MARKET COMMENTARY

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JUNE 2024

- The best industry sector performance for May was Information Technology, while Energy was the worst
- Inflation fears continue to weigh on consumer sentiment
- Uncertainty around expectations continues to influence home sales as mortgage rates remain elevated

DAVENPORT EQUITY RESEARCH

Ann H. Gurkin
(804) 780-2166
agurkin@investdavenport.com

Drake F. Johnstone
(804) 780-2091
djohnstone@investdavenport.com

Jeff Omohundro, CFA
(804) 780-2170
jomohundro@investdavenport.com

Joel M. Ray, CFA
(804) 780-2067
jray@investdavenport.com

Evan J. Gilbert, CFA
(804) 915-2749
egilbert@investdavenport.com

Justin E. Corlett
(804) 780-2099
jcorlett@investdavenport.com

One James Center
901 East Cary Street, Suite 1100
Richmond, VA 23219
(804) 780-2000

Davenport & Company LLC
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Time will tell how well the old saying "Sell in May and Go Away" works this year but, at least for May, bullish investors were rewarded with major equity indexes solidly positive for the month. Continued large cap tech leadership combined with cautious optimism about the potential for Fed policy to remain neutral if not outright supportive seemed to provide encouragement for bullish sentiment. Meanwhile, the VIX Index or "fear gauge" which had spiked to near 20 last month on Middle East hostilities, eased back to the low teens for much of May. For the full month, the Dow Jones Industrial Average increased 2.3%, the S&P 500® index was up 4.8%, and the smaller cap weighted Russell 2000® increased by 4.9%.

Ten of the eleven sectors of the S&P 500 increased during May. The best performing sector for the month was Information Technology which increased 10.0% and was followed by the Utilities sector which was up 8.5%. The weakest performance in the month was posted by the Energy sector which decreased by 1.0% followed by the Consumer Discretionary sector which was up 0.2%. For the prior twelve months period, the Communication Services sector was the best performer with a 40.6% increase followed by the Information Technology sector which was up 37.2%, while the Real Estate sector was the worst performer for the past twelve months with a 5.4% increase followed by the Consumer Staples sector which was up 8.9%.

Consumers have become broadly more pessimistic about the near-term outlook with consumer sentiment as reported by the University of Chicago dropping to a six month low. The headline consumer sentiment index for May fell from 77.2 to 69.1 with results broadly in line with preliminary results released earlier in the month. Inflation is a key concern weighing on consumers with consumer inflation expectations rising at an annual rate of 3.3% over the next year. The expectations index dropped to 68.8 versus April's reading of 76.0.

The Bureau of Economic Analysis or BEA reported on Personal Consumption Expenditures (PCE) for April. Core PCE increased in line with economist expectations – up 0.2% in April - and at an annual pace of 2.8% (versus forecasts targeting 2.7%). Headline PCE inflation ramped by 0.3% on the month – rising by 2.7% on an annual basis – in line with forecasts. Although the PCE datasets failed to show any progress forthcoming in April on the inflation front, at least there was no evidence of resurging inflation as well. With markets on edge over interest rate policy, this essentially in line report had investors breathing a sigh of relief.

The housing market continues to be impacted by an uncertain macro environment influenced by high borrowing costs, home appreciation, and limited supply of homes for sale. These factors were reflected in pending home sales reported by the National Association of Realtors which declined 7.7% in April which was well below expectations. Buyers appeared to be backing off in the face of rising interest rates with the average 30-year fixed rate mortgage moving from about 6.9% in March to peak around 7.5% in April with average rates sustaining over 7.2% through May. In addition to the challenges in pending sales, existing home sales dropped in April by 1.9% compared with March to an annualized rate of 4.14 million. On a year-over-year basis existing home sales declined by 1.9%. Key factors that may be holding back existing home sales include home pricing which was up 5.7% year-over-year as well as higher mortgage rates. New home construction, on the other hand, picked up with housing starts increasing a seasonally adjusted 5.7% in April. Although starts increased 1.36 million in the month, that pace of growth missed the consensus target of 1.42 million per Bloomberg.

Where to from here?

Heading into the next FOMC session, economic datasets point to sustained inflationary pressures, solid employment and a growing U.S. economy. The Fed remains in a holding pattern on interest rate policy, while investors look for one 25 BPS rate cut with the September 18 FOMC session (to 500-525 BPS) that remains in place into yearend. Further, investor attention is refocusing on the November elections and possible changes to fiscal and trade policies that then ensue. In the meantime, some indicators point to a slowing U.S. economy, while consensus earnings forecasts target robust earnings gains for the S&P 500 through 2025 that could prove misplaced (time will tell). We sense equity markets will continue to wax and wane this summer based upon news of the day as we all await clarity on the outlook for the U.S. economy into 2025. As such, we favor selective investment, while employing a 12-18 month, intermediate term investment time horizon.

MARKET AND ECONOMIC STATISTICS

Market Indices:	5/31/2024	12/29/2023	% Change YTD	4/30/2024	% Change (Monthly)
S&P Composite	5,277.51	4,769.83	10.64%	5,035.69	4.80%
Dow Jones Industrials	38,686.32	37,689.54	2.64%	37,815.92	2.30%
NASDAQ Composite	16,735.02	15,011.35	11.48%	15,657.82	6.88%
Russell 2000	2,070.13	2,027.07	2.12%	1,973.91	4.87%
FTSE 100	8,275.38	7,733.24	7.01%	8,144.13	1.61%
Shanghai Composite	3,086.81	2,974.94	3.76%	3,104.82	-0.58%
Nikkei Stock Average	38,487.90	33,464.17	15.01%	38,405.66	0.21%
Stoxx Europe 600	518.17	478.99	8.18%	504.89	2.63%
MSCI Emerging Markets	1,048.96	1,023.74	2.46%	1,045.95	0.29%
MSCI Emerging Markets Small Cap	1,408.73	1,367.16	3.04%	1,402.50	0.44%

Performance of S&P 500 by Industry:	% of Index as of 5/31/2024	1 Month	3 Month	Year to Date	12 Months
Consumer Discretionary	9.85%	0.19%	-4.16%	0.38%	19.82%
Consumer Staples	6.02%	2.32%	4.44%	8.12%	8.87%
Energy	3.86%	-0.97%	8.41%	10.62%	20.90%
Financials	12.90%	3.01%	3.17%	10.37%	31.24%
Health Care	11.98%	2.23%	-0.92%	5.06%	12.42%
Industrials	8.54%	1.44%	1.99%	8.10%	27.67%
Information Technology	30.58%	9.95%	5.97%	16.93%	37.15%
Materials	2.32%	3.07%	4.42%	6.61%	22.13%
Communication Services	9.28%	6.57%	8.71%	20.42%	40.62%
Utilities	2.48%	8.46%	17.14%	14.15%	12.04%
Real Estate	2.18%	4.95%	-3.02%	-5.40%	5.42%
S&P 500 (Absolute performance)	100.00%	4.80%	3.56%	10.64%	26.26%

Interest Rates:	5/31/2024	12/29/2023	YTD Change (Basis Points)	4/30/2024	Month Change (BPS)
Fed Funds Effective Rate	5.33%	5.33%	0	5.33%	0
Prime Rate	8.50%	8.50%	0	8.50%	0
Three Month Treasury Bill	5.33%	5.33%	-1	5.32%	1
Ten Year Treasury	4.50%	3.88%	62	4.68%	-18
Spread - 10 Year vs 3 Month	-0.83%	-1.45%	62	-0.64%	-19

Foreign Currencies:	5/31/2024	12/29/2023	% Change YTD	4/30/2024	% Change (Monthly)
Brazil Real (in US dollars)	0.19	0.21	-7.5%	0.19	-1.0%
British Pound (in US dollars)	1.27	1.27	0.1%	1.25	2.0%
Canadian Dollar (in US dollars)	0.73	0.76	-2.8%	0.73	1.1%
Chinese Yuan (per US dollar)	7.24	7.10	2.0%	7.24	0.0%
Euro (in US dollars)	1.08	1.10	-1.7%	1.07	1.7%
Japanese Yen (per US dollar)	157.31	141.04	11.5%	157.80	-0.3%

Commodity Prices:	5/31/2024	12/29/2023	% Change YTD	4/30/2024	% Change (Monthly)
CRB (Commodity) Index	546.17	510.32	7.0%	546.17	0.0%
Gold (Comex spot per troy oz.)	2327.33	2062.98	12.8%	2286.25	1.8%
Oil (West Texas int. crude)	76.99	71.65	7.5%	81.93	-6.0%
Aluminum (LME spot per metric ton)	2607.14	2345.50	11.2%	2584.84	0.9%
Natural Gas (Futures 10,000 MMBtu)	2.59	2.51	2.9%	1.99	29.9%

