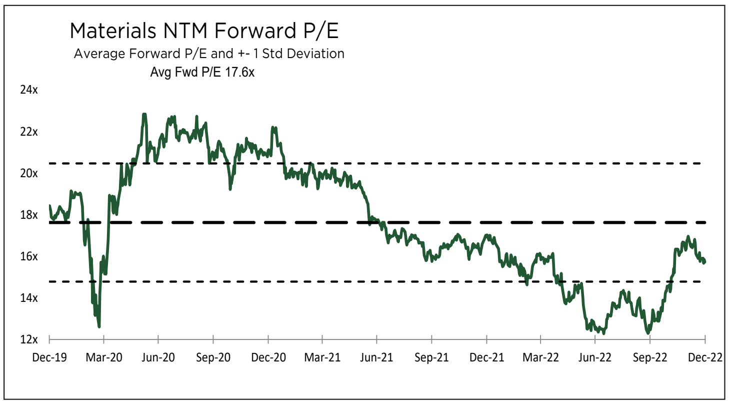
Technology Hardware, Storage, and Peripherals was the worst-performing sub-sector in December. Consumer demand for gaming PCs, smartphones, and other electronic devices continued to deteriorate as consumers cope with higher energy, food, and housing costs.

Semiconductor and Semiconductor Equipment significantly lagged the market in 202 due to lower consumer demand for PCs, tablets, and smartphones, along with weaker corporate and cloud data center demand for servers and storage. While semiconductor demand held up well in the automotive and industrial sectors, the deterioration in global economic growth (most countries manufacturing sectors are contracting) could impact demand in these sectors.

While corporations and governments continue to increase their spending on cloud-based software to drive improved efficiencies, they have become more cautious in response to the weakening global economy. While the Software sector lagged the market in 2022, leading software companies have begun to reduce costs, which may enable them to improve profit margins as demand recovers.

MATERIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-5.81%	14.44%	-14.06%	-14.06%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-5.90%	7.08%	-19.44%	-19.44%

	Company Performance	**1 Month**
Leader	Newmont Corp	-0.6%
	Air Products	-0.6%
	International Flavors	-0.9%
	Dow Inc	-1.1%
	LyondellBasel	-2.3%
Laggards	Albemarle Corp	-22.0%
	CF Industries Holdings	-21.2%
	Mosaic Co	-14.5%
	Corteva Inc	-12.5%
	Nucor Corp	-12.1%

Consensus FY EPS / P/E

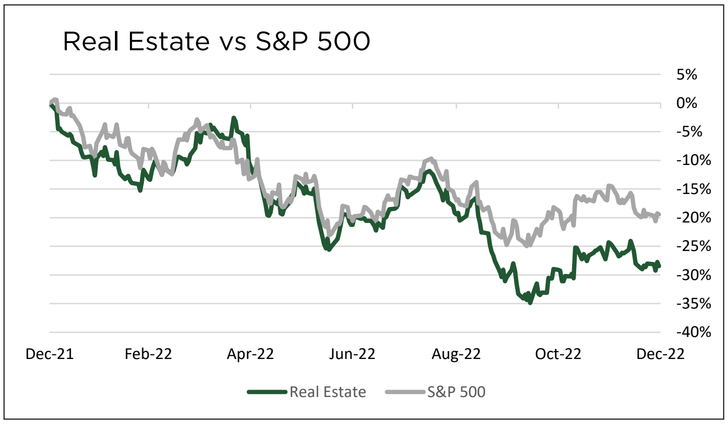
Last Year	Current Year	Next Year
$35.87	$31.05	$32.32
13.6x	15.8x	15.1x

