MARKET COMMENTARY

DAVENPORT
BUILDING WEALTH TOGETHER
1863

JUNE 2023

- The best-performing S&P 500 sector in May was Information Technology
- The inflation backdrop continues to be sticky
- Current expectations suggest that the Fed may hit the pause button

Despite a late-month move higher fueled by investor enthusiasm around all things linked to Artificial Intelligence, equity markets were generally mixed in May. With very narrow market breadth, equities seemed to be reflecting a “have or have not” attitude by investors seeking to participate in the bright prospects linked to artificial intelligence and large language models. Against this backdrop, the VIX Index or “fear gauge” which started the month at a little under 16 generally moved sideways ending the month at slightly under 18. For the full month, the Dow Jones Industrial Average decreased by 3.5%, the S&P 500® index was up 0.3%, and the smaller cap-weighted Russell 2000® declined 1.1%.

The best-performing S&P 500 sector in May was Information Technology which increased by 9.3% and was followed by the Communication Services sector which was up 6.2%. The weakest performance in the month was posted by the Energy sector which decreased by 10.6% followed by the Utilities sector which was down 6.4%. For the prior twelve-month period, the Information Technology sector was the best performer with an 18.1% increase followed by the Communication Services sector which was up 4.5%, while the Real Estate sector was the worst performer for the past twelve months with an 18.3% decrease followed by the Utilities sector which was down 12.7%.

Driven by strength among mega-cap Technology issues, equity markets finished May in an uptrend despite an uncertain economic outlook. Still, we note that market performance has been very narrowly driven by Tech – notably those issues having potential exposure to emerging Artificial Intelligence (AI) applications. Through the end of May, the S&P 500 was up about 9% YTD versus a decline of about 1.5% for the equal-weighted measure – representing a spread of over 10%. This performance spread is the largest since the dot.com bubble of 1999, with some concerned over a potential bubble arising once again. Only time will tell how it all plays out, although we find recent progress on the debt ceiling and the latest economic reports pointing to the U.S. economy as being stronger than anticipated as supportive for equities.

Where to from here?

The inflation backdrop continues to be sticky with the Core Personal Consumption Index (Core PCE) increasing by 0.4% in April – being up 4.7% over the past year – coming in above economist forecasts at 0.3% for the month and 4.4% annualized. Inclusive of energy and food, headline PCE was also up 0.4% in April and 4.4% from a year ago - coming in above March levels at 4.2%. Food prices fell modestly, less than 0.1%, offset by higher energy where prices increased 0.7%. On an annual basis, pricing on goods has risen 2.1% which contrasts with 5.5% higher pricing on services. Of particular interest, over the past year, food prices are up 6.9%, while energy has fallen by 6.3%. Thus, one can only conclude that Core PCE points to ongoing inflation well above Fed targeted levels at 2%.

Current expectations suggest that the Fed may hit the pause button with the upcoming June FOMC meeting with FedNow indicating a bit less than 50% likelihood for a 25bps increase in July. Investors now anticipate a delayed move into an economic slowdown with rate cuts starting in either November or December – ending this year with the funds rate within a range of 475-500 BPS. Then, into 2024, a considerable slowdown of the economy and abating inflationary pressures are anticipated to see the Fed cut rates steadily throughout the year – with at least six, 25 BPS, cuts taking place – to end the year within a range of 325-350 BPS per FedNow. Thus, in our view, investor expectations have moved closer to those held by the FOMC which we view as a positive for markets going forward.

Although a great deal of uncertainty persists on the economic outlook, we anticipate that Corporate America emerges from its current earnings recession, returning to reasonable growth into 2024 with many quality stocks trading at reasonable valuations for those willing to focus on patient longer-term investment. Thus, selectivity with an intermediate to longer-term focus remains critical today, while fixed-income alternatives offer attractive short-term returns. We remain focused on equities possessing less exposure to interest rates and marketing specialized products/services remaining in demand that enhances pricing power, sustains earnings growth and solid free cash flow generation that should drive appreciation over the intermediate and longer term.

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MARKET AND ECONOMIC STATISTICS

Market Indices:	5/31/2023	12/30/2022	% Change YTD	4/28/2023	% Change (Monthly)
S&P Composite	4,179.83	3,839.50	8.86%	4,169.48	0.25%
Dow Jones Industrials	32,908.27	33,147.25	-0.72%	34,098.16	-3.49%
NASDAQ Composite	12,935.29	10,466.48	23.59%	12,226.58	5.80%
Russell 2000	1,749.65	1,761.25	-0.66%	1,768.99	-1.09%
FTSE 100	7,446.14	7,451.74	-0.08%	7,870.57	-5.39%
Shanghai Composite	3,204.56	3,089.26	3.73%	3,323.28	-3.57%
Nikkei Stock Average	30,887.88	26,094.50	18.37%	28,856.44	7.04%
Stoxx Europe 600	451.76	424.89	6.32%	466.64	-3.19%
MSCI Emerging Markets	970.32	956.38	1.46%	977.05	-0.69%
MSCI Emerging Markets Small Cap	1,184.96	1,127.18	5.13%	1,172.58	1.06%

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	10.16%	3.09%	5.14%	18.16%	-1.79%
Consumer Staples	6.90%	-6.21%	0.71%	-2.83%	-1.96%
Energy	4.18%	-10.61%	-8.21%	-12.89%	-10.99%
Financials	12.47%	-4.56%	-11.25%	-7.63%	-10.57%
Health Care	13.73%	-4.44%	0.41%	-6.26%	-3.36%
Industrials	8.24%	-3.45%	-4.11%	-1.75%	2.33%
Information Technology	28.05%	9.29%	21.68%	33.33%	18.08%
Materials	2.41%	-7.11%	-8.51%	-3.79%	-12.62%
Communication Services	8.77%	6.21%	21.40%	32.18%	4.51%
Utilities	2.68%	-6.36%	-0.26%	-8.51%	-12.71%
Real Estate	2.42%	-4.64%	-5.84%	-2.84%	-18.33%
S&P 500 (Absolute performance)	100.0%	0.25%	5.28%	8.86%	1.15%

Interest Rates:	5/31/2023	12/30/2022	YTD Change (Basis Points)	4/28/2023	Month Change (BPS)
Fed Funds Effective Rate	5.08%	0.09%	499	4.83%	25
Prime Rate	8.25%	7.50%	75	8.00%	25
Three Month Treasury Bill	4.81%	0.09%	472	3.37%	144
Ten Year Treasury	3.64%	3.87%	-23	3.42%	22
Spread - 10 Year vs 3 Month	-1.17%	3.79%	-495	0.05%	-122

Foreign Currencies:	5/31/2023	12/30/2022	% Change YTD	4/28/2023	% Change (Monthly)
Brazil Real (in US dollars)	0.20	0.19	4.4%	0.20	-1.5%
British Pound (in US dollars)	1.24	1.21	3.0%	1.26	-1.0%
Canadian Dollar (in US dollars)	0.74	0.74	-0.2%	0.74	-0.2%
Chinese Yuan (per US dollar)	7.11	6.90	3.0%	6.91	2.8%
Euro (in US dollars)	1.07	1.07	-0.1%	1.10	-3.0%
Japanese Yen (per US dollar)	139.37	131.12	6.3%	136.30	2.3%

Commodity Prices:	5/31/2023	12/30/2022	% Change YTD	4/28/2023	% Change (Monthly)
CRB (Commodity) Index	540.37	554.78	-2.6%	547.45	-1.3%
Gold (Comex spot per troy oz.)	1963.22	1824.02	7.6%	1990.00	-1.3%
Oil (West Texas int. crude)	67.70	80.26	-15.6%	76.78	-11.8%
Aluminum (LME spot per metric ton)	2251.51	2349.51	-4.2%	2368.00	-4.9%
Natural Gas (Futures 10,000 MMBtu)	2.26	4.48	-49.4%	2.41	-6.1%