Economic Indicators:	4/30/2024	1/31/2024	% Change YTD	3/31/2024	% Change (Monthly)
Consumer Price Index	313.2	309.7	-1.1%	312.2	0.3%
Producer Price Index	259.3	255.0	-1.7%	258.2	0.4%
	1Q24	**4Q23**	**3Q23**	**2Q23**	**1Q23**
GDP Growth Rate (Quarterly)	1.30%	3.40%	4.90%	2.10%	2.20%
Unemployment Rate (End of Month)	**April** **3.9%**	**March** **3.8%**	**February** **3.9%**	**January** **3.7%**	**December** **3.7%**

*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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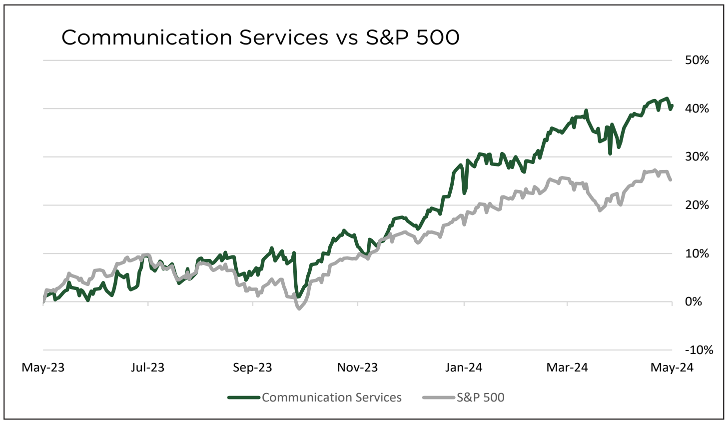
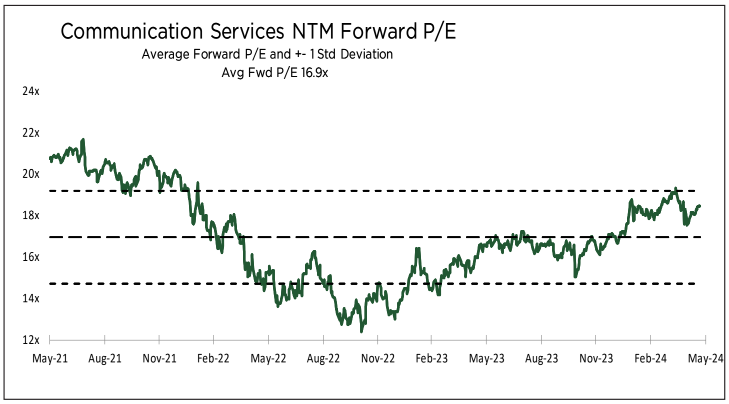
COMMUNICATIONS SERVICES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
6.57%	8.71%	20.42%	40.62%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
4.80%	3.56%	10.64%	26.26%

	Company Performance	1 Month
Leaders	Netflix Inc	16.5%
	News Corp	14.2%
	News Corp	13.6%
	Take-Two Interactive	12.3%
	Charter Comm.	12.2%
Laggards	Walt Disney Co/The	-6.5%
	Match Group Inc	-0.6%
	Omnicom Group Inc	0.1%
	Interpublic Group	3.1%
	Verizon Comm.	4.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$13.43	$15.23	$16.98
22.1x	19.4x	17.4x

Sector Update

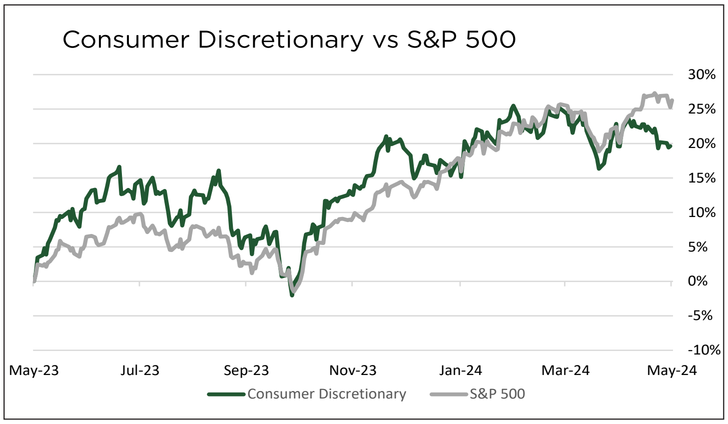
Communications Services and all of its sub-sectors outperformed the market in May. Interactive Media & Services was the top performing sub-sector driven by Alphabet and Meta Platforms.

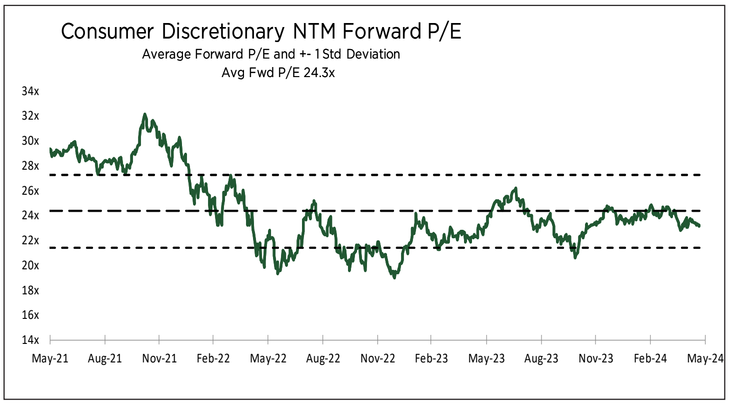
Both Open AI and Alphabet recently highlighted their most advanced, multi-modal generative AI chat bots, Chat GPT-4o and Gemini Pro 1.5, that are capable of interacting with users in real-time conversations and enable users to query and receive responses in audio, text, or video formats. Alphabet reported that Gemini Pro 1.5 has real time working memory of one million tokens that is up to five times greater capacity than its competitors. Gemini can real time analyze 700,000 words of text, 30,000 lines of code, one hour of video, and eleven hours of audio. Alphabet expects to increase its context window to 2 million tokens later this year and has tested a 10 million token context window.

The Entertainment subsector outperformed the market in May driven by the performance of Netflix. The company announced that its ad-supported streaming subscribers reached 40 million, out of total paid subscribers of 270 million, up from 23 million in January. Lower priced, ad-supported streaming media services are being positioned to attract price sensitive consumers and generate similar or higher revenue per subscriber as they benefit from incremental ad revenue.

The Communications Services sector appears close to fairly valued, with a P/E of 19.4x and 17.4x the consensus analyst FY24/FY25 EPS estimates, compared to estimated FY25 earnings growth of 11% and its average twelve-month forward P/E multiple of 16.9x.

CONSUMER DISCRETIONARY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
0.19%	-4.16%	0.38%	19.82%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
4.80%	3.56%	10.64%	26.26%

	Company Performance	1 Month
Leaders	Deckers Outdoor Corp	33.7%
	Aptiv PLC	17.3%
	Best Buy Co Inc	15.2%
	Bath & Body Works Inc	14.4%
	Ralph Lauren Corp	14.2%
Laggards	Expedia Group Inc	-16.2%
	Lululemon Athletica Inc	-13.5%
	Norwegian Cruise Line	-12.3%
	Starbucks Corp	-9.3%
	Airbnb Inc	-8.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$54.60	$57.52	$65.41
26.1x	24.7x	21.8x

Sector Update

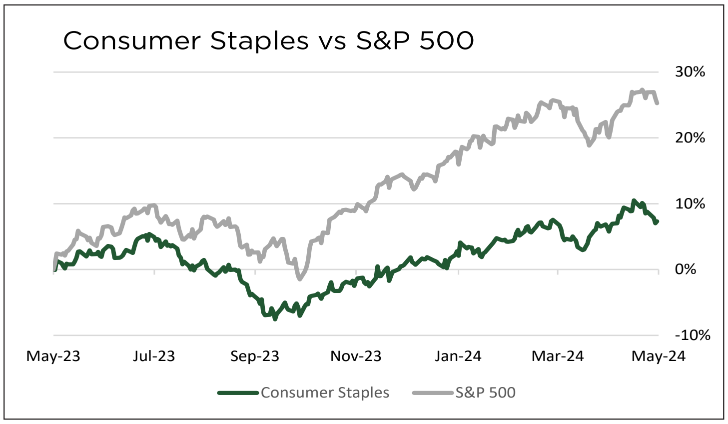
The Consumer Discretionary sector eked out a slight gain in May following last month's pullback amidst ongoing signs of weakening consumer metrics. Among Consumer Discretionary subsectors, the strongest performance by far was seen in the Auto Components category followed by Household Durables. Subsectors that were softest included Leisure Products, Automobiles, and Hotel, Restaurants & Leisure. The Consumer Discretionary sector has underperformed the S&P 500 on a 1-month, 3-months, year-to-date, and trailing twelve months basis as seen in the accompanying chart.