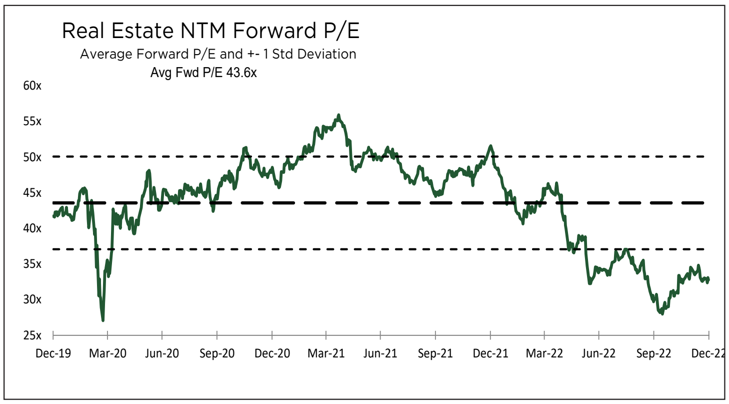
Sector Update

The Materials segment decreased by 5.81% in December and performance was relatively in line with the S&P 500 Index which declined 5.90%. All segments declined during December reflecting heightened concerns regarding COVID and China. For 2022, the Materials segment decreased by 14.06% and outperformed the S&P 500 Index which declined by 19.44%. The Materials segment continues to trade with a current forward P/E that is below its average forward P/E of about 17.6x. Serving such end markets as chemicals, packaging, glass, fertilizer, cement, and metals, the material segment benefits from strong economic growth. Materials stocks are very cyclical and historically underperform in periods of economic weakness or recessions. Key variables across the segments include supply and demand, pricing, consumer demand, supply chains, and labor. Selective investment among the group remains a key factor and remains an attractive opportunity for long-term investors.

For 2023, the outlook for the chemical segment centers on an expected recovery in 2H. The construction industry currently faces increasing challenges including supply chain issues, pricing, labor shortages, and the health of global economies. Improved performance for the chemical companies is dependent on results for such end markets as construction, autos, and consumers (resin-derived products and agriculture). The Materials companies could begin to realize strengthening margins as input costs moderate. Preferred areas for potential investment include coatings, lithium, and hydrocarbon.

The timing of China's reopening remains a key factor to monitor as well as inventory levels, infrastructure spending, and the recovery of the economy. The slowdown in domestic housing demand remains a key overhang in the group and the outlook for spring remains a key variable. Less pressure from an energy crisis in Europe contributed to recent strength among the chemical group. Execution remains critical in an ongoing volatile global environment.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-5.47%	2.85%	-28.45%	-28.45%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-5.90%	7.08%	-19.44%	-19.44%

	Company Performance	1 Month
Leader	Realty Income Corp	0.6%
	Simon Property Group	-1.6%
	Ventas	-3.2%
	CBRE Group	-3.3%
	Essex Property Trust	-3.8%
Laggards	Vornado Realty Trust	-17.7%
	Host Hotels & Resorts Inc	-15.3%
	Digital Realty Trust	-10.8%
	Invitation Homes	-9.2%
	Federal Realty	-9.1%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$7.06	$6.93	$7.40
32.9x	33.5x	31.4x

Sector Update

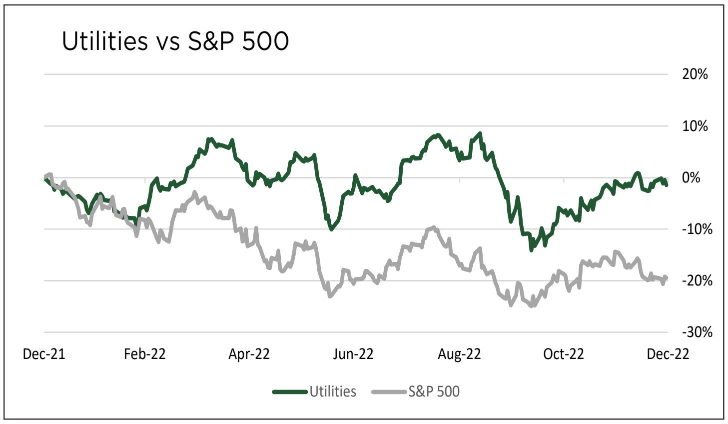
The autumn 2022 bear market rally did not last into yearend as investors reacted to Fed speak commentary and an updated 'dot plot' forthcoming with the December 14th FOMC session. That is, Fed governors broadly anticipate tightening policy will be maintained well into 2023, likely followed by an extended period of interest rates being sustained at 'peak' levels until clear evidence that targeted 2% inflation trends are on the horizon. Thus, markets backed off versus experiencing the hoped-for Santa Claus rally in December – with the S&P 500 retrenching 5.90% ending the year on a down note with full-year performance for the index showing a decline of 19.44%. As depicted in the adjacent tables, the Real Estate sector modestly outperformed once again in December, extending improved relative performance from November, with the sector off 5.47% for the month as investors anticipated a slowing pace of rate hikes with the peak for the cycle widely anticipate into spring 2023. Still, we note that the Real Estate sector has measurably underperformed over the past 12 months being down 28.45% versus the decline of 19.44% registered by the S&P 500 – with question marks existing concerning the economic outlook into 2023 that could weigh on sector performance going forward. In addition, positive real returns offered from the fixed-income markets represent a competing alternative for those seeking yield historically derived from real estate's status as a bond proxy sector. As such, we anticipate that given economic uncertainties forecast to persist through 2023, along with the aforementioned positive returns available from alternative fixed-income products, the Real Estate sector will remain challenged at least through 1H2023.