Economic Indicators:	3/31/2023	12/31/2021	% Change YTD	2/28/2023	% Change (Monthly)
Consumer Price Index	301.8	280.9	7.4%	301.7	0.05%
Producer Price Index	253.4	233.5	8.5%	259.95	-2.53%
	Q1 2023	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
GDP Growth Rate (Quarterly)	1.10%	2.60%	3.20%	-0.60%	-1.60%
Unemployment Rate (End of Month)	**March** **3.5%**	**February** **3.6%**	**January** **3.4%**	**December** **3.5%**	**November** **3.6%**

*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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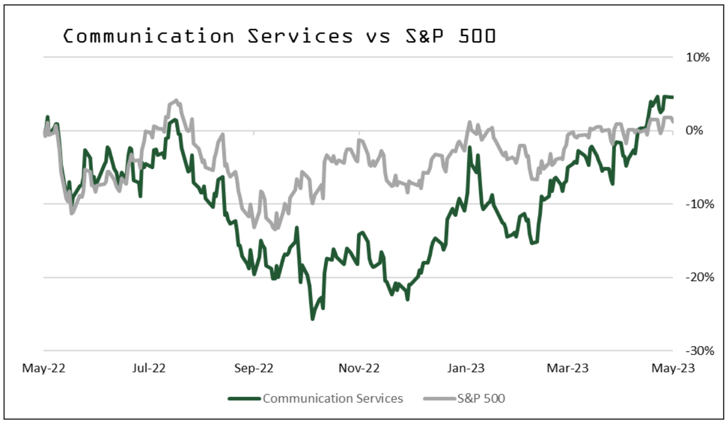
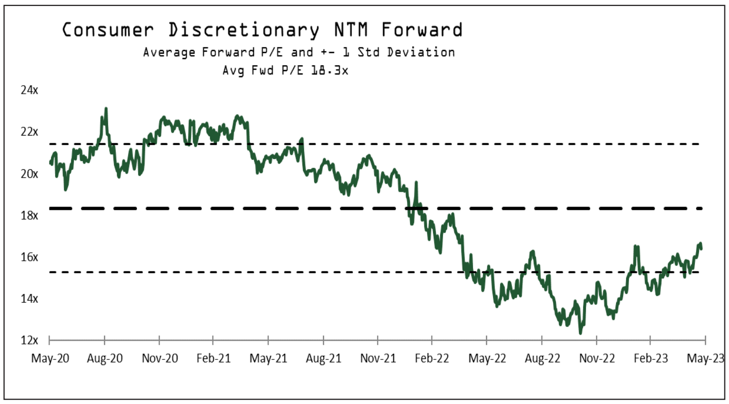
COMMUNICATIONS SERVICES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
6.21%	21.40%	32.18%	4.51%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
0.25%	5.28%	8.86%	1.15%

	Company Performance	1 Month
Leader	Netflix Inc	19.8%
	Live Nation Ent.	17.9%
	Alphabet Inc	14.5%
	Alphabet Inc	14.0%
	Take-Two Interactive	10.8%
Laggards	Paramount Global	-34.8%
	Warner Bros Discovery	-17.1%
	DISH Network Corp	-14.4%
	Walt Disney Co/The	-14.2%
	Charter Communications	-11.5%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$10.40	$12.03	$14.16
20.3x	17.5x	14.9x

Sector Update

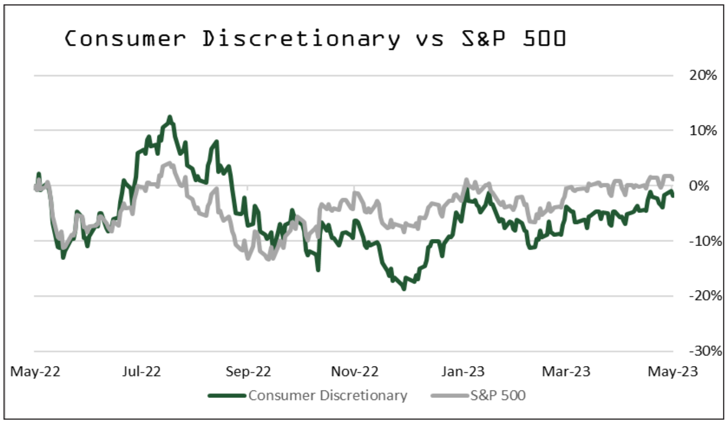
Communications Services (+6.21%) and the Interactive Media Services sub-sector (+13.2%) outperformed the market in May due to the sharp rise in the shares of Alphabet. Investors became more positively inclined toward Alphabet when they learned that Google Search gained share over the past year and remained the default search engine on Samsung's smartphones.

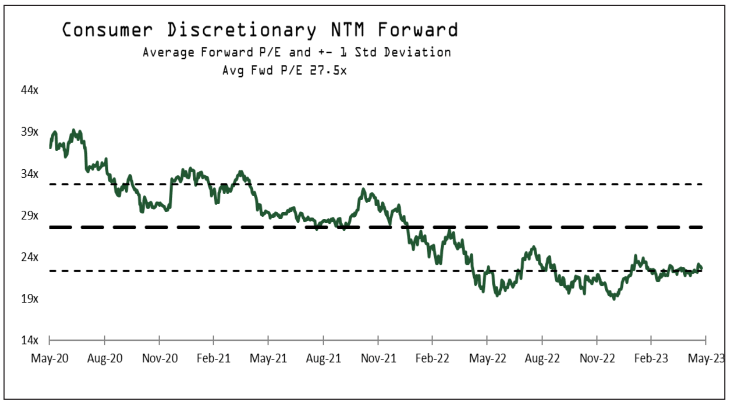
Microsoft's recent announcement that it would include Open AI's ChatGPT as part of its Bing search engine led investors to worry that Google Search would lose market share to Bing. However, Google Search increased its global market share from 92.09% in April 2022 to 92.6% in April 2023. Over this period, Microsoft's Bing Search engine market share declined from 3.02% to 2.79% (Source: Statcounter)

A few months ago, Samsung considered replacing Google Search with Microsoft's Bing as the default search engine on its smartphones. Based on recent news reports, it appears that Google Search would remain the default search engine on Samsung smartphones (Samsung shipped 270 million smartphones in 2022). Google Search is the default search engine on both Samsung and Apple smartphones, which provides Google Search with a significant competitive advantage versus Microsoft's Bing search engine.

The Entertainment sub-sector performed in line with the market as the rise in Netflix shares offset the decline in the shares of Disney. Disney reported a greater-than-expected decline in streaming media subscribers in Q-2 FY23. Investors were disappointed that the company did not expect a sequential improvement in its streaming operating losses in the third quarter. Disney recently shifted its focus from subscriber growth to generating a profit from its streaming media business by year-end FY24. The company could achieve this objective if it drives higher subscription revenue and reduces operating costs. Disney expects to reduce its total costs by $5.5 billion, including the potential reduction in its non-content operating costs by $2.5 billion over the next two years and an estimated $3 billion reduction in its content costs to $27 billion by FY25.

CONSUMER DISCRETIONARY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
3.09%	5.14%	18.16%	-1.79%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
0.25%	5.28%	8.86%	1.15%

	Company Performance	1 Month
Leader	Tesla Inc	24.1%
	Royal Caribbean Cruises	23.8%
	Carnival Corp	21.9%
	Amazon.com Inc	14.3%
	Norwegian Cruise Line	11.2%
Laggards	Advance Auto Parts Inc	-41.9%
	Newell Brands Inc	-31.6%
	VF Corp	-26.8%
	Ulta Beauty Inc	-25.7%
	Etsy Inc	-19.8%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$40.42	$48.54	$56.89
29.4x	24.5x	20.9x

Sector Update

The Consumer Discretionary sector tracked ahead of the S&P 500 in May after lagging the broader market in April. In particular, the Automobiles and Multiline Retail sub-sectors reported strong gains and drove monthly sector performance. Conversely, the Textiles, Apparel & Luxury Goods, Auto Components, and Distributors sub-sectors experienced significant weakness and weighed down the overall sector. On a three-month basis, the Consumer Discretionary sector as a whole has grown roughly in line with the S&P 500. Year-to-date, the Consumer Discretionary sector has achieved noteworthy performance both on an absolute basis and relative to the S&P 500 as seen in the accompanying table. Nevertheless, the Consumer Discretionary sector remains behind the S&P 500 on a trailing twelve-month period.