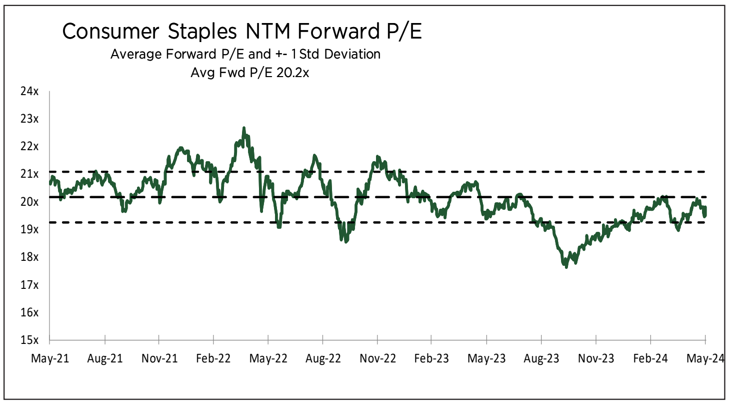
Consumers have become broadly more pessimistic about the near-term outlook with consumer sentiment as reported by the University of Chicago dropping to a six-month low. The headline consumer sentiment index for May fell from 77.2 to 69.1 with results broadly in line with preliminary results released earlier in the month. Inflation is a key concern weighing on consumers with consumer inflation expectations rising at an annual rate of 3.3% over the next year. The expectations index dropped to 68.8 versus April's reading of 76.0. Joanne Hsu, the director of the survey, provided commentary on preliminary results, saying that the "Strength in household incomes has been the primary source of support for robust consumer spending over the past couple of years," adding that "a softening in labor market expectations is concerning and – if it continues – may lead to a pullback in consumer's willingness to spend."

The Commerce Department reported below expectations retail sales in April that were flat on a month-over-month basis and up 3.0% versus the prior year. Gas stations reported the greatest monthly sales gain of up 3.1% likely reflecting an elevated gasoline price backdrop with strength also seen in clothing stores and electronics retailers. Particular weakness was reported for nonstore retailers which encompasses online channels as well as in sporting goods and motor vehicle sales. We note that monthly calendar effects including the early Easter holiday this year may have impacted monthly sales results in certain categories. Net, net the sales slowdown adds to the broader narrative that consumers may be showing signs of strain resulting from a higher inflation and interest rate environment.

Existing home sales dropped in April by 1.9% compared with March to an annualized rate of 4.14 million according to the National Association of Realtors. On a year-over-year basis existing home sales declined by 1.9%. Key factors that may be holding back existing home sales include home pricing which was up 5.7% year-over-year as well as higher mortgage rates. New home construction, on the other hand, picked up last month with housing starts increasing a seasonally adjusted 5.7% in April. Although starts increased 1.36 million in the month, that pace of growth missed the consensus target of 1.42 million per Bloomberg. Growth in the month was fueled by starts on multi-family properties with single family starts declining. In addition, building permits which can provide guidance on future potential construction dropped 3% for the month.

CONSUMER STAPLES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.32%	4.44%	8.12%	8.87%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
4.80%	3.56%	10.64%	26.26%

	Company Performance	1 Month
Leaders	Costco Wholesale Corp	12.0%
	Walmart Inc	10.8%
	Philip Morris	6.8%
	Archer-Daniels-Midland	6.4%
	Lamb Weston Holdings	5.9%
Laggards	Estee Lauder Cos Inc	-15.9%
	Hormel Foods Corp	-12.9%
	Clorox Co/The	-11.0%
	Walgreens Boots	-8.5%
	Kraft Heinz Co/The	-8.4%

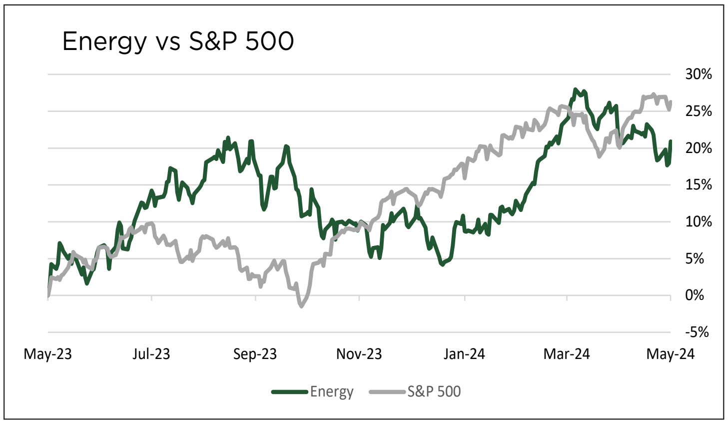
Consensus FY EPS / P/E

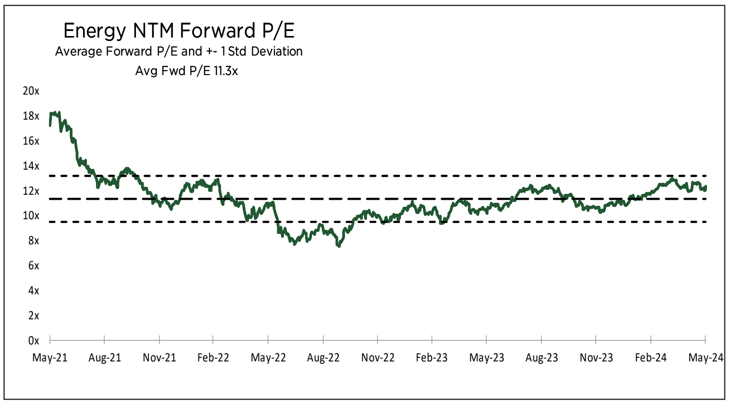
Last Year	Current Year	Next Year
$38.11	$39.75	$42.53
21.6x	20.7x	19.4x

Sector Update

The Consumer Staples sector increased by 2.32% on average in May and underperformed the S&P 500 Index which increased by 4.8%. YTD through May, the Consumer Staples segment is up 8.12% vs the S&P 500 that is up 10.64%. Food and Staples Retailing and Tobacco segments reported gains for the month while Personal and Food Product segments both reported declines. The Consumer Staples segment trades with a current forward P/E of about 20.7x which is slightly ahead of its average forward P/E, and a market weighting remains preferred. Slowing consumer purchase levels and changing channel mix currently represents a key influence on the companies. The domestic consumer appears bifurcated with the lower end consumer increasingly more price and value selective while the upper end continues to purchase premium products, but seeks more value at mass merchandise stores. Sequentially strengthening volume as well as the overall competitive promotional environment are key factors to monitor in 2H. The industry in general remains rational and continues to operate in a relative rational price promotional environment. However, if volumes do not inflect as expected, the risk of greater competitive price promotion rises along with potential margin pressure. Those companies demonstrating positive volumes remain attractive investments. 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.

The May World Agricultural Supply and Demand Estimates (WASDE) report offered little new information vs the current expectation for large 2024 US supplies of corn and soybean. Large expected domestic use and favorable exports should offset most of the expected large domestic grain supplies. According to WASDE, the 2024 corn production should reach 14.9 billion bushels and an expected yield of 181 million bushels per acre. Ending corn stocks are forecast 80 million bushels higher vs the prior year to 2.1 billion bushels and would be the highest since the 2018/19 level. The US is expected to be the world's largest exporter of corn for the second year in a row. For soybeans, the USDA forecasts higher supplies, exports, and ending stocks vs the prior year. Domestic soybean production is forecast to reach 4.45 billion bushels or up 285 million bushels vs the prior year period. The US holds about a 28% share of global soybean exports. Expected higher consumption and grain exports should mostly offset the higher production. Within the global tobacco market, companies continue to execute a smoke-free transformation with favorable margin upside. Recent results highlighted favorable pricing, continued penetration of smoke-free products and ongoing shareholder focus with dividends and potential share repurchases. Portfolio transformation across the Consumer Staples segment through divestments and acquisitions as well as streamlining the number of product offerings also remains a key theme.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-0.97%	8.41%	10.62%	20.90%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
4.80%	3.56%	10.64%	26.26%

	Company Performance	1 Month
Leaders	Williams Cos Inc/The	8.2%
	Marathon Oil Corp	7.9%
	Kinder Morgan Inc	6.6%
	Coterra Energy Inc	4.2%
	Targa Resources Corp	3.7%
Laggards	ConocoPhillips	-7.3%
	EOG Resources Inc	-5.7%
	Occidental Petroleum	-5.5%
	Devon Energy Corp	-4.1%
	Schlumberger NV	-3.3%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$55.17	$54.69	$61.52
12.8x	12.9x	11.5x

Sector Update

The Energy sector was impacted by the continuing conflict in the Middle East in May, which has elevated uncertainty in an already volatile global energy market. Against this backdrop, the Energy Equipment & Services subsector underperformed the Oil, Gas & Consumable Fuels subsector for the month. Overall, the Energy sector was the only S&P 500 industry sector to register a decline in the month. The sector has also been underperforming on a YTD and trailing twelve-month basis but has outperformed on a 3-month basis.

