MARKET COMMENTARY

DAVENPORT 1863
BUILDING WEALTH TOGETHER

JULY 2022

- Recession fears are rising and impacting markets
- Rising energy prices continue to weigh on consumer demand
- Atlanta Fed Q2 GDPNow estimate has turned negative
- We continue to think that the Q2 earnings season could be challenging

Equity markets closed out June and the first half of 2022 to the downside as investors chose to stay on the sidelines in the face of a challenging bear market. Amidst an environment of rising rates and surging inflation, equity valuations have moved relentlessly downward this year most recently fueled by rising fears of recession. With this uncertain backdrop, the VIX Index or "fear gauge" repeatedly broke above 30 during the month, and by month-end it had trended down towards the high-20's range. For the full month, major equity indexes were all down sharply with the Dow Jones Industrial Average declining 6.7%, the S&P 500® index down 8.4%, and the smaller cap weighted Russell 2000® down 8.4% for the month.

There was no place to hide in June with all eleven S&P industry sectors down for the month. The best performing sector was Health Care which dropped 2.8% closely followed by the Consumer Staples sector, which was down 2.9% for the month. The weakest performance in the month was posted by the Energy sector which decreased 17.0% followed by the Materials sector which was down 14.1%. For the prior twelve month period, the Energy sector was the best performer with a 34.1% increase, followed by the Utilities sector up 10.8%, while the Communication Services sector was the worst performer for the past twelve months with a 29.6% decrease, followed by the Consumer Discretionary sector which was down 24.7%.

Amidst growing signs of a widening economic slowdown, central banks, including the U.S. Federal Reserve, are acting in concert to tighten monetary policy in a coordinated effort to fight inflation. Investors are increasingly handicapping the likelihood of a recession as the Fed pushes rates higher and launches quantitative tightening in order to engineer much lower inflation. With the possibility of a soft landing looking less likely, equity markets continue to be under pressure as risk averse investors appear to want to stay on the sidelines in the current bear market environment. There were further signs that the U.S. economy is slowing with the revision in Q1 GDP from down 1.5% to a revised decline of 1.6%. Factors contributing to the softness in GDP include a significant jump in the trade deficit combined with a pullback in government stimulus. The outlook for Q2 GDP has recently declined reflecting growing macroeconomic challenges with the Federal Reserve Bank of Atlanta's Q2 GDPNow estimate recently moving into negative territory. With the possibility of two sequential down GDP quarters, the likelihood of the U.S. rolling over into recession appears to be increasing.

Where to from here?

Rising energy prices continue to weigh on consumer spending and inflation with little relief in sight. The Organization of Petroleum Exporting Countries (OPEC) and its allies met at the end of June and confirmed its continued gradual oil production growth strategy. OPEC agreed as expected to raise production by 648,000 barrels per day in August. This increase is in line with the planned July increase and matched guidance provided in early June. With the war in Ukraine and isolation of Russian exports combined with production declines in Libya and Ecuador, the global oil market appears to continue to be out of balance which has contributed to the surge in oil prices seen this year. For the month of June, WTI crude oil prices did decline somewhat with the price per barrel dropping from over \$114 to end the month just under \$106. Tight supply conditions combined with summer travel demand and the prospect of potential recovering growth in China, seem to provide a healthy backdrop for oil markets at least in the near term.

We continue to think that the Q2 earnings season could be challenging presenting a difficult backdrop for companies to provide guidance. There remain a range of uncertainties related to Fed policy, inflation, the economy and geopolitics that will likely persist, while the fall election season heats up. Although the S&P 500 price/earnings multiple has returned toward historical averages, we believe forecasts could be optimistic and would not be surprised to see estimates trimmed as we move into H2. Still, we maintain our recommendation for long term investors to build/add to positions among quality stocks as the market appears to have factored in much of the 'bad news'. We remain selective employing a barbell strategy that focuses on quality, lower beta, dividend paying companies as well as select growth stocks with pricing power to sustain growth over the intermediate/long term. A focal point as we look forward will be a focus on companies offering products and services that remain in demand despite economic weakness - with pricing power that supports sustained earnings growth.

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MARKET AND ECONOMIC STATISTICS

Market Indices:	6/30/2022	12/31/2021	% Change YTD	5/31/2022	% Change (Monthly)
S&P Composite	3,785.38	4,766.18	-20.58%	4,132.15	-8.39%
Dow Jones Industrials	30,775.43	36,338.30	-15.31%	32,990.12	-6.71%
NASDAQ Composite	11,028.74	15,644.97	-29.51%	12,081.39	-8.71%
Russell 2000	1,707.99	2,245.31	-23.93%	1,864.04	-8.37%
FTSE 100	7,169.28	7,384.54	-2.92%	7,607.66	-5.76%
Shanghai Composite	3,398.62	3,639.78	-6.63%	3,186.43	6.66%
Nikkei Stock Average	26,393.04	28,791.71	-8.33%	27,279.80	-3.25%
Stoxx Europe 600	407.20	487.80	-16.52%	443.35	-8.15%
MSCI Emerging Markets	1,000.67	1,232.01	-18.78%	1,077.67	-7.15%
MSCI Emerging Markets Small Cap	1,115.18	1,412.34	-21.04%	1,251.95	-10.92%

Performance of S&P 500 by Industry:	% of Index as of 06/30/22	1 Month	3 Month	Year to Date	12 Months
Consumer Discretionary	10.54%	-10.90%	-26.32%	-33.09%	-24.73%
Consumer Staples	6.99%	-2.87%	-5.23%	-6.78%	3.94%
Energy	4.35%	-16.98%	-6.13%	29.21%	34.09%
Financials	10.84%	-11.07%	-17.92%	-19.49%	-14.29%
Health Care	15.14%	-2.84%	-6.30%	-9.10%	1.73%
Industrials	7.80%	-7.50%	-15.17%	-17.49%	-14.76%
Information Technology	26.84%	-9.37%	-20.44%	-27.25%	-14.32%
Materials	2.60%	-14.08%	-16.31%	-18.69%	-10.42%
Communication Services	8.87%	-7.70%	-20.87%	-30.45%	-29.63%
Utilities	3.10%	-5.13%	-5.73%	-2.00%	10.84%
Real Estate	2.93%	-7.48%	-15.43%	-21.24%	-7.80%
S&P 500 (Absolute performance)	100.0%	-8.39%	-16.45%	-20.58%	-11.92%

Interest Rates:	6/30/2022	12/31/2021	YTD Change (Basis Points)	5/31/2022	Month Change (BPS)
Fed Funds Effective Rate	0.08%	0.09%	-1	0.83%	-75
Prime Rate	4.75%	3.25%	150	4.00%	75
Three Month Treasury Bill	1.12%	0.09%	104	0.89%	23
Ten Year Treasury	3.01%	1.51%	150	2.84%	17
Spread - 10 Year vs 3 Month	1.89%	1.43%	46	1.95%	-6

Foreign Currencies:	6/30/2022	12/31/2021	% Change YTD	5/31/2022	% Change (Monthly)
Brazil Real (in US dollars)	0.19	0.18	7.9%	0.19	1.9%
British Pound (in US dollars)	1.22	1.35	-10.0%	1.26	-3.4%
Canadian Dollar (in US dollars)	0.78	0.79	-1.8%	0.79	-1.7%
Chinese Yuan (per US dollar)	6.70	6.36	5.4%	6.37	5.2%
Euro (in US dollars)	1.05	1.14	-7.8%	1.07	-2.3%
Japanese Yen (per US dollar)	135.72	115.08	17.9%	128.67	5.5%

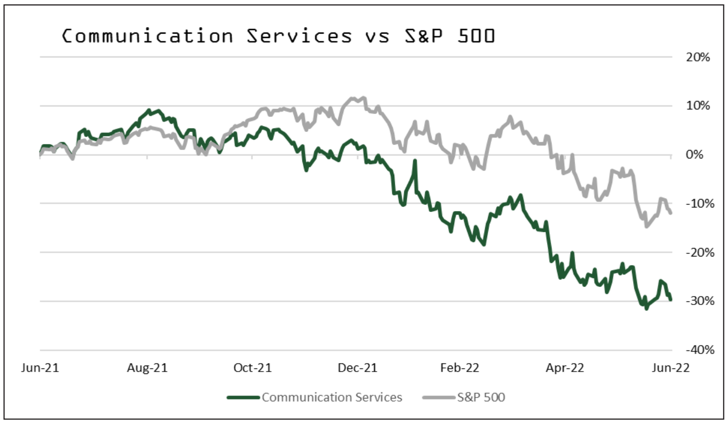
Commodity Prices:	6/30/2022	12/31/2021	% Change YTD	5/31/2022	% Change (Monthly)
CRB (Commodity) Index	596.68	578.31	3.2%	629.45	-5.2%
Gold (Comex spot per troy oz.)	1807.27	1829.20	-1.2%	1837.35	-1.6%
Oil (West Texas int. crude)	105.76	75.21	40.6%	114.67	-7.8%
Aluminum (LME spot per metric ton)	2426.00	2806.00	-13.5%	2757.75	-12.0%
Natural Gas (Futures 10,000 MMBtu)	5.42	3.73	45.4%	8.15	-33.4%