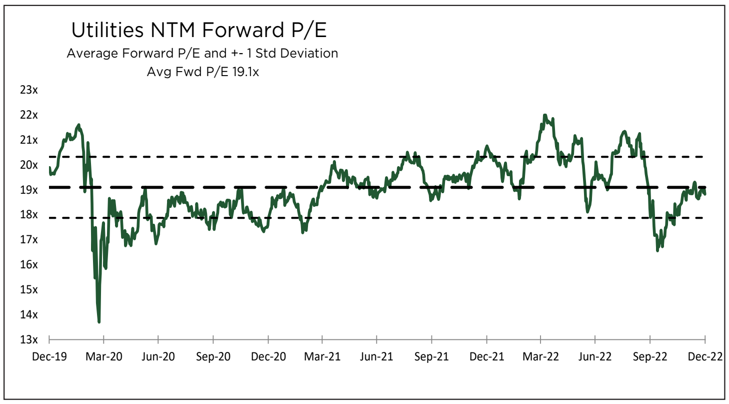
With consumers having retrenched on purchases of durable goods given a slowing economy; the housing sector on the decline; capacity expansion/absorption issues impacting some subsectors; and rising overhead costs impacting others (labor or energy related) REIT investor fears over occupancy and rental pricing implications have arisen with expectations for a slowdown in 2023. In the meantime, rising interest rates weigh on M&A activity. Thus it is not surprising that only one company in the REIT sector showed any appreciation in December – with Realty Income, the monthly dividend company, up 0.6%. We note that this REIT possesses an 'A' rated balance sheet with its board of directors implementing a small dividend increase in December that supported the shares. In the meantime, the firm also announced its entry into the attractive gaming space with the acquisition of the Encore Boston Harbor from Wynn Resorts which will continue to operate the property.

Still, economic concerns; substantial unfilled office space capacity; and rising interest rates weigh on valuations of REITs operating in major urban markets – notably New York City – with Vornado Realty experiencing a 17.7% decline in December. RevPAR moderation at Host Hotels has analysts anticipating a 30% decline in the dividend payout for this leading lodging REIT in 2023 that pressured the shares last month, while concerns over pricing power for pending renewals at data center operator Digital Realty have weighed on that firm's shares.

Given the Fed's quantitative tightening strategy now underway, we sense that economic uncertainty will persist as the U.S. has not experienced a similar process to any significant degree in the past four decades with the outcome/ramification to follow. Interest rates, occupancy, and pricing trends and the influence they have on the economy will likely remain the challenge to investor sentiment for the Real Estate sector into 2023. Among the better-positioned subsectors in our view are tower REITs, logistics/warehouse, and select data center operators.

UTILITIES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-0.77%	7.81%	-1.44%	-1.44%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-5.90%	7.08%	-19.44%	-19.44%

	Company Performance	1 Month
Leader	Southern Co/The	5.6%
	Exelon Corp	4.5%
	CMS Energy Corp	3.7%
	PG&E Corp	3.6%
	Duke Energy Corp	3.1%
Laggards	NRG Energy Inc	-25.0%
	Constellation Energy	-10.3%
	Sempra Energy	-7.0%
	Atmos Energy Corp	-6.8%
	WEC Energy Group Inc	-5.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$16.75	$19.07	$20.61
21.4x	18.8x	17.4x

Sector Update

The Utilities sector declined 0.77% in December but outpaced the 5.9% decline in the S&P 500 by a wide margin as investors pivoted risk-off to close a tumultuous 2022. The defensive sector closed 2022 outperforming the broader market index in the fourth quarter and full year, beating the S&P by 18 percentage points in 2022 on a 1.44% decline.

Constellation Energy (CEG), spun from Exelon (EXC) early in 2022, was the stand-out among sector components gaining more than 105% in the full year as a renewable darling given its outsized exposure to nuclear and other zero-carbon generation that we've highlighted in the previous monthly commentary. Wildfire-beleaguered PG&E (PCG) was the second-best performer for the year, up 34.7% as the company settled its liability from wildfire damages caused by improper maintenance dating back to 2017.