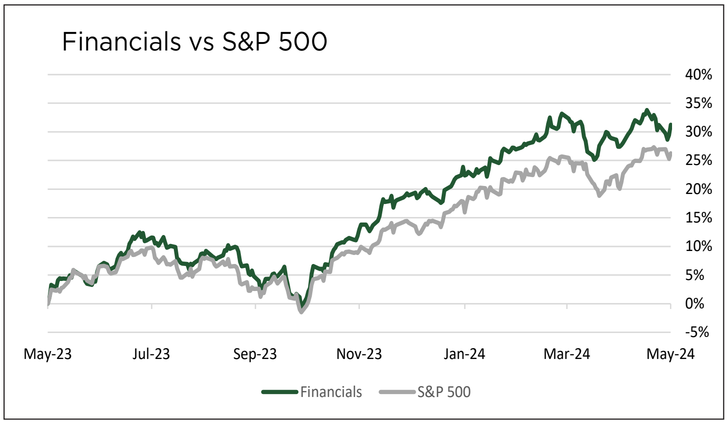
OPEC updated the cartel's energy demand outlook in mid-May, leaving targets for 2024 and 2025 growth unchanged at 2.2 million barrels per day and 1.8 million barrels per day, respectively. Non-OPEC+ supply growth is seen by OEPC+ at 1.2 million barrels per day in 2024 and 1.1 million barrels per day in 2025. OPEC sees the U.S., Brazil, Canada, and Norway as the nations driving supply growth this year. At the end of the month, OPEC provided another update in which it agreed to extend production cuts of 3.66 million barrels per day until the end of 2025 and prolong the 2.2 million barrels per day cuts till the end of September 2024.

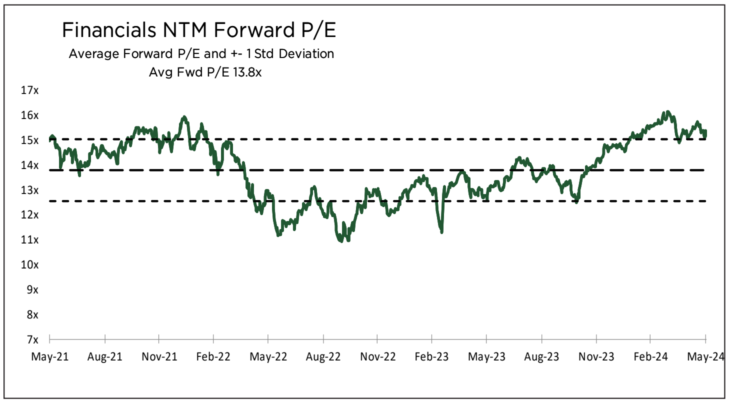
Also in mid-May, the International Energy Agency (IEA) released its updated Oil Market Report, noting that oil prices experienced a correction lower in April and early May. Poor industrial activity and a mild winter, particularly in Europe, diminished gasoil consumption during the year. The drop, along with weak diesel deliveries at the start of the year, pushed OECD oil demand into contraction in the first quarter. As a result, the IEA trimmed its 2024 global oil demand expectation to 1.1 million barrels per day, representing ~140 thousand barrels/day less than last month's forecast. Next year, according to IEA, even if OPEC+ voluntary production cuts were in place, the global oil supply could jump by 1.8 million barrels a day compared to this year's increase of 580 thousand barrels a day.

West Texas Intermediate (WTI) crude oil prices moved lower in May, with WTI trading from the $81 per barrel range to end the month approaching $77 per barrel. Natural gas prices increased from about $1.99 per million Btu to end the month at about $2.59 per million Btu. Retail gasoline prices fell slightly in the month, moving to $3.72 per gallon at the end of the month, from the $3.73 average price seen at the end of the prior month and up from the prior year's level of $3.63.

The Baker Hughes oil rig count increased to 600 this month from last month's figure of 506. U.S. crude oil inventories were registered at 455 million barrels, which is down from last month's level of 461 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 2023. The trough daily production seen in 2020 was in the 9.7 million barrels per day range and has now rebounded to about 13.1 million barrels per day at the end of the month.

FINANCIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
3.01%	3.17%	10.37%	31.24%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
4.80%	3.56%	10.64%	26.26%

	Company Performance	1 Month
Leaders	Fidelity National Infor-	11.7%
	Invesco Ltd	10.9%
	Brown & Brown Inc	9.8%
	Arch Capital Group Ltd	9.7%
	Prudential Financial Inc	8.9%
Laggards	Global Payments Inc	-17.0%
	Corpay Inc	-11.4%
	PayPal Holdings Inc	-7.3%
	Cboe Global Markets Inc	-4.5%
	Capital One Financial	-4.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$42.50	$43.75	$46.92
16.3x	15.8x	14.7x

Sector Update

The Financials sector gained 3.01% in May but underperformed the S&P500® index advance of 4.8% in the same period. The Financials sector performance in the past three months and year-to-date modestly underperformed market gains, while trailing twelve-month results now demonstrate material outperformance vs. the broader market index with the sector rebounding from March 2023 turmoil and benefitting from continued resilient economic activity.

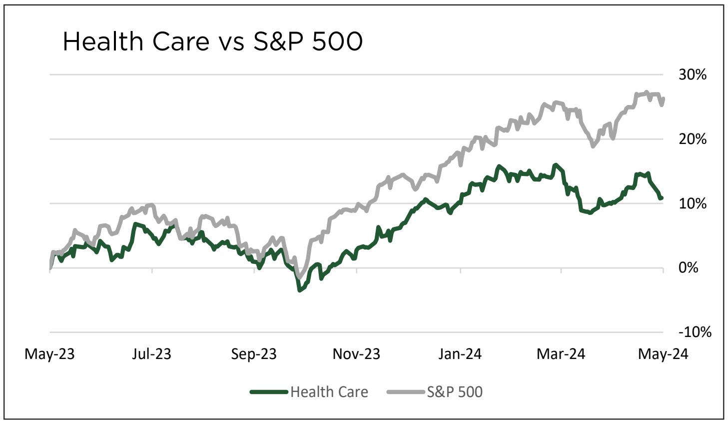
The Insurance sub-sector was the best performing among Financials in May, up 4.4% in the period, with three of five leading stocks in the sector belonging to the insurance group (BRO), (ACGL), and (PRU). Banks were the second best-performing sub-sector on a 4.2% advance in May, largely benefitting from a back-down in interest rates, alleviating deposit re-pricing pressure on interest spreads. The Consumer Finance sub-sector was the worst performing Financials group, flat from April as investor sentiment appeared to turn more cautious on rising delinquency rates poised to sustain elevated credit provision costs, along with potential implementation of Consumer Financial Protection Bureau (CFPB) rule changes on late fees that could disrupt noninterest income for card issuers. While the CFPB set implementation of the rule capping late fees at $8 (down from $32 on average today) for mid-May, a Federal Judge in Texas blocked the rule through a preliminary injunction—meaning the new fee rules will remain in limbo through a potentially lengthy litigation period.

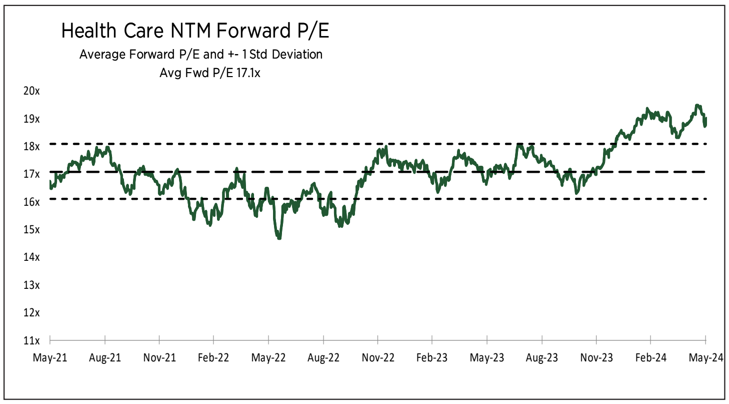
Global Payments (GPN) was the worst performing Financials component in May, down 17% in the month after revenue growth guidance disappointed street expectations. Other payments companies, including Corpay (CPAY) and PayPal (PYPL) were among the worst performers in the sector. During the month, Consumer Discretionary companies flagged waning consumer spending patterns and economic uncertainty—with potential to impact payment processors.

