MARKET COMMENTARY

DAVENPORT 1863
BUILDING WEALTH TOGETHER

AUGUST 2023

- Equity Markets Stayed In Bullish Territory Through July
- The Best Performing S&P 500® Sector In July Was Energy
- The Fed May Be Nearing The End Of The Rate Hiking Cycle

Following a strong June, equity markets stayed in bullish territory through July as investors cheered the potential for a soft economic landing. The 2023 rally, which has been led by a handful of technology related issues, broadened during July across multiple sectors. Against this bullish backdrop, the VIX Index or "fear gauge" which started the month at a little under 14 was relatively flat suggesting investor complacency could be high. For the full month, the Dow Jones Industrial Average increased 3.4%, the S&P 500® index was up 3.1%, and the smaller cap weighted Russell 2000® increased 6.1%.

The best performing S&P 500 sector in July was Energy which increased 7.3% and was followed by the Communications Services sector which was up 6.7%. The weakest performance in the month was posted by the Health Care sector which increased by 0.9% followed by the Real Estate sector which was up 1.2%. For the prior twelve month period, the Information Technology sector was the best performer with a 25.6% increase followed by the Industrials sector which was up 15.6%, while the Real Estate sector was the worst performer for the past twelve months with a 13.7% decrease followed by the Utilities sector which was down 9.3%.

In mid-July the Federal Reserve's Federal Open Market Committee or FOMC voted unanimously to raise the target range for the fed funds rate by 25 basis points to 525-550 BPS, as expected. The post session meeting summary upgraded the description of economic activity to expanding at a 'moderate pace' from a 'modest pace.' With his post session media presentation, Fed Chair Powell acknowledged that inflation had moderated nicely over the past 12 months but that the process of getting inflation back down to two percent still has a long way to go to achieve their goal by yearend 2025. Although the latest CPI data points to a further slowing, one month does not set a trendline with future FOMC policy decisions to be made meeting to meeting based upon evolving employment and inflation datasets. Still, Powell's comments were best construed as being cautiously optimistic for the U.S. economy to head toward a soft landing as he noted the Fed staff has moved to a non-recession forecast.

Although we would not be surprised to see some further tightening to follow, it appears that the Fed may be nearing the end of the rate hiking cycle, while economic activity remains more resilient than earlier forecast. Still, investor expectations for another rate hike in the 2H2023 have largely remained unchanged post session – with the majority believing we have seen the peak for this rate cycle. This outlook has supported the recent market rally with the prospect of a more accommodative Fed easing investor concerns.

The U.S. economy showed few signs of recession in the second quarter, as GDP grew at a faster than expected pace – rising at an annualized pace of 2.4% (ahead of consensus forecasts targeting a stat at up 2.0%) – powered by consumer spending. The Conference Board's latest Consumer Confidence Index surged in July to 117.0 (ahead of forecasts at 111.5) from 110.1 in June and a stat at 95.3 a year ago. The uptick was driven both by a pickup in views about current conditions and the outlook, which are an offshoot of better feelings about inflation coming down and the labor market remaining tight.

Where to from here?

Despite some uncertainties on the economic outlook, markets have continued to advance into mid-summer of 2023 with rising consumer confidence driving enhanced investor sentiment as the likelihood of a soft landing into 2024 dominates the outlook today (with even the staff of the FOMC no longer forecasting a recession to arise). We continue to anticipate that Corporate America emerges from its current earnings recession, returning to growth later this year with an improving outlook into 2024. Still, consensus expectations targeting measurably higher margins that drive close to 11% EPS growth into 2024 could prove elusive given sticky wage inflation trends in place today. However, aside from the group of 10 or so mega cap tech sector issues that have surged in value in the 1H2023, many other quality issues continue to trade at reasonable valuations with broadening participation now arising with 2Q2023 earnings season. Thus, selectivity among equity investment remains critical with our focus being on stocks of firms possessing less exposure to interest rates and retaining pricing power to sustain earnings growth and free cash flow generation. Alternatively, fixed income also appears to offer attractive short term returns.

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MARKET AND ECONOMIC STATISTICS

Market Indices:	**7/31/2023**	**12/30/2022**	**% Change YTD**	**6/30/2023**	**% Change (Monthly)**
S&P Composite	4,588.96	3,839.50	19.52%	4,450.38	3.11%
Dow Jones Industrials	35,559.53	33,147.25	7.28%	34,407.60	3.35%
NASDAQ Composite	14,346.02	10,466.48	37.07%	13,787.92	4.05%
Russell 2000	2,003.18	1,761.25	13.74%	1,888.73	6.06%
FTSE 100	7,699.41	7,451.74	3.32%	7,531.53	2.23%
Shanghai Composite	3,291.04	3,089.26	6.53%	3,202.06	2.78%
Nikkei Stock Average	33,172.22	26,094.50	27.12%	33,189.04	-0.05%
Stoxx Europe 600	471.35	424.89	10.93%	461.93	2.04%
MSCI Emerging Markets	1,046.91	956.38	9.47%	989.48	5.80%
MSCI Emerging Markets Small Cap	1,307.40	1,127.18	15.99%	1,231.82	6.14%
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	10.49%	2.40%	18.23%	35.51%	6.32%
Consumer Staples	6.57%	1.99%	-1.60%	1.95%	2.69%
Energy	4.26%	7.28%	2.10%	-0.50%	11.73%
Financials	12.61%	4.70%	6.54%	3.12%	4.90%
Health Care	13.06%	0.85%	0.42%	-1.49%	1.30%
Industrials	8.51%	2.86%	10.39%	12.34%	15.56%
Information Technology	28.23%	2.63%	19.52%	45.81%	25.55%
Materials	2.51%	3.36%	6.39%	10.20%	9.80%
Communication Services	8.70%	6.74%	16.28%	44.72%	19.78%
Utilities	2.53%	2.35%	-2.75%	-4.98%	-9.33%
Real Estate	2.48%	1.19%	1.16%	3.06%	-13.70%
S&P 500 (Absolute performance)	100%	3.11%	10.06%	19.52%	11.11%
Interest Rates:	**7/31/2023**	**12/30/2022**	**YTD Change (Basis Points)**	**6/30/2023**	**Month Change (BPS)**
Fed Funds Effective Rate	5.33%	0.09%	524	5.08%	25
Prime Rate	8.50%	7.50%	100	8.25%	25
Three Month Treasury Bill	5.35%	0.09%	527	5.29%	6
Ten Year Treasury	3.96%	3.87%	8	3.84%	12
Spread - 10 Year vs 3 Month	-1.39%	3.79%	-518	-1.45%	6
Foreign Currencies:	**7/31/2023**	**12/30/2022**	**% Change YTD**	**6/30/2023**	**% Change (Monthly)**
Brazil Real (in US dollars)	0.21	0.19	11.8%	0.21	1.3%
British Pound (in US dollars)	1.28	1.21	6.2%	1.27	1.0%
Canadian Dollar (in US dollars)	0.76	0.74	2.8%	0.76	0.4%
Chinese Yuan (per US dollar)	7.14	6.90	3.5%	7.25	-1.5%
Euro (in US dollars)	1.10	1.07	2.7%	1.09	0.8%
Japanese Yen (per US dollar)	142.29	131.12	8.5%	144.31	-1.4%
Commodity Prices:	**7/31/2023**	**12/30/2022**	**% Change YTD**	**6/30/2023**	**% Change (Monthly)**
CRB (Commodity) Index	563.85	554.78	1.6%	547.83	2.9%
Gold (Comex spot per troy oz.)	1965.09	1824.02	7.7%	1919.35	2.4%
Oil (West Texas int. crude)	81.80	80.26	1.9%	70.64	15.8%
Aluminum (LME spot per metric ton)	2244.81	2349.51	-4.5%	2110.50	6.4%
Natural Gas (Futures 10,000 MMBtu)	2.63	4.48	-41.1%	2.80	-5.9%
Economic Indicators:	**6/30/2023**	**12/31/2021**	**% Change YTD**	**5/31/2023**	**% Change (Monthly)**
Consumer Price Index	303.8	280.9	8.2%	303.3	0.18%
Producer Price Index	251.0	233.5	7.5%	259.95	-3.44%
	Q1 2023	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
GDP Growth Rate (Quarterly)	2.00%	2.60%	3.20%	-0.60%	-1.60%
Unemployment Rate (End of Month)	**May** **3.7%**	**April** **3.4%**	**March** **3.5%**	**February** **3.6%**	**January** **3.4%**