NRG Energy (NRG) was the worst performing Utility stock in FY22, down 25.8% in the year after a 25% downside move in December following the announced acquisition of Vivint Smart Home (VVNT) early in the month. The $5.2B acquisition, including the assumption of debt, marked a continuation of NRG's stated multi-year strategy of becoming more oriented toward consumer services. On the other hand, the acquisition was surprising with regard to valuation and use of capital with prior expectations pointed toward share repurchasing or deleveraging.

Dominion Energy (D) was the second worst performer among the Utility sector in 2022, down 21.9% in the year seeing most of the downside move after announcing a 'top to bottom' strategic business review in conjunction with its Q3 earnings report and appealing a regulator's performance guarantee tied to its Coastal Virginia Offshore Wind (CVOW) program that remains vitally important to its growth Capex strategy through 2026. In December, the Virginia State Corporation Commission (SCC) approved a settlement with the company removing and replacing the performance guarantee with a cost-sharing mechanism for budget overruns; however, its strategic review remains a clear overhang into early 2023.

Looking to 2023, we continue to think many Utilities are somewhat 'caught in the middle' between historical defensiveness and inflationary pressures against long-term capital expenditure backlogs. Further, investors are no longer pinned to bond proxy equities in a search for income with a two-year treasury providing a 4.3% yield at year-end. Utilities appear fairly valued at 18.8x forward earnings expectations, and could maintain a premium to the market multiple against a softening macro; however, we see relatively limited upside in the sector at this juncture.

ECONOMIC CALENDAR

Date	Release	For	Prior
6-Jan	Nonfarm Payrolls	Dec	256K
6-Jan	Nonfarm Private Payrolls	Dec	202K
6-Jan	Unemployment Rate	Dec	3.60%
6-Jan	Avg. Hourly Earnings	Dec	0.40%
6-Jan	Average Workweek	Dec	34.40%
6-Jan	Factory Orders	Nov	0.40%
6-Jan	ISM Non-Manufacturing Index	Dec	56.50%
9-Jan	Consumer Credit	Nov	$27.0B
10-Jan	Wholsale Inventories	Nov	0.50%
11-Jan	MBA Mortgage Applications Index	1/7	NA
7-Jan	EIA Crude Oil Inventories	1/7	1.69M
12-Jan	CPI	Dec	0.10%
12-Jan	Core CPI	Dec	0.10%
12-Jan	Initial Claims	1/7	204K
12-Jan	Continuing Claims	12/31	1694K
12-Jan	EIA Natural Gas Inventories	1/7	-221 bcf
12-Jan	Treasury Budget	Dec	-$248.5B
13-Jan	Import Prices	Dec	-0.6%
13-Jan	Import Prices ex-oil	Dec	-0.4%
13-Jan	Export Prices	Dec	-0.3%
13-Jan	Export Prices ex-ag.	Dec	-0.6%
13-Jan	Univ. of Michigan Consumer Sentiment - Prelim	Jan	59.7
17-Jan	Empire State Manufacturing	Jan	NA
18-Jan	MBA Mortgage Applications Index	1/14	NA
18-Jan	PPI	Dec	0.30%
18-Jan	Core PPI	Dec	0.40%
18-Jan	Retail Sales	Dec	-0.6%
18-Jan	Retail Sales ex-auto	Dec	-0.2%
18-Jan	Industrial Production	Dec	-0.2%
18-Jan	Capacity Utilization	Dec	79.70%
18-Jan	Business Inventories	Nov	NA
18-Jan	NAHB Housing Market Index	Jan	31
18-Jan	EIA Crude Oil Inventories	1/14	NA
18-Jan	Fed's Beige Book	Jan	NA
18-Jan	Net Long-Term TIC Flows	Nov	$67.8B
19-Jan	Initial Claims	1/14	NA
19-Jan	Continuing Claims	1/7	NA
19-Jan	Housing Starts	Dec	1427K
19-Jan	Building Permits	Dec	1342K
19-Jan	Philadelphia Fed Index	Jan	-13.8
19-Jan	EIA Natural Gas Inventories	1/14	NA
20-Jan	Existing Home Sales	Dec	NA