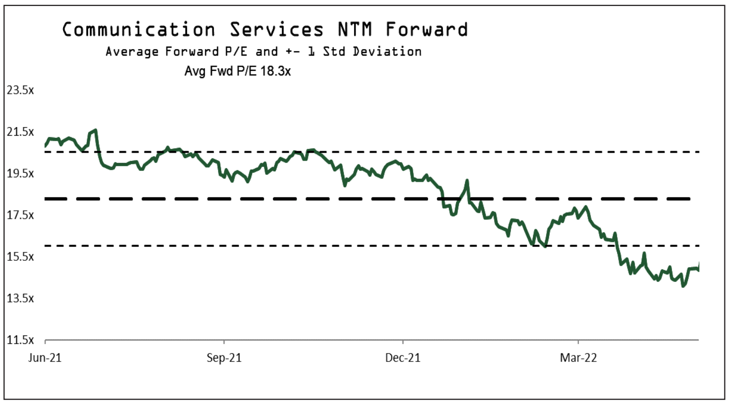
Economic Indicators:	6/30/2022	12/31/2021	% Change YTD	4/29/2022	% Change (Monthly)
Consumer Price Index	289.1	280.1	3.2%	280.1	3.20%
Producer Price Index	252.5	232.0	8.8%	234.0	7.9%
	Q4 2021	**Q3 2021**	**Q2 2021**	**Q3 2020**	**Q4 2020**
GDP Growth Rate (Quarterly)	7.00%	2.10%	6.70%	6.30%	4.50%
Unemployment Rate (End of Month)	**April** **3.6**	**March** **3.6**	**February** **3.8**	**January** **4.0**	**December** **3.9**

*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.

TABLE OF CONTENTS

TELECOMMUNICATIONS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-7.70%	-20.87%	-30.45%	-29.63%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-8.39%	-16.45%	-20.58%	-11.92%

	Company Performance	1 Month
Leader	T-Mobile US Inc	0.9%
	Activision Blizzard Inc	-0.0%
	Verizon Comm.	-1.1%
	AT&T Inc	-1.6%
	Take-Two Interactive	-1.6%
Laggards	Paramount Global	-28.1%
	Warner Bros Discovery	-27.3%
	DISH Network Corp	-21.5%
	Meta Platforms Inc	-16.7%
	Omnicom Group Inc	-14.7%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$11.93	$12.63	$14.58
15.6x	14.7x	12.8x

Sector Update

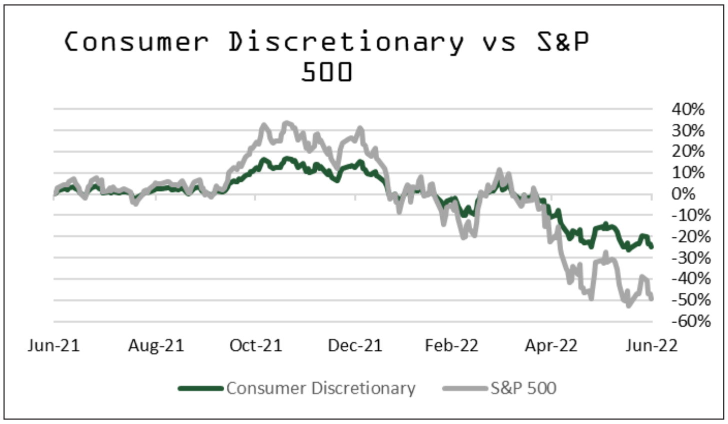
Communications Services outperformed the market in June (-7.7%), driven by the performance of the Diversified Telecommunications Services subsector, which declined 1.5% in June and increased 2.4% year-to-date. Communications Services could continue to outperform the market, since it trades at a discounted P/E multiple (14.7x) relative to the market and its historic average forward P/E multiple of 18.3x.

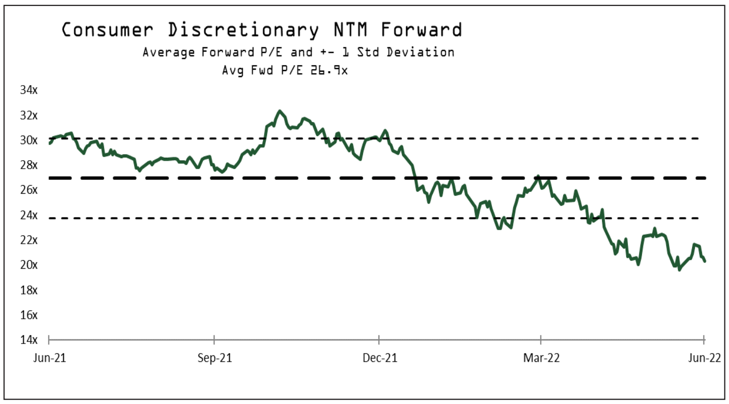
Investors may be attracted by the +5% dividend yields provided by leading telecom carriers as well as their stable earnings and free cash flow. As consumers cope with higher inflation, they may reduce their spending on goods and services but may be disinclined enough to cut their spending on high-speed Internet and wireless services.

Interactive Media and Services declined 7.4% in June driven by the continued decline in Meta Platform shares (parent of Facebook). In late June, the company's CEO, Mark Zuckerberg, warned employees of a sharp downturn in Meta's business. Apple's privacy initiative impacted Facebook and Instagram's ability to target ads and measure ad outcomes. In addition, the company faces increased competition from TikTok. Following Snap's warning of weaker demand last month, digital advertising growth was expected to slow to a low double-digit pace in 2022. If the U.S. enters a recession over the next year, companies could reduce their spending on digital advertising.

The Entertainment subsector underperformed the market in June (-12.4%) driven by the sharp decline in the shares of Paramount Global and Warner Brothers Discovery. Investors may be concerned that entertainment companies advertising revenue could decline in the event of a potential recession.

CONSUMER DISCRETIONARY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-10.90%	-26.32%	-33.09%	-24.73%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-8.39%	-16.45%	-20.58%	-11.92%

	Company Performance	1 Month
Leader	Dollar General Corp	11.4%
	Domino's Pizza Inc	7.3%
	AutoZone Inc	4.3%
	Tractor Supply Co	3.5%
	O'Reilly Automotive Inc	-0.8%
Laggards	Royal Caribbean Cruises	-39.9%
	Carnival Corp	-37.7%
	Bath & Body Works Inc	-34.4%
	Norwegian Cruise Line	-30.5%
	Expedia Group Inc	-26.7%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$36.56	$46.72	$59.99
29.5x	23.1x	18.0x

Sector Update

It was another challenging month for equities in the Consumer Discretionary sector with the group once again underperforming the S&P 500 as seen in the accompanying table. Recessionary fears appear to be a key driver of underperformance with investors staying on the sidelines in the face of the bear market. Subsector performance was weak across the board with the most significant declines seen in the Automobiles and Textiles subsectors. Looking at the performance of the Consumer Discretionary sector over the past twelve month period, the sector has significantly underperformed the S&P 500 with all sub-sectors declining.

