Market Commentary

DAVENPORT & COMPANY

EQUITY RESEARCH

May 2020

Equity markets rallied in April on unprecedented levels of government stimulus combined with rising hopes that shelter-in-place mandates may be slowing the spread of the virus. More bullish sentiment amongst investors was reflected in the VIX Index, or "fear gauge" which backed off March highs in the 80's to end April in the mid-30's. For the full month, all three major equity indexes increased with the Dow Jones Industrial Average up 11.1%, the S&P 500® index up 12.7%, and the smaller cap weighted Russell 2000® up 13.7%.

The best performing S&P 500 sector in April was Energy which increased 29.7% followed by the Consumer Discretionary sector which climbed 20.5%. The weakest performances in the month were posted by the Utilities sector which increased 3.2% followed by the Consumer Staples sector which was up 6.6%. For the twelve month period, the Information Technology sector was the best performer with a 16.4% increase followed by the Health Care sector which was up 12.5%, while Energy was the worst performer for the past twelve months with a 40.8% decrease followed by the Financial Services sector which was down 18.6%.

The COVID-19 pandemic is weighing on the economy and markets even as 32 states are moving to reopen for business. This is despite the ongoing spread of the virus with about 30,000 new cases being reported daily. Recent data points to over 1.17 million confirmed cases in the U.S. resulting in 68,000 deaths. Despite these figures and limited access to testing, Americans are restive - desiring to get back to 'normal'.

Over the past six weeks new claims for Unemployment Benefits have topped 30.3 million underscoring the negative impact the virus has had on the American worker. With over two-thirds of U.S. GDP linked to consumption, the Bureau of Economic Analysis indicated 1Q20 GDP declined a sharp 4.8% on an annualized basis as consumers reined in spending just as the pandemic set in during March (dipped by 7.6% for the month representing the largest one-month decline on record). However, government monetary policy support continues unabated with Fed Chair Powell at his post FOMC news briefing vowing to hold interest rates at zero and provide open-ended liquidity until the Fed is confident the economy is back on its feet.

Where to from here? Although the broad market averages have indeed rebounded, we note that participation has been fairly narrow with strength dominated by a handful of technology leaders along with select defensive companies (notably Consumer Staples) poised to deliver sound results despite (or because of) the COVID virus. Coming off of the late March market rout, leading mega cap tech plays - Alphabet, Amazon, Apple, Facebook and Microsoft - outperformed rising to represent over 20% of the S&P 500 given their dominant positions within the industry, anticipated sustained product/service demand, and superior balance sheets.

Now, as the U.S. economy prepares to reopen for business on a piecemeal basis a series of unknowns remain on the horizon that represent potential headwinds toward progress. Will we see a resurgence of COVID-19? Will the public be willing to exit quarantine and return to the sunshine? Having been furloughed and or lost employment, many have seen their limited emergency savings funds drained. Will folks have the free cash flow allowing them to spend? Or, will they refocus on building financial reserves after the COVID scare? And, of course, economic news is widely expected to worsen dramatically in the current 2Q20 with unemployment topping 20% and GDP potentially contracting at a 20% or higher annual rate before an improved trend is forecast into the 3Q.

We remain confident stimulus efforts already forthcoming from central banks around the globe along with fiscal programs initiated by many governments will ultimately produce a solid economic recovery once a vaccine for COVID-19 becomes broadly available. However, we are also cautious for the near term given a range of uncertainties along with an existing premium market valuation. As such, we anticipate markets will remain volatile over the near term - leaving some investors to focus on the old saw - Sell in May and Stay Away - as we expect to encounter challenged news on the economic front this month. Still, we remain positive on select stocks and recommend scaling into quality companies possessing strong balance sheets, differentiated products and services remaining in demand, and, are generating free cash flow supporting dividend returns to investors.

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MARKET AND ECONOMIC STATISTICS

Market Indices:	4/30/2020	12/31/2019	% Change YTD	3/31/2020	% Change (Monthly)
S&P Composite	2,912.43	3,230.78	-9.85%	2,584.59	12.68%
Dow Jones Industrials	24,345.72	28,538.44	-14.69%	21,917.16	11.08%
NASDAQ Composite	8,889.55	8,972.60	-0.93%	7,700.10	15.45%
Russell 2000	1,310.66	1,668.47	-21.45%	1,153.10	13.66%
FTSE 100	5,901.21	7,542.44	-21.76%	5,671.96	4.04%
Shanghai Composite	2,860.08	3,050.12	-6.23%	2,750.30	3.99%
Nikkei Stock Average	20,193.69	23,656.62	-14.64%	18,917.01	6.75%
Stoxx Europe 600	340.03	415.84	-18.23%	320.06	6.24%
MSCI Emerging Markets	924.94	1,114.66	-17.02%	848.58	9.00%
MSCI Emerging Markets Small Cap	806.79	1,037.81	-22.26%	709.58	13.70%

Performance of S&P 500 by Industry:	% of Index as of 04/30/20	1 Month	3 Month	Year to Date	12 Months
Consumer Discretionary	10.47%	20.51%	10.95%	-3.09%	0.38%
Consumer Staples	7.37%	6.64%	9.06%	-7.64%	0.66%
Energy	3.05%	29.66%	-38.48%	-36.54%	-40.81%
Financials	10.60%	9.34%	-11.99%	-26.02%	-18.63%
Health Care	15.36%	12.50%	10.89%	-2.20%	12.45%
Industrials	7.93%	8.66%	-10.17%	-21.12%	-17.57%
Information Technology	25.71%	13.73%	38.29%	-0.16%	16.42%
Materials	2.49%	15.29%	-2.22%	-15.37%	-9.25%
Communication Services	10.85%	13.51%	11.73%	-6.04%	1.89%
Utilities	3.26%	3.17%	4.70%	-11.47%	-2.36%
Real Estate	2.92%	9.33%	-1.11%	-12.36%	-5.59%
S&P 500 (Absolute performance)	100%	12.68%	7.70%	-9.85%	-1.13%

Interest Rates:	4/30/2020	12/31/2019	YTD Change (Basis Points)	3/31/2020	Month Change (BPS)
Fed Funds Effective Rate	0.04%	1.55%	-151	0.08%	-4
Prime Rate	3.25%	4.75%	-150	3.25%	0
Three Month Treasury Bill	0.12%	1.53%	-141	0.09%	4
Ten Year Treasury	0.64%	1.92%	-128	0.67%	-3
Spread - 10 Year vs 3 Month	0.52%	0.39%	13	0.58%	-7

Foreign Currencies:	4/30/2020	12/31/2019	% Change YTD	3/31/2020	% Change (Monthly)
Brazil Real (in US dollars)	0.18	0.25	-26.7%	0.19	-5.1%
British Pound (in US dollars)	1.26	1.33	-5.0%	1.24	1.4%
Canadian Dollar (in US dollars)	0.72	0.77	-6.8%	0.71	0.9%
Chinese Yuan (per US dollar)	7.06	6.96	1.4%	7.08	-0.3%
Euro (in US dollars)	1.10	1.12	-2.3%	1.10	-0.7%
Japanese Yen (per US dollar)	107.18	108.61	-1.3%	107.54	-0.3%

Commodity Prices:	4/30/2020	12/31/2019	% Change YTD	3/31/2020	% Change (Monthly)
CRB (Commodity) Index	353.23	401.58	-12.0%	370.20	-4.6%
Gold (Comex spot per troy oz.)	1686.50	1517.27	11.2%	1577.18	6.9%
Oil (West Texas int. crude)	18.84	61.06	-69.1%	20.48	-8.0%
Aluminum (LME spot per metric ton)	1459.00	1781.25	-18.1%	1492.50	-2.2%
Natural Gas (Futures 10,000 MMBtu)	1.95	2.19	-11.0%	1.64	18.8%

Economic Indicators:	3/31/2020	12/31/2019	% Change YTD	2/29/2020	% Change (Monthly)
Consumer Price Index	258.0	258.4	-0.2%	259.1	-0.4%
Producer Price Index	203.7	208.1	-2.1%	206.0	-1.1%
	Q1 2020	**Q4 2019**	**Q3 2019**	**Q2 2019**	**Q1 2019**
GDP Growth Rate (Quarterly)	-4.80%	2.10%	2.10%	2.00%	3.10%
	March	**February**	**January**	**December**	**November**
Unemployment Rate (End of Month)	4.4%	3.5%	3.6%	3.5%	3.5%

*GDP growth rate is calculated as the percent change from the previous period seasonally adjusted at annual rates. **S&P Sectors were re-named at the end of 2001. The sector Industrials is a combination of the former sectors Capital Goods & Transportation.