For lenders, interest income growth remains challenged for depository institutions against an inverted yield curve and limited loan growth prospects; however, capital markets-oriented and mega-cap firms have reported improved activity in early 2024. Regional lenders remain relatively more challenged, given commercial real estate exposures and limited capital flexibility from unrealized losses on bond portfolios against the elevated interest rate backdrop.

The Financials Sector currently trades at a forward P/E ratio of 15.8x FY24 expectations, well above its three-year average forward twelve-month multiple (13.8x). Valuations in the sector appear fair to full and will require selectivity in the face of an uncertain near-term fundamental outlook not apparent in current credit spread or volatility measures.

HEALTH CARE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.23%	-0.92%	5.06%	12.42%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
4.80%	3.56%	10.64%	26.26%

	Company Performance	1 Month
Leaders	Moderna Inc	29.2%
	Bio-Techne Corp	22.1%
	Humana Inc	18.5%
	Vertex Pharmaceuticals	15.9%
	Mettler-Toledo Interna-	14.2%
Laggards	Baxter International Inc	-15.6%
	Illumina Inc	-15.3%
	CVS Health Corp	-12.0%
	Charles River Lab	-9.0%
	Align Technology Inc	-8.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$72.43	$82.35	$96.63
23.1x	20.3x	17.3x

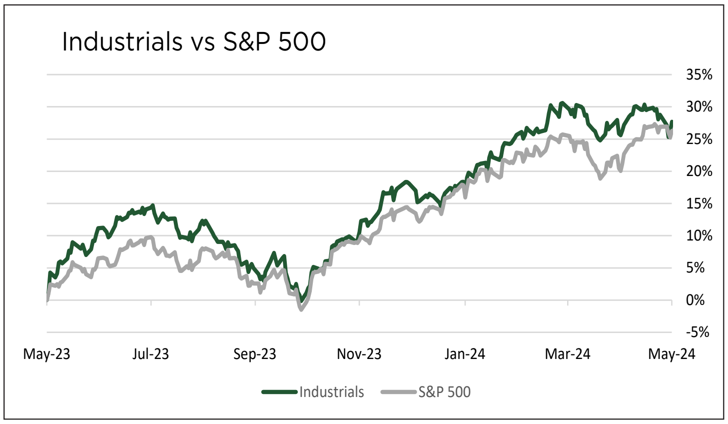
Sector Update

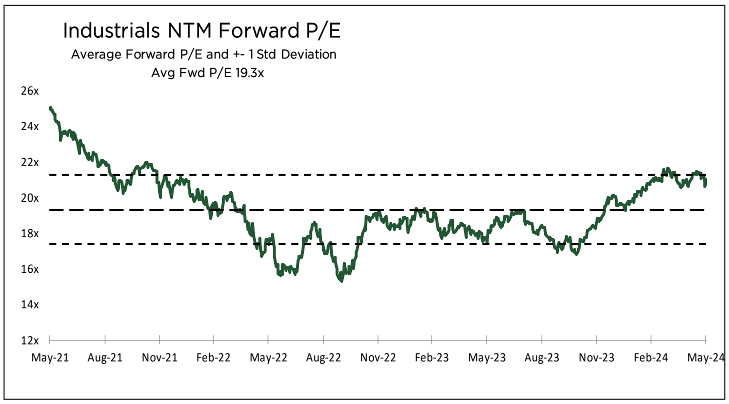
The Health Care sector increased 2.23% in May, underperforming the S&P 500's 4.80% gain. Once again, Health Care earnings results came in mixed during the month, supported by normalizing drug development spending, Life Science Equipment order trends that may be improving, and increased funding in the early-stage biotech industry. Additionally, Medicare Advantage and Medicaid funding appears to be less than in prior years.

During May, regulatory developments that took center stage within the Health Care sector in April continued. During the month, investors digested more information relating to the impact of the Change Healthcare cyberattack. Additionally, commentary from Health Insurance companies suggested that Medicaid funding may not be enough to cover high utilization in the segment over the next few quarters. Following the abatement of the COVID-19 pandemic, many patients returned to the operating room after neglecting procedures during the pandemic. In turn, this has put additional pressure on medical utilization. While this increased utilization has served as a net positive for Hospital Operators and Medical Device firms, it has put pressure on the Health Insurance industry, specifically in Medicare Advantage and Medicaid markets.

The two best-performing equities in the Health Care sector during May included drug-developing peers Moderna (NASDAQ: MRNA) and Bio-Techne (NASDAQ-TECH). Moderna has experienced a couple of different factors that may have led to a rally in May, including an FDA approval of a respiratory syncytial virus (RSV) vaccine. Furthermore, the company announced positive data from phase two clinical trials for a separate experimental vaccine. Meanwhile, peer drug-developing stock Bio-Techne experienced a May rally after a better-than-expected earning call and commentary suggesting that the worst of the China slowdown may be behind us.

Each subsector within the Health Care sector reported a gain in June, led by a 6.6% gain in the Biotechnology industry. While Biotech has been under pressure throughout 2023, increased expectations surrounding the funding environment have been positive for shares. Following the Biotechnology subsector, the Pharmaceutical subsector was the next best performer with a 2.5% gain. While upcoming patent cliffs and the IRA bill have put pressure on shares, decent first-quarter earnings may have helped shares advance in May. The Health Care sector trades at a current forward P/E ratio of 20.3x, above the historical average of 17.1x.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
1.44%	1.99%	8.10%	27.67%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
4.80%	3.56%	10.64%	26.26%

	Company Performance	1 Month
Leaders	Howmet Aerospace Inc	26.8%
	CH Robinson World-	21.6%
	Verisk Analytics Inc	16.0%
	GE Vernova Inc	14.4%
	Johnson Controls Inter-	10.5%
Laggards	Paycom Software Inc	-22.7%
	Dayforce Inc	-19.4%
	American Airlines	-14.9%
	Builders FirstSource Inc	-12.1%
	Axon Enterprise Inc	-10.2%

Consensus FY EPS / P/E

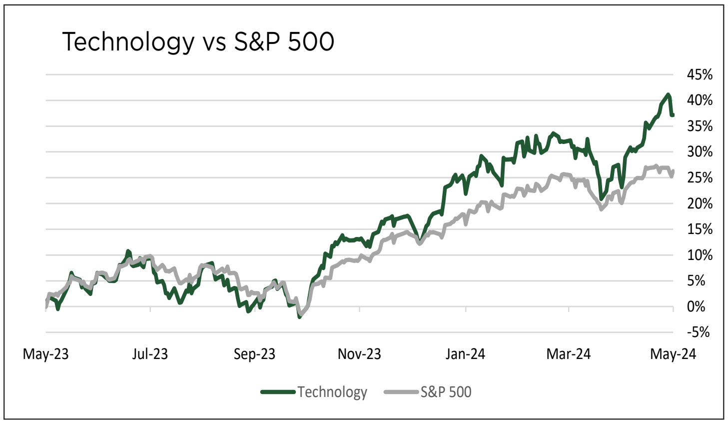
Last Year	Current Year	Next Year
$45.25	$46.92	$53.54
23.0x	22.2x	19.5x

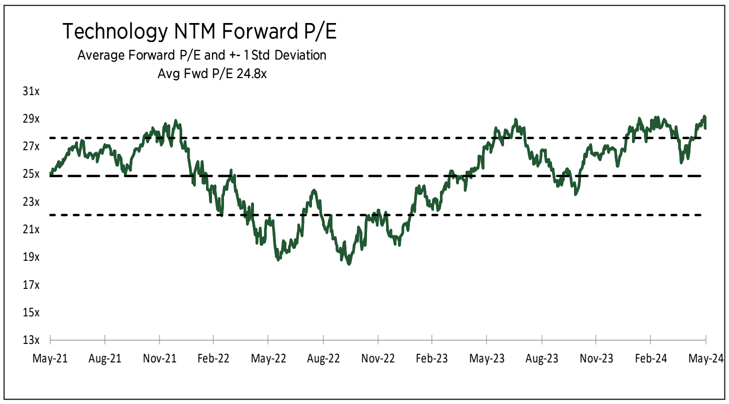
Sector Update

The Industrial Sector increased 1.44% in May, underperforming the 4.80% gain in the S&P 500. Despite underperforming the market in May, the Industrial sector outperformed the S&P 500 on a trailing 12-month basis with a 27.67% return versus a 26.26% gain in the S&P 500. Given a cloudy economic picture and less faith in the easing of interest rates, the cyclical-natured Industrials sector was one of the three worst-performing sectors in May.