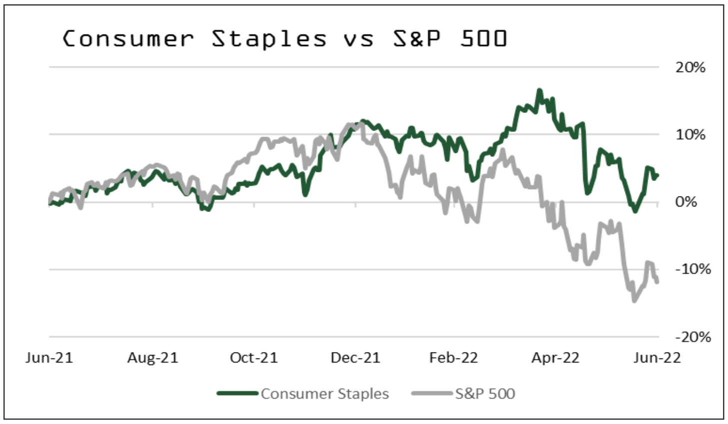
Consumers remain challenged by high inflation, particularly in energy with gasoline prices surging. In mid-June, May CPI inflation was reported at 8.6% representing the highest level since 1981. Rising rents and food prices were additional factors beyond gasoline prices that drove inflation to 40-year highs. The core rate of inflation, which eliminates energy and food, rose 6.0% year-over-year. With average wage gains growing well below inflation, consumer real spending power continues to be eroded during this difficult period.

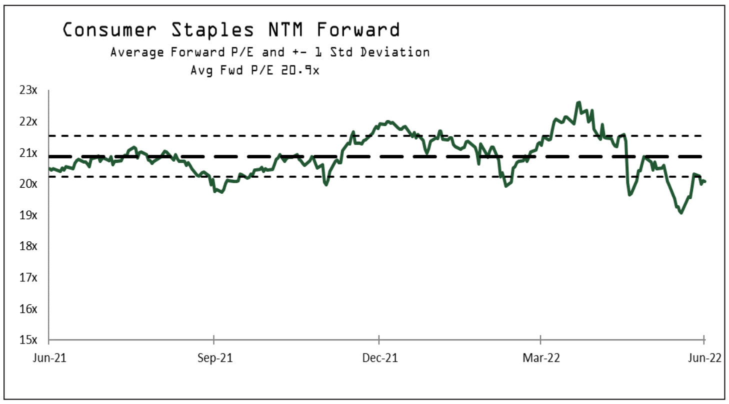
Reflecting a more challenging macro backdrop, consumers pulled back on spending with May retail sales declining 0.3%. A key factor underlining the slowdown was a 3.5% drop in auto sales against a backdrop of limited supply, rising interest rates and high prices. One area of growth in retail sales for the month was in gasoline sales which were up 4% with gas prices rising amidst higher oil prices and limited refining capacity. We are increasingly concerned that rising gasoline prices may serve to crowd out spending in a range of discretionary categories as we move through the summer peak driving season.

The housing sector is seeing increasing pressure with mortgage rates surging and housing supply remaining relatively weak. Against this backdrop, May housing starts dropped 14.4% from April to a seasonally adjusted annual rate of 1.549 million representing the lowest level since April of 2021. On a year-over-year basis, housing starts are down 3.5%. With the median home sales price exceeding $407,000 in May, existing home sales dropped 3.4% from April and were down 8.6% from a year ago. Existing home sales have been in a declining trend for four months in a row against a backdrop of rising home prices which were up 14.8% from last year. However, new home sales have recently shown signs of some improvement with May sales of 696,000 up 10.7% versus April while down 5.9% from the prior year.

The June reading of the University of Michigan's Consumer Sentiment index came through at 50.0 - down from a May stat of 58.4 - representing the lowest figure since records were established back in 1978, as gasoline remains near $5.00; inflation runs at 40 year highs; disposable incomes shrink along with retail sales; housing starts tumble; and signs point to a rapidly cooling U.S. economy. Note that the June reading contrasts with a year earlier stat at 85.5 and a February 2020 reading at 101.0.

CONSUMER STAPLES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.87%	-5.23%	-6.78%	3.94%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-8.39%	-16.45%	-20.58%	-11.92%

	Company Performance	1 Month
Leader	General Mills Inc	8.0%
	Brown-Forman Corp	6.1%
	Lamb Weston Holdings	5.7%
	Conagra Brands Inc	4.1%
	Monster Beverage Corp	4.0%
Laggards	Altria Group Inc	-22.8%
	Archer-Daniels-Midland	-14.6%
	Walgreens Boots Alliance	-13.5%
	Kroger Co	-10.6%
	McCormick & Co	-10.2%

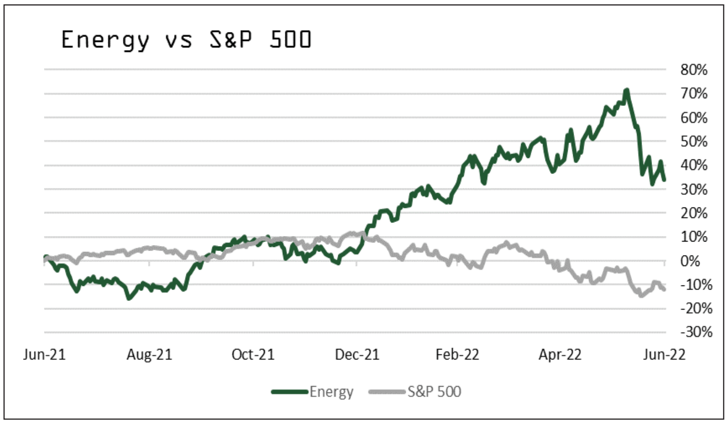
Consensus FY EPS / P/E

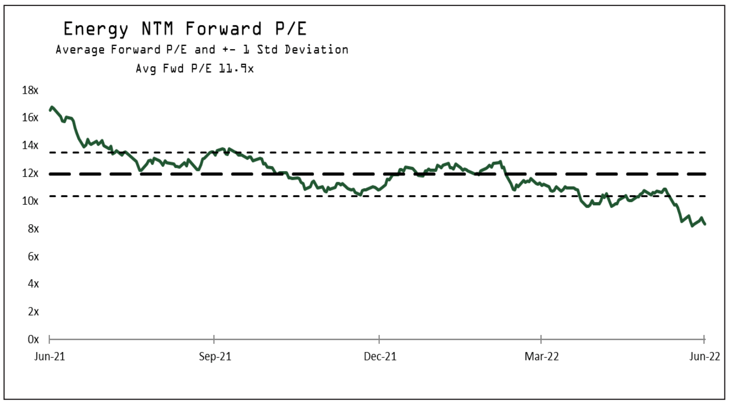
Last Year	Current Year	Next Year
$35.18	$35.80	$38.51
21.3x	21.0x	19.5x

Sector Update

The Consumer Staples sector decreased 2.87% on average in June and well outperformed the S&P 500 Index which declined 8.39% for the month. All subsectors reported declines for the month with the exception of Personal Products which was flat. YTD through June, the Consumer Staples sector has decreased 6.78% on average and has significantly outperformed the S&P 500 Index which declined 20.58% over the same period. The uncertain global economic backdrop supports an increasing level of interest in Consumer Staples stocks despite the higher input cost volatility and forecasted uncertainty as investors look to reposition with more defensive investments. The Tobacco segment reported a double-digit decline for June in response to negative news. The Biden administration is expected to announce its plan to issue a rule requiring tobacco companies to reduce nicotine in cigarettes sold in the U.S. The Food and Drug Administration (FDA) was given the authority to regulate cigarette addictiveness through the 2009 Family Smoking Prevention and Tobacco Control Act. Although it precludes 'reducing nicotine to zero', the law does not prohibit the FDA from setting standards for nicotine content that would prevent cigarettes from being capable of causing addiction. Scientific evidence remains mixed and there could be an expected increase in demand for products sourced from a black market. Currently, most manufactured cigarettes contain 10–15 mg of nicotine per cigarette. Tobacco companies are expected to challenge the proposed change and that could take years of battles in courts. The FDA also initially issued its decision to remove JUUL from the U.S. market, but then later issued an administrative stay on the previous order permitting the continued sale of the product in the U.S. The Consumer Staples segment is now trading with a current forward P/E of 21x which compares to its average forward P/E of about 20.9x.