Sources: Wall Street Journal, Bloomberg, The Department of Labor, The Bureau of Labor Statistics, The Bureau of Economic Analysis, US Treasury website.

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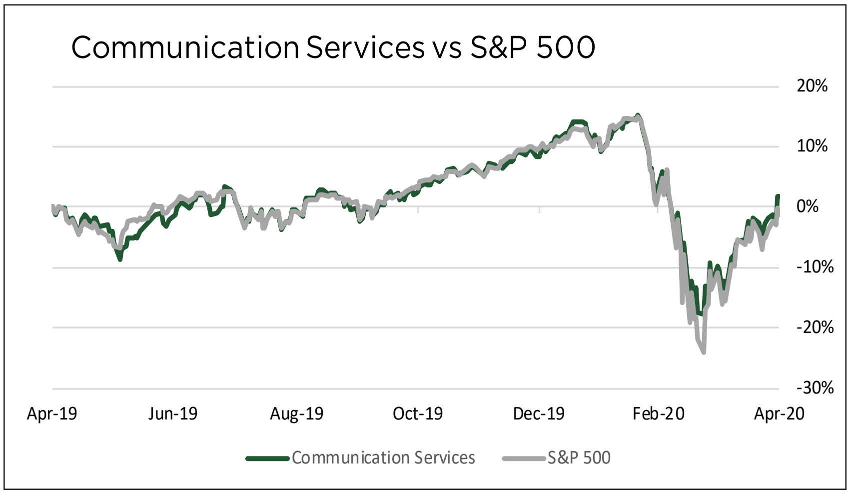
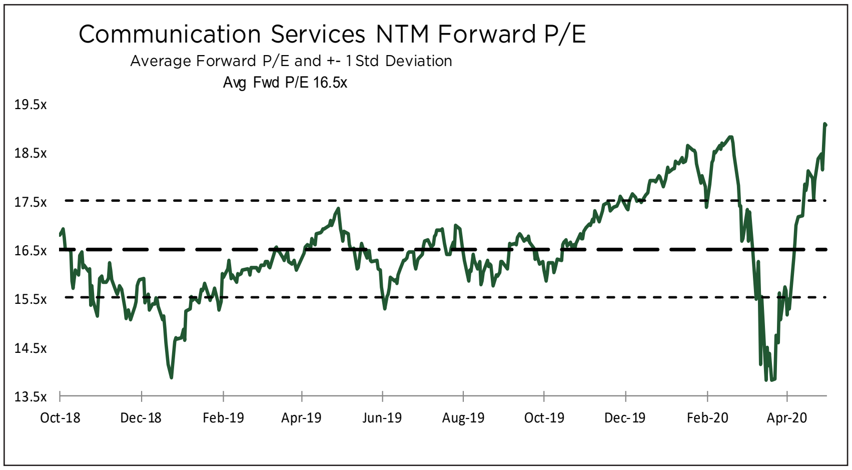
COMMUNICATION SERVICES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
13.51%	11.73%	-6.04%	1.89%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
12.68%	7.70%	-9.85%	-1.13%

	Company Performance	1 Month
Leaders	DISH Network Corp	25.1%
	ViacomCBS Inc	23.2%
	Facebook Inc	22.7%
	Twitter Inc	16.8%
	Discovery Inc	16.4%
Laggards	Live Nation Ent. Inc	-1.3%
	Take-Two Int. Software	2.1%
	Omnicom Group Inc	3.9%
	AT&T Inc	4.5%
	T-Mobile US Inc	4.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$8.22	$8.34	$10.04
20.8x	20.5x	17.0x

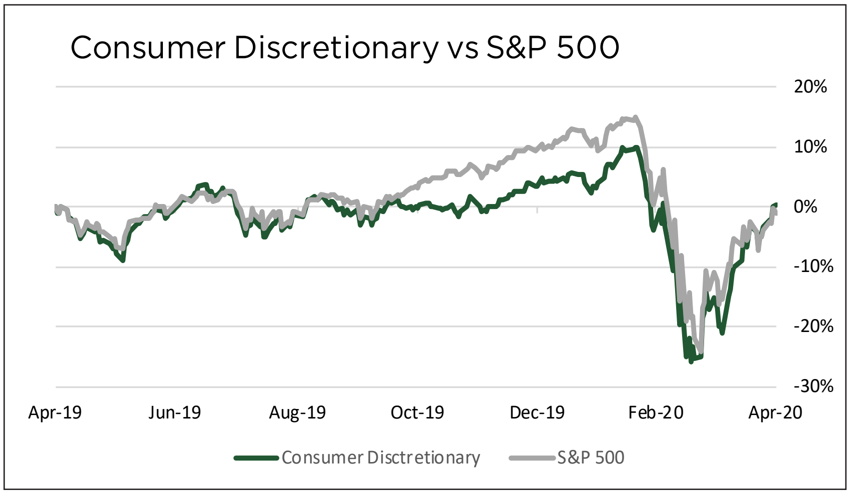
Sector Update

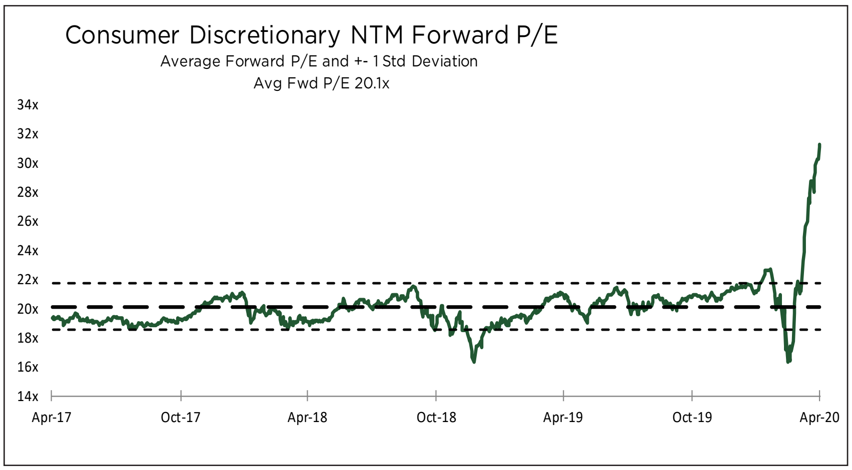
The Communications Services sector appreciated 13.51% in April and declined 6.04% year-to-date, compared to the S&P 500 index, which rose 12.68% in April and declined 9.85% year-to-date. Online advertising represents more than 50% of total advertising revenue and grew at a high teens pace in 2019. Alphabet and Facebook combined represented more than 50% of the online advertising market. Alphabet and Facebook shares appreciated 15.9% and 22.7% in April as both companies reported that their online advertising held up better than industry analyst forecasts of a 20% decline in online advertising in the June quarter as many states implemented stay at home orders in March.

While Facebook's Q-1 20 advertising revenue grew 17% year-over-year, its ad revenue declined sharply in the last three months of March (due to stay at home orders globally). However, the company reported that advertising spending stabilized in April as increased spending by e-commerce, gaming, and technology companies offset lower advertising from hard hit sectors such as airlines, automotive, and other travel related sectors.Alphabet's search revenue grew 8.7% in the first quarter but declined 15% year-over-year in the last two weeks of March and continued to decline at this pace in April. YouTube ad revenue grew 33% in the first quarter an slowed to 9% growth in the last two weeks of March and remained at this this growth rate in April. Higher direct response advertising (by companies placing ads to drive traffic to their web sites) offset lower brand advertising. Online advertising growth is highly correlated with economic growth. If the U.S. and global economy emerges from the current recession within the next few quarters, online advertising growth could improve.

Netflix shares continued to rise in April (+11.8%) and are up 29.8% year-to-date. The company added 15 million new subscribers in the March quarter, 8.7 million higher than its guidance, as global stay at home orders prompted many consumers to sign up for Netflix to stave off boredom. The Walt Disney Company is also benefitting from higher consumer demand for streaming content. The company reported in early April that it had increased its Disney+ streaming subscribers from 28.6 million on February 3 to 50 million subscribers by early April. The company launched Disney+ in India and signed up 8 million subscribers in a week. Disney launched Disney+ in Europe and is expanding to Japan and Latin America. The company expects to reach 60-90 million Disney+ subscribers by 2024.