*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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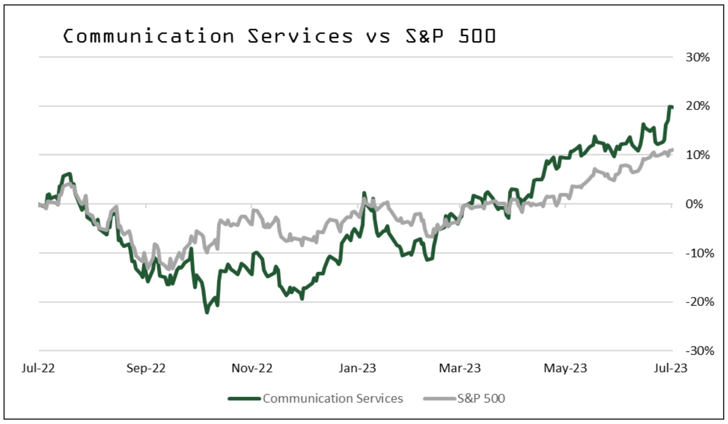
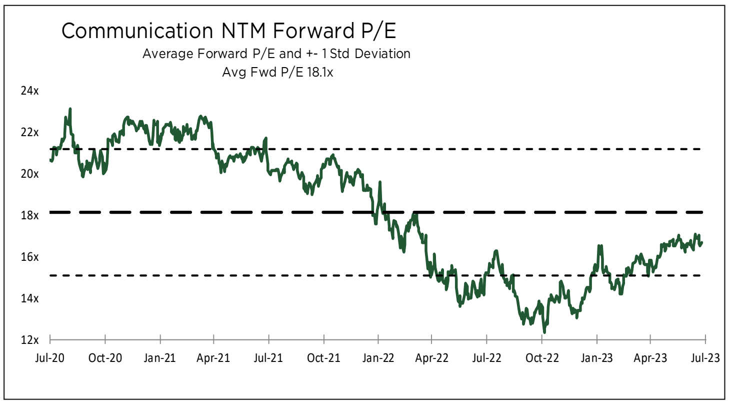
COMMUNICATIONS SERVICES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
6.74%	16.28%	44.72%	19.78%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.11%	10.06%	19.52%	11.11%

	Company Performance	1 Month
Leader	Match Group Inc	11.1%
	Meta Platforms Inc	11.0%
	Alphabet Inc	10.9%
	Charter	10.3%
	Activision Blizzard Inc	10.0%
Laggards	Interpublic Group	-11.3%
	Omnicom Group Inc	-11.1%
	AT&T Inc	-9.0%
	Verizon	-8.4%
	Live Nation Ent.	-3.7%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$10.64	$12.08	$14.34
21.7x	19.1x	16.1x

Sector Update

Communications Services (+6.74%) outperformed the market in July driven by the performance of the Interactive Media & Services sub-sector (+10.7%). Alphabet and Meta Platforms, the largest companies within this sub-sector, were among the top performing Communications Services companies in July. Both companies reported the stabilization of advertising demand in the second quarter. Alphabet and Meta Platforms reported that they are applying artificial technology (AI), including generative AI to enhance content creation, user engagement, and ad targeting and measurement.

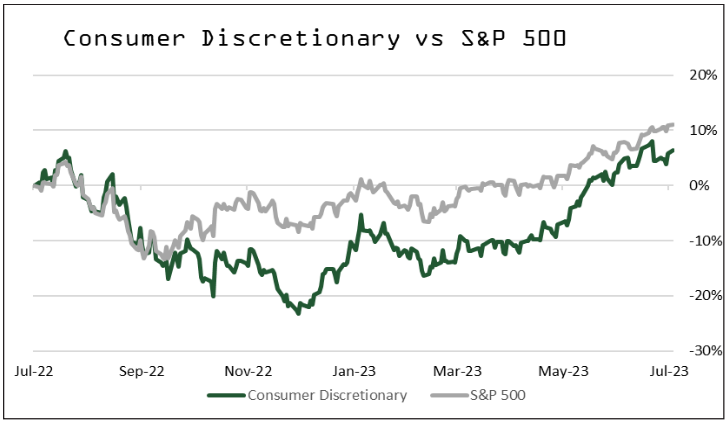
The Media sub-sector (+5.6%) outperformed the market in July despite the strike by Hollywood actors and writers, which resulted in the suspension of content production.

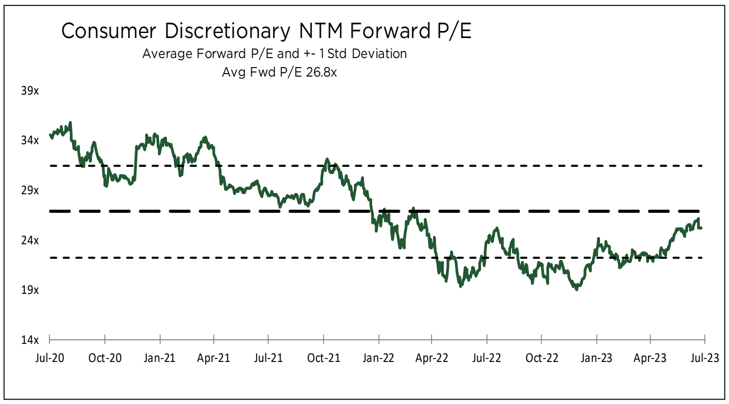
While the Entertainment sub-sector (+1.5%) lagged the market in July, Activision Blizzard was one of the top performing companies in the Communications sector. The potential merger of Microsoft and Activision Blizzard was held up over the past year by the U.S. Federal Trade Commission's suit to block the merger on concern that the merger would be anticompetitive. Recent rulings by a U.S. federal court and U.S. appeals court rejected the FTC's complaint. Even though Microsoft has not obtained the approval of the U.K.'s Competition Authority to close its acquisition of Activision Blizzard, investors bid up ATVI's share price close to 11% in July to $93 per share, just below Microsoft's $95 cash offer price for ATVI.

Diversified Telecommunications Services was the worst performing sub-sector (-8.6%) in July due to the sharp decline in the shares of AT&T and Verizon. A recent Wall Street Journal article asserted that AT&T and Verizon could face substantial costs associated with the potential removal of lead sheathed copper phone lines where they may present a health or environmental risk. Both companies are investigating the potential health impact of lead sheathed copper phone lines in the locations highlighted by the Wall Street Journal and plan to share the results of their investigations with investors.

The Communications Services sector is trading above its average 12-month P/E, with a current forward P/E of 19.1x versus an average of 18.1x.

CONSUMER DISCRETIONARY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.40%	18.23%	35.51%	6.32%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.11%	10.06%	19.52%	11.11%

	Company Performance	1 Month
Leader	Newell Brands Inc	28.3%
	Etsy Inc	20.1%
	Domino's Pizza Inc	17.7%
	Caesars Ent.	15.8%
	MGM Resorts	15.6%
Laggards	Ford Motor Co	-12.7%
	Chipotle Mexican Grill	-8.3%
	Genuine Parts Co	-8.0%
	LKQ Corp	-6.0%
	Ulta Beauty Inc	-5.5%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$41.35	$49.72	$57.66
32.9x	27.4x	23.6x

Sector Update

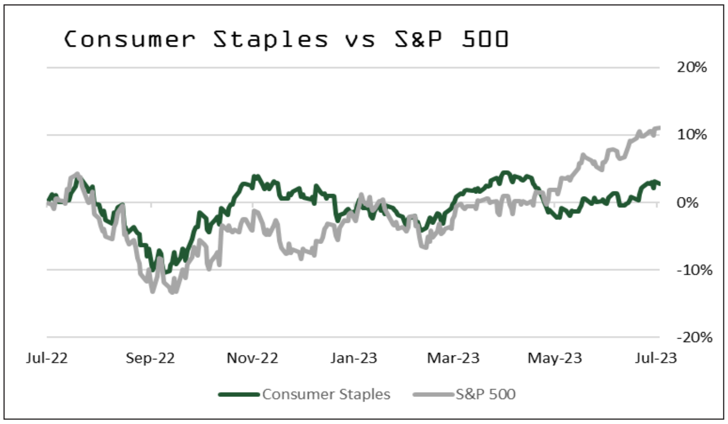
After a very strong June, the Consumer Discretionary sector continued its climb higher although performance lagged the S&P 500 in July. Sub-sectors that demonstrated the strongest performance for the month including Auto Components, Specialty Retail and Multiline Retail. Consumer Discretionary sub-sectors that were softer in July included Distributors, Leisure Products, and Textiles, Apparel & Luxury Goods. Although the sector trailed the S&P 500 for the month, Consumer Discretionary stocks have outperformed the index on both the 3-month and year-to-date periods, as seen in the accompanying chart.