The pace of consumer purchases in response to higher pricing remains a key factor for 2H and 2023 results. The companies are now modeling for elasticities to return closer to historic levels as consumers face inflation cost pressures and shrinking disposable income. Without pricing to mitigate inflation cost pressures, the Consumer Staples companies face margin pressures. If input cost pressures begin to moderate, there is potential upside to margin targets. Focus in 2H and 2023 remains on the tight supplies for fertilizer, grains, cooking oils, packaging, energy and other inputs. As reported by the June USDA Acreage, U.S. planted acreage totaled 316.3 million acres which was slightly lower than expectations for 318 million acres. Domestic corn planted acres were in line with expectations while soybeans were modestly lower. Weather remains an important factor for yields and crop quality during the key growing season. While grain prices are down slightly reflecting crop plantings and current conditions, a large crop in Brazil, a slowdown in U.S. demand and the economy, have allowed prices to remain at record levels vs prior years. An investment in many of the Consumer Staples companies continues to offer an attractive dividend yield and we continue to advise selective investment.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-16.98%	-6.13%	29.21%	34.09%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-8.39%	-16.45%	-20.58%	-11.92%

	Company Performance	1 Month
Leader	Baker Hughes Co	24.1%
	Exxon Mobil Corp	-10.8%
	Hess Corp	-13.9%
	Kinder Morgan Inc	-14.9%
	Occidental Petroleum	-15.0%
Laggards	Marathon Oil Corp	-28.5%
	Devon Energy Corp	-26.4%
	APA Corp	-25.8%
	Coterra Energy Inc	-24.9%
	Halliburton Co	-22.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$42.80	$69.35	$61.75
12.8x	7.9x	8.8x

Sector Update

Energy sector outperformance this year was interrupted in June with the group significantly underperforming the S&P 500 for the month. Energy sector weakness appears linked to a rising fear of recession amidst growing signs of macroeconomic concerns. Although it lagged in June, the Energy sector has outperformed the S&P 500 for the three-month, year-to-date and on a trailing twelve-month basis, as seen in the accompanying table.

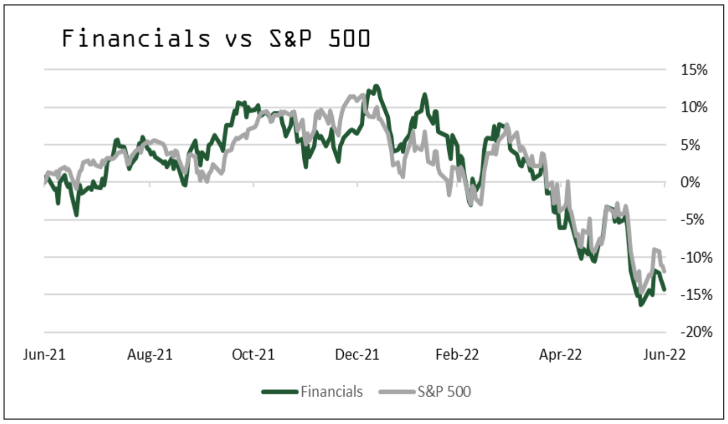
Energy markets were roiled during the month as the environment around inflation, interest rates and lockdown policies impacted global growth expectations amidst an environment of high uncertainty. We also note that certain country specific production issues weighed on market pricing. In Libya, for example, daily production was impacted by about 1.1 million barrels per day due to political protests in the country according to a statement by Libya’s Minister of Oil and Gas. Libya’s largest oil field, El Sharara, was shut down as was the El Feel oil field, bringing the nation’s oil production to a near halt by mid-June.

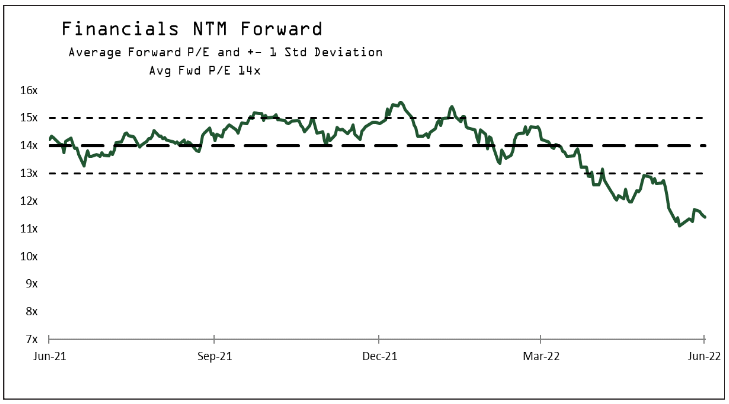
The Organization of Petroleum Exporting Countries (OPEC) and its allies met at the end of June and confirmed its continued gradual oil production growth strategy. OPEC agreed, as expected, to raise production by 648,000 barrels per day in August. This increase is in line with the July planned increase and matched guidance provided in early June. With the war in Ukraine and isolation of Russian exports combined with production declines in Libya and Ecuador, the global oil market appears to continue to be out of balance which has contributed to the surge in oil prices seen this year. Tight supply conditions combined with summer travel demand and the prospect of potential growth in China seem to provide a healthy backdrop for oil markets at least in the near term.

West Texas Intermediate crude oil prices trended lower in June moving from about $114 per barrel to end the month at a little under $106 per barrel. Natural gas prices also moved lower during the month moving from about $8.15 per million BTU to end the month at about $5.60 per million BTU. Retail gasoline prices in June rose to $4.98 per gallon at the end of the month from the $4.73 price seen at the end of May. We note that gas prices remain well above the June 2021 level of $3.19 per gallon. We are concerned about the potential path of gasoline during the summer as consumers potentially return to vacation activities in an environment of constrained refining capacity.

The Baker Hughes oil rig count increased in the month coming in at 594 rigs for June versus 574 rigs in May. Oil rig count at month-end was above the prior year level of 372 rigs as we have seen consistent growth in rig counts in recent months. U.S. crude oil storage at 416 million barrels was up slightly from last month’s level of 415 million barrels. We note that storage levels have generally been declining off of the 2020 pandemic highs and are currently below the prior year level of 452 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 12.1 million barrels per day at the end of the month.

FINANCIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-11.07%	-17.92%	-19.49%	-14.29%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-8.39%	-16.45%	-20.58%	-11.92%

	Company Performance	1 Month
Leader	CME Group Inc	3.0%
	Cboe Global Markets Inc	0.8%
	FactSet Research	0.7%
	Arthur J Gallagher & Co	0.7%
	Globe Life Inc	-0.1%
Laggards	Synchrony Financial	-25.4%
	Lincoln National Corp	-19.3%
	SVB Financial Group	-19.2%
	Capital One Financial	-18.5%
	American Express Co	-17.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$46.21	$42.92	$48.91
11.3x	12.2x	10.7x

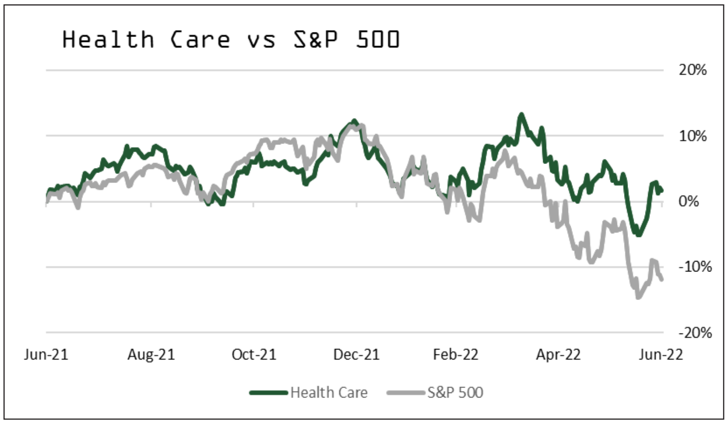
Sector Update

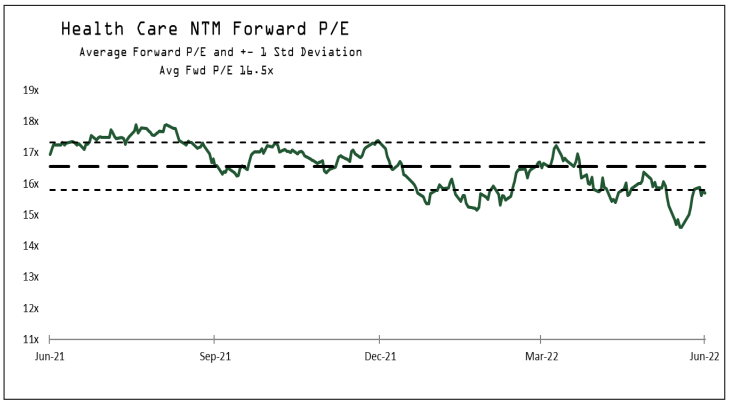
Recessionary fears sparked a material sell-off in Financials and the broader market in June, with the cyclical Financials sector underperforming the S&P 500 in the month. The Financials sector posted an 11.07% decline in the month, compared to an 8.39% slide in the broader market index. Year-to-Date (YTD) returns show the Financials group modestly outpacing the 20.58% decline in the S&P, marking the worst first-half performance in the index spanning the past 40 years. Trailing twelve month comparisons favor the S&P 500 index relative to the Financials sector, down 11.92% and 14.29%, respectively.