The Communications Services sector modestly outperformed the market year-to-date but could lag the performance of the market near-term if consumers remain concerned about their own safety and become more conservative in their spending. Consumers may be disinclined to buy cars, go to the movies, eat out at restaurants or travel to resorts and theme parks as long as there is potential risk of becoming infected with the COVID 19 virus. There is potential risk that online advertising revenue may not return to double-digit growth for another two years, since many industries could remain impacted by COVID 19 through 2021.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
20.51%	10.95%	-3.09%	0.38%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
12.68%	7.70%	-9.85%	-1.13%

	Company Performance	1 Month
Leaders	Norwegian Cruise Hold.	49.6%
	Royal Caribbean Ltd	45.4%
	MGM Resorts International	42.6%
	Wynn Resorts Ltd	42.1%
	Capri Holdings Ltd	41.3%
Laggards	Tiffany & Co	-2.3%
	Hasbro Inc	0.9%
	TJX Cos Inc/The	2.6%
	L Brands Inc	2.9%
	Newell Brands Inc	4.5%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$36.74	$25.12	$41.07
26.0x	38.0x	23.3x

Sector Update

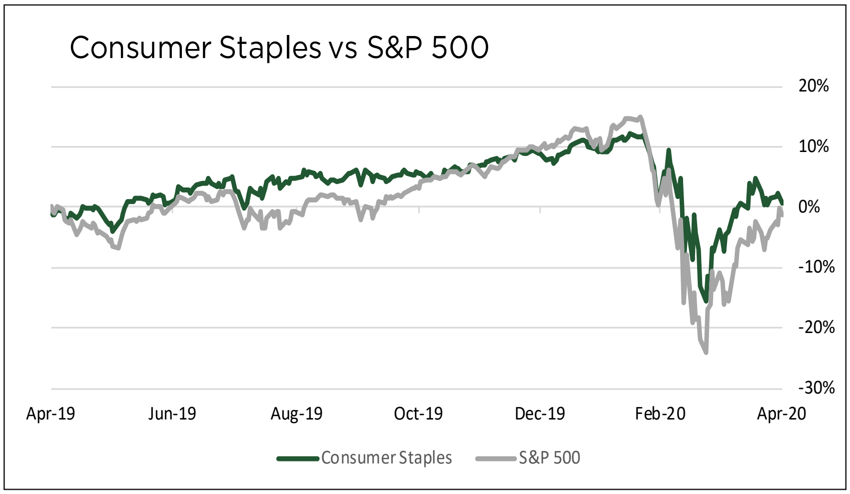
Following a tough March, Consumer Discretionary stocks sharply rebounded in April particularly in travel and leisure sub-sectors. The prospect of shelter-in-place restrictions easing and the impact from widespread stimulus may have provided support as investors gained greater confidence in these hard hit categories. Although still tracking in negative territory, on a year-to-date basis, the Consumer Discretionary sector has significantly outperformed the S&P 500 Index as seen in the accompanying table.

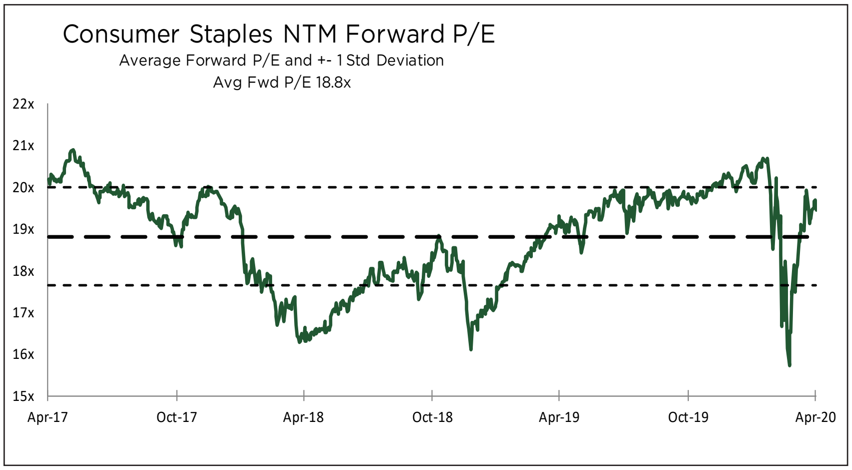
With the consumer accounting for over two-thirds of the U.S. economy, the pandemic impact on consumer financial health and confidence has been a focus for market watchers. Not surprisingly, Americans are concerned about the status of the pandemic and this concern was reflected in April consumer confidence as reported by the Conference Board. The Consumer Confidence index suffered a record drop in April to 86.9 from 118.8 in March reflecting the lowest level since March of 2014. More encouragingly, the future expectations index posted a sequential pickup from 86.8 in March to 93.8 in April suggesting that consumers are more optimistic about what is coming over the next six months. This could suggest growing optimism that the worst of the pandemic may be behind the country as more states are lessening lockdown restrictions.

Housing activity reported in April covering the March period is beginning to reflect the initial impact from the COVID-19 pandemic. New home construction dropped 22% in March versus February to a 1.22 million annual pace which was still 1.4% above the prior year level. The weakness in new construction was seen in both single family homes which dropped 17.5% and multifamily which was down 32%. Existing home sales as reported by the National Association of Realtors also declined in March recording an 8.5% drop from February although up 0.8% versus last year. It appears that widespread stay-at-home orders impacting consumers weighed on housing activity in the last half of the month. There remains concern about the outlook for home sales given the ongoing stay-at-home orders and increasing unemployment.

The impact that the COVID-19 pandemic may have on home prices is yet to be seen as recent home price data, has yet to catch up with the spread of the virus. The 20-city Case-Shiller housing index was released in late April with data through February which indicates that home prices sustained gains early in the year. The index was up 3.5% versus the prior year and was up 3.1% versus January. With the number of home listings recently dropping, the supply/demand balance in the market remains in flux which could cloud the housing picture for several more months.

A relative bright spot for consumer discretionary spending during the pandemic crisis has been the drop in gasoline prices in recent months. Retail gas prices ended April at a national average price of $1.87 per gallon down sharply from the year-end price of $2.66 per gallon. The comparison is even more significant versus the prior year April where gas prices averaged $2.97 or over $1 per gallon higher.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
6.64%	9.06%	-7.64%	0.66%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
12.68%	7.70%	-9.85%	-1.13%

	Company Performance	1 Month
Leaders	Sysco Corp	23.3%
	Kraft Heinz Co	22.6%
	Constellation Brands Inc	14.9%
	Conagra Brands Inc	14.0%
	General Mills Inc	13.5%
Laggards	Walgreens Boots Inc	-5.4%
	Hershey Co	-0.1%
	Hormel Foods Corp	0.5%
	Altria Group Inc	1.5%
	Philip Morris Int'l Inc	2.2%

Consensus FY EPS / P/E

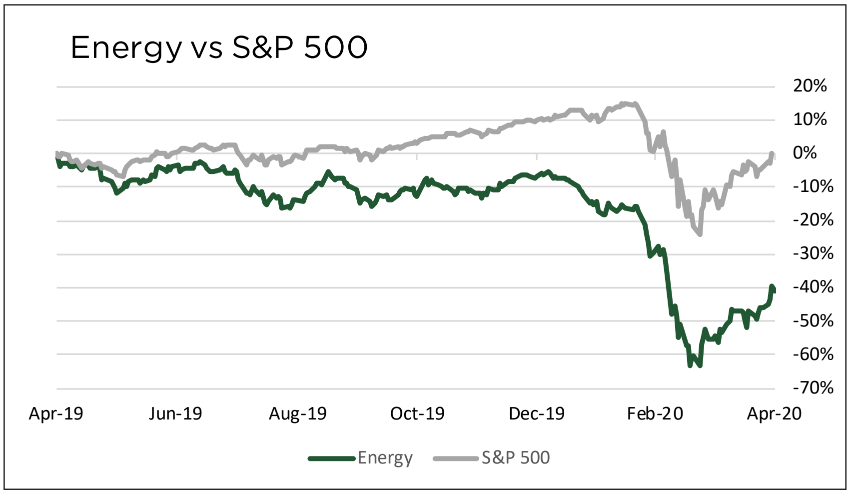
Last Year	Current Year	Next Year
$30.46	$29.75	$31.94
19.6x	20.1x	18.7x