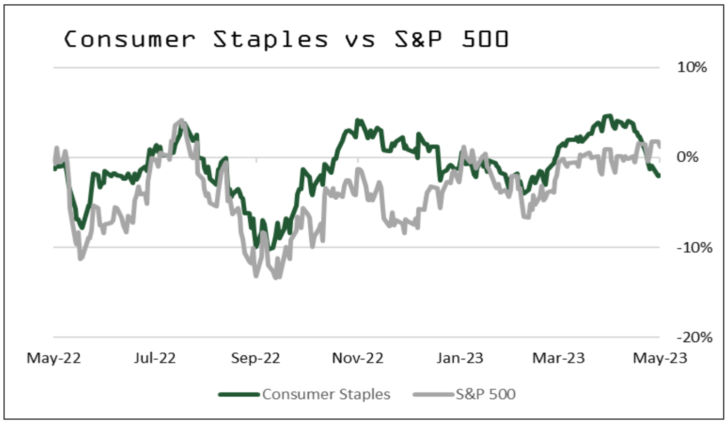
Consumer sentiment in May at 59.2 declined from the April level of 62.0 according to the University of Michigan. The drop in sentiment appears linked to increasing concerns about the economy and the potential for a recession amidst the recent banking crisis. In addition, as the deadlock on raising the debt ceiling dragged on through the month, sentiment may have been impacted particularly among those concerned about the potential for default.

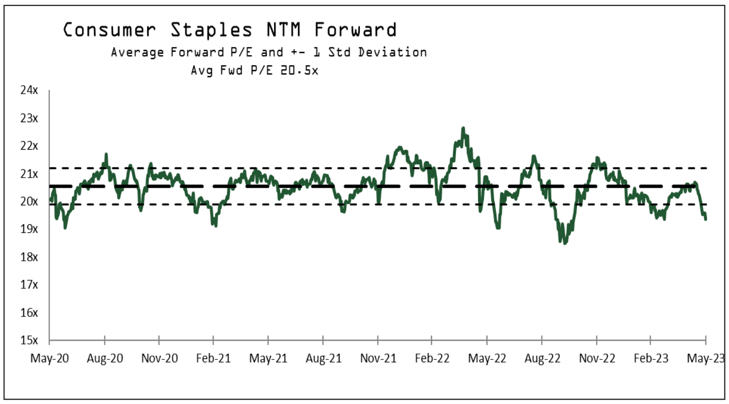
Although still climbing, the pace of inflation slowed with the CPI report indicating that April growth was below 5% for the first time in two years. Core inflation for the month was up 5.5% and excludes food and energy suggesting that elevated inflation remains sticky. Used vehicle pricing and gasoline climbed in the month while the rate of growth in shelter prices was the lowest reported over the prior twelve months. While the overall slowing pace of inflation is encouraging, the rate of growth is still well above the Fed target for 2% inflation.

The April retail sales report rebounded from a soft March period as consumers appeared less reticent to spend. Retail sales increased by 0.4% in the month with strong numbers for autos and online sales. Core retail sales which excludes auto and gas sales were up an even stronger 0.6%. In addition to strength in internet sales, restaurant sales was another category that showed strength suggestive of consumers willing to support services. The recovery in April retail sales comes after a relatively soft performance in March that likely reflected the height of the recent banking sector crisis.

The National Association of Realtors reported that existing home sales in April dropped 3.4% in an environment of ongoing supply constraints. On a year-over-year basis, existing home sales declined 23.2% coming in at an annual rate of 4.28 million units. Although supply continues to be low versus historical levels, the number of homes for sale increased by 7.2% for the month to 1.04 million units. On average, homes listed for sale are staying on the market for 22 days in April which is down from 29 days in March.

CONSUMER STAPLES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-6.21%	0.71%	-2.83%	-1.96%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
0.25%	5.28%	8.86%	1.15%

	Company Performance	1 Month
Leader	Constellation Brands Inc	5.9%
	Monster Beverage Corp	4.7%
	Molson Coors Beverage	4.0%
	Costco Wholesale Corp	1.7%
	Lamb Weston Holdings	-0.5%
Laggards	Estee Lauder Cos Inc	-25.4%
	Tyson Foods Inc	-19.0%
	Target Corp	-17.0%
	Walgreens	-13.8%
	Dollar Tree Inc	-12.3%

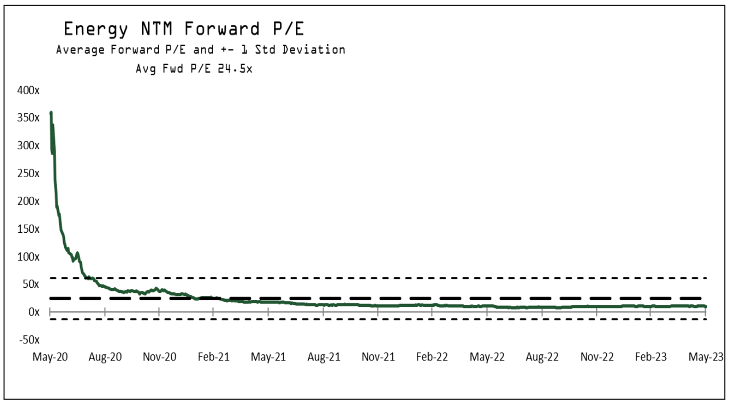
Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$35.25	$37.26	$40.56
21.5x	20.3x	18.7x

Sector Update

The Consumer Staples sector decreased by 6.21% on average in May and underperformed the S&P 500 Index which increased by 0.25%. All sectors declined for the month. The Consumer Staples segment trades with a current forward P/E of 20.3x which is relatively in line with its average forward P/E of about 20.5x. The conversation for 2H and 2024 centers on pricing, volume, potential promotions, input costs, the pace of market re-openings, consumer consumption levels and elasticities, trade-down and private label trends, and supply chain and service levels. The strategic emphasis remains on revenue growth management, managing volume and fixed cost leverage, realizing cost savings, innovating, and increasing service levels. Overall, elasticities still remain favorable despite consumers facing higher prices. A slowdown in the top-line vs expectations in 2H and into 2024 raises the risk of an increased promotional environment. Results for 2H should face moderating pricing in part due to comparisons with aggressive pricing last year and the greater importance of realized savings efficiencies along with innovation and increased brand support to drive results. Pre Covid, promotions across CPG totaled about 28% of volume vs 20% during COVID and about 23% at present. 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. There is upside to that assumption if elasticity trends more favorably.

We continue to advise the selective investment among the Consumer Staples stocks and prefer an investment in companies with pricing, leading market share, strong balance sheets, and experienced management. Consumer Staples companies offer an attractive dividend yield. There is renewed interest in consolidation as consumer staples companies seek to drive faster top-line growth, reformulate brand portfolios and seek additional cost savings. If potential acquisitions do not occur, managements should return value to shareholders through dividends and share repurchases. With the consumer facing increased pressure from the ending of SNAP benefits, the timing and level of tax refunds and the resumption of student loan payments, consumer purchases and basket sizes are increasingly challenged. Companies are witnessing changing consumer purchase patterns whether shopping for better value per unit at club stores or smaller absolute price point options or trading down to store brands. Restaurant traffic is shifting to more affordable QSR options vs casual and fine dining as consumers seek alternative options. Walmart, the biggest supplier of groceries in the U.S., continues to leverage its scale to pressure suppliers on prices with particular emphasis on the center of the store items (i.e. packaged goods and household products). In addition, the discontinuation of SNAP payments creates headwinds for consumers who are increasingly pushing back against higher prices that are up double-digits. Companies exposed to attractive growth segments including confectionery, snacks, beverages, and pet food remain attractive investments.



Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-10.61%	-8.21%	-12.89%	-10.99%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
0.25%	5.28%	8.86%	1.15%

	Company Performance	1 Month
Leader	EQT Corp	-0.2%
	ConocoPhillips	-3.5%
	Williams Cos Inc	-5.3%
	Kinder Morgan Inc	-6.1%
	Occidental Petroleum	-6.3%
Laggards	Marathon Petroleum	-14.0%
	APA Corp	-13.8%
	Devon Energy Corp	-13.7%
	Exxon Mobil Corp	-13.7%
	ONEOK Inc	-13.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$82.55	$58.90	$58.94
7.1x	9.9x	9.9x

Sector Update

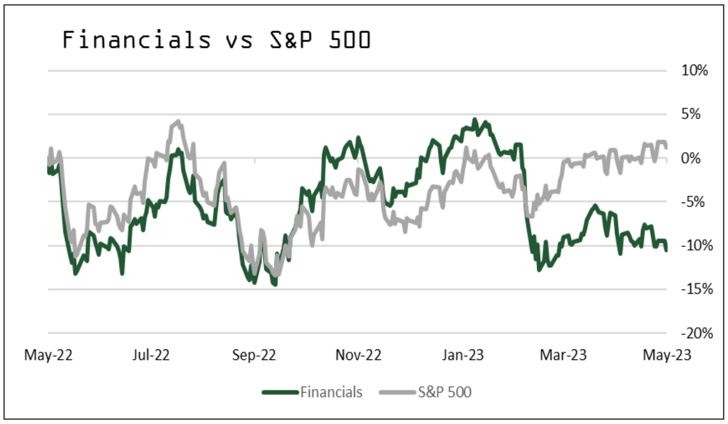
Despite increasing sentiment that oil markets may move into a physical deficit in the second half of the year, crude prices weakened during May. Economic concerns appear to be weighing on energy markets as the banking crisis unfolded and the debt ceiling deadlock dragged on through the month. Energy sector equities lagged behind the broader market in May after outperforming in April. Both the Energy Equipment & Services and the Oil, Gas & Consumable Fuels sub-sectors experienced weak performance in May, although Oil, Gas & Consumable Fuels fared marginally better. In addition to the disappointing performance in May, the Energy sector has lagged significantly behind the S&P 500 for the trailing three-month, year-to-date, and trailing twelve-month periods, as seen in the accompanying table.

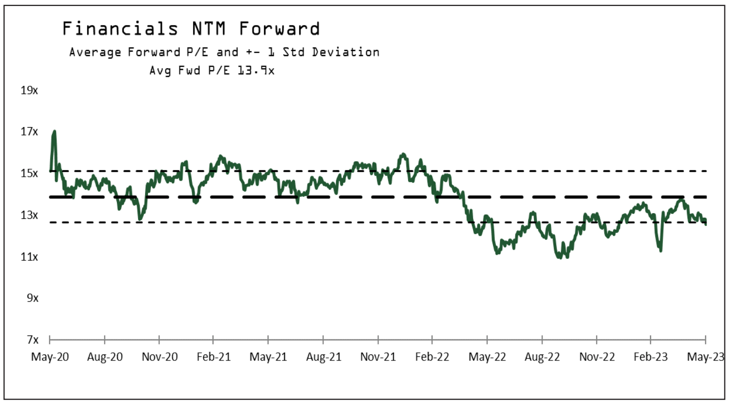
OPEC continues to see world oil demand growth of 2.3 million barrels per day reflecting a slight rise in expected China demand offsetting declines in other markets per its May monthly report. OPEC is targeting average daily world oil demand of 101.9 million barrels. The supply side is expected to somewhat lag demand growth with uncertainties in U.S. shale output and 2023 field maintenance. We note that Saudi Arabia and Russia are planning about 1.5 million barrels per day of production cuts to extend through year-end weighing on the expected tightness in oil markets this year.

Oil commodity markets were somewhat mixed through the month of May as macro concerns weighed on the sector. Fear of an economic slowdown due to the recent banking sector issues in the U.S. as well as uncertainty around near-term global trends appeared to weigh on energy fundamentals. West Texas Intermediate (WTI) crude oil prices tracked lower through May with WTI dropping from around the $76-$77 per barrel range to end the month at about $68 per barrel. Natural gas prices dropped in May from about $2.50 per million Btu to end the month at about $2.27 per million Btu. Retail gasoline prices decreased in May to $3.68 per gallon at the end of the month from the $3.77 average price seen at the end of April and is down sharply from the prior year level of $4.73.

The Baker Hughes oil rig count was down in the month coming in at 570 rigs for May versus 591 rigs last month. Oil rig count at month-end was roughly in line with the prior year level of 574 rigs which is a shift in the trend we have seen of growth in rig counts over the past year. U.S. crude oil storage at 460 million barrels was down slightly from last month's level of 461 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 415 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
-4.56%	-11.25%	-7.63%	-10.57%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
0.25%	5.28%	8.86%	1.15%

	Company Performance	1 Month
Leader	Capital One Financial	7.1%
	FleetCor Technologies	5.9%
	Synchrony Financial	4.9%
	S&P Global Inc	1.3%
	Moody's Corp	1.2%
Laggards	MetLife Inc	-19.2%
	PayPal Holdings Inc	-18.4%
	KeyCorp	-17.1%
	Comerica Inc	-16.8%
	Citizens Financial Group	-16.7%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$35.92	$40.68	$44.00
14.7x	12.9x	12.0x

Sector Update

The Financials sector declined 4.56% in May, underperforming the S&P 500 that posted a 0.25% improvement in the same period. Financial sector performance on a YTD and TTM basis remains well below index levels reflecting March banking sector turmoil and lack of participation in recent index strength bolstered by a narrow rebound in the Tech sector.

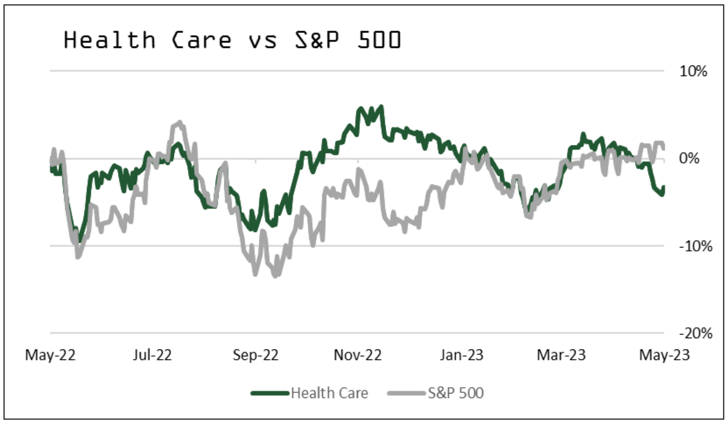
Banking sector liquidity issues appear to have stabilized in recent weeks, with Fed Discount Window and Bank Term Funding Program (BTFP) borrowings down ~7.4% from the end of March and down 4.6% from the first week of May on a combined basis. These short-term funding facilities are known as the 'lender of last resort' in the banking sector and primarily serve to backstop funding needs, with recent deposit attrition being the current driver. While liquidity borrowing appears to have stabilized from its peak in March, we note the May end total of $389.3B remains significantly above the pre-crisis level of $15.1B in the week preceding the failure of Silicon Valley Bank.