ECONOMIC CALENDAR

23-Jan	S&P Case-Shiller Home Price Index	Nov	NA
23-Jan	Leading Indicators	Dec	NA
25-Jan	MBA Mortgage Applications Index	1/21	NA
25-Jan	EIA Crude Oil Inventories	1/21	NA
26-Jan	Adv. Intl. Trade in Goods	Dec	NA
26-Jan	Chain Deflator-Adv.	Q4	NA
26-Jan	Durable Goods - ex transportation	Dec	NA
26-Jan	Durable Orders	Dec	NA
26-Jan	GDP-Adv.	Q4	NA
26-Jan	Initial Claims	1/21	NA
26-Jan	Continuing Claims	1/14	NA
26-Jan	New Home Sales	Dec	NA
26-Jan	EIA Natural Gas Inventories	1/21	NA
01/2601/27	PCE Prices	Dec	NA
27-Jan	PCE Prices - Core	Dec	NA
27-Jan	Personal Income	Dec	NA
27-Jan	Personal Spending	Dec	NA
27-Jan	Pending Home Sales	Dec	NA
27-Jan	Univ. of Michigan Consumer Sentiment - Final	Jan	NA
31-Jan	Chicago PMI	Jan	NA
31-Jan	Employment Cost Index	Q4	NA
31-Jan	FHFA Housing Price Index	Nov	NA
31-Jan	S&P Case-Shiller Home Price Index	Nov	NA

DISCLOSURES

This information has been compiled from various sources we believe to be reliable, however, there is no guarantee of its accuracy or completeness. Any opinion expressed herein is based upon our interpretation of the information from such source. This information is not furnished in connection with a sale or offer to sell securities or in connection with the solicitation of an offer to buy securities. Our firm, or its offices or members of their families, may at times, have a long or short position in the securities mentioned herein and may make purchases or sales of these securities while this memorandum is in circulation.

Past performance is not indicative of future results.

An index is not available for direct investment; therefore, its performance does not reflect the expenses, fees and taxes generally paid with the active management of an actual portfolio.

Sectors and sector components defined by Standard & Poor's GICS Level 1 index. For the list of all holdings in GICS Level 1 index sectors, contact your Davenport Financial Advisor.

Leaders: Represent top five best stock price performance in the most recent calendar month within their respective GICS Level 1 Sector

Laggards: Represent top five worst stock price performance in the most recent calendar month within their respective GICS Level 1 Sector

Members: The GICS Level 1 Telecommunication Services sector has only three component companies. This sector will not include "Leaders and Laggards", but will show all three members and their price performance over the previous calendar month.

S&P 500®: The S&P 500 Index is comprised of 500 U. S. stocks and is an indicator of the performance of the overall U.S. stock market. Standard & Poor's Financial Services LLC, a division of S&P Global, is the source and owner of the registered trademarks related to the S&P 500 Index.

Dow Jones Industrials: The Dow Jones Industrial Average is an index of 30 "blue chip" stocks of U.S. "industrial" companies.

NASDAQ Composite: The Nasdaq-100 Index is a "modified capitalization-weighted" index designed to track the performance of a market consisting of the 100 largest and most actively traded non-financial domestic and international securities listed on The Nasdaq Stock Market, based on market capitalization.

Russell 2000®: The Russell 2000® Index is a capitalization-weighted index designed to measure the performance of a market consisting of the 2,000 smallest publicly traded U.S. companies (in terms of market capitalization) that are included in the Russell 3000® Index. Source: London Stock Exchange Group PLC and its group undertakings (collectively, the "LSE Group"). © LSE Group 2021. FTSE Russell is a trading name of certain LSE Group companies. "Russell®" is a trade mark of the relevant LSE Group companies and is used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote/sponsor/endorse the content of this communication.

FTSE 100: The FTSE 100 is an index of the leading shares on the London Stock Exchange. Shanghai Composite: The SSE Composite Index is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

Nikkei Stock Average: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index comprised of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average Index in the United States.

Stoxx Europe 600: The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

MSCI Emerging Markets: The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. (MSCI Website).

MSCI Emerging Markets Small Cap: The MSCI Emerging Markets Small Cap Index includes small cap representation across 23 Emerging Markets countries. With 1,889 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country. The small cap segment tends to capture more local economic and sector characteristics relative to larger Emerging Markets capitalization segments.

US Dollar Index (USDX, DXY): An index (or measure) of the value of the United States dollar relative to a basket of currencies, often referred to as a basket of US trade partners' currencies.

VIX: The ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.

Shanghai Composite (SSE Index): The Shanghai Composite Index, also known as the SSE Index is a stock market index of all stock (A shares and B shares) that are traded at the Shanghai Stock Exchange.

Certification: As the primary authors of this report, we hereby certify that the views and opinions expressed herein accurately reflect our personal views and opinions about the principal subject(s) of this report. Further, I hereby certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or personal views expressed herein.

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