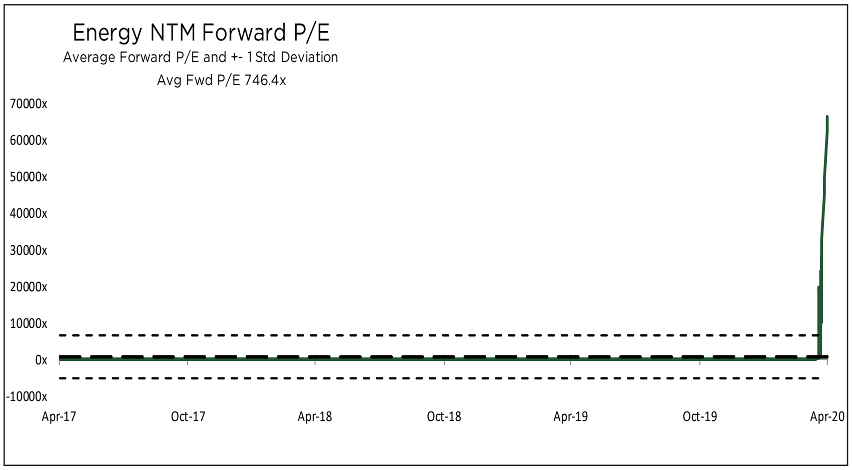
Sector Update

The Consumer Staples sector reported an increase of 6.64% on average in April which lagged the S&P 500 Index that increased about 12.68%. All sectors reported increases for the month with the greatest upside in the Personal Products segment reflecting consumer panic pantry loading of such items as toilet paper, soap and cleaners. Consumers further stockpiled packaged food and beverage products with a preference for trusted brands. The Consumer Staples sector currently trades with a forward P/E on next year's earnings of about 18.7x which is relatively in-line with its historic trading range. Key focus centers on the consumer behavior and expectations as the coronavirus overhang lessens and environments begin to reopen. With current stay-at-home mandates and the shut-down of most retail stores and restaurants, consumers are now cooking, eating, drinking and snacking more at home. At present, demand for US packaged goods and beverages still continues to exceed current expectations, but longer-term behavior and the level of consumer pantry inventory replenishment remain key questions. At present, the threat to domestic meat processing and availability as a number of domestic plants shut down is also a top concern. During recent earnings updates, most companies withdrew full year financial guidance given the volatile operating environment. In addition, foodservice sales are expected to remain weak in Q2 and the debate of food-at-home vs out-of home remains a conversation. Those companies that have invested in their infrastructure, supply chain, and brands should emerge well-positioned with likely market share gains. Management remains a key factor to support successful execution in the current environment. In addition, strong balance sheets and cash flow generation remain key factors for an investment in Consumer Staples Companies.

We remain favorable towards owning stocks with well positioned product portfolios in leading categories, offering strong balance sheets and cash flow generation, operating with experienced management. In an ongoing lower rate environment, an investment in many of the Consumer Staples companies continues to offer an attractive dividend yield. Any shift in sentiment could result in a rotation out of the more defensive segments.

ENERGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
29.66%	-38.48%	-36.54%	-40.81%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
12.68%	7.70%	-9.85%	-1.13%

	Company Performance	1 Month
Leaders	Apache Corp	212.9%
	Marathon Oil Corp	86.0%
	Devon Energy Corp	80.5%
	Diamondback Energy Inc	66.2%
	Noble Energy Inc	62.4%
Laggards	Kinder Morgan Inc	9.4%
	Exxon Mobil Corp	22.4%
	Schlumberger Ltd	24.7%
	Cabot Oil & Gas Corp	25.8%
	Helmerich & Payne Inc	26.3%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$19.87	-$4.08	$6.01
14.6x	-71.0x	48.2x

Sector Update

Energy markets in April experienced historic volatility with key benchmarks plunging as the supply/demand outlook weakened due to the pandemic, excess production and limited storage capacity. Headlines mid-month keyed on unusual activity in oil futures as active contracts moved into negative price territory due to oversupply relative to storage capacity.

Oil fundamentals in April experienced substantial downward pressure as global shelter-in-place orders dried up demand for oil. Following a dispute between Saudi Arabia and Russia on oil production, the expanded 23 nation OPEC group OPEC+ reached an agreement in early April to cut back daily oil production by 9.7 million barrels. Although optimism going into the production cut meetings appeared to support markets initially, the post-meeting response determined that the cuts were insufficient and energy markets resumed falling. The bottom line appears to be a view that the COVID-19 pandemic induced demand contraction is significantly greater, at least in the short-term, than the 9.7 million barrel per day cut and that oil markets remain out of balance. The next step could be additional production cuts fueled by storage limitations and/or financial distress among certain producers constraining production levels as the industry works through a historically challenging period.

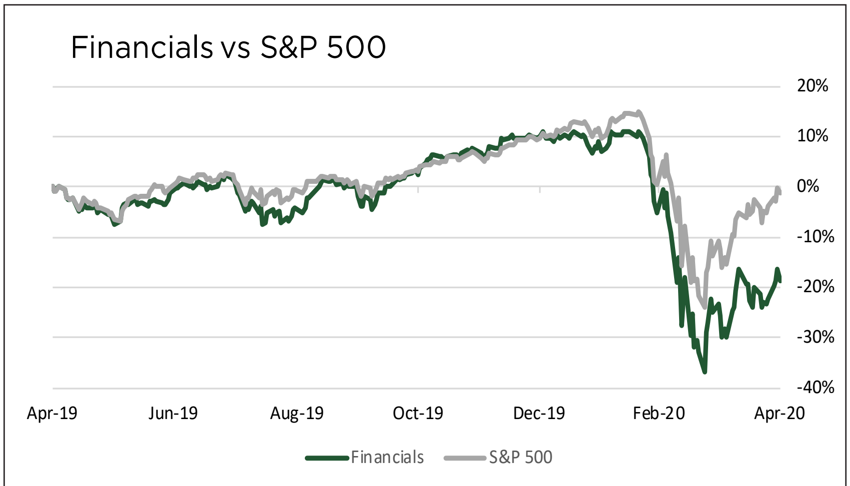
The International Energy Agency or IEA issued a report in mid-April suggesting that monthly demand for crude oil for April is expected to drop by about 29 million barrels versus the prior year. This would bring daily demand back to levels not seen since the 1990's. Furthermore, May demand is expected to drop by 26 million barrels per day and June by 15 million barrels per day. On a full year 2020 basis, the IEA is now forecasting a drop in daily oil demand of about 9.3 million barrels per day and that this may prove to be the worst year in the history of the oil markets.

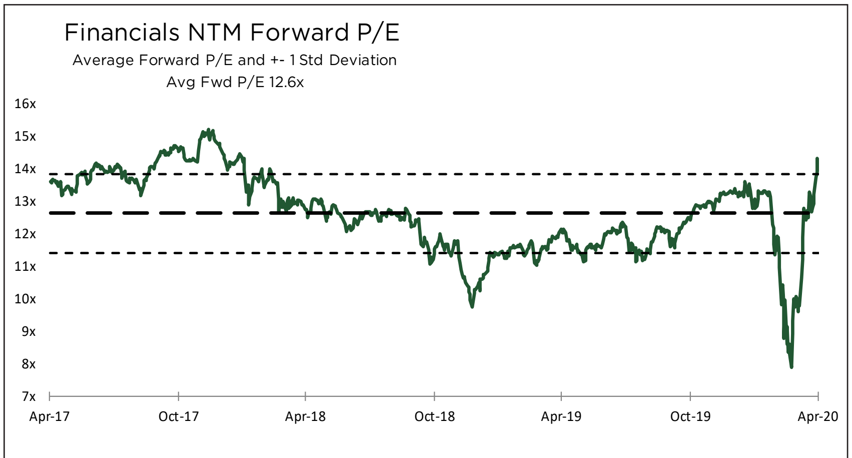
The magnitude of the volatility in energy markets in April can be seen in WTI crude oil contracts which dropped from the $20 per barrel range at the beginning of April to trade in the -$38 per barrel range mid-month before recovering back to about $20 per barrel at month-end. Retail gasoline prices dropped sharply during April running at about $1.87 per gallon at month-end which is below March levels at $2.10. We note that gasoline prices are also well below the prior year level of $2.97 per gallon.