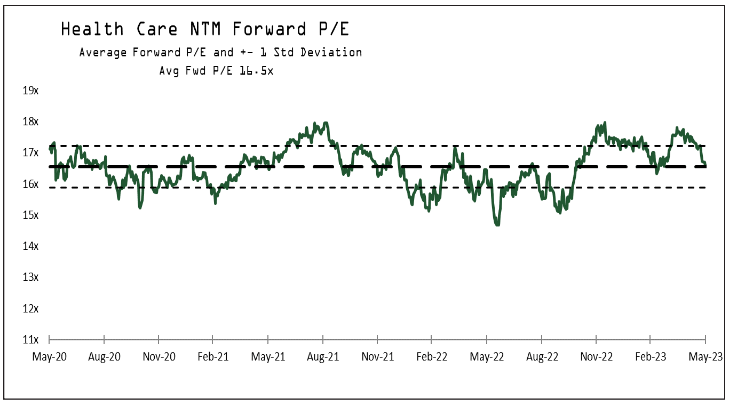
According to FDIC data released in May, total bank deposits fell ~2.5% in 1Q23 that represents the largest quarterly decline in deposits since the data was first published in 1984. This data also represented the fourth consecutive quarter of deposit attrition, coinciding with the start of the Fed's quantitative tightening process that may remain a systemic overhang on funding costs and need as the Central Bank shrinks its balance sheet. With liquidity stress remaining and growing concern in commercial real estate credit, regional banks remained under pressure through May and represented three of the five worst-performing components of the Financials sector for the month.

Leading issues in the month include consumer credit names, where delinquency and loss formation trends have remained encouraging; however, continued inflationary pressures on consumer balance sheets and the end of student loan forbearance slated for August appear to be likely continued pressures on credit performance into year-end.

Sector valuations appear more compelling following recent weakness, but the path forward remains challenging near-term on reduced earnings forecasts and abundant recessionary/liquidity concerns.

HEALTH CARE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-4.44%	0.41%	-6.26%	-3.36%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
0.25%	5.28%	8.86%	1.15%

	Company Performance	1 Month
Leader	Eli Lilly & Co	8.5%
	McKesson Corp	7.3%
	STERIS PLC	6.1%
	IQVIA Holdings Inc	4.6%
	DaVita Inc	3.7%
Laggards	Catalent Inc	-25.7%
	Organon & Co	-21.3%
	Incyte Corp	-17.3%
	Bio-Rad Laboratories	-17.2%
	Waters Corp	-16.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$76.85	$86.01	$93.69
19.3x	17.3x	15.9x

Sector Update

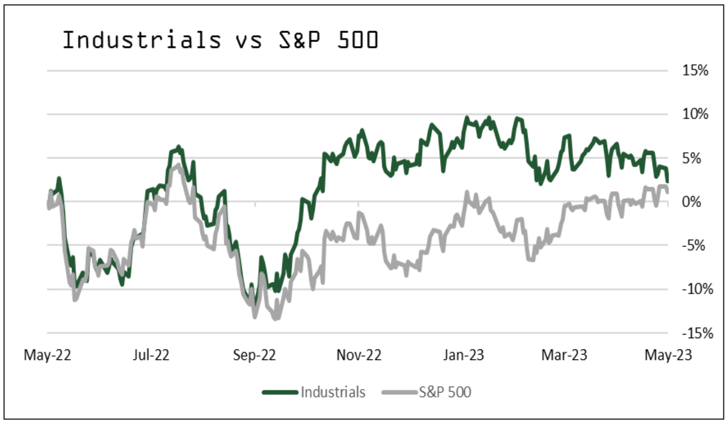
Driven by emerging Artificial Intelligence (AI) technology, markets advanced modestly in May with the S&P 500 rising by 0.25%. Still, we note that market participation has been very narrow, with a handful of mega-cap tech sector issues experiencing substantial double-digit gains, while the balance of equities has generally stagnated. Although many firms within the Health Care sector are positioned to utilize AI in research and diagnostics efforts, they are not held in the same esteem as those leading the charge into this emerging field. Thus, along with most sectors of the S&P 500, the Health Care sector lagged the broad market declining 4.44% in May – being in the middle of the pack for relative performance. As the COVID pandemic ended many health care 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.

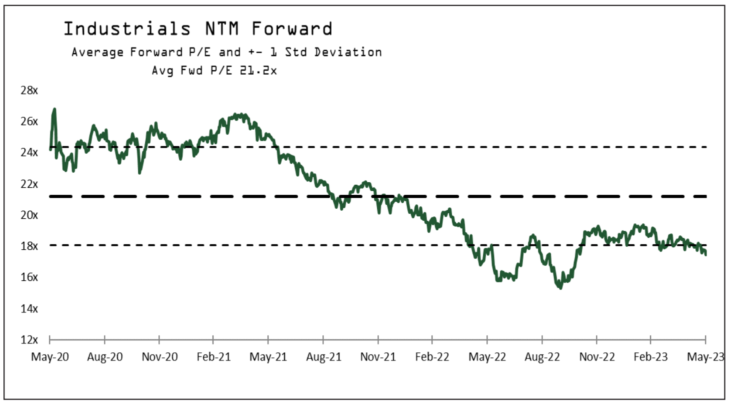
Still, as we have expected – and seen reported with the latest company operating results – the core business among health care service providers has returned to pre-COVID levels with demand for medical technology products having also rebounded. In the meantime, biopharma R&D is now delivering significant new therapeutics to market with active pipelines advancing – representing solid intermediate and longer-term growth potential. In the meantime, economic uncertainty for the U.S. persists with economists calling for recession to arrive into 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, shares of Eli Lilly, McKesson, Steris, and IQVIA each achieved mid to high single-digit appreciation in May. Despite delivering 1Q2023 earnings a bit shy of investor expectations, Lilly shares moved measurably higher as demand for diabetes therapeutic Mounjaro (being used off label for weight loss) saw a surge in sales, while clinical trial datasets for Alzheimer's therapeutic Donanemab were solid – setting the stage for further strong earnings growth to come. McKesson saw their core specialty oncology pharmaceutical distribution business ramp strongly in the latest quarter, ending a period of lull results, with management raising longer term growth targets. Steris experienced a rebound in demand for capital equipment products sold to life science research centers with 1Q2023 results exceeding consensus forecasts driving an increase in guidance for the fiscal year. IQVIA continues to see ramping demand for outsourcing services by the biopharma sector driving this leading CRO's business backlog to record levels. This, along with a debt ratings upgrade from Moody's supported solid appreciation in May.

Other health care sector issues delivered disappointing 1Q2023 operating results with prior year COVID sales being a stiff headwind, resulting in significant selling pressure. Catalent continues to work through operational issues with reporting of the latest results being delayed along with the lowering of the debt rating by Standard & Poor's – all leading to sharply reduced expectations that hit the share valuation very hard (down about 45% over the past six weeks). Organon, Incyte, and Bio-Rad all also delivered operating results that fell short of consensus expectations causing share valuations to tumble by double digits as expectations for the near to intermediate term have been tempered. Thus, we reiterate that selectivity remains key when sifting through the Health Care sector in search of investment opportunities today.

INDUSTRIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-3.45%	-4.11%	-1.75%	2.33%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
0.25%	5.28%	8.86%	1.15%

	Company Performance	1 Month
Leader	Verisk Analytics Inc	12.9%
	Copart Inc	10.8%
	United Airlines Holdings	8.4%
	American Airlines	8.4%
	Generac Holdings Inc	6.6%
Laggards	Leidos Holdings Inc	-16.3%
	Stanley Black & Decker	-13.2%
	Cummins Inc	-13.0%
	3M Co	-12.2%
	Trane Technologies	-12.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$40.34	$44.52	$50.45
20.2x	18.4x	16.2x