The Insurance sub-sector was the best performing in the month, down 5.8%. Insurance performance likely benefitted from strength in long-term rates with lower exposure to lending and potential default risk. On the other hand, the Consumer Finance group suffered an 18.6% pullback in June on recessionary concerns fearing a significant rise in credit defaults as record low consumer sentiment, inflation, and lower savings rates are expected to pressure consumer balance sheets. Synchrony (SYF), Capital One (COF), and American Express (AXP) were among the sector laggards in June with respective declines of 25.4%, 18.5%, and 17.9%. We note credit performance from these issuers reported mid-month showed continued strong credit performance, with charge-offs and delinquencies running in-line with the prior year and remaining at nearly half their pre-pandemic averages. While the market has clearly taken an aggressive stance in opposition to the consumer lending space—industry commentary remains constructive around reserve levels, credit performance, and loan growth. COF recently pointed out that the cumulative impact of consumer deleveraging throughout the past two-year period has provided a substantial buffer to losses and potential future loan demand. As a reminder, the Consumer Finance group saw low-double digit declines in their loan books from 2Q20-3Q21 leaving loan growth in a position to potentially rebound meaningfully in the near to medium-term.

Fed policy remains a central theme in the market and Financials sector. The FOMC raised the overnight 'Fed Funds' rate by 75 bps in mid-June, continuing its tightening cycle designed to quell inflation pressures in the US. Importantly, the median 'dot plot' projection now expects a 3.4% fed funds rate target at year-end, in-line with Fed Fund Futures expectations of 3.5% in the same period. In other words, it appears Fed consensus is in-line with market expectations. In addition to rate hikes, the Federal Reserve began shrinking its ~$9T balance sheet in early June, further tightening monetary policy through lower liquidity.

HEALTHCARE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.84%	-6.30%	-9.10%	1.73%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-8.39%	-16.45%	-20.58%	-11.92%

	Company Performance	1 Month
Leader	Vertex	4.9%
	Catalent Inc	4.1%
	AbbVie Inc	3.9%
	Centene Corp	3.9%
	Eli Lilly & Co	3.4%
Laggards	Illumina Inc	-23.0%
	HCA Healthcare Inc	-20.1%
	Universal Health	-19.2%
	DaVita Inc	-18.0%
	Baxter Int.	-15.5%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$80.87	$95.59	$94.85
18.5x	15.6x	15.8x

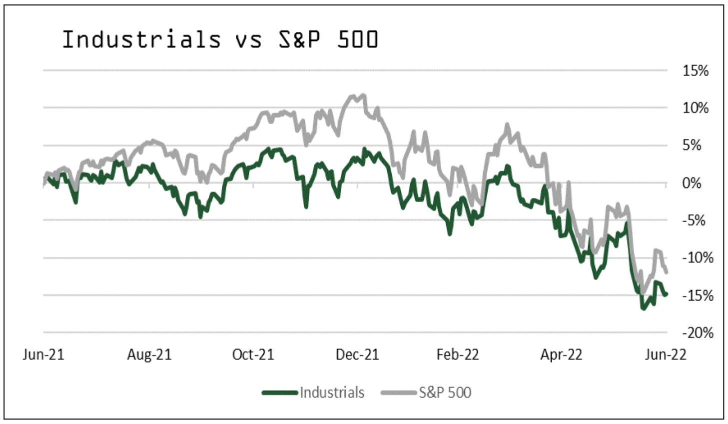
Sector Update

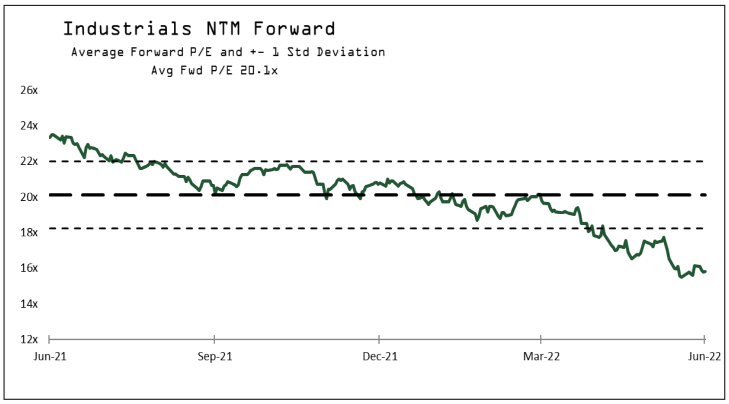
Volatile markets persisted in June, with 1H2022 markets delivering the worst performance dating to 1970. The Fed shifted policy toward aggressive efforts to staunch inflation that has sustained at multi-decade highs, while signs point to a fast paced slowing of the U.S. economy. Consumers have retrenched on purchases of durable goods, while housing has trended down pointing to either stagflation and or a moderate recession on the horizon. As illustrated in the adjacent table, the S&P 500 declined sharply in June, falling by 8.39%, while on a year to date basis the index has retrenched 20.58%. The Health Care sector outperformed being deemed defensive in nature with demand being relatively inelastic, while also including several large capitalization stocks paying solidly covered dividends supporting valuations. Thus, in June, the Health Care sector dipped by 2.84%; a 9.4% pull back from 1H2022, and is actually showing up results over the past 12 months.

Performance across the sector has varied measurably over the past year as some firms that generated significant revenues from COVID – notably with diagnostic testing for the virus – have experienced demand decline in 2022. Then, in contrast, other companies benefitted as some deferred medical therapies returned to providers. Labor shortages, raw material costs and rising wages all impacted companies to varying degrees – with hospitals experiencing noteworthy headwinds on the labor/wage front. Given the current macro-economic environment, Health Care appears poised to outperform – with the sector trading in line with the historical forward P/E multiple.

Among the stronger performers in June were Vertex, Catalent, and AbbVie. Vertex presented positive clinical data at the European Hematology Association Congress in Vienna from trials of CTX001 a gene therapy treatment for sickle cell anemia and beta thalassemia (two genetic blood diseases causing chronic health problems), with management targeting to file for FDA approval by yearend 2022. Post their 3Q2022 (March) earnings release, Catalent shares have rebounded smartly as the firm raised their guidance for FY 2022 as demand for the firm's third party pharmaceutical manufacturing expertise remains strong, while the firm has expanded efforts in cell therapy and biologics manufacturing capacity. AbbVie shares rebounded in June following positive regulatory news – the FDA approved Skyrizi for treatment of Crohn's, while an EU physician panel supported approval of Rinvoq in the region for treatment of arthritis.

Laggards in June included Illumina, HCA and Universal Health Services. Illumina shares have been pressured over the past couple of months after a competitor completed a $600 million capital raise pointing to potential heightened competition – with new gene sequencing equipment from others poised to come to market where Illumina has dominated in the past. Hospital providers' shares have been pressured primarily by labor/wage related issues and varying pace of treatment volume gains related to COVID deferred treatments.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-7.50%	-15.17%	-17.49%	-14.76%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-8.39%	-16.45%	-20.58%	-11.92%

	Company Performance	1 Month
Leader	Quanta Services Inc	5.3%
	Boeing Co	4.0%
	Huntington Ingalls Indus-	3.5%
	Northrop Grumman Corp	2.3%
	Raytheon Corp	1.0%
Laggards	Delta Air Lines Inc	-30.5%
	American Airlines Group Inc	-29.0%
	United Airlines	-25.6%
	Southwest Airlines Co	-21.2%
	General Electric Co	-18.7%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$32.89	$42.50	$50.71
22.4x	17.4x	14.6x