The Baker Hughes oil rig count dropped in the month coming in at 325 rigs on May 1 versus 562 rigs on April 3. Oil rig count was far below the prior year level of 807 rigs. U.S. crude oil storage at 528 million barrels was up from last month's level of 469 million barrels. We note that storage levels have been rebounding off the 2018 lows and are approaching highs seen in 2017.

Following the downturn seen in mid-2015 to the fall of 2016, U.S. crude oil production has been in a secular uptrend which continued through 2019 and into 2020 before reversing during the COVID-19 pandemic. The trough daily production seen in 2015 was in the 8.5 million barrels per day range and peaked earlier this year at about 13.1 million barrels per day before slipping to the April level of 12.1 million barrels per day.

FINANCIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
9.34%	-11.99%	-26.02%	-18.63%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
12.68%	7.70%	-9.85%	-1.13%

	Company Performance	1 Month
Leaders	MarketAxess Holdings Inc	36.8%
	Lincoln National Corp	34.8%
	Capital One Fin. Corp	28.4%
	SVB Financial Group	27.9%
	First Republic Bank	26.8%
Laggards	Cincinnati Financial Corp	-12.8%
	Everest Re Group Ltd	-10.0%
	Invesco Ltd	-5.1%
	Arthur J Gallagher & Co	-3.7%
	Chubb Ltd	-3.3%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$33.03	$24.40	$32.65
11.5x	15.5x	11.6x

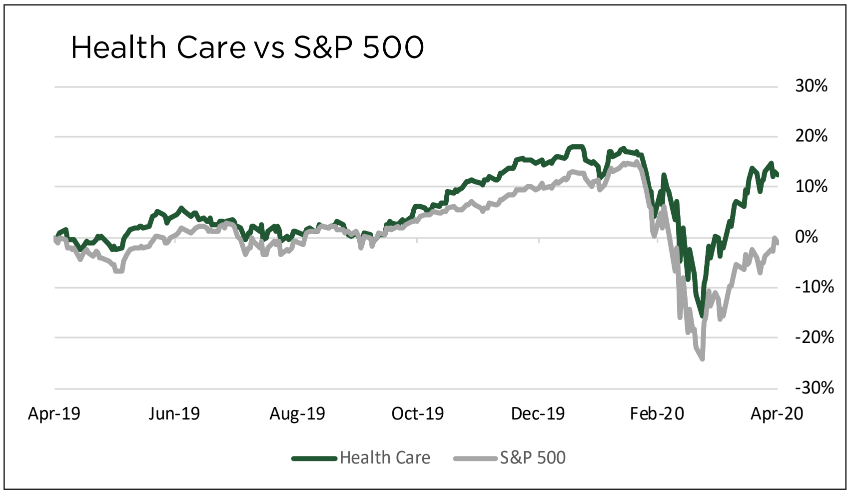
Sector Update

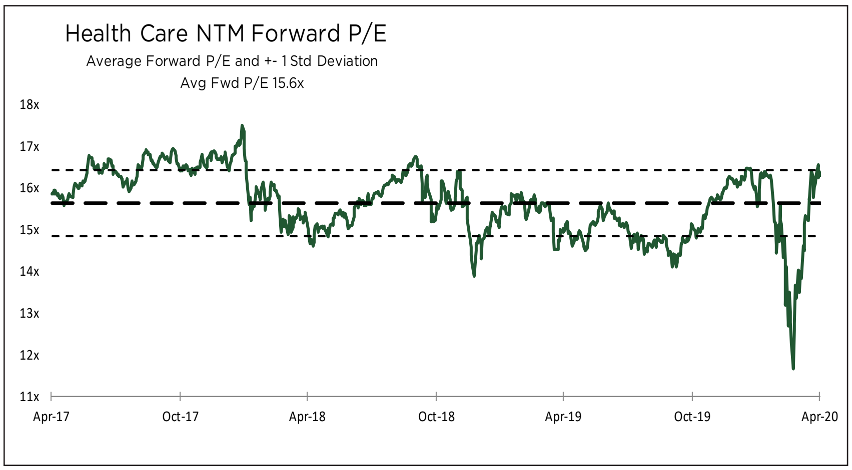
The Financials sector rebounded 9.34% in April, but lagged the S&P 500® that increased 12.68% over the same period. Trailing twelve-month returns show an 18.63% decrease in the sector compared to a 1.13% decline in the major index. The sector's exposure to global macroeconomic shocks related to Coronavirus and pressure on interest sensitive revenue streams appear to have driven the decline in the sector compared to the broader market.

All Financials sub-sectors posted positive performances for the month. The Consumer Finance sub-sector led the way on a 14.7% improvement in the month following reduced fears on credit losses given the tremendous amount of economic stimulus used by the Federal Reserve and the Government. The Diversified Financial Services sub-sector was the smallest bounce, up just 2.5% for the month. MarketAxess Holdings, which provides fixed-income exchange services, was the leader for the month, up 36.8%. Asset managers and insurers were the worst performers in the month as these businesses are exposed to lower earnings from the recent market downdraft and increased business interruption claims, respectively.

In April, The Federal Reserve held its benchmark rate in a 0.0%-0.25% targeted range following a 150 bps reduction in the prior month. The Fed continues to support the banking system by adding trillions in liquidity across several markets. In addition, expansion of the Paycheck Protection Program (PPP) is expected to provide a short-term backstop for businesses and consumers alike; however, the duration of COVD-19 impacts remain unknown and could require further intervention.

Following reductions in current year earnings estimates, the Financials sector trades above its average P/E of 12.6x current year earnings expectations. The current valuation appears more reasonable with a multi-year outlook.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
12.50%	10.89%	-2.20%	12.45%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
12.68%	7.70%	-9.85%	-1.13%

	Company Performance	1 Month
Leaders	Hologic Inc	42.7%
	Quest Diagnostics Inc	37.1%
	Incyte Corp	33.4%
	IQVIA Holdings Inc	32.2%
	ABIOMED Inc	31.8%
Laggards	Biogen Inc	-6.2%
	AmerisourceBergen Corp	1.3%
	STERIS PLC	1.8%
	Waters Corp	2.7%
	Merck & Co Inc	3.1%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$56.55	$67.94	$77.80
20.5x	17.1x	14.9x