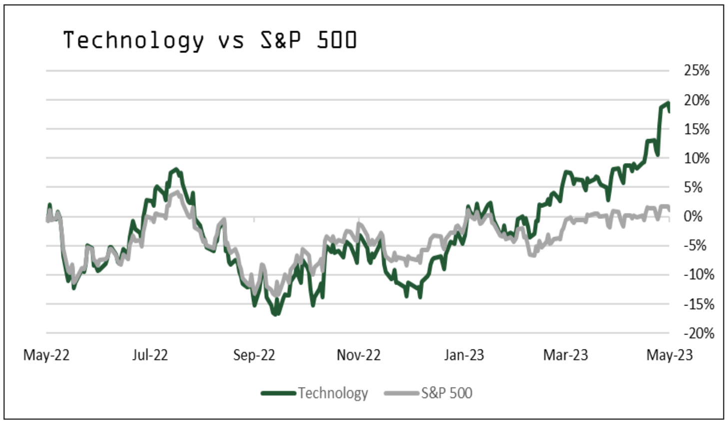
Sector Update

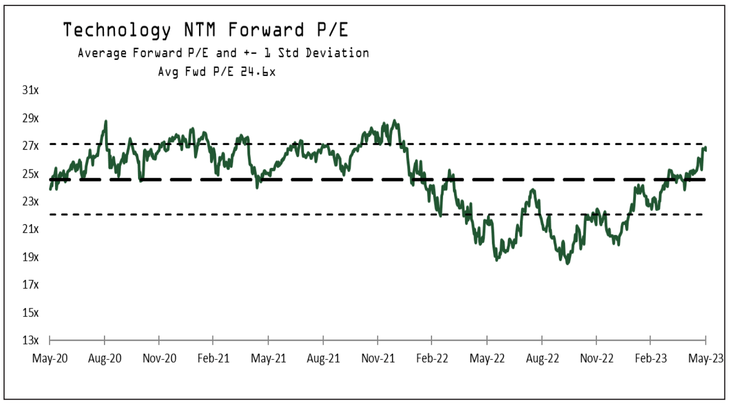
The Industrial Sector's decline of 3.45% lagged the S&P 500's 0.25% gain in the month of May, reflecting a decline in 8 out of the 12 Industrial subsectors. The Machinery subsector posted the worst performance in May with a decline of 6.4% as shrinking dealer inventory expectations imply softening of demand for equipment as forthcoming. Earnings growth estimates for Machinery point to solid 9.5% growth for the current year, although slowing growth of 3.0% is expected into 2024, with a decline of 1.2% estimated in 2025. Air Freight & Logistics was the second worst performing subsector in May with a 6.0% decline, reflecting softer expected order rates as the economy slows. Global long-term freight rates in container shipping experienced a significant downturn during the month of May, including a staggering -27.5% drop according to Xeneta's Shipping Index (XSI) – marking the ninth consecutive month of rate drops and the largest monthly fall recorded by the index.

The top-performing Industrials stock in the month of May was Verisk Analytics (VRSK), propelled by a strong earnings report early in the month reporting better-than-expected 9.8% organic constant currency revenue growth, a $2.5 billion accelerated share repurchase program initiated, and the divestiture of Wood Mackenzie – a portfolio company of Verisk Analytics specializing in research and consultancy. On the other hand, Leidos Holdings lagged the group with a -16.3% decline in May following a -7.3% EPS miss during their earnings call earlier in the month. Over the past year, inflation-adjusted earnings have remained above pre-pandemic levels, although the pricing power that companies have benefitted from may be poised to slow alongside elevated interest rates.

The May Manufacturing PMI registered 46.9%, 0.2% lower than the 47.1% recorded in April, representing the 6th month of contraction after a 30-month period of expansion. The New Orders Index remained in contraction territory at 42.6%, 3.1% lower than April's figure of 48.9%. The Prices Index reading of 44.2%, down 9% compared to the April figure of 53.2%. In regards to employment, the Employment Index expanded for the second month after two months of contraction, while panelists' comments continue to indicate near equal levels of activity toward expanding and contracting head counts at their companies. The Industrial Sector is trading at a Forward P/E of 18.4x, down 0.7 points from last month's reading of 19.1x and below the sector's three-year average of 21.2x.

INFORMATION TECHNOLOGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
9.29%	21.68%	33.33%	18.08%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
0.25%	5.28%	8.86%	1.15%

	Company Performance	1 Month
Leader	NVIDIA Corp	36.3%
	Advanced Micro Devices	32.3%
	Broadcom Inc	29.0%
	Synopsys Inc	22.5%
	ServiceNow Inc	18.6%
Laggards	F5 Inc	-22.7%
	EPAM Systems Inc	-9.1%
	Zebra Technologies Corp	-8.8%
	Corning Inc	-7.3%
	Teledyne Technologies	-6.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$88.04	$100.81	$116.51
32.9x	28.7x	24.9x

Sector Update

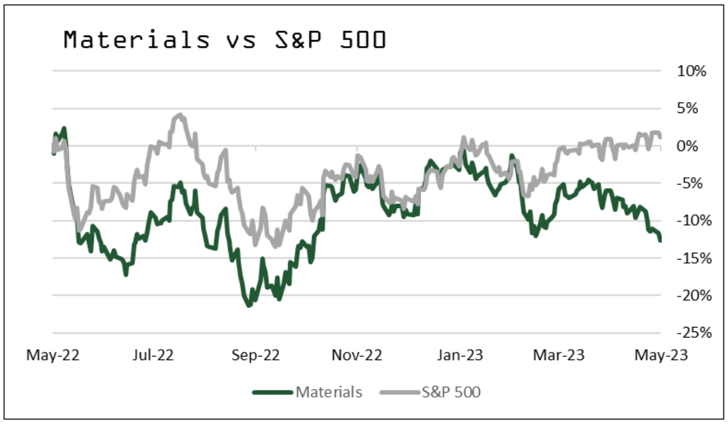
The Technology sector (+9.29%) outperformed the market (+0.25%) in May due to the rise in the Semiconductor & Semiconductor Equipment (+20.4%) and Software (+7.6%) sectors. Investor enthusiasm for semiconductor and software companies that are potential beneficiaries of accelerated computing and generative artificial intelligence (GAI) contributed to the rise in these sectors.

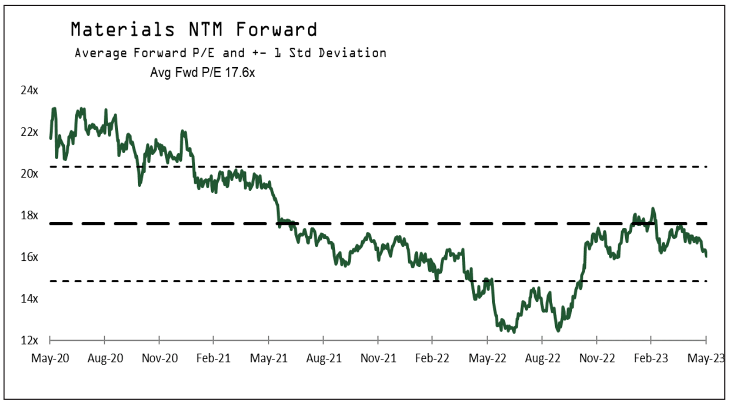
NVIDIA, the leading semiconductor provider of AI infrastructure, provided 2Q 2024 guidance of $11 billion (+64% year-over-year), $3 billion+ ahead of the consensus estimate. The company is benefiting from soaring demand for its hardware (GPUs) and software to build accelerated AI infrastructure to run large language learning models that are the basis for GAI technology. Corporations can access NVIDIA's pre-trained generative AI models from Google Cloud, Microsoft's Azure cloud, and Oracle Cloud to create AI-based software applications to enhance their own processes or improve their products and services.

NVIDIA's CEO believes that the advent of accelerated computing architecture and GAI could be more transformative for the global economy and society than the Internet. He believes that most industries could benefit from generative AI. Biotech and pharmaceutical companies are enhancing their discovery of new compounds and drugs through the application of GAI. Financial services companies are applying GAI to enhance compliance and fraud detection. Enterprise software companies such as Alphabet, Autodesk, Microsoft, Palo Alto Networks, Salesforce.com, and ServiceNow are enhancing their worker productivity tools and enterprise software applications with generative AI. Manufacturing companies are enhancing their product development and manufacturing processes through the application of GAI and digital twin technology that enable them to see a digital representation of their products and processes prior to building the physical product or transforming their manufacturing process with automation and robotics. Adobe's Firefly generative AI technology enables content creators to create an image or videos from text or voice inputs.

The Technology sector could underperform the market in the near-term, since it appears fully valued, with a 12-month forward P/E of 28.7x, compared to its average forward P/E of 24.6x.

MATERIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-7.11%	-8.51%	-3.79%	-12.62%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
0.25%	5.28%	8.86%	1.15%

	Company Performance	1 Month
Leader	Vulcan Materials Co	11.6%
	Martin Marietta Materials	9.6%
	Albemarle Corp	4.4%
	Ecolab Inc	-1.7%
	Celanese Corp	-2.1%
Laggards	Mosaic Co	-25.4%
	Sealed Air Corp	-21.1%
	International Flavors	-20.3%
	FMC Corp	-15.8%
	Newmont Corp	-14.5%

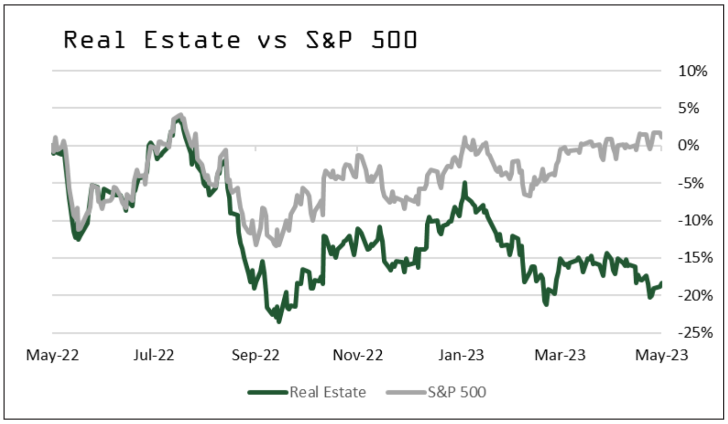
Consensus FY EPS / P/E

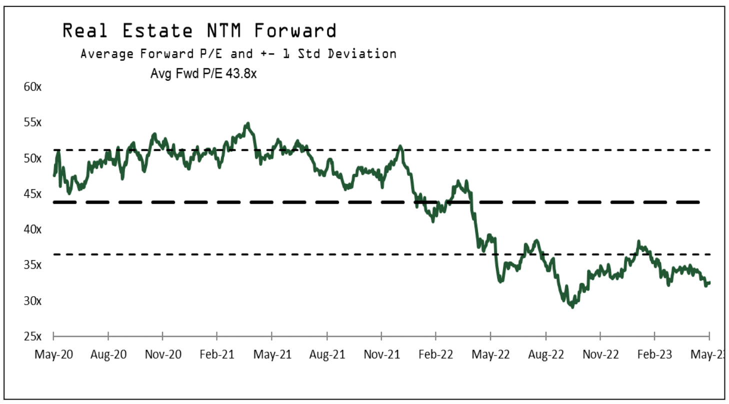
Last Year	Current Year	Next Year
$32.21	$29.10	$30.41
14.6x	16.2x	15.5x

Sector Update

The Materials segment weakened sequentially, declining 7.11% in May and well underperforming the S&P 500 Index which increased by 0.25%. The Metals & Mining, Containers & Packaging, and Chemicals sectors all posted declines for the month while Construction Materials increased. The Materials segment now trades with a current forward P/E of 16.2x and below its average forward P/E of about 17.6x. Uncertainty in the banking segment continues to create near-term enhanced volatility. For 2H, the focus remains on the macro-economic environment and potential for a recession, realized pricing, inventory levels, and consumer demand. Preferred areas for potential investment include hydrocarbon, coatings, and lithium. While the Fed raised rates by 25bp in May, the question now centers on whether the tightening cycle ends and potentially provides a catalyst for the building stocks in 2H of 2023. A straight-line recovery for the group remains suspect given macro uncertainties. Selective investment among the group remains a key factor with a preference for strong management teams and high-quality businesses.

Despite mortgage rates topping 7% for the first time since November, domestic housing demand remains solid, further adding to the conversation about the domestic housing market. Rising mortgage rates could pressure some potential home buyers to exit the market, but the housing supply remains tight, especially for low-priced housing options. According to the US Census Bureau, April new home sales rose 4.1% sequentially which exceeded the consensus outlook with the strongest results in the South and Midwest. Valuation for the housing stocks seem to already price in a mild recession and a change in the Fed tightening cycle could provide a positive catalyst. Within the chemical segment, inventory management, consumer end market and macro demand, and pricing remain key factors. The key focus for 2H for the chemical companies centers on global economies, management of end markets, realizing synergies, and the supply/demand balance. Containerboard pricing weakened more than expected in May reflecting soft consumer demand.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-4.64%	-5.84%	-2.84%	-18.33%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
0.25%	5.28%	8.86%	1.15%

	Company Performance	1 Month
Leader	Digital Realty Trust Inc	3.3%
	Equinix Inc	3.0%
	Host Hotels & Resorts	2.7%
	Invitation Homes Inc	1.5%
	Prologis Inc	-0.6%
Laggards	SBA Communications	-15.0%
	Federal Realty	-10.8%
	Ventas Inc	-10.2%
	American Tower Corp	-9.8%
	Healthpeak Properties	-9.1%

Consensus FY EPS / P/E

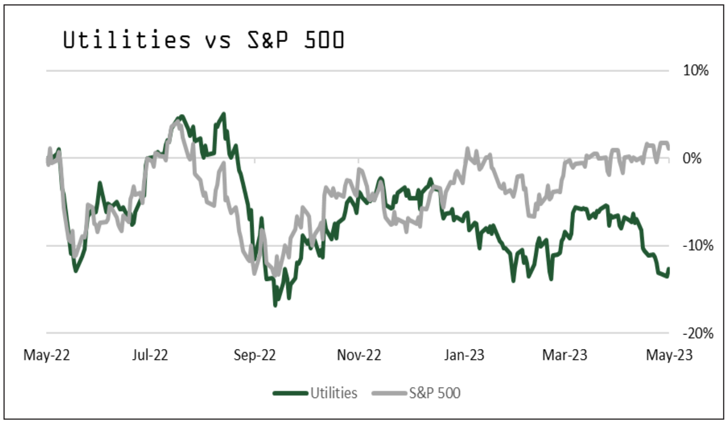
Last Year	Current Year	Next Year
$6.54	$6.63	$7.28
34.5x	34.0x	31.0x

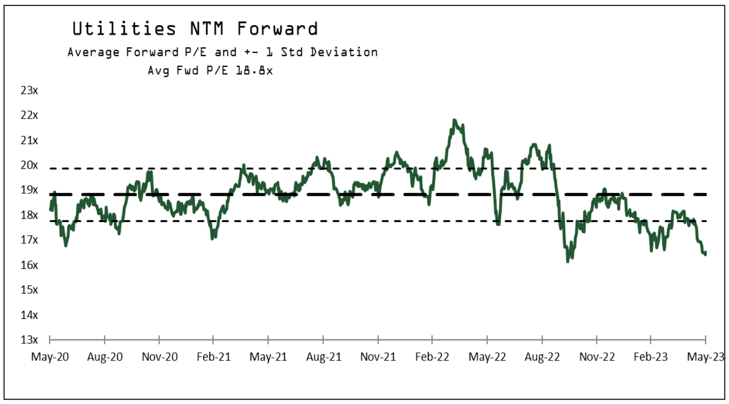
Sector Update

The Real Estate sector continues to measurably lag the performance of the broad market as illustrated in the adjacent tables – with the sector declining by 4.64% in May versus the modest gain by the S&P 500 that advanced 0.25% - sustaining a trend that has existed over the past year. A key driver for the S&P in May came as investors focused on emerging Artificial Intelligence (AI) technology. Still, we note that market participation has been very narrow, with just a handful of mega-cap tech sector issues experiencing substantial double-digit gains that drove the S&P 500, while the balance of equities has generally stagnated. For Real Estate, the longer-term factor that has driven underperformance has been the fast-paced move by the Fed to hike interest rates in their attempt to quell inflation – with the funds rate rising from 0 to 500-525 basis points over the past 14 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). More recently, a shakeout in the banking sector has also exacerbated borrowing conditions, while approaching refinancing needs for commercial real estate firms raises concerns among investors that continue to weigh on the sector. All of this points to a challenged environment for the Real Estate sector as persisting over the intermediate term.