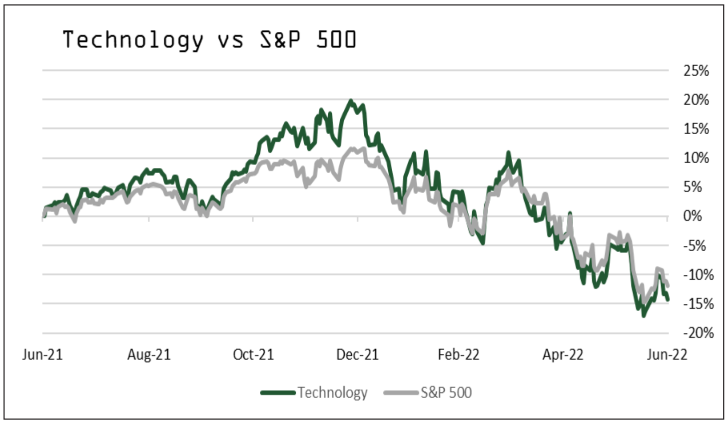
Sector Update

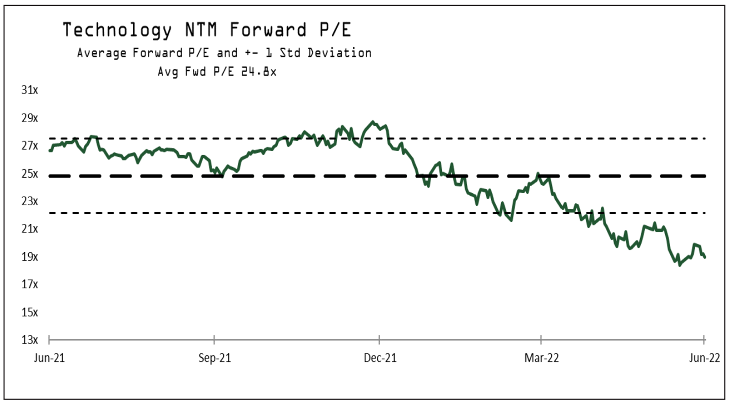
The Industrial Sector outperformed the S&P 500 by 0.89% in the month of June, although the sector still experienced a -7.50% loss overall. Year to date comparisons favor the Industrial Sector against the broader index despite the cyclical nature of the Industrials Sector known for experiencing earnings slowdowns in strong relation to slowing economic growth. Four of the top five highest weighted sectors relative to the S&P 500 including Financials, Consumer Discretionary, Information Technology, and Telecommunications performed worse than the median S&P 500 return of -18.69%, dragging the index below a still-poorly-performing Industrial Sector. The Commercial Airlines subsector contributed most significantly to the turbulent month that the Industrial Sector experienced with a 25.6% loss, the worst performing subsector in its group. Despite leading the Industrial Sector in share gains in April, the Commercial Airlines subsector remains the worst performing subsector over the past 3 months, as well as the worst performing subsector over the last 12 months. Four out of the five worst performing equities in the Industrial Sector for the month belong to the Commercial Airlines subsector, including Delta Airlines (DAL), American Airlines Group (AAL), United Airlines (UAL), and Southwest Airlines (LUV). One of the few bright spots in the sector was a 5.3% return in Quanta Services (PWR), after a legislative overhang cleared up in relation to tariffs levied on solar exports. This contributed to the Construction & Engineering subsector leading the subsector in share gains. The second best subsector was aerospace and defense led by Boeing (BA), the second best performing equity in Industrials, which rebounded aggressively in the middle of the month after a Chinese customer reportedly gained interest in placing a 757 Max order. Tough comps continue to weigh on the sector going forward, as does the cyclical nature of sales trends and signs of an economic slowdown ahead. While supply issues weigh on manufacturing and production costs, fears of slowing demand remain on investors' minds as demand dropped during the month with the New Orders Index contracting.

The Institute for Supply Chain management registered a reading of 53%, down 3.1% from the 56.1% reading in May. This is the lowest Manufacturing PMI reading since June 2020, when it registered 52.4%. A reading under 50% represents a contraction in the manufacturing sector of the economy, a number that the PMI reading is approaching. This sector of the economy remains a supply-chain constrained environment, with supplier deliveries indicating that deliveries slowed at a slower rate over the month of June. Moderate labor shortages along the supply chain remained a factor in play throughout June, although panelists reported lower rates of quits compared to May and improvement addressing moderate-term labor shortages.

The Industrial sector is trading at a Next Twelve Month Forward P/E of 17.4x, down 1.4x lower than last month and 2.7x lower than its one year average Forward P/E, while trending toward a two standard deviation drop of 16.4x Forward P/E. Although a reversion back to the mean would represent a 15.8% return, it is likely that the compressed Multiple is justified as rising interest rates, quantitative tightening, depressed consumer confidence, and lower earnings forecasts remain pressures for the sector in the intermediate term.

INFORMATION TECHNOLOGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-9.37%	-20.44%	-27.25%	-14.32%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-8.39%	-16.45%	-20.58%	-11.92%

	Company Performance	1 Month
Leader	Enphase Energy Inc	4.9%
	Salesforce Inc	3.0%
	ServiceNow Inc	1.7%
	IBM Inc.	1.7%
	SolarEdge Inc	0.3%
Laggards	Western Digital Corp	-26.1%
	Micron Technology Inc	-25.1%
	AMD Inc	-24.9%
	Applied Materials Inc	-22.4%
	NXP Semiconductors	-22.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$94.86	$109.14	$120.76
23.4x	20.4x	18.4x

Sector Update

The Technology sector continued to underperform the market in June (-9.37%) and year-to-date (-27.25%). While the Technology sector P/E multiple (20.4x) is below its historic average forward P/E multiple of 24.8x, there is a potential risk that analysts' earnings estimates remain too high.

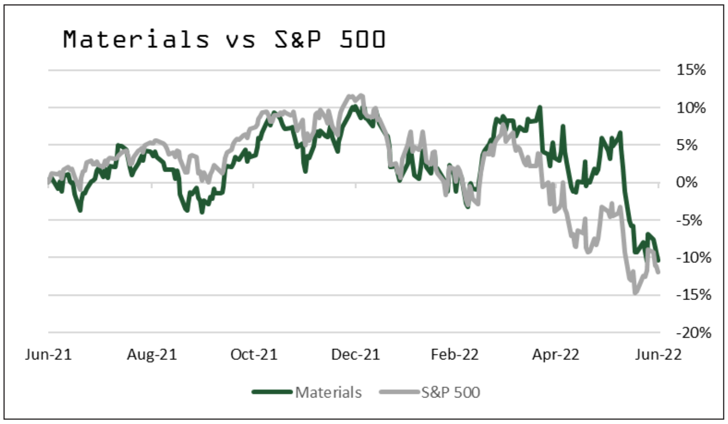
Micron Technology, the largest provider of NAND and hard drive memory chips to the technology sector, recently warned of lower than expected PC and smart phone demand. Micron estimated that PC unit demand could decline 10% in calendar 2022, compared to industry expectations for flat growth at the beginning of the year. In particular, Micron noted weaker consumer PC demand due to macroeconomic concerns. Micron estimated that smart phone unit sales could decline 5% in calendar 2022, well below industry estimates for 5%+ growth at the beginning of the year. Micron plans to reduce its spending on semiconductor capital equipment in FY23.

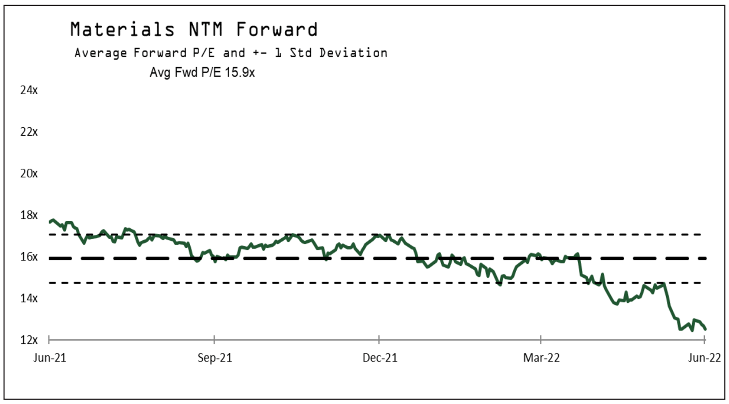
The Semiconductor and Semiconductor Capital Equipment sub-sector underperformed the market in June (-17.2%). Given Micron Technologies warning of lower than expected PC and smart phone demand and its plan to reduce spending on semiconductor capital equipment, this sector could continue to underperform the market in the near-term.

The Software sector outperformed the market in June (-5.5%). While software companies such as Adobe, Oracle, and Salesforce.com reported better than expected results, their guidance was mixed. While corporate demand for cloud based software to help drive their digital transformation appears to be holding up well, a number of factors impacted software company guidance, including a stronger than expected U.S. dollar, their exit from Russia, and the potential impact from large acquisitions.

While the IT Services sector underperformed the market in June (-8.8%), IBM, the largest IT services company, outperformed the market (+1.7%). The company's CEO and CFO at investor presentations in the first week of June reported that corporate demand for IBM Consulting remained strong as companies continued to invest in their digital transformation. IBM confirmed its guidance for low double-digit growth in consulting revenue in FY22 and high-single digit growth in FY23. The company also confirmed its long-term guidance for 5% annual revenue growth.

MATERIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-14.08%	-16.31%	-18.69%	-10.42%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-8.39%	-16.45%	-20.58%	-11.92%

	Company Performance	1 Month
Leader	Air Products and Chem-	-2.3%
	Ball Corp	-3.0%
	Amcor PLC	-5.1%
	Ecolab Inc	-6.2%
	Avery Dennison Corp	-6.2%
Laggards	Freeport-McMoRan Inc	-25.1%
	Celanese Corp	-24.9%
	Mosaic Co/The	-24.6%
	Dow Inc	-24.1%
	LyondellBasell Ind.	-23.4%

Consensus FY EPS / P/E

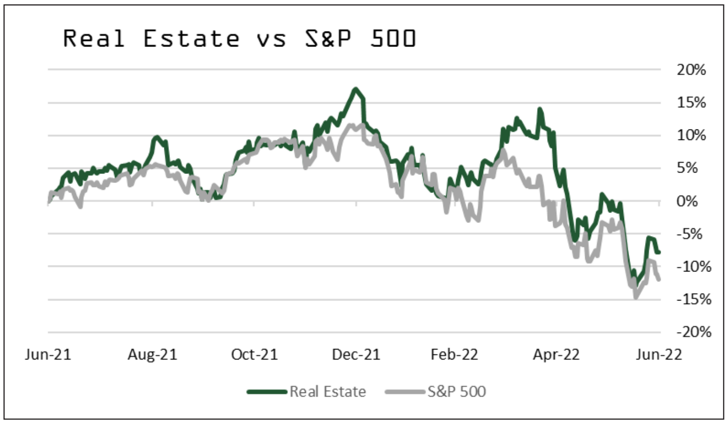
Last Year	Current Year	Next Year
$33.75	$37.94	$35.88
13.7x	12.2x	12.9x

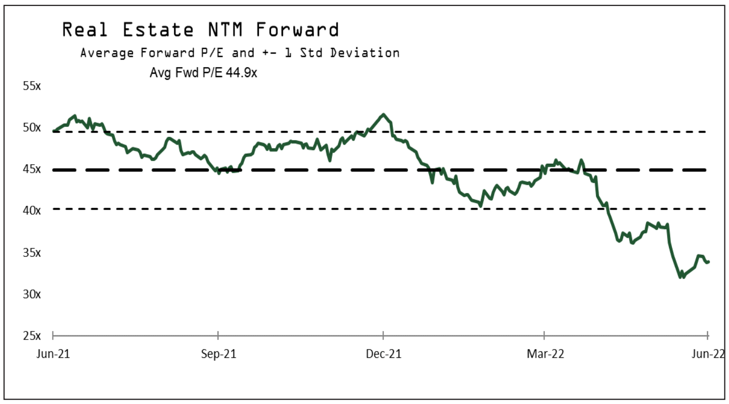
Sector Update

The Materials segment decreased 14.08% in June and well underperformed the S&P 500 Index which declined 8.39%. All sectors reported declines for the month reflecting the sensitivity to increasing concerns surrounding slowing global macro-economic forecasts and end market and consumer demand. The Construction Materials subsector remains the weakest year-to-date with nearly a 32% decline and the Chemical subsector which is now down 19% year-to-date following a weak June. Within the Chemical segment, the coatings companies remain the best positioned to navigate the worldwide uncertainty supported by sustained consumer demand. The group trades with valuations that reflect the slowing economies. Entering the second quarter earnings period, key focus centers on demand, pricing, input cost pressures, global economies, financing and inventory levels. The Materials segment is now trading with a current forward P/E of 12.2x which is below its average forward P/E of about 15.9x and towards the low end of its historic trading range. Selective investment among the stocks in the segment remains a key strategy.

For 2H, the outlook for the packaging industry incorporates a fourth round of pricing since November 2020 along with a continued focus on realizing cost savings and manufacturing efficiencies. Consumer demand, especially from the e-commerce channel remains solid, but that factor could soften by year-end given recession concerns. The average forward P/E for the group of about 11x currently reflects these near-term concerns and the ability of the companies' to maintain pricing and margin in 2H and 2023 remains a key factor. The housing market continues to face mixed trends as rising mortgage rates pressure potential home buyers while at the same time US home prices continue to rise. For April, the S&P CoreLogic Case-Shiller index for home prices increased 21.2% versus the prior year period and compares with the 21.1% gain reported in March. The trend for housing prices remains a key factor as potential buyers are more constrained as they face higher mortgage rates. Higher mortgage rates impact affordability with the average 30-year fixed rate hitting 6% in June versus 3.0% a year ago. Strong consumer demand and pricing should continue to currently support the repair and remodel activity. The June reading of the University of Michigan's Consumer Sentiment index came through at 50.0 which was down from 58.4 in May and represents the lowest figure since records were established back in 1978. The US consumer faces gas near $5.00 per gallon, record inflation and shrinking disposable income that is pressuring retail sales along with a cooling U.S. economy. In 2H, CEOs are expected to focus on market dynamics and challenges and likely will moderate expectations to take a more conservative approach given near-term trends.

REAL ESTATE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-7.48%	-15.43%	-21.24%	-7.80%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-8.39%	-16.45%	-20.58%	-11.92%

	Company Performance	1 Month
Leader	Duke Realty Corp	4.0%
	Realty Income Corp	0.1%
	American Tower Corp	-0.2%
	VICI Properties Inc	-3.4%
	Mid-America Apt.	-3.5%
Laggards	Host Hotels & Resorts	-21.6%
	Boston Properties Inc	-20.0%
	Vornado Realty Trust	-18.2%
	Simon Property Group	-17.2%
	Federal Realty OP LP	-16.7%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$6.57	$7.29	$7.83
38.9x	35.1x	32.7x

Sector Update

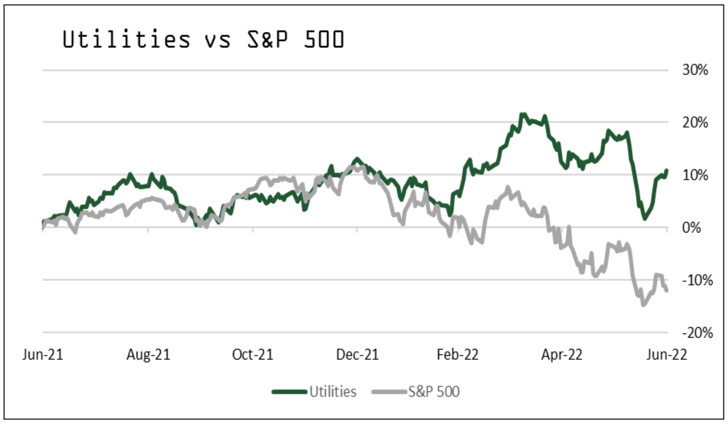
Markets remained volatile in June as a slowing U.S. economy raised investor fear of either a period of stagflation or recession as being on the horizon. Thus, in 1H2022 markets delivered the worst performance dating to 1970 as the Fed shifted policy toward aggressive efforts to staunch inflation that has sustained at multi decade highs – weighing on consumer psyche. As a result, consumers have retrenched on purchases of durable goods, while housing has trended down with 30 year mortgage rates approaching 6.0%. As illustrated in the adjacent table, the S&P 500 declined sharply in June, falling by 8.39%, while on a year to date basis the index has retrenched 20.58%. The Real Estate sector – frequently viewed as bond proxy/interest rate focused investment alternative – retrenched by 7.48% in June, while year to date has pulled back 21.24% with performance trending fairly consistent with the broad market averages after the Fed announced a recent 75 bps hike to the funds rate with plans targeting further increases toward a terminal rate of 3.8% into mid-2023.