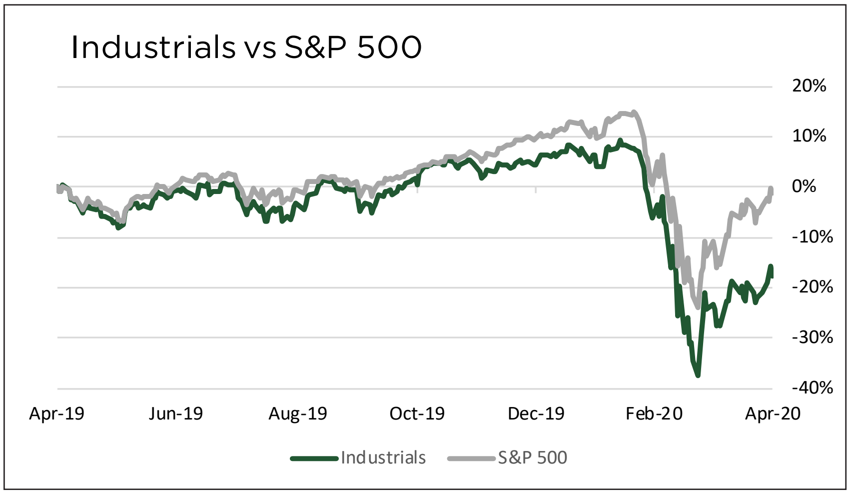
Sector Update

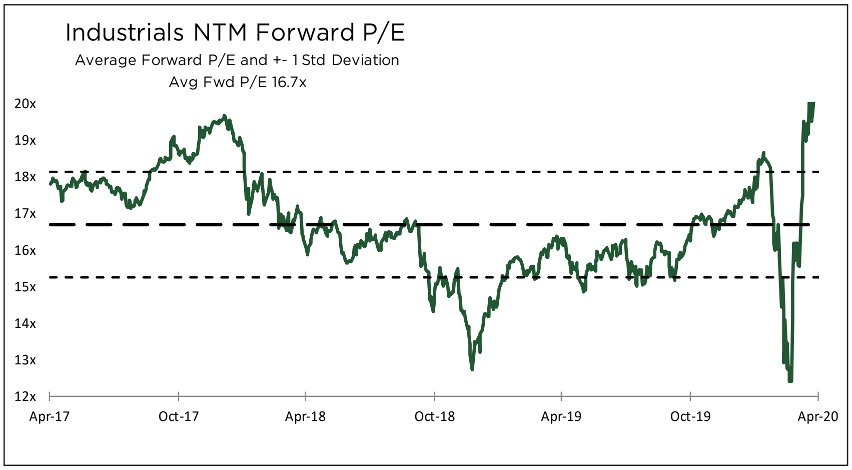
After closing the worst 1Q on record, stocks staged their best monthly gain in 33 years in April – with the S&P 500® rebounding from a 1Q20 collapse of 20.0% to being up 12.7% this past month as the Fed injected trillions of dollars of liquidity into the economy, while Congress provided aggressive fiscal stimulus to support those thrown out of work by stay at home efforts designed to limit the spread of COVID-19. In addition, progress has been made across the U.S. delivering new diagnostic tests to confirm COVID-19 virus among folks infected, while antibody testing is also becoming available to identify those having recovered from the virus. Thus, overall investor sentiment has improved driving a market rebound from the March rout. The health care sector has outperformed over the past year and in 2020. However, many other sectors hard hit in March experienced sharper rebounds versus the more stable health care group – with sector performance being essentially in line with the broad market in April with the S&P 500 rising by 12.7% and health care up 12.5%.

As the COVID-19 viral pandemic set in, biopharma companies focused on identifying potential antiviral therapeutics initially gained media headlines with companies such as Incyte launching clinical studies of experimental treatments. Then, others focused on diagnostics came to the forefront with the shares of Hologic rebounding strongly as it delivered its first COVID-19 diagnostic test. Quest Diagnostics – one of the duopoly leaders providing independent lab testing services – saw strong demand for service, while also marketing a home diagnostic kit for COVID-19 for those in the public unable to access other testing service centers. Regeneron and Gilead shares also appreciated as both firms advanced clinical studies of therapeutics for treatment of COVID-19 (Regeneron's arthritis drug Kevzara) with Gilead's experimental drug Remdesivir having just gained 'emergency' FDA approval for use in treating patients experiencing severe COVID-19 complications.

In contrast to the strength among firms focused on COVID-19 diagnostics other firms either had company specific developments result in lagging performance – as was the case for Biogen that announced a six month delay in planned FDA filing of its Alzheimer's therapeutic Aducanumab – or whose share valuations had quickly rebounded by the end of March as developed for companies such as AmerisourceBergen, Steris and Merck.

Although significant uncertainty exists on the pace of reopening of the U.S. economy for business, we anticipate that health care issues are poised to outperform during this recessionary environment as demand for therapeutics remains consistent. And, a rebound in elective surgeries and other medical treatments is anticipated as the COVID-19 situation stabilizes into 2H20.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
8.66%	-10.17%	-21.12%	-17.57%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
12.68%	7.70%	-9.85%	-1.13%

	Company Performance	1 Month
Leaders	Cintas Corp	28.1%
	Rockwell Automation Inc	25.6%
	Robert Half Int'l Inc	25.2%
	United Rentals Inc	24.9%
	Parker-Hannifin Corp	21.9%
Laggards	General Electric Co	-14.4%
	Southwest Airlines Co	-12.2%
	Delta Air Lines Inc	-9.2%
	United Airlines Hold. Inc	-6.2%
	American Airlines Group Inc	-1.5%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$33.77	$20.72	$33.64
16.1x	26.2x	16.1x

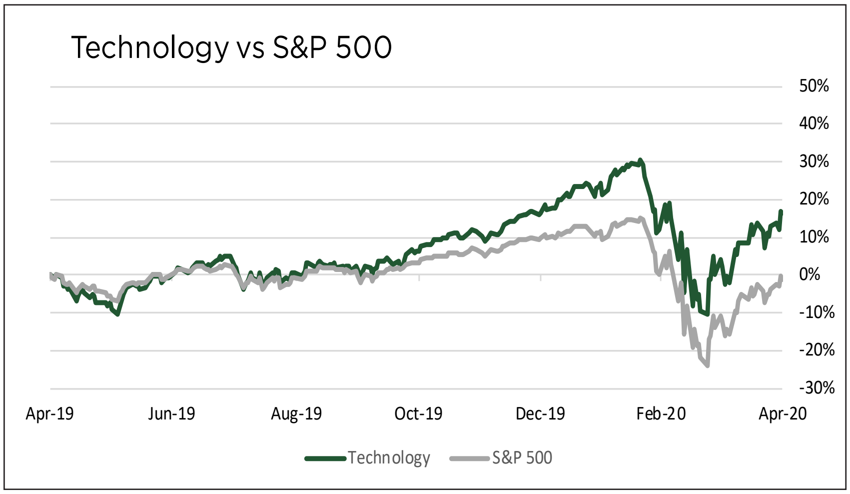
Sector Update

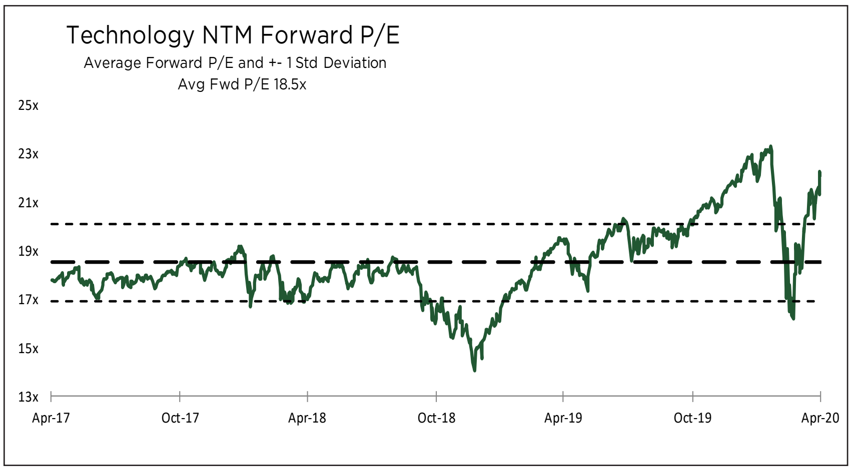
Industrial issues advanced by 8.7% in April, but underperformed the S&P 500 index that was up by 12.7%. The airlines were the worst performing industry in April and posted the weakest relative subsector returns for the second consecutive month. The group is down 54% YTD as the COVID-19 pandemic continues to take its toll on the travel and tourism industries. With stay-at-home mandates in place and unemployment rising, visibility on a potential recovery remains limited for these high-impact industries. We note electrical equipment stocks and trading companies & distributors were the top performing groups during the month.

In economic news, domestic manufacturing activity contracted in April according to the U.S. ISM Manufacturing PMI that registered 41.5%, down 7.6% compared to last month. This was the lowest recorded PMI since April of 2009. New orders were down sharply, production plunged and backlogs declined compared to the prior month. The coronavirus pandemic has clearly weighed on business sentiment, but survey participants also noted additional stress from the recent energy market downturn. The U.S. housing market is also showing signs of weakness as reflected in material declines in building permit and start activity for March (most recent data point available by the Census Bureau). Existing home sales also fell in March after displaying a promising start to the new year, with disruptions likely to continue until local economies across the country return to some form of normalcy. The rapid rise in unemployment and the damage inflicted on many household finances could mitigate some potential upside in a recovery scenario, even with historically low mortgage rates.

Non-residential construction activity is also expected to take a major hit from the coronavirus. The Architectural Billings Index (ABI) for March registered the largest one-month decline in survey history, a 20.1pt drop to a score of 33.3 for the month – A score below 50 indicates billings declined. The magnitude of decline exceeded the start of the last two domestic recessions by considerable margin (over 2x). Inquiries for new projects also fell, while survey participants are beginning to call out significant project delays and even cancellations. As a leading indicator, the severe deterioration in ABI trends are concerning for many industrial categories such as construction, building materials, machinery and equipment as well as transportation and other industrial conglomerates.