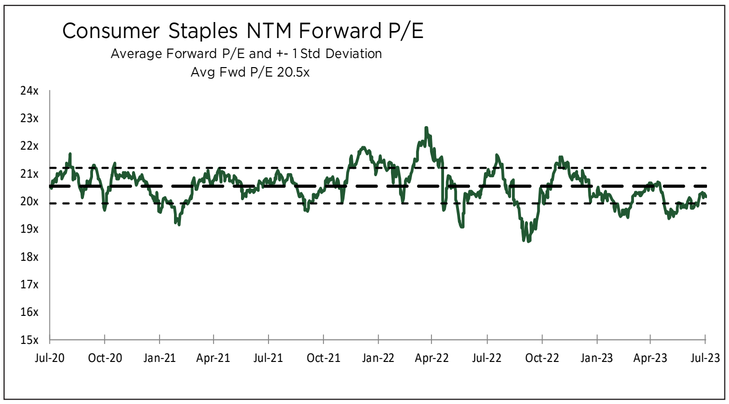
The Bureau of Labor Statistics (BLS) reported encouraging inflation results for June with the Consumer Price Index only increasing 0.2% The report indicates that a year after U.S. inflation hit a 40-year high of 9.1%, it has fallen sharply with headline CPI now running up 3.0% year-over-year. A key factor in the inflation improvement has been gasoline where prices have fallen from the $5.00 range in June last year to a national average of $3.69 in June and $3.87 in July this year. Other significant price declines have been registered for airline fares down 18.9%; appliance prices down 10.9%; and key food items (bacon and eggs) having dipped by double digits. However, other food staples (bread, frozen vegetables and sugar) continue to rise by double digits with overall food costs up 5.7% in the past year, while auto repair and related insurance has moved sharply higher (rising by 19.8% and 16.9% on average in the past year).

Core CPI, that excludes energy and food costs, also moderated in June, rising by just 0.2% for the month – being up 4.8% over the past year - marking the smallest one-month increase in that index since August 2021. Shelter costs have been the critical factor driving Core CPI — accounting for over 70% of the rise — followed by motor vehicle insurance, apparel, recreation and personal care. In June, rents were up 8.3% from a year earlier, and owners' equivalent rent was up 7.8%.

Retail sales in June continued the positive trend set in April and May as reported by the Commerce Department in July. Retail sales increased 0.2% in the month which does reflect a slight drop from the prior month. Relative strength in the month was seen in furniture, electronics and internet retailers. Reflecting ongoing gasoline deflation, sales declined 1.4% at gas stations. Core retail sales which exclude autos and gasoline, rose 0.3%.

Reflecting a very tight supply of houses for sale, existing home sales in June dropped 3.3% on a monthly basis according to the National Association of Realtors. On a year-over-year basis, home sales dropped 18.9%. The number of homes available for sale in the month declined 13.6% versus last year to 1.08 million. Housing starts in June also declined posting an 8% drop as new single family home construction decelerated. June housing starts dropped to a 1.43 million unit annual rate from 1.56 million in May.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
1.99%	-1.60%	1.95%	2.69%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.11%	10.06%	19.52%	11.11%

	Company Performance	1 Month
Leader	Bunge Ltd	15.2%
	Archer-Daniels-Midland	12.4%
	Constellation Brands	10.8%
	Tyson Foods Inc	9.2%
	Keurig Dr Pepper Inc	8.8%
Laggards	Lamb Weston Holdings	-9.8%
	Estee Lauder Cos Inc	-8.3%
	Hershey Co	-7.4%
	Kimberly-Clark Corp	-6.5%
	Clorox Co	-4.8%

Consensus FY EPS / P/E

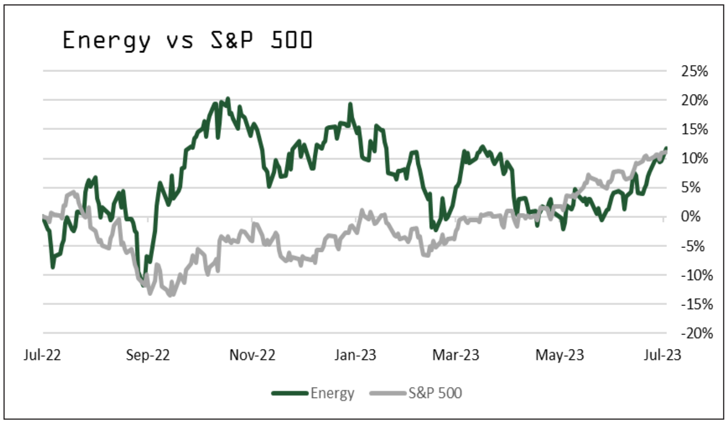
Last Year	Current Year	Next Year
$35.90	$37.92	$40.99
22.1x	20.9x	19.4x

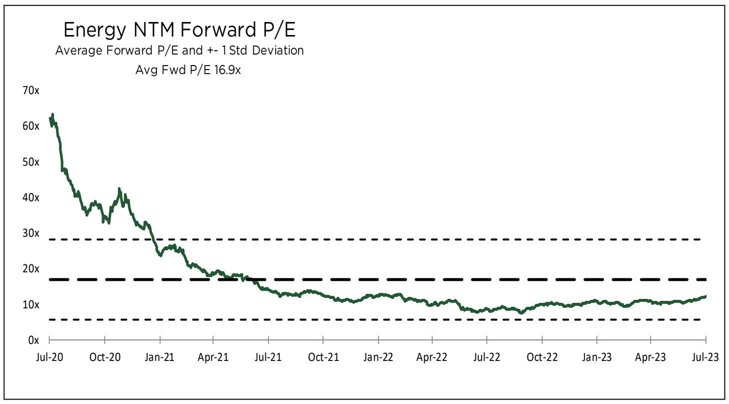
Sector Update

The Consumer Staples sector increased 1.99% on average in July and underperformed the S&P 500 Index that increased 3.11%. All sectors contributed to the results in the month with the exception of Personal Products. Year-to-date, the Consumer Staples sector increased 1.95% on average and well underperformed the S&P 500 Index that increased 19.52%. The Consumer Staples segment trades with a current forward P/E of 20.9x which is ahead of its average forward P/E of about 20.5x. We are nearing the end of the key earnings reports from the Consumer Staples companies. Overall, updates have been strong reflecting the benefit of carryover pricing, focus on mix management, moderating input costs and realizing cost savings. Year-to-date results reflect the benefit of continued pricing and strong top-line contribution. We now believe that investor focus is pivoting away from pricing and margin recovery tends to focus more on volume and top-line growth. That switch also raises attention toward potential increased merger and acquisitions activity to drive momentum as growth slows coming off several years of aggressive pricing benefits. An example is the recently announced acquisition of a premium tomato sauce company by a large packaged food company. The acquisition adds both to the company's tomato sauce brand platform as well as to its top-line with a faster growing premium positioned brand. Strategic emphasis remains on revenue growth management, managing volume, realizing fixed cost leverage and cost savings, innovating and increasing service levels.

Consumer Staples companies continue to approach the balance of 2023 with a more cautious outlook incorporating elasticities more in line with historical averages and modest volume assumptions. A slowdown in the top-line vs expectations in 2H and into 2024 raises the risk of an increased promotional environment. Consumers increasingly trading down to private label products also remain a key question. We continue to advise a selective investment among the Consumer Staples stocks and prefer an investment in companies with pricing, leading market share, strong balance sheets, and experienced management. Companies exposed to attractive growth segments including confectionery, snacks, beverages and pet food remain attractive investments. Many of the stocks also offer an attractive dividend yield.

ENERGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
7.28%	2.10%	-0.50%	11.73%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.11%	10.06%	19.52%	11.11%

	Company Performance	1 Month
Leader	Schlumberger NV	18.8%
	APA Corp	18.5%
	Halliburton Co	18.5%
	Phillips 66	17.0%
	EOG Resources Inc	15.8%
Laggards	Exxon Mobil Corp	-0.0%
	EQT Corp	2.6%
	Kinder Morgan Inc	2.8%
	Chevron Corp	4.0%
	Williams Cos Inc	5.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$76.65	$55.22	$56.33
8.7x	12.1x	11.9x

Sector Update

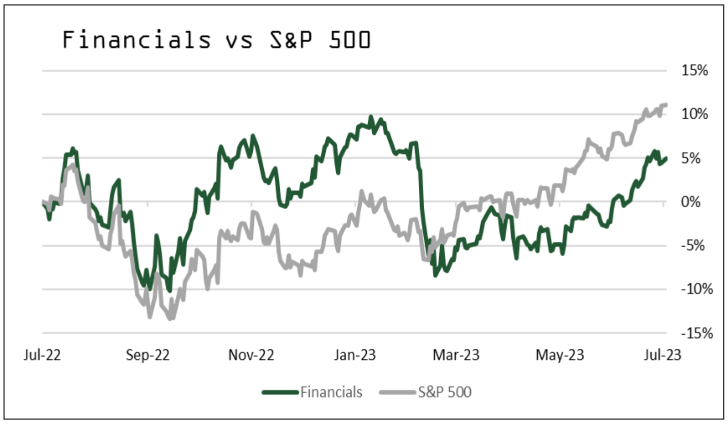
Energy markets were broadly stronger in July with investors cheering the potential for a soft economic landing. This view was reinforced by the Federal Reserve in late July, when Fed Chair Powell indicated that economists at the central bank are no longer forecasting a recession. Energy sector equities outperformed the broader market in July after tracking the market in June. The Energy Equipment & Services subsector led index subsector categories outperforming for the month followed by the Oil, Gas & Consumable Fuels sub-sector. Although the Energy sector strongly outperformed in July, the sector has lagged significantly behind the S&P 500 for the trailing three-months and year-to-date periods, as seen in the accompanying table.

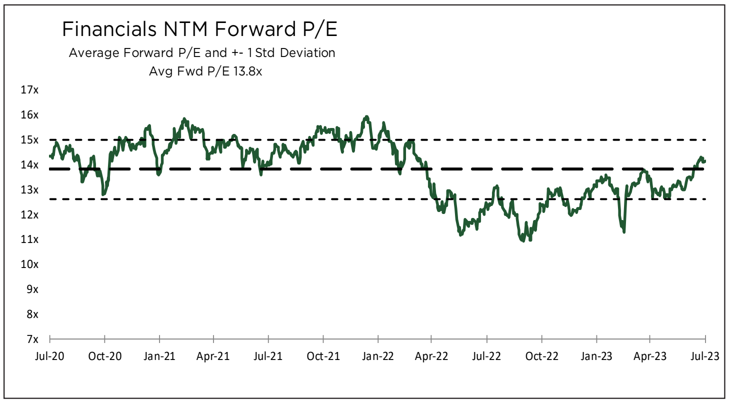
In mid-July, OPEC updated its monthly outlook for oil demand growth indicating a target of 2.4 million barrels per day of growth this year followed by 2.2 million barrels expected next year. The bulk of the increase in demand is anticipated to come from China and a group of smaller nations primarily in the Middle East. This demand growth forecast is higher than that of The International Energy Agency (IEA) which estimates 2023 oil demand will climb 2.2 million barrels per day to reach 102.1 million barrels per day. This estimate, however, represents a reduction of 220,000 barrels per day reflecting persistent macroeconomic headwinds including a deepening manufacturing pullback. The IEA sees a further slowdown in the rate of oil demand growth by 1.1 million barrels per day in 2024. We note that oil markets may be ready to tighten as demand growth appears set to outstrip supply as world oil supply appears set to contract following Saudi Arabia's 1 million barrel per day production cut which began in July.

Oil commodity markets strengthened through the month of July as macro optimism fueled higher prices. West Texas Intermediate (WTI) crude oil prices moved sharply higher with WTI trading from around the $70 per barrel range to end the month just under $82 per barrel. Natural gas prices declined from about $2.80 per million Btu to end the month at about $2.63 per million Btu. Retail gasoline prices climbed in July moving to $3.87 per gallon at the end of the month from the $3.69 average price seen at the end of the prior month and down sharply from the prior year level of $4.44.

The Baker Hughes oil rig count was down in the month coming in at 529 rigs versus 545 rigs last month. Oil rig count at month-end was down versus the prior year level of 605 rigs which differs from the trend we have seen of growth in rig counts over the past year. U.S. crude oil storage at 440 million barrels was down slightly from last month's level of 452 million barrels. We note that storage levels have generally been declining off the 2020 pandemic highs and are currently above the prior year level of 427 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 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 12.2 million barrels per day at the end of the month.

FINANCIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
4.70%	6.54%	3.12%	4.90%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.11%	10.06%	19.52%	11.11%

	Company Performance	1 Month
Leader	KeyCorp	33.2%
	Comerica Inc	27.4%
	Citizens Financial	23.7%
	MSCI Inc	16.8%
	Charles Schwab Corp	16.6%
Laggards	Discover Financial	-9.7%
	Aon PLC	-7.7%
	Progressive Corp	-4.8%
	American Express Co	-3.1%
	Arthur J Gallagher & Co	-2.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$36.40	$40.06	$43.39
16.1x	14.7x	13.5x

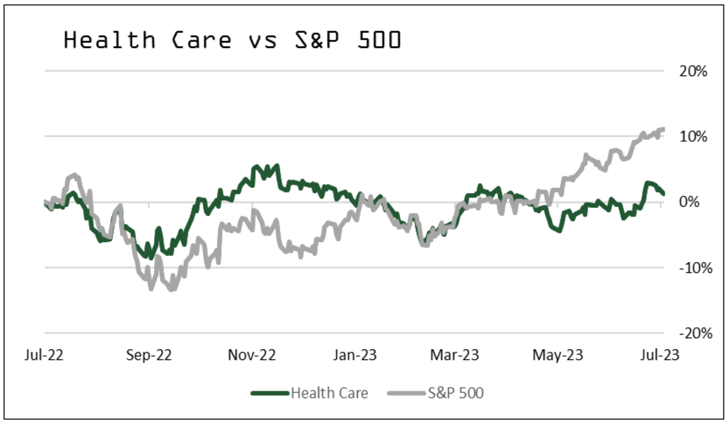
Sector Update

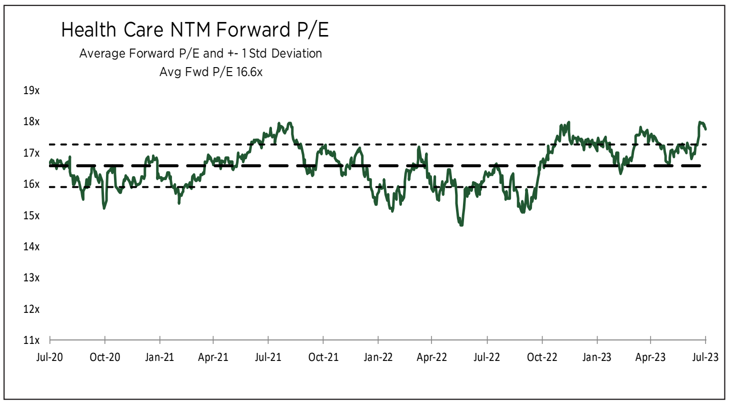
The Financials sector improved 4.70% in July, outperforming the S&P 500 that posted a 3.11% gain in the same period. Financial sector performance on a YTD and TTM basis remains well below index levels reflecting a 3.12% gain through the first seven months of 2023 and a 4.9% gain on a trailing twelve month basis. Underperformance relative to the market index largely reflects banking turmoil in March and more dramatic gains in the heavily weighted technology sector in the past seven and twelve months.