The Institute for Supply Management's Purchasing Managers Manufacturing Index, or PMI index, contracted in May following a previous contraction in April. After breaking a 16-month streak of contraction in March, the PMI index fell in both April and May. PMI's came in at 48.7 in May, down from 49.2 in April and 50.3 in March. The New Orders Index remained in contraction territory with a reading of 45.4, 3.7 points lower than April's reading of 49.1. This May New Orders Index reading represents the lowest reading since May 2023, which has not indicated consistent growth since a 24-month streak of expansion that ended in May 2022. While Printing & Related Support Activities, Petroleum & Coal Products, Miscellaneous Manufacturing, and Chemical Products reported gains within the New Orders Index, Housing, Construction, and Capital Expenditures activity continues to underperform. Meanwhile, the Production Index pulled back slightly yet remained in expansion territory with a reading of 50.2. This reading represents a 1.1-point decline versus April despite Production experiencing the fourth month of expansion over the last five months.

Overall, earnings results among Industrial companies were mixed in May. The worst-performing subsectors in the month were Air Freight & Logistics, with a 2.5% decline; Road & Rail, with a 1.7% decline; and Trading Companies & Distributors, with a 0.8% decline. The best-performing subsectors in the month were Construction & Engineering, with a 6.7% gain; Industrial Conglomerates, with a 4.6% gain; and Electrical Equipment, with a 4% gain. Additionally, Aerospace & Defense companies outperformed the broader Industrial Sector as geopolitical tensions continue to escalate. The ongoing war in the Middle East and East Europe has led to higher defense budgets across the globe, serving as a positive for the subsector. The Industrial Sector is trading at a Forward P/E of 22.2x, above the sector's three-year average of about 19.3x.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
9.95%	5.97%	16.93%	37.15%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
4.80%	3.56%	10.64%	26.26%

	Company Performance	1 Month
Leaders	First Solar Inc	54.1%
	HP Inc	29.9%
	NVIDIA Corp	26.9%
	Gen Digital Inc	23.3%
	QUALCOMM Inc	23.0%
Laggards	EPAM Systems Inc	-24.4%
	Qorvo Inc	-15.8%
	Skyworks Solutions Inc	-13.1%
	Salesforce Inc	-12.8%
	Super Micro Computer	-8.7%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$112.47	$131.91	$156.50
35.3x	30.1x	25.4x

Sector Update

The Technology sector outperformed the market in May, driven by the significant rise in NVIDIA shares and the Semiconductor & Semiconductor Capital Equipment sub-sector (+17.3%). Robust demand for semiconductor chips to build out hyperscale computing systems for generative AI training and inferencing contributed to this performance. The semiconductor sub-sector also benefited from improved industry conditions, including the stabilization of inventory in most end markets and the potential for increased demand for semiconductor components across most industry segments in the second half of 2024.

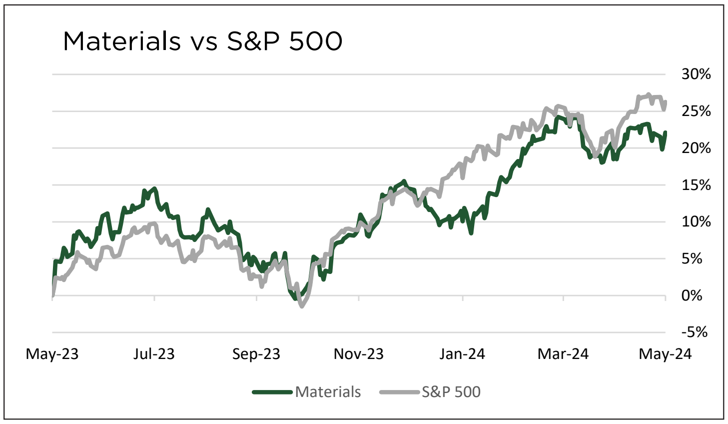
Demand for generative AI technology has become widespread, ranging from consumer Internet companies to biotech, enterprise and consumer software, healthcare, financial services, media, telecom companies and sovereign governments.

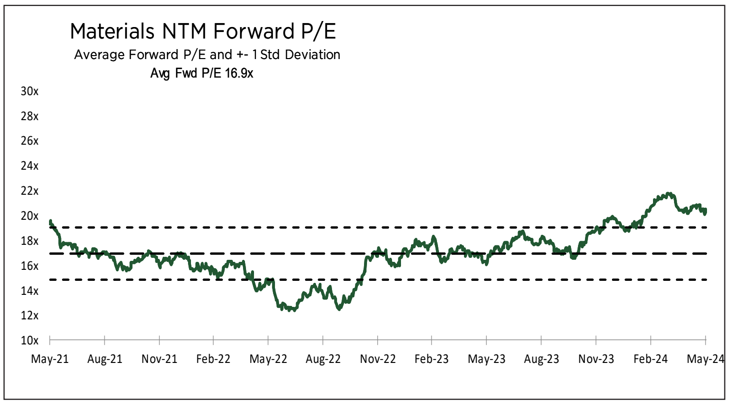
Increased corporate and government demand for hyperscale computer systems for generative AI boosted the Technology Hardware Storage & Peripherals sub-sector (+12%).

The IT Services and Software sub-sectors lagged the market in May as a number of leading enterprise software and IT Services companies reduced their annual guidance. Given the more challenging global economic environment, IT Services and software companies reported that their corporate customers are becoming more cautious and are taking longer to commit to large deals.

Accenture estimated that less than 10% of companies have mature data and AI capabilities and are ready to implement generative AI. Accenture estimated that 50% of companies need to complete their digital transformation (including investments in AI, consulting, data analytics, and cloud) so that they are ready to implement generative AI. Corporations may take longer to complete their digital transformation and then pursue generative AI initiatives if they reduce their spending on consulting services in the near term.

The Technology sector appears close to fairly valued, with a P/E of 30.1x and 25.4x the consensus analyst FY24/FY25 EPS estimates, compared to the estimated FY25 EPS growth of 19% and its average twelve-month forward P/E of 24.8x.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
3.07%	4.42%	6.61%	22.13%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
4.80%	3.56%	10.64%	26.26%

	Company Performance	1 Month
Leaders	International Paper Co	29.0%
	Amcor PLC	13.8%
	International Flavors &	13.6%
	DuPont de Nemours Inc	13.3%
	Air Products and Chem-	12.8%
Laggards	Martin Marietta	-2.6%
	Mosaic Co/The	-1.5%
	Linde PLC	-1.2%
	Celanese Corp	-1.0%
	Vulcan Materials Co	-0.7%

Consensus FY EPS / P/E

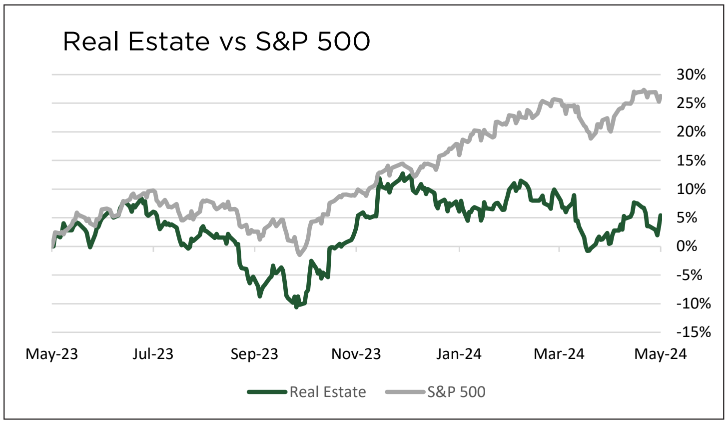
Last Year	Current Year	Next Year
$25.40	$26.60	$30.34
22.6x	21.6x	19.0x

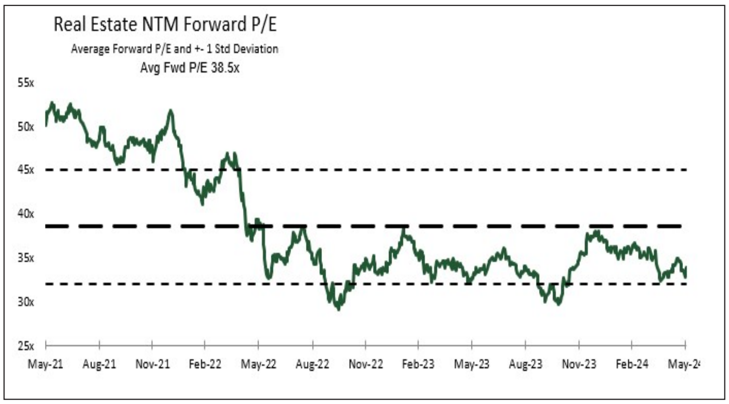
Sector Update

The Materials segment increased 3.07% in May and underperformed the S&P 500 Index which increased by 4.8%. Results reflect broad-based contribution with the greatest addition from the containerboard segment. The construction materials segment was the exception with a decline for the month. The Materials segment now trades with a current forward P/E of about 21.6x and above its average forward P/E of about 16.9x. The movement in interest rates remains a key factor influencing stock price movements in the group along with a continued overall volatile macro environment. For 2024, key factors to monitor include interest rate trends, consumer behavior and confidence trends, inventory levels, realized pricing, the outlook for the macroeconomic environment, capital spending, and volume.