Manufacturing activity in China slipped slightly from 50.1% in March to 49.4% in April, according to the IHS Markit, Caixin China PMI. This still suggests the recent rebound is relatively stable following a record low set in February. Many Chinese firms have reopened for business and manufacturers continue to ramp capacity. However, overall demand recovery appears somewhat offset by weak exports, likely due to the gradual spread of the coronavirus and subsequent business closures and isolation mandates throughout the world.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
13.73%	38.29%	-0.16%	16.42%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
12.68%	7.70%	-9.85%	-1.13%

	Company Performance	1 Month
Leaders	Alliance Data Sys. Corp	48.8%
	DXC Technology Co	38.9%
	FLIR Systems Inc	36.1%
	F5 Networks Inc	30.6%
	Microchip Technology Inc	29.4%
Laggards	HP Inc	-10.7%
	Xerox Holdings Corp	-3.4%
	Seagate Technology PLC	2.4%
	Citrix Systems Inc	2.4%
	Hewlett Packard Ent. Co	3.6%

Consensus FY EPS / P/E

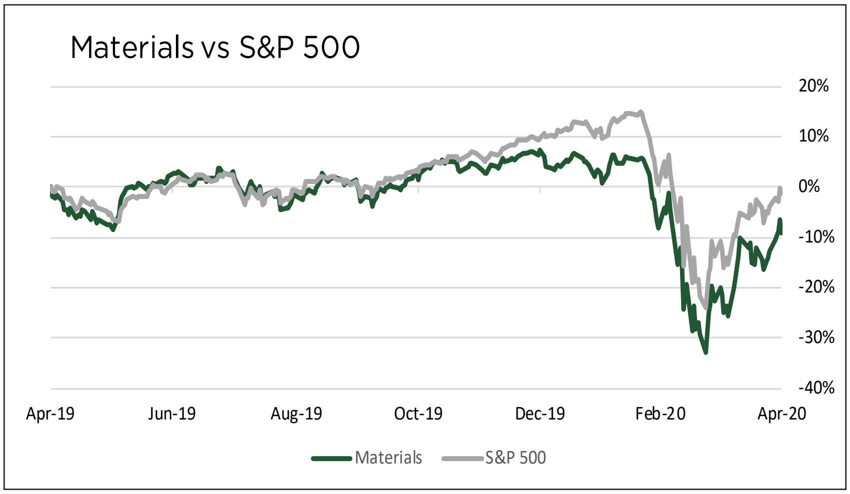
Last Year	Current Year	Next Year
$63.45	$67.02	$77.93
25.4x	24.0x	20.6x

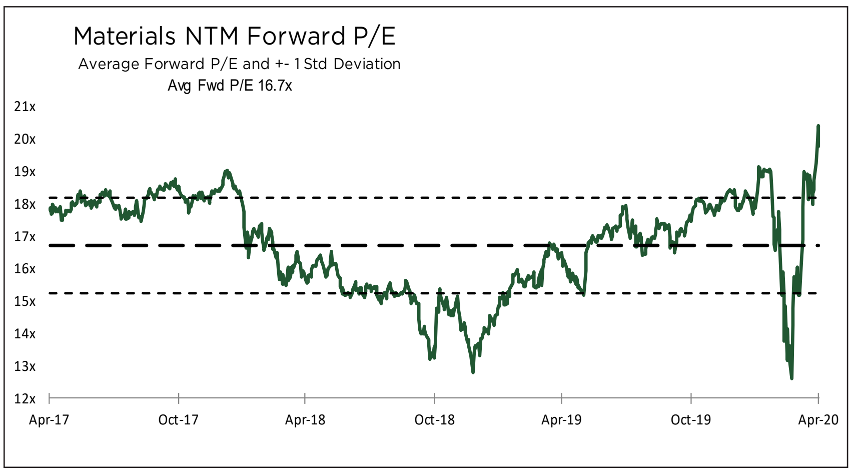
Sector Update

The Technology sector appreciated 13.73% in April and declined slightly year-to-date, compared to the S&P 500 index, which rose 12.68% in April and declined 9.85% year-to-date. Software was the best performing technology sector year-to-date (+10.7%). Global stay at home orders in response to COVID 19 contributed to strong demand for cloud software offerings that facilitate online communications and productivity. Microsoft believes that the COVID 19 crisis drove two years of digital transformation in the past few months. Microsoft Office 365 (cloud based productivity software) grew its customers 20% year-over-year to 265 million and Microsoft Teams (video conferencing software) had 75 million daily active users and at a peak day in April had 4.1 billion meeting minutes.

Despite the disruption of its manufacturing operations in China in early February, Apple grew its Q-2 20 revenue 1% year-over-year as growth services revenue offset lower product revenue. Qualcomm reported that smart phone demand declined sharply in China in January and February (as people were asked to remain at home to combat the COVID 19 virus), but rebounded to pre-COVID 19 levels by the end of March and continued to improve in April. China Mobile, China's largest telecommunications carrier, expects to add 70 million 5G customers in calendar 2020 and China Telecom, the second largest carrier in China, added 12.5 million 5G customers in the March quarter. Given the potential growth in China's 5G smart phone sales, Qualcomm maintained its calendar 2020 5G smart phone forecast of 175 to 225 million units, compared to estimated global smart phone units of 1.6 billion (down 10% year-over-year). Qualcomm expects global smart phone units to decline 31% year-over-year in the June quarter as stay at home orders impact demand in the U.S. and Europe.

As the global stay at home orders are eased this summer, it is possible that technology companies could see demand for cloud-based products taper off this summer. Given the significant outperformance of the software sector, we would not be surprised to see the sector lag the market in the near-term. While China's economy appears to be recovering, there is potential risk in the near-term that economic activity could slow over the next few months as stay at home orders in the U.S. and Europe could reduce demand for products made in China. In this potential scenario, Chinese consumers may become less likely to purchase new cars, 5G smart phones, and flat screen TVs. Given that China is the largest market for many of these products, we would not be surprised to see the hardware, storage and peripherals sector (up 64.5% in the past 3 months) and semiconductor sector (up 34% in the past three months) lag the market in the near-term.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
15.29%	-2.22%	-15.37%	-9.25%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
12.68%	7.70%	-9.85%	-1.13%

	Company Performance	1 Month
Leaders	DuPont de Nemours Inc	37.9%
	Newmont Corp	31.4%
	Freeport-McMoRan Inc	30.8%
	Eastman Chemical Co	29.9%
	International Flavors	28.4%
Laggards	Amcor PLC	-19.8%
	Martin Marietta Mat.s Inc	0.5%
	CF Industries Holdings Inc	1.1%
	Ball Corp	1.4%
	Vulcan Materials Co	4.5%

Consensus FY EPS / P/E

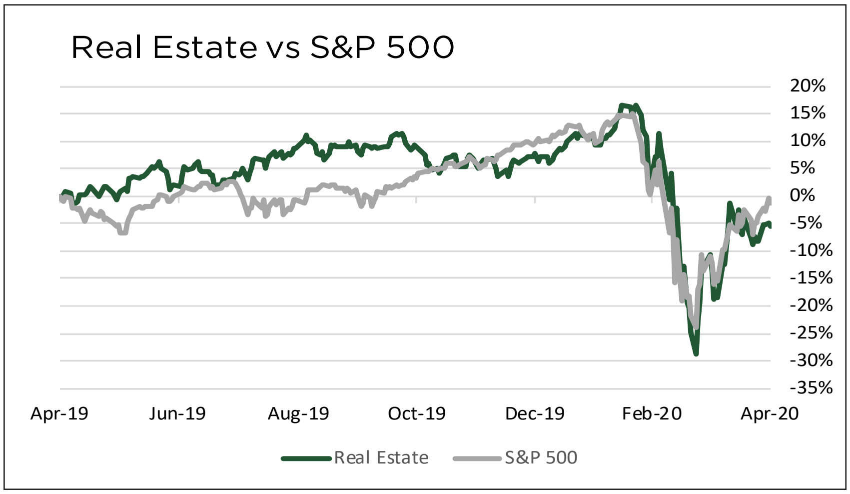
Last Year	Current Year	Next Year
$16.97	$15.18	$19.15
19.2x	21.5x	17.1x