Banks were the leading Financials sub-sector in July with a gain of 10.0%. Deposit costs for banks have continued to rise faster than asset yields, although investors were encouraged by 2024 Net Interest Income forecasts that some investors expect to recover in tandem with an expected drop in the federal funds rate. The top three best-performing stocks in July each belong to the Banks subsector, including KeyCorp (NYSE-KEY), Comerica (NYSE-CMA), & Citizens Financial Group (NYSE-CFG). The current phase of the interest rate cycle has squeezed these regional banks' Net Income Margins, although a potential end of Fed rate hikes has helped these banks rally in the month. Thus, Net Interest Income is expected to recover for these regional banks in 2024 despite an average decline of 4% going into the third quarter of 2023. Additionally, Charles Schwab (NYSE-SCHW) increased 16.6% in July, driven by the slowing of client cash sorting. Throughout this year, Charles Schwab customers have been moving excess cash held in Charles Schwab accounts into higher-yielding bank alternatives, although this practice has slowed as of late. On the other end of the spectrum, Discover Financial Services (NYSE-DFS) registered the worst monthly performance in the Financials sector with a decline of 9.7%. During Discover's second quarter earnings call, the company reported that they have been overcharging certain merchants who accept its card, due to a misclassification of card types. While the affected amount of revenue was not enormous, the company has once again paused share repurchases as it reviews its corporate governance and compliance policies. The Capital Markets sub-sector outpaced the broader market on a gain of 6.2%, while the Insurance, Diversified Financial Services, and Consumer Finance sub-sectors lagged the broader market on 1.3%, 2.4%, and -1.5% monthly returns, respectively.

In July, the federal banking agencies jointly issued the long-expected notice of proposed rulemaking that would replace the federal banking agencies' risk-based capital framework for large banking organizations with a new framework, named Basel III endgame. Under this proposed framework, aggregate capital requirements would increase by ~16% on average. Globally Systemically Important Banks would see the largest increase at ~19%, while non-GSIBs with assets over $250B would increase ~10%, and $100-$250B asset banks would see a ~5% increase in minimum requirements. Estimated CET1 minimums would increase by ~200bps for the nation's largest banks if new rules were in effect.

The Financial Sector currently trades at a forward P/E ratio of 14.7x, above the three year average of 13.8x. This represents an uptick from last month's forward P/E of 13.9x, driven by the 4.50% increase in Financials sector shares. Valuations in the Financials sector appear reasonable following recent weakness, although the path forward remains challenging near-term on reduced earnings forecasts and abundant recessionary/liquidity concerns.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
0.85%	0.42%	-1.49%	1.30%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.11%	10.06%	19.52%	11.11%

	Company Performance	1 Month
Leader	Catalent Inc	11.9%
	AbbVie Inc	11.0%
	IDEXX Laboratories	10.5%
	Zoetis Inc	9.2%
	CVS Health Corp	8.0%
Laggards	Edwards Lifesciences	-13.0%
	Universal Health Service	-11.9%
	HCA Healthcare Inc	-10.1%
	Merck & Co Inc	-7.6%
	Stryker Corp	-7.1%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$76.48	$82.30	$93.23
20.4x	19.0x	16.8x

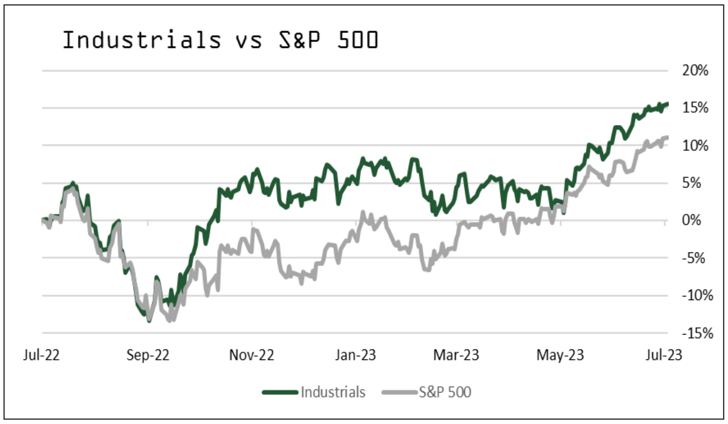
Sector Update

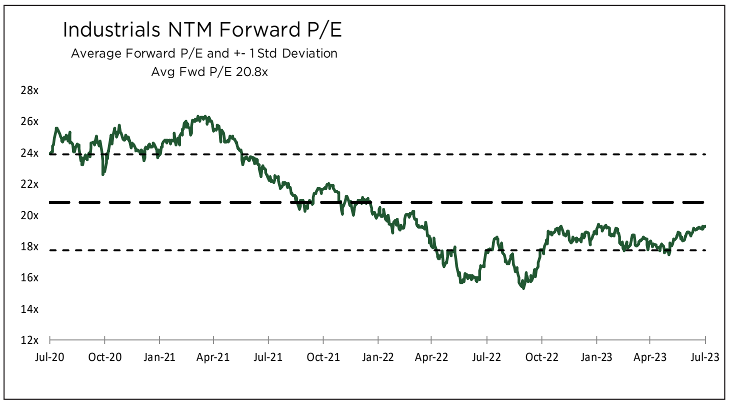
Propelled by the continued strength of the consumer along with solid earnings results that met expectations, markets advanced smartly in July with the S&P 500 up 3.11%. S&P breadth declined when compared to June, yet remained strong in July. Additionally, all 11 sectors were up for the second month in a row, including 9 sectors up year to date. The defensive-natured Health Care sector lagged the market in July with a 0.85% gain – representing the lowest gain compared to the rest of the S&P 500. As the COVID pandemic ended, many healthcare firms that had delivered diagnostics and therapeutics to patients globally have experienced substantive headwinds with those products and services falling off sharply, while other sectors of the economy rebounded with the reopening of the economy. Thus, we are not surprised to see the health care sector as continuing a trend of underperformance that has persisted over the past year.

The core business among health care service providers has returned to pre-pandemic levels with the demand for medical technology having rebounded and hospital admissions rates ramping up. In the meantime, biopharma R&D is now delivering significant new therapeutics to market with active pipelines advancing – representing solid intermediate and longer-term growth potential. Economic uncertainty for the U.S. persists with economists calling for a recession to arrive in early 2024 that if forthcoming would be supportive of the defensive health care sector. As such, we continue to recommend selective investment in the Health Care sector – focusing on companies delivering value-added products and services, generating solid earnings and free cash flow to sustain intermediate growth and drive increased dividends/returns to investors.

As illustrated in the adjacent tables, Catalent (NYSE-CTLT), AbbVie (NYSE-ABBV), and IDEXX Labs (NASDAQ-IDXX) each achieved double-digit appreciation in July. Catalent shares were up 11.9% in July as the company continued to gain momentum after the firm posted quarterly results above street expectations in June – further propelled by the news that prominent activist investor Elliot Management bought a stake in the company. Abbvie shares were up 11.0% in July, driven by strong quarterly results that proved that their immunology portfolio is gaining traction. Despite a steep drop off in Humira sales, immunology drugs Skyrizi and Rinvoq helped offset the loss. IDEXX Labs registered a 10.5% gain in July, as investors bought into shares following a strong earnings call that showed strong pricing and diagnostics utilization. In the first half of 2023, Idexx gained around 8% - 9% on price, with plans to moderate that to 6%-7% in the latter half of the year.