Still, a few firms in the Real Estate sector managed to move higher in May led by data center REITs Digital Realty and Equinix. On their latest investor call recapping quarterly operating results, management of Nvidia – a leading manufacturer of computer graphics processors, chipsets, and related software – suggested that to meet the AI boom the data center sector must invest $1 trillion to build out and upgrade infrastructure over the next decade – supportive of long term growth for these two sector leaders. In the meantime, Equinix delivered upside operating results in the latest quarter and raised guidance for 2023, while investors also came to understand that Digital Realty faces near-term pressures to FFO as the firm boosts asset sales (dilutive to 2023 results) that also sets the stage for heightened investment and returns over the intermediate time frame. Host Hotels shares also advanced nicely after the firm's recent investor day update with management outlining plans focused on tight capital allocation targeted to drive enhanced returns on investment. RevPAR is now rising at a faster pace than in 2019 (pre-COVID) with management targeting to ramp EBITDA cash flow to the $2 billion-plus range over the next few years – encouraging to investors.

Among the real estate subsectors, commercial real estate has experienced heightened uncertainty with the recent banking crisis, while a slowdown from the U.S. consumer raises concerns among some focused on retailing. Office occupancy rates have deteriorated with prospects on rental rates unsettled as corporations look to cost cuts including square footage occupied, while floating rate debt employed by many in the sector has seen rates rise further pressuring operating results. Of late, a softening outlook has weighed on valuations among cell tower issues SBA Communications and American Tower as peak capex among carriers rolling out 5G has arisen, while churn post the Sprint T-Mobile consolidation continues. Federal Realty, a leader in retail shopping centers, has greater exposure to apparel and less to grocers raising exposure to a weakening economy, while $600 million of debt matures in 2024 exposing the firm to rising rates. And, although the senior living side of the business at Ventas has rebounded, investors are concerned with recent declines in occupancy among its life sciences operations. Thus, selectivity remains key for those sifting through the Real Estate sector with a challenging environment poised to persist and competitive returns available from fixed-income markets.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-6.36%	-0.26%	-8.51%	-12.71%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
0.25%	5.28%	8.86%	1.15%

	Company Performance	1 Month
Leader	Constellation Energy	8.6%
	Atmos Energy Corp	1.0%
	PG&E Corp	-1.0%
	NRG Energy Inc	-1.1%
	Pinnacle West Capital	-1.5%
Laggards	AES Corp	-16.6%
	Dominion Energy Inc	-12.0%
	Eversource Energy	-10.8%
	American Electric Power	-10.1%
	Duke Energy Corp	-9.7%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$16.99	$18.76	$20.35
19.3x	17.5x	16.1x

Sector Update

The Utilities sector declined 6.36% in May, lagging the S&P 500 by a wide margin on the back of a rebound in bond yields and narrow strong performance in the tech sector in the period. 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. Debt ceiling concerns and shifting expectations on the course of Fed policy appeared to impact benchmark rates in May, with two-year treasury yields backing up by 40bps and 10-year yields increasing by ~20bps in the period. Against this higher rate backdrop, the Utilities sector declined 6.36% and was the third worst-performing S&P 500 sector in May.

All Utilities sub-sectors finished May lower than the prior month. Water Utilities, including just American Water Works (AWK), declined 3.4% in the month, while Independent and Renewable Producers, including just AES Corp (AES) was the sector laggard for a third consecutive month, declining 16.6% in the period. The broader Electric and Multi-Utilities subsectors fell 5.9% and 7.7%, respectively.

Q1 earnings were largely constructive in the Utilities space on a weather-normalized basis, but more substantially impacted by lower heating days in the quarter as a result of far warmer than typical temperatures. Key local utilities including Dominion (D) and Duke Energy (DUK) saw 9.2% and 15.5% Q1 EPS reductions from warmer-than-seasonal temperatures seen as putting full-year estimates into question.

Despite near-term volatility, 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 as the group trades closer to two standard deviations below its three-year average forward earnings multiple 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
5-Jun	Factory Orders	Apr	0.90%
5-Jun	ISM Non-Manufacturing Index	May	51.90%
7-Jun	MBA Mortgage Applications Index	6/3	-3.7%
7-Jun	Trade Balance	Apr	-64.2B
7-Jun	EIA Crude Oil Inventories	6/3	NA
7-Jun	Consumer Credit	Apr	$26.5B
8-Jun	Initial Claims	6/3	NA
8-Jun	Continuing Claims	5/27	NA
8-Jun	Wholesale Inventories	Apr	0
8-Jun	EIA Natural Gas Inventories	6/3	NA
12-Jun	Treasury Budget	May	$176.0B
13-Jun	CPI	May	0.40%
13-Jun	Core CPI	May	0.40%
14-Jun	MBA Mortgage Applications Index	6/10	NA
14-Jun	PPI	May	0.20%
14-Jun	Core PPI	May	0.20%
14-Jun	EIA Crude Oil Inventories	6/10	NA
14-Jun	FOMC Rate Decision	Jun	5.00-5.25%
15-Jun	Retail Sales	May	0.40%
15-Jun	Retail Sales ex-auto	May	0.40%
15-Jun	Initial Claims	6/10	NA
15-Jun	Continuing Claims	6/10	NA
15-Jun	Philadelphia Fed Index	Jun	NA
15-Jun	Empire State Manufacturing	Jun	NA
15-Jun	Export Prices ex-ag.	May	0.20%
15-Jun	Import Prices ex-oil	May	0.00%
15-Jun	Industrial Production	May	0.50%
15-Jun	Capacity Utilization	May	79.70%
15-Jun	Business Inventories	Apr	-0.1%
15-Jun	EIA Natural Gas Inventories	6/10	NA
15-Jun	Net Long-Term TIC Flows	Apr	$133.3B
16-Jun	Univ. of Michigan Consumer Sentiment - Prelim	Jun	NA
20-Jun	Housing Starts	May	1401K
20-Jun	Building Permits	May	1416K
21-Jun	MBA Mortgage Applications Index	6/17	NA
21-Jun	EIA Crude Oil Inventories	6/17	NA
22-Jun	Initial Claims	6/17	NA
22-Jun	Continuing Claims	6/10	NA
22-Jun	Current Account Balance	Q1	-$206.8B
22-Jun	Existing Home Sales	May	4.28M
22-Jun	Leading Indicators	May	-0.6%
22-Jun	EIA Natural Gas Inventories	6/17	NA

ECONOMIC CALENDAR

27-Jun	Durable Goods - Ex Transportation	May	NA
27-Jun	Durable Goods	May	NA
27-Jun	FHFA Housing Price Index	Apr	NA
27-Jun	S&P Case-Shiller Home Price Index	Apr	NA
27-Jun	Consumer Confidence	Jun	NA
27-Jun	New Home Sales	May	NA
28-Jun	MBA Mortgage Applications Index	6/24	NA
28-Jun	Adv. Intl. Trade In Goods	May	NA
28-Jun	EIA Natural Gas Inventories	6/24	NA
29-Jun	GDP - Third Estimate	Q1	NA
29-Jun	GDP Deflator - Third Estimate	Q1	NA
29-Jun	Initial Claims	6/24	NA
29-Jun	Continuing Claims	6/17	NA
29-Jun	Pending Home Sales	May	NA
29-Jun	EIA Natural Gas Inventories	6/24	NA
29-Jun	EIA Natural Gas Inventories	6/24	NA
30-Jun	PCE Prices	May	NA
30-Jun	PCE Prices - Core	May	NA
30-Jun	Personal Income	May	NA
30-Jun	Personal Spending	May	NA
30-Jun	Univ. of Michigan Consumer Sentiment - Final	Jun	NA

DISCLOSURES

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

Past performance is not indicative of future results.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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