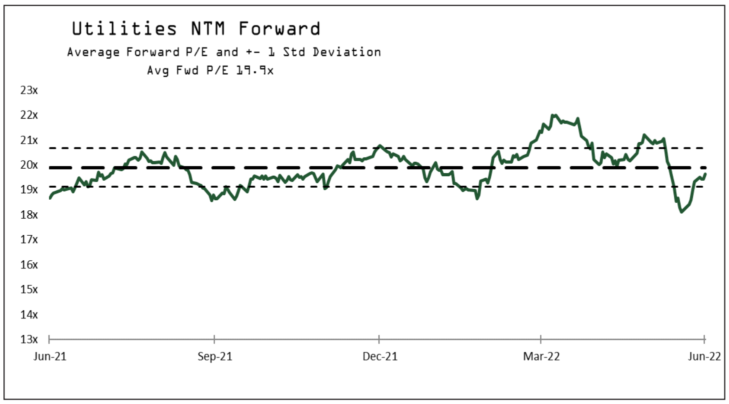
Given the Fed's tightening strategy just now being rolled out, we sense that economic uncertainty will persist as the U.S. has not experienced a similar process to any significant degree in the past four decades with the outcome/ramification to follow. Interest rate, occupancy and pricing trends and the influence they have on the economy will likely remain the challenge to investor sentiment for the Real Estate sector in 2022. Still, we like the longer term outlook for the sector remaining more focused on issues in the logistics, cell tower, and self-storage segments for long term investment.

Two stocks in the REIT sector showed gains in June – Duke Realty and Realty Income. Duke Realty shares were supported by the June 13th merger agreement the firm announced with Prologis that will acquire Duke Realty in an all-stock transaction, valued at approximately $26 billion, including the assumption of debt. And, after reporting upside 1Q2022 results, Realty Income - an owner of 11,000+ properties primarily focused on quick service and convenience store retail – reiterated 2022 guidance and increased the monthly dividend once again that supported the share price valuation.

On the other hand, Host Hotels, Boston Properties and Vornado shares each fell sharply in June as interest rates surged. Despite seeing a debt rating upgrade by S&P (to a stable outlook) along with an investor update pointing to growth opportunities, Host Hotels shares subsequently sold off by 21.6% for the month. In addition, sector leaders in office space, Boston Properties and Vornado also experienced selling pressure as fears of a slowing economy and rising interest rates weighed on investor sentiment for this particular subgroup in June.

UTILITIES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-5.13%	-5.73%	-2.00%	10.84%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-8.39%	-16.45%	-20.58%	-11.92%

	Company Performance	1 Month
Leader	NextEra Energy Inc	2.3%
	American Water Works	-1.6%
	Atmos Energy Corp	-3.6%
	Consolidated Edison Inc	-4.2%
	WEC Energy Group Inc	-4.2%
Laggards	NRG Energy Inc	-17.1%
	FirstEnergy Corp	-10.6%
	PPL Corp	-10.1%
	Edison International	-9.5%
	Eversource Energy	-8.5%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$16.79	$17.46	$18.85
21.2x	20.4x	18.9x

Sector Update

The Utilities sector outpaced the monthly performance of the S&P 500 in June with just one sector component (NEE) finishing the month higher. The Utilities sector finished June 5.13% lower than the prior month, beating an 8.39% decline in the broader market index. Year-to-date comparisons favor the Utilities sector relative to the market as well—with the sector down 2.0% compared to a 20.58% retrenchment in the S&P, marking its worst first half performance in 40 years. The sector also meaningfully outpaced the broader market in the past twelve months, up 10.84% compared to the S&P down 11.92% in the same period.

Water Utilities were the top-performing sub-sector in the month with a 1.6% pullback, but include just one component in American Water Works (AWK). Electric Utilities posted a 5.0% decline while Multi-Utilities fell 5.9% as the worst performing subsector in June.

NextEra (NEE) was the top performing member of the Utilities sector in June, up 2.3% and was the only name to finish the month higher than May. NEE hosted an upbeat investor day mid-month, suggesting a ~$33B investment pipeline through 2025 supports ~9% rate base growth at its Florida Power and Light (FP&L) regulated utility. The company also achieved a rate case outcome with its state regulator supporting a 10.6% target return on equity that appears favorable compared to national averages. Roughly 50% of NEE's current capital plan is comprised of solar investment, which also saw a positive industry development in the month with the Biden administration declaring a 24-month tariff exemption for solar panels from Cambodia, Malaysia, Thailand, and Vietnam accused of circumventing tariffs levied on Chinese exports. Importantly, the move appeared to rule-out retroactive tariffs feared by industry participants that could have been in excess of 250%. The Commerce Department continues its investigation on the matter, but the two-year reprieve does provide a cushion to solar utilities near-term while the Defense Production Act attempts to grow American solar manufacturing capacity given imports currently drive about half of US supply.

Risk-off positioning appears to have driven recent relative performance in the sector; however, it appears Utilities are somewhat 'caught in the middle' between historical defensiveness and inflationary pressures against long-term capital expenditure backlogs. Higher interest rates could be an additional drag; increasing cost of capital for companies with substantial debt issuance needs. Meantime, Utilities now sell at a material premium to the market at current levels, trading at 20.4x current year expectations.

ECONOMIC CALENDAR

Date	Release	For	Prior
7-Jul	Initial Claims	7/2	231K
7-Jul	Continuing Claims	6/26	1375K
7-Jul	Trade Balance	May	-$86.7B
7-Jul	EIA Natural Gas Inventories	7/2	+82 bcf
8-Jul	Nonfarm Payrolls	Jun	390K
8-Jul	Nonfarm Private Payrolls	Jun	333K
8-Jul	Avg. Hourly Earnings	Jun	0.3%
8-Jul	Wholesale Inventories	May	2.20%
8-Jul	Consumer Credit	May	$38.0B
13-Jul	MBA Mortgage Applications Index	7/9	NA
13-Jul	CPI	Jun	1.00%
13-Jul	Core CPI	Jun	0.60%
13-Jul	EIA Crude Oil Inventories	7/9	+8.24M
13-Jul	Treasury Budget	Jun	-$66.2B
14-Jul	Initial Claims	7/9	235K
14-Jul	Continuing Claims	7/2	1375K
14-Jul	PPI	Jun	0.80%
14-Jul	Core PPI	Jun	0.50%
14-Jul	EIA Natural Gas Inventories	7/9	+60 bcf
15-Jul	Empire State Manufacturing	Jul	-1.2
15-Jul	Export Prices ex-ag.	Jun	2.90%
15-Jul	Import Prices ex-oil	Jun	-0.3%
15-Jul	Retail Sales	Jun	-03.%
15-Jul	Retail Sales ex-auto	Jun	0.50%
15-Jul	Industrial Production	Jun	0.20%
15-Jul	Capacity Utilization	Jun	79.00%
15-Jul	Business Inventories	May	1.20%
15-Jul	Univ. of Michigan Consumer Sentiment - Prelim	Jul	50
18-Jul	NAHB Housing Market Index	Jul	67
19-Jul	Housing Starts	Jun	1549K
19-Jul	Building Permits	Jun	1695K
20-Jul	MBA Mortgage Applications Index	7/16	NA
20-Jul	Existing Home Sales	Jun	5.41M
20-Jul	EIA Crude Oil Inventories	7/16	NA
21-Jul	Initial Claims	7/16	NA
21-Jul	Philadelphia Fed Index	Jul	-3.3
21-Jul	EIA Natural Gas Inventories	7/16	NA
26-Jul	FHFA Housing Price Index	May	NA
26-Jul	S&P Case-Shiller Home Price Index	May	NA
26-Jul	Consumer Confidence	Jul	NA
26-Jul	New Home Sales	Jun	NA
27-Jul	MBA Mortgage Applications Index	7/23	NA

ECONOMIC CALENDAR

27-Jul	Adv. Intl. Trade in Goods	Jun	NA
27-Jul	Adv. Retail Inventories	Jun	NA
27-Jul	Adv. Wholesale Inventories	Jun	NA
27-Jul	Durable Orders	Jun	NA
27-Jul	Pending Home Sles	Jun	NA
27-Jul	EIA Crude Oil Inventories	7/23	NA
27-Jul	EIA Natural Gas Inventories	6/18	NA
27-Jul	FOMC Rate Decision	Jul	NA
28-Jul	Chain Deflator - Ad.	Q2	NA
28-Jul	Continuing Claims	7/16	NA
28-Jul	GDP-Adv.	Q2	NA
28-Jul	Initial Claims	7/23	NA
28-Jul	EIA Natural Gas Inventories	7/23	NA
29-Jul	Employment Cost Index	Q2	NA
29-Jul	PCE Prices	Jun	NA
29-Jul	PCE Prices - Core	Jun	NA
29-Jul	Personal Spending	Jun	NA
29-Jul	Personal Income	Jun	NA
29-Jul	Chicago PMI	Jul	NA
29-Jul	Univ. of Michigan Consumer Sentiment - Prelim	Jul	NA

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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.

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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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