On the other hand, Edwards Lifesciences (NYSE-EW), Universal Health Services (NYSE-UHS), and HCA (NYSE-HCA) all posted double-digit declines in July. While Edwards Lifescience delivered earnings in line with expectations, outperformance from other MedTech companies resulted in less enthusiasm from Edwards Lifesciences performance. Meanwhile, HCA Healthcare and Universal Health Services partially gave back gains after rallying in the early summer months. Thus, we reiterate that selectivity remains key when sifting through the Health Care sector in search of investment opportunities today.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.86%	10.39%	12.34%	15.56%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.11%	10.06%	19.52%	11.11%

	Company Performance	1 Month
Leader	Carrier Global Corp	19.8%
	Textron Inc	15.0%
	Paycom Software Inc	14.8%
	Old Dominion Freight	13.5%
	Union Pacific Corp	13.4%
Laggards	Equifax Inc	-13.3%
	RTX Corp	-10.2%
	Alaska Air Group Inc	-8.6%
	American Airlines	-6.6%
	Honeywell International	-6.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$41.56	$45.53	$51.44
22.5x	20.5x	18.2x

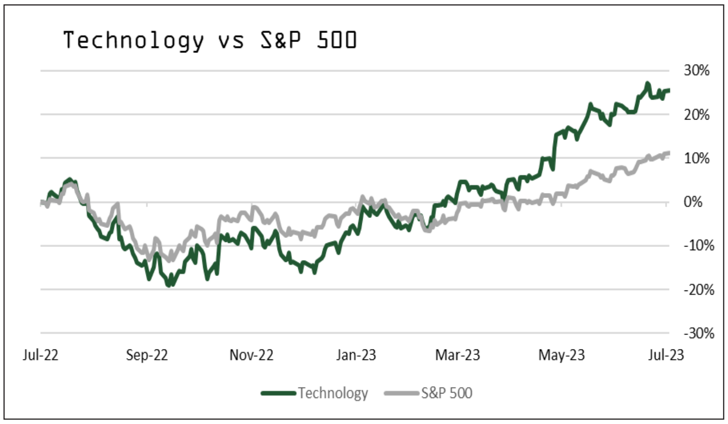
Sector Update

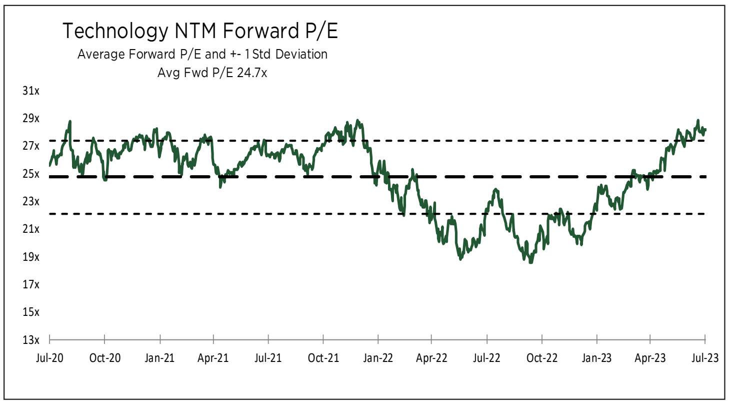
The Industrial Sector's 2.86% increase underperformed the S&P 500's 3.11% gain in the month of July. 8 of the 12 subsectors within the Industrials sector reported gains in July, led by a 7.8% increase posted by the Road & Rail subsector. Despite stubborn inflation trends and fears of a slowing economy, Road & Rail stocks led the Industrial sector in July with a 7.8% return. Despite bipartisan support, proposed legislation to require expensive new safety rules for the Railroad industry never came to the Senate floor for a vote, indicating to some investors that the industry's regulation overhang may have passed. As shown in the accompanying table, Union Pacific (NYSE-UNP) and Old Dominion Freight (NASDAQ-ODFL) increased 13.4% and 13.5% in the month of July respectfully.

The best performing equity in the Industrial Sector was Carrier Global Corp (NYSE-CARR), which rose 19.8% in July driven by an expanding HVAC market, favorable secular market trends, substantial federal funding, and corporate actions. Carrier Global targets higher organic growth than previously anticipated, led by internal investments, a mix shift toward the aftermarket, and the sale of non-HVAC assets. On the other hand, credit agency Equifax (NYSE-EFX) registered the largest decline in the Industrials sector in July with a 13.3% decline. The firm reported second quarter earnings in July, where CEO Mark Begor forecasted that mortgage originations will slide 37% in 2023.

The July Manufacturing PMI registered a reading of 46.4%, 0.4% higher than the 46.0% recorded in June, representing an eighth month of contraction after 30 months of expansion. The New Orders Index remained in contraction territory at 47.3%, 1.7% higher than the figure of 45.6% recorded in July. The Prices index reading of 42.6 was up 0.8% compared to the June figure of 46.7% while the Employment Index dropped further into contraction, registering 44.4%, down 3.7% from June's reading of 48.1%, as companies continued to use layoffs to manage head counts to a greater extent. The Industrial Sector is trading at a Forward P/E of 20.5x, up 0.5x from last month's reading of 20.0x and below the sector's three year average of 20.8x.

INFORMATION TECHNOLOGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.63%	19.52%	45.81%	25.55%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.11%	10.06%	19.52%	11.11%

	Company Performance	1 Month
Leader	ON Semiconductor	13.9%
	Micron Technology Inc	13.1%
	Western Digital Corp	12.2%
	Lam Research Corp	11.8%
	Adobe Inc	11.7%
Laggards	Juniper Networks Inc	-11.3%
	SolarEdge Technologies	-10.3%
	Enphase Energy Inc	-9.3%
	VeriSign Inc	-6.6%
	Teledyne Technologies	-6.5%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$87.71	$104.94	$122.55
36.1x	30.2x	25.8x

Sector Update

The Technology sector (+2.63%) underperformed the market (+3.1%) in July. The Technology sector appears close to fully valued with a P/E of 30.2x, compared to its 12-month average P/E multiple of 24.5x.

Four of the six sub-sectors within Technology sectors underperformed the market in July, with the Communications Equipment sub-sector (-0.6%) reporting the worst performance in July due to lower demand for 5G wireless equipment as U.S. wireless carriers near the completion of their 5G wireless network buildouts. While the Software sub-sector (+0.7%) underperformed the market in July, Adobe, was one of the top performing companies in the Technology sector. Adobe recently introduced Firefly, its generative AI product as well as generative AI co-pilots for its creative content software. The company plans to announce pricing for its generative AI products this fall.

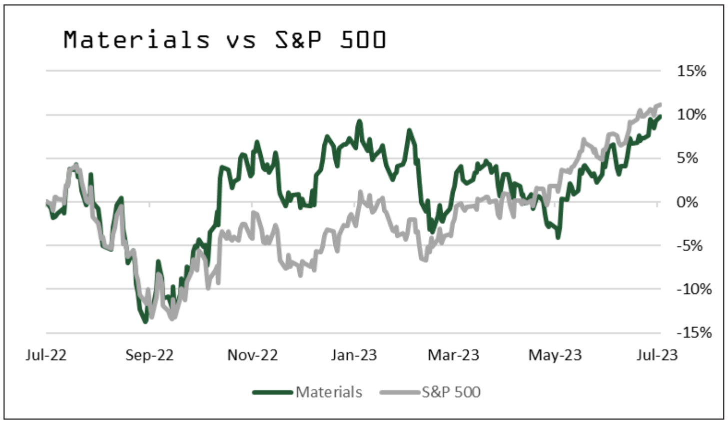
Despite a mixed demand environment, the Semiconductors & Semiconductor Equipment sector outpaced the market in July (+7%) driven by the performance of ON Semiconductor, Micron Technology, Western Digital, and LAM Research.

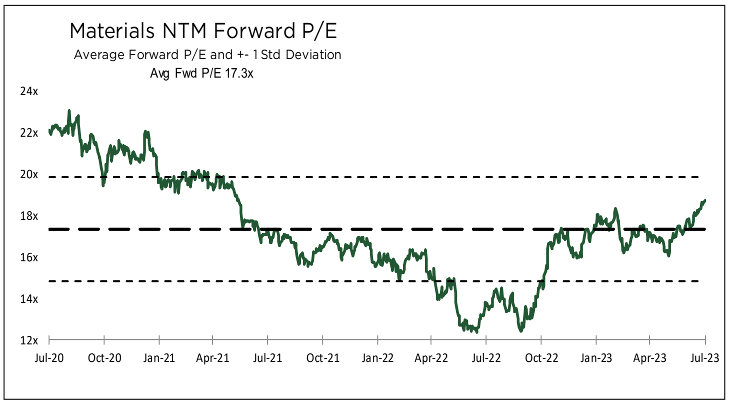
Based on management commentary from several semiconductor manufacturers, it appears that the challenging global macro-economic environment, including weaker than expected demand in China, led distributors to reduce their channel inventory of IOT devices and smart phones and reduce their orders for semiconductor components.

Semiconductor companies continued to report higher automotive revenue, since they obtain higher semiconductor content for their solutions for hybrid and all electric vehicles, automotive safety, and autonomous driving.

In addition, semiconductor companies reported increased demand from hyperscale cloud companies for their semiconductor chips included in GPUs, optical networks and high-speed switches to support high performance generative AI computing systems. These new computing platforms require far more semiconductor content than traditional computing systems.

MATERIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
3.36%	6.39%	10.20%	9.80%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.11%	10.06%	19.52%	11.11%

	Company Performance	1 Month
Leader	CF Industries Holdings	18.2%
	Mosaic Co	16.5%
	Packaging Corp	16.0%
	Westrock Co	14.5%
	Sealed Air Corp	14.1%
Laggards	FMC Corp	-7.8%
	Albemarle Corp	-4.8%
	Martin Marietta	-3.3%
	PPG Industries Inc	-3.0%
	Vulcan Materials Co	-2.2%

Consensus FY EPS / P/E

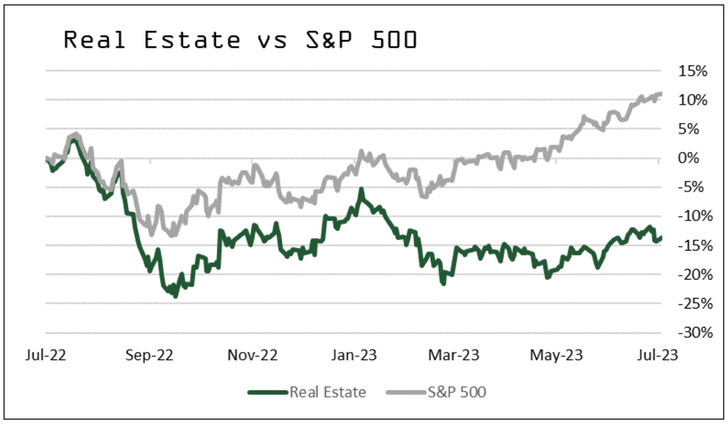
Last Year	Current Year	Next Year
$30.57	$28.20	$29.96
17.6x	19.1x	18.0x

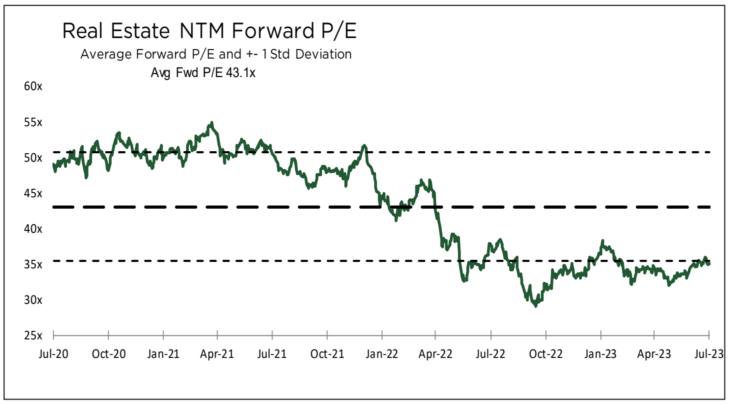
Sector Update

The Materials segment increased 3.36% in July and outperformed the S&P 500 Index that increased 3.11%. YTD, the Materials segment increased 10.20% and well underperformed the S&P 500 Index that increased 19.52%. The biggest contributor for the month was the Container and Packaging sector followed by Metals and Mining. The Materials segment now trades with a current forward P/E of 19.1x and ahead of its average forward P/E of about 17.3x. Key drivers include the outlook for the macro-economic environment and potential for a recession, realized pricing, consumer demand, volume and inventory levels. Depending on Fed actions, a pause in interest rate hikes would likely serve as a catalyst. Among the cyclical companies, focus on inventory and working capital management, cash flow generation, capital spending and end-market trends remain key drivers setting up the outlook for 2024. The group seems to want to move higher especially if the investor sentiment and the market appear to be reaching a trough level and working to inflect higher. There remains a continued debate between fundamentals and sentiment. Selective investment among the group remains a key factor with a preference for strong management teams and high quality businesses. Preferred areas for potential investment include hydrocarbon, coatings, and lithium.

Overall, the market is likely to remain volatile going into 2H of 2023 given mixed economic data. At its latest meeting in July, the Fed voted unanimously to raise interest rates by 25 bps with the objective to slow down inflation. Fed Chair Powell remains committed to getting inflation back down to 2% by year-end 2025. On August 3, Fitch downgraded the U.S.' long-term credit rating AAA to AA+. The most recent jobs report suggests the U.S. economy remains resilient, but not so strong that it likely forces the FOMC to drive the funds rate higher. According to the Bureau of Labor Statistics, there were 187,000 non-farm jobs added to payrolls in July and that report was below the forecast for expected 200,000 jobs. The unemployment rate is 3.5% which is one of the lowest levels in decades. However, higher wages remain an ongoing challenge for companies. The US Department of Energy determined that copper is of strategic importance and has labeled copper a "near-critical" material given its use in the energy sector. Global demand for lithium remains solid and the global battle for lithium raw materials remains in focus as countries and companies seek security of supply. The pace of global electric vehicle sales has strengthened and is now up 41% year-to-date with electric vehicle sales up 45% in China. Electric vehicle sales in Europe rose 20% through June and is slower due to supply constraints and the phase-out of incentives in Germany. Global electric vehicle sales remain on track with expected acceleration in 2H.

REAL ESTATE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
1.19%	1.16%	3.06%	-13.70%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.11%	10.06%	19.52%	11.11%

	Company Performance	1 Month
Leader	Boston Properties Inc	15.7%
	Alexandria Real Estate	10.7%
	Digital Realty Trust Inc	9.4%
	Host Hotels & Resorts	9.3%
	Healthpeak Properties	8.6%
Laggards	Extra Space Storage Inc	-6.2%
	CoStar Group Inc	-5.7%
	SBA Communications	-5.5%
	Crown Castle Inc	-5.0%
	UDR Inc	-4.8%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$6.44	$6.51	$7.07
37.2x	36.8x	33.9x

Sector Update

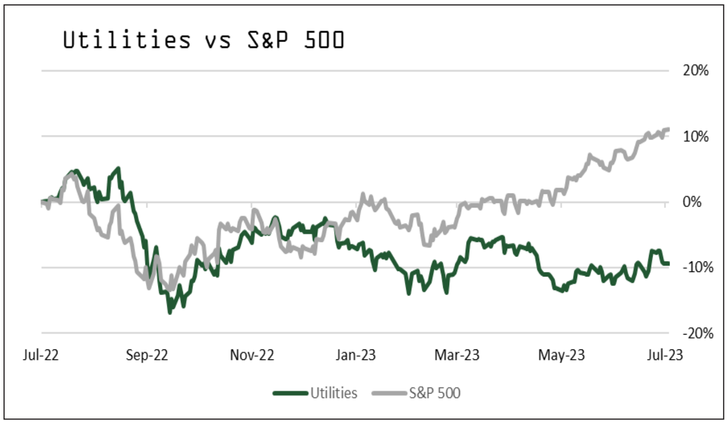
The Real Estate sector continued to advance in July, an encouraging sign, although the sector continues to lag the performance of the broad market as illustrated in the adjacent tables. Many sector companies that participated in the June Nareit REIT Week conference held in New York offered generally positive commentary pointing to improving business conditions. Investors also anticipate that the FOMC's rate hiking cycle is approaching a peak supportive of bond proxy investments in the REIT space. Still, the operating environment remains challenged – especially for REITs focused on office space - while data center demand has gained a psychological boost as firms associated with artificial intelligence 'AI' have garnered attention by the investment community. In the meantime, a series of articles published by the Wall Street Journal in July focused on the issue of encased lead cables employed by the telecom sector as representing a significant financial exposure for that sector creating a ripple effect that weighed on cell tower REITs.

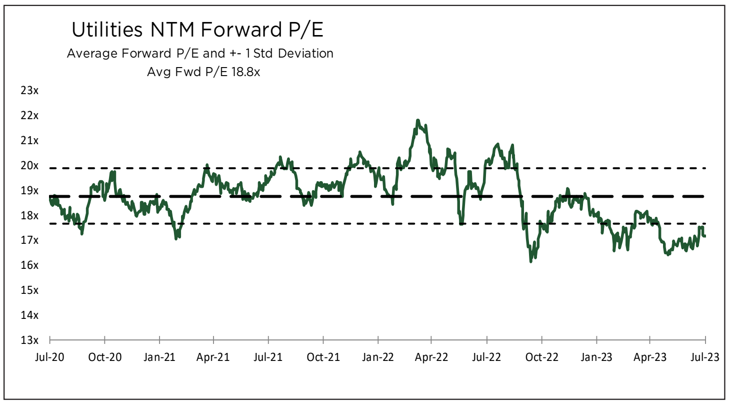
For Real Estate, the key factor that has driven underperformance over the past year has been the fast paced move of the Fed to hike interest rates in their attempt to quell inflation – with the funds rate rising from 0 to 525-550 basis points over the past 16 months. This has created alternative investment opportunities for those seeking yield, while also driving up interest expense exposure for REITs that employ significant leverage (including floating rate debt). However, given latest commentary from the FOMC, as mentioned above, the investment community sees an end to this rate hiking cycle as arising by year end 2023 – easing the overhang created by the Fed's moves since March of 2022.