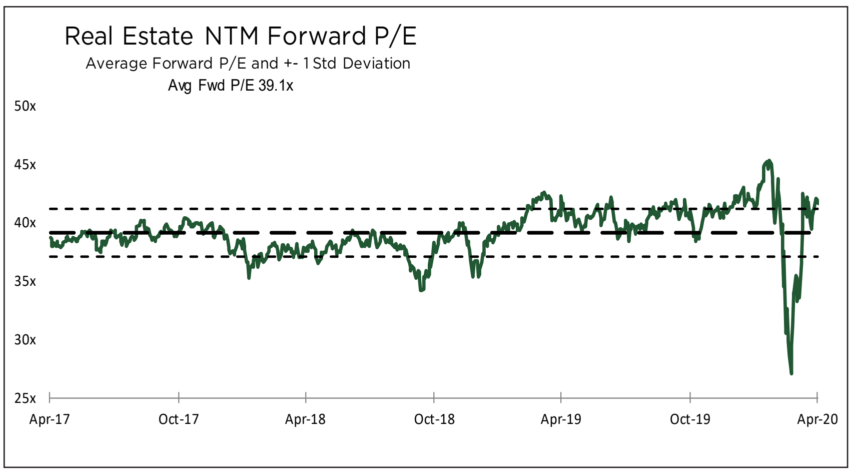
Sector Update

The Materials segment reported an increase of 15.29% in April which outperformed the S&P 500 Index that increased 12.68%. All sub-sectors posted gains with the greatest contributions from Metals and Mining and Chemicals segments. The Materials sector currently trades with a forward P/E of about 17.1x which is now slightly ahead of its forward average P/E of 16.7x as measured by Bloomberg. The worldwide coronavirus challenge along with potential global slower economies remain overhangs on the group. The materials companies are working to preserve cash flow and strengthen balance sheets to navigate the uncertainty. These pressures should persist in the near-term. Most companies withdrew full year financial guidance given the current uncertain operating environment heightened by the COVID-19 overhang. Challenges to top-line growth for Q2 are expected due to softer demand while lower input costs offer a positive offset. Demand is strong for protective equipment and food ingredients, but remains weak for autos, oil and gas and other industrial areas. Chemical stocks should remain pressured while focus shifts to the key agriculture planting season in the US. Fertilizer demand strengthened in Brazil driven by recent favorable currency movement. In 2H, the key risk centers on COVID-19 and risk to demand and pricing.

Additional key factors include macroeconomic trends, supply chain and cost management, consumer demand and pricing strategy. In the US, lower interest rates remain a key support for the housing market. Mortgage rates have declined in recent weeks which is a slight positive in an otherwise pressured environment. As economic trends improve and consumer confidence rebuilds, demand should strengthen. The movement to increasing social distancing behavior presents a key current challenge for consumer traffic and the real estate and housing market. With the stay-at-home trends, there could be enhanced consumer demand for repair and remodel activity once the environment improves. It is important to note that the homebuilding group faces tough comps in 2H20.

REAL ESTATE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
9.33%	-1.11%	-12.36%	-5.59%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
12.68%	7.70%	-9.85%	-1.13%

	Company Performance	1 Month
Leaders	Weyerhaeuser Co	29.0%
	SL Green Realty Corp	23.1%
	Simon Property Group Inc	21.7%
	Vornado Realty Trust	21.0%
	Ventas Inc	20.7%
Laggards	Extra Space Storage Inc	-7.9%
	Public Storage	-6.6%
	Iron Mountain Inc	1.6%
	UDR Inc	2.5%
	Boston Properties Inc	5.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$5.00	$4.87	$5.44
42.2x	43.3x	38.7x

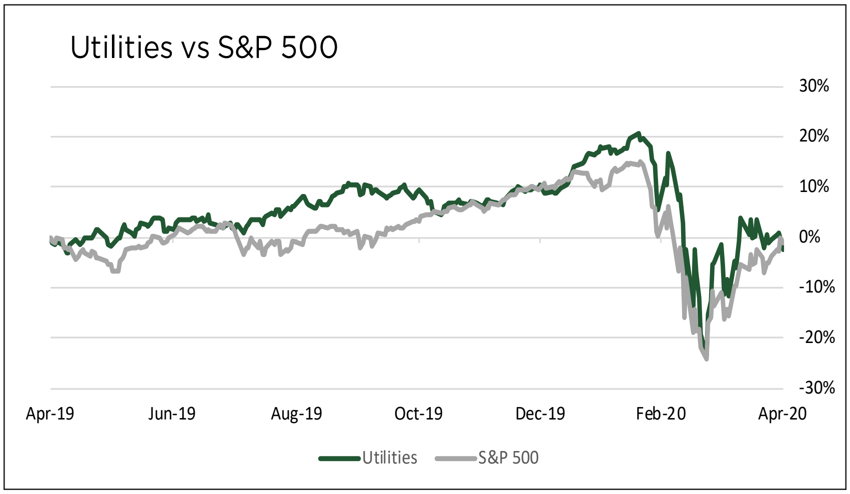
Sector Update

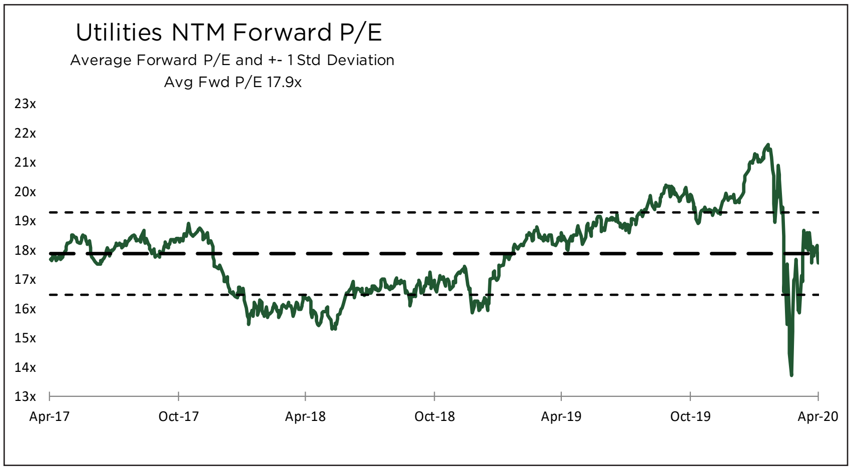
After closing the worst 1Q on record, stocks staged their best monthly gain in 33 years in April – with the S&P 500® rebounding from a 1Q20 collapse of 20.0% to being up 12.7% this past month as the Fed injected trillions of dollars of liquidity into the economy, while Congress provided aggressive fiscal stimulus to support those thrown out of work by stay at home efforts designed to limit the spread of COVID-19. In addition, progress has been made across the U.S. delivering new diagnostic tests to confirm COVID-19 virus among folks infected, while antibody testing is also becoming available to identify those having recovered from the virus. Thus, overall investor sentiment has improved driving a market rebound from the March rout. The broad based real estate sector has underperformed the S&P 500 in 2020, although as depicted in the adjacent graphic the trend line mirrors that of the broad market. Lower interest rates and a sliding economy raises concerns over future demand for a range of real estate capacity affecting sector valuation with this S&P component being down 12.4% Ytd versus the broader market off by 9.8%.

Numerous uncertainties remain including questions such as: Will lessees make rent payments while doors are shuttered? If not, what does this imply for near term dividend distributions from REIT owners? How long will economic activity be impacted? And, what is the outlook when we finally exit the pandemic? Thus, although REITs have historically been viewed as a safer haven, bond proxy type of investments, the current economic environment is at an extreme not seen since the early 1930's. Until clarity on the economic environment arrives, as the U.S. economy now prepares to reopen, we anticipate that the REIT sector will remain volatile.

In the past month we have seen some of the hardest hit REIT issues experience some rebound – with stocks of firms such as Weyerhaeuser, SL Green, Simon Properties, Vornado, and Ventas experiencing 20% plus appreciation after having pulled back by 55-73% from recent late February valuations. However, others, notably in storage related services (either for corporations and or the public) have reported a significant drop-off in demand since late March that results in lagging performance among companies that previously had been sector stalwarts such as Extra Space Storage, Public Storage and Iron Mountain.

In sum, near term prospects for the REIT sector appear guarded, as it is impossible to assess the timing and or extent of the economic fallout from COVID-19 at this time that could lead to longer-term shifts in demand across the Real Estate sector.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
3.17%	4.70%	-11.47%	-2.36%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
12.68%	7.70%	-9.85%	-1.13%

	Company Performance	1 Month
Leaders	NRG Energy Inc	23.0%
	Public Service Ent. Group	12.