During the first quarter, several consumer product companies increased promotional activity in the marketplace to drive higher volumes. Higher volumes represent a positive for the packaging companies and valuations could rise on strengthening demand in a continued tight supply environment. Mortgage rates recently increased from about 6.9% in March to 7.5% in April and the rise has a negative impact on home sales. Recently reported pending home sales was reported at its slowest pace since April 2020 with sales down in every region of the country. However, home prices do continue to increase reflecting the continued tight housing supply. Mortgage rates remain a key factor to monitor along with labor costs. Moderating inflation seems to be driving investor hopes for Fed action to lower interest rates in 2024. First quarter results for the aluminum can production companies reflected improved inventory levels along with favorable customer demand. Questions for the balance of the year center on performance during the key summer selling season along with consumer demand, promotions, and the weather. Metal prices (especially copper) declined during the month as the timing for interest rates gets pushed out while the Fed reviews data and trends for measures such as inflation and unemployment levels. Portfolio transformation through divestments and acquisitions as well as streamlining the number of product offerings also remains a key theme. With strong company balance sheets, further M&A activity is expected. Selective investment among the group remains a key factor with a preference for strong management teams and high-quality businesses.

REAL ESTATE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
4.95%	-3.02%	-5.40%	5.42%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
4.80%	3.56%	10.64%	26.26%

	Company Performance	1 Month
Leaders	American Tower Corp	14.1%
	Ventas Inc	13.5%
	Crown Castle Inc	9.3%
	Welltower Inc	8.8%
	Prologis Inc	8.3%
Laggards	CoStar Group Inc	-14.6%
	Host Hotels & Resorts	-4.9%
	Federal Realty	-3.1%
	Boston Properties Inc	-2.0%
	Realty Income Corp	-0.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$12.75	$13.09	$13.86
18.7x	18.2x	17.2x

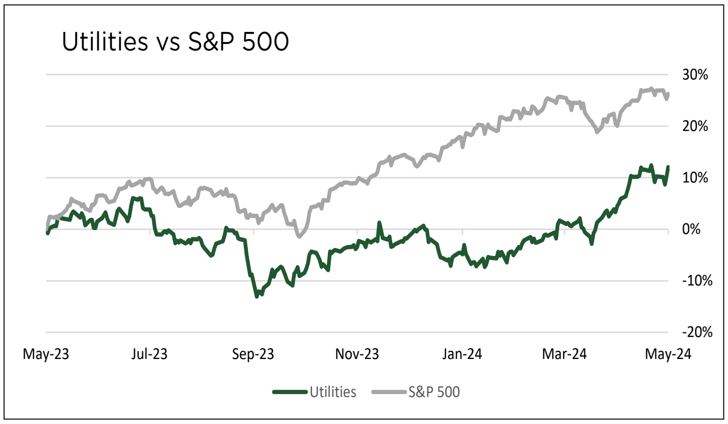
Sector Update

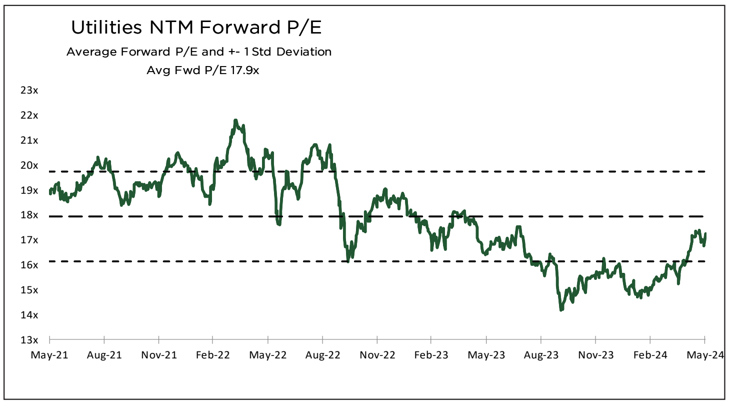
The Real Estate sector responded positively to a combination of falling interest rates and better than forecast earnings/FFO among selective stocks in May. Thus, after lagging the S&P 500 consistently over the past year, for the month of May, Real Estate's 4.95% appreciation modestly outpaced the 4.80% gain recorded by the S&P 500. We sense that future returns for Real Estate will remain closely tied to the outlook for interest rates and trends for the U.S. economy. Latest economic datasets appear to point to a slowing economy as now emerging with employment trends softening and retail sales flattening. Although an economic slowdown could drive a shift in Fed policy now remaining in 'higher for longer' mode, a recession could stifle consumer spending impacting real estate leasing demand. Still, a moderating U.S. economy escaping recession would seem to offer lower interest rates – supportive of interest rate sensitive bond proxy issues including real estate. In the meantime, emergence of the artificial trade (AI) continues to suggest demand for data centers is poised to remain strong into 2025, while other subsectors such as senior housing have been able to raise pricing above cost inflation rates driving upside earnings/FFO of late.

Looking at individual company performance, in May two telecom tower stocks, American Tower and Crown Castle delivered solid gains along with two stocks offering senior housing – Ventas and Welltower. American Tower reported strong gains from international operations (notably Africa), while sale of the firm's operations in India remain on track to close in 2H2024 with management targeting improved AFFO growth into 2025 that pleased investors. Crown Castle ended a proxy battle with the former CEO who had proposed a rework of the board and company operations (notably fiber business) with the issue concluded unsuccessfully with the May 22nd annual meeting. Investors' vote of support for the existing board likely cleared away some uncertainty overhanging Crown Castle shares with the shares advancing soundly by month end. Both Ventas and Welltower saw their senior housing lines of business report solid margin gains as pricing power exceeded investor expectations driving same-store revenues and double-digit growth of net operating income (NOI) – with both firms raising guidance for 2024.

In contrast to the selective gains outlined above, we note that the latest reports on Pending Home Sales from the National Association of Realtors showed a 7.7% decline in April as mortgage rates ticked higher hampering affordability, while many Fed governors offered commentary of late suggesting interest rates could remain higher for longer. Although difficult to pinpoint factors driving a mid-teens pullback, we note that Costar Group shares may have been influenced by housing trends although along with reporting upside 1Q2024 operating results management highlighted share gains forthcoming from their newer homes.com offering. Pulling it all together, we remain cautiously optimistic that recent outperformance by selective Real Estate issues will be sustained through yearend 2024 with promising growth prospects in senior housing and data centers persisting.

UTILITIES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
8.46%	17.14%	14.15%	12.04%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
4.80%	3.56%	10.64%	26.26%

	Company Performance	1 Month
Leaders	Vistra Corp	30.6%
	AES Corp/The	20.6%
	NextEra Energy Inc	19.5%
	Constellation Energy	16.8%
	NRG Energy Inc	11.5%
Laggards	Eversource Energy	-2.3%
	WEC Energy Group Inc	-1.9%
	Atmos Energy Corp	-1.7%
	Ameren Corp	-0.7%
	Exelon Corp	-0.1%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$19.17	$20.57	$22.48
19.2x	17.9x	16.3x

Sector Update

Utilities were the second best-performing sector in May on an 8.46% advance that outperformed the 4.8% gain in the broader market S&P 500® index. The sector's recent performance appears reflective of heightened investor interest as an AI growth theme, given increasing data center demand appears poised to drive significant multi-year investment in power production and delivery in the US and abroad. Further, interest rates moved lower across the curve in May, providing an incremental tailwind to sector performance. In stark contrast to weak relative performance in 2023, the Utilities sector has materially outperformed the broader market in the past three months, up 17.14% in the period against a 3.56% improvement in the S&P 500.

Texas-based Vistra Corp (VST) was the top performing Utility in May after being included in the S&P 500 early in the month. Shares rallied on a string of street target price increases, AI data center demand forecasts, and surging Texas power prices as a heat wave drove strong demand in the competitive market. AES (AES), NextEra (NEE), and Constellation (CEG)—all renewables or zero-carbon-focused growth Utilities—also performed well in the month with each advancing more than 16% in the period. Recent subsector performance highlights growing enthusiasm toward electrification, with the Electric Utilities sub-sector outperforming Multi and Water Utilities on a one, three, and twelve-month basis.

While interest rate direction and macro uncertainty may continue to be primary drivers of Utility performance in 2024, the Sector continues to be well-positioned for above-trend earnings growth on a multi-year basis given significant visibility into long-term capex cycles around AI-driven power demand, transmission and distribution line modernization, and renewable energy projects supported by regulators.

Despite the strong recent performance, the utility sector continues to appear attractively valued relative to its historical trend as the group trades approximately one standard deviation below its three-year average forward earnings multiple of 17.9x. The sector remains a beneficiary of lower rates and could see a dramatic improvement in performance in 2024 if soft landing optimism erodes—driving a defensive rotation in the broader market while providing attractive current yields and multi-year opportunities supporting earnings growth. Given these factors, we continue to see Utilities as overweight relative to its 2.48% weight in the S&P.

ECONOMIC CALENDAR

Date	Release	For	Prior
3-Jun	S&P Global US Manufacturing PMI - Final	May	50.0
3-Jun	ISM Manufacturing Index	May	49.2%
3-Jun	Construction Spending	Apr	-0.2%
4-Jun	Factory Orders	Apr	0.7%
4-Jun	JOLTS Job Openings	Apr	8.355M
5-Jun	MBA Mortgage Applications Index	6/1	-5.7%
5-Jun	ADP Employment Change	May	188K
5-Jun	S&P Global US Services PMI - Final	May	51.3
5-Jun	ISM Non-Manufacturing Index	May	49.4%
5-Jun	EIA Crude Oil Inventories	6/1	-4.16M
6-Jun	Initial Claims	6/1	221K
6-Jun	Continuing Claims	5/25	1790K
6-Jun	Productivity-Rev.	Q1	0.30%
6-Jun	Unit Labor Costs-Rev.	Q1	4.70%
6-Jun	Trade Balance	Apr	-$68.6B
6-Jun	EIA Natural Gas Inventories	6/1	+84 bcf
7-Jun	Nonfarm Payrolls	May	175K
7-Jun	Nonfarm Private Payrolls	May	167K
7-Jun	Avg. Hourly Earnings	May	0.2%
7-Jun	Unemployment Rate	May	3.90%
7-Jun	Average Workweek	May	34.3
7-Jun	Wholesale Inventories	Apr	-0.40%
7-Jun	Consumer Credit	Apr	$6.3B
11-Jun	NFIB Small Business Optimisim	May	89.7
12-Jun	MBA Mortgage Applications Index	6/8	-5.2%
12-Jun	CPI	May	0.3%
12-Jun	Core CPI	May	0.3%
12-Jun	EIA Crude Oil Inventories	6/8	NA
12-Jun	FOMC Rate Decision	Jun	5.25-5.50%
12-Jun	Treasury Budget	May	$209.5B
13-Jun	Initial Claims	6/8	229K
13-Jun	Continuing Claims	6/1	1792K
13-Jun	PPI	May	0.5%
13-Jun	Core PPI	May	0.5%
13-Jun	EIA Natural Gas Inventories	6/8	+98 bcf
14-Jun	Import Prices	May	0.9%
14-Jun	Import Prices ex-oil	May	NA
14-Jun	Export Prices	May	0.5%
14-Jun	Export Prices ex-ag.	May	NA
14-Jun	Univ. of Michigan Consumer Sentiment - Prelim	Jun	69.1
18-Jun	Retail Sales	May	NA
18-Jun	Retail Sales ex-auto	May	NA

ECONOMIC CALENDAR

18-Jun	Capcity Utilization	May	NA
18-Jun	Industrial Prodution	May	NA
18-Jun	Business Inventories	Apr	NA
18-Jun	Net Long-Term TIC Flows	Apr	NA
19-Jun	MBA Mortgage Applications Index	6/15	NA
19-Jun	NAHB Housing Market Index	Jun	NA
19-Jun	EIA Crude Oil Inventories	1/6	NA
20-Jun	Building Permits	May	NA
20-Jun	Continuing Claims	6/8	NA
20-Jun	Current Account Balance	Q1	NA
20-Jun	Housing Starts	May	NA
20-Jun	Initial Claims	6/15	NA
21-Jun	Exisiting Home Sales	May	NA
21-Jun	Leading Indicators	May	NA
21-Jun	EIA Natural Gas Inventories	6/15	NA
25-Jun	FHFA Housing Price Index	Apr	NA
25-Jun	S&P Case-Shiller Home Price Index	Apr	NA
25-Jun	Consumer Confidence	Jun	NA
26-Jun	MBA Mortgage Applications Index	6/22	NA
26-Jun	New Home Sales	May	NA
26-Jun	EIA Crude Oil Inventories	6/22	NA
27-Jun	Adv. Intl. Trade in Goods	May	NA
27-Jun	Adv. Retail Inventories	May	NA
27-Jun	Adv. Wholesale Inventories	May	NA
27-Jun	Continuing Claims	6/15	NA
27-Jun	Durable Goods -ex transportation	May	NA
27-Jun	Durable Orders	May	NA
27-Jun	GDP - Third Estimate	Q1	NA
27-Jun	GDP Deflator - Third Estimate	Q1	NA
27-Jun	Initial Claims	6/22	NA
27-Jun	Pending Home Sales	May	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.

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

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

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

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

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

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

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

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

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CORPORATE HEADQUARTERS

One James Center | 901 East Cary Street, Suite 1100 | Richmond, Virginia 23219
(804) 780-2000 (800) 846-6666
www.investdavenport.com

Abingdon
153 W. Main St., Ste. 100
Abingdon, VA 24210
(276) 274-8277

Atlanta*
515 E. Crossville Rd., Ste. 380
Roswell, GA 30075
(404) 865-4040

Charlotte*
101 North Tryon St., Ste. 1220
Charlotte, NC 28246
(704) 375-0550

Charlottesville
600 E. Water St., Ste. A
Charlottesville, VA 22902
(434) 296-9013

Danville
165 Holt Garrison Pkwy., Ste. 570B
Danville, VA 24540
(434) 836-5528

Farmville
101 North Main St.,
Farmville, VA 23901
(434) 392-9813

Franklin
105 West Fourth Ave.
Franklin, VA 23851
(757) 562-0053

Fredericksburg
904 Princess Anne St., Ste. 102
Fredericksburg, VA 22401
(540) 373-1863

Greensboro
628 Green Valley Rd., Ste. 306
Greensboro, NC 27408
(336) 297-2800

Harrisonburg
21 Carpenter Lane, Suite 101
Harrisonburg, VA 22801
(540) 383-6550

Kilmarnock
141 Technology Park Dr.
Kilmarnock, VA 22482
(804) 435-7705

Leesburg*
19301 Winmeade Dr., Ste. 218
Leesburg, VA 20176
(571) 223-5893

Lynchburg
1104 Commerce St.
Lynchburg, VA 24504
(434) 948-1100

Marion
201 East Main St., Ste. 103
Marion, VA 24354
(276) 243-0008

Newport News
11827 Canon Blvd., Ste. 404
Newport News, VA 23606
(757) 595-5740

Norfolk
101 West Main St., Ste. 4000
Norfolk, VA 23510
(757) 314-3600

Raleigh
3605 Glenwood Ave., Ste. 310
Raleigh, NC 27612
(919) 571-6550

Richmond
901 East Cary St., Ste. 1100
Richmond, VA 23219
(804) 780-2000

Roanoke
10 Franklin Road S.E., Ste. 450
Roanoke, VA 24011
(540) 345-1909

Sanford
201 Chatham Street., Ste. 1
Sanford, NC 27330
(919) 777-9823

Staunton
59 Lee Highway
Verona, VA 24482
(540) 430-7696

Suffolk
330 West Constance Rd., Ste. 200
Suffolk, VA 23434
(757) 539-5355

Towson*
8600 LaSalle Rd., Ste. 618
Towson, MD 21286
(410) 296-9426

Virginia Beach
477 Viking Dr., Ste. 200
Virginia Beach, VA 23452
(757) 498-4000

Williamsburg
5400 Discovery Park Blvd., Ste. 301
Williamsburg, VA 23188
(757) 258-2800

Nashville*
3200 West End Ave., Ste 503
Nashville, TN 37203
(615) 208-6596

**Public Finance office.*