Despite the sector underperforming once again in July, a few firms in the Real Estate sector managed to move higher including Boston Properties, Alexandria Real Estate, and Digital Realty. Boston Properties opened the highly anticipated 'View Boston Observation Platform' atop the Prudential Tower; completed a $750 million unsecured note offering; delivered several new leases and stronger than forecast 2Q2023 operating results driving the shares up double digits. Alexandria Real Estate shares also advanced double digits as well after the firm moved to sell 100% interests in non-core sites deemed to be no longer important to their mega campus strategy with dispositions providing for a 7.5% hike to 2023 FFO guidance. Digital Realty responded to market attention toward companies involved in the emerging AI revolution – with the firm announcing its first NVIDIA DGX H100 high speed data center along with other new hyperscale centers in Northern Virginia.

Other REIT's backed off in July with the most significant declines in the mid-single digit range arising for Extra Space Storage, CoStar, SBA Communications and Crown Castle. With Extra Space closing on the fold in of Life Storage, the shares have backed off as investors await synergies from the deal to emerge. CoStar experienced profit taking after a strong run up into 2Q2023 earnings that met expectations. And, as mentioned, the fallout from the perceived financial exposure among telecoms tied to lead cables, cell tower REITs SBA and Crown Castle dipped as some anticipate telecoms will trim capex over the intermediate term. Thus, it appears that selectivity remains a key factor for those sifting through the Real Estate sector with a challenging environment poised to persist.

UTILITIES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.35%	-2.75%	-4.98%	-9.33%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.11%	10.06%	19.52%	11.11%

	Company Performance	1 Month
Leader	Constellation Energy	5.6%
	Entergy Corp	5.5%
	Consolidated Edison Inc	4.9%
	Ameren Corp	4.9%
	Atmos Energy Corp	4.6%
Laggards	NextEra Energy Inc	-1.2%
	American Electric	0.6%
	Public Service	0.8%
	Xcel Energy Inc	0.9%
	FirstEnergy Corp	1.3%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$17.05	$18.60	$20.31
20.0x	18.3x	16.8x

Sector Update

The Utilities sector gained 2.35% in June but lagged the 3.11% improvement in the S&P 500 as investors kept a ‘risk-on’ tilt to start the second half of 2023. The Utilities sector continues to lag the S&P in the past three and twelve month periods, as well as on a year-to-date basis continuing a stretch of relative weakness against an elevated interest backdrop. It remains the case that alternative interest bearing investments provide reasonable alternatives to ‘bond proxy’ equities as compared to the past 15 years, applying pressure to Utility performance throughout the ongoing monetary tightening cycle.

All four sub-sectors improved from the prior month, once again led by Independent Renewables and its sole member AES corp. Water Utilities, including just American Water Works (AWK), rebounded versus June with a 3.0% gain, making up for a 1.2% decline in June. The broader Electric and Multi-Utilities subsectors gained 1.9% and 3.0%, respectively.

Increasingly frequent abnormal weather events have caused sharp swings in demand and prices for utilities companies, such as Texas heat and California heat and droughts. Despite near-term volatility tied to interest rate dynamics and weather, Utilities appear well-positioned for above-trend growth on a multi-year basis given significant visibility into long-term capex cycles around transmission and distribution modernization in addition to renewable energy projects supported by regulators.

The Utilities sector appears attractively valued relative to its historical trend at 18.3x as the group trades closer to two standard deviations below its three-year average forward earnings multiple of 18.1x, below its average P/E of 18.8x. Elevated interest rates have the potential to remain a near-term overhang on the sector; however, a peak in interest rates or relative weakening in broader market earnings trends could be drivers of multiple expansion and stronger performance in the sector into 2024.

ECONOMIC CALENDAR

Date	Release	For	Prior
8-Aug	NFIB Small Business Optimism	Jul	91.0
8-Aug	Trade Balance	Jun	-$68.3B
8-Aug	Wholesale Inventories	Jun	0.0%
9-Aug	MBA Mortgage Applications Index	8/5	-3.00%
9-Aug	EIA Crude Oil Inventories	8/5	-17.1M
10-Aug	CPI	Jul	0.20%
10-Aug	Core CPI	Jul	0.20%
10-Aug	Initial Claims	8/5	227K
10-Aug	Continuing Claims	7/29	1700K
10-Aug	EIA Natural Gas Inventories	8/5	+14 bcf
10-Aug	Treasury Budget	Jul	-$227.8B
11-Aug	PPI	Jul	0.1%
11-Aug	Core PPI	Jul	0.1%
11-Aug	Univ. of Michigan Consumer Sentiment - Prelim	Aug	71.6
15-Aug	Retail Sales	Jul	0.2%
15-Aug	Retail Sales ex-auto	Jul	0.2%
15-Aug	Export Prices ex-ag.	Jul	-0.9%
15-Aug	Import Prices ex-oil	Jul	-0.4%
15-Aug	Empire State Manufacturing	Aug	1.1
15-Aug	Business Inventories	Jun	,2%
15-Aug	NAHB Housing Market Index	Aug	56.0
15-Aug	Net Long-Term TIC Flows	Jun	$25.8B
16-Aug	MBA Mortgage Applications Index	8/12	NA
16-Aug	Housing Starts	Jul	1434K
16-Aug	Building Permits	Jul	14440K
16-Aug	Industrial Production	Jul	-0.5%
16-Aug	Capacity Utilization	Jul	78.9%
16-Aug	EIA Crude Oil Inventories	8/12	NA
17-Aug	Initial Claims	8/12	NA
17-Aug	Continuing Claims	8/5	NA
17-Aug	Philadelphia Fed Index	Aug	-13.5
17-Aug	Leading Indicators	Jul	-0.7%
17-Aug	EIA Natural Gas Inventories	8/12	NA
22-Aug	Existing Home Sales	Jul	4.16M
23-Aug	MBA Mortgage Applications Index	8/19	NA
23-Aug	New Home Sales	Jul	697K
23-Aug	EIA Crude Oil Inventories	8/19	NA
24-Aug	Initial Claims	8/19	NA
24-Aug	Continuing Claims	8/12	NA
24-Aug	Durable Orders	Jul	4.7%
24-Aug	Durable Goods - ex transportation	Jul	0.6%
24-Aug	EIA Natural Gas Inventories	8/19	NA

ECONOMIC CALENDAR

25-Aug	Univ. of Michigan Consumer Sentiment - Final	Aug	NA
29-Aug	FHFA Housing Price Index	Jun	0.7%
29-Aug	S&P Case-Shiller Home Price Index	Jun	-1.7%
29-Aug	Consumer Confidence	Aug	117
29-Aug	JOLTS - Job Openings	Jul	9.824M
30-Aug	MBA Mortgage Applications Index	8/26	NA
30-Aug	ADP Employment Change	Aug	324K
30-Aug	Adv. Intl. Trade in Goods	Jul	-$87.8B
30-Aug	GDP - Second Estimate	Q2	2.40%
30-Aug	GDP Deflator - Second Estimate	Q2	2.20%
30-Aug	Pending Home Sales	Jul	0.30%
30-Aug	EIA Crude Oil Inventories	8/26	NA
31-Aug	Initial Claims	8/26	NA
31-Aug	PCE Prices	Jul	0.2%
31-Aug	PCE Prices - Core	Jul	0.2%
31-Aug	Personal Income	Jul	0.3%
31-Aug	Personal Spending	Jul	0.5%
31-Aug	Continuing Claims	Jul	0.5%
31-Aug	Chicago PMI	8/19	NA
31-Aug	EIA Natural Gas Inventories	Aug	42.8

DISCLOSURES

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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

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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.

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

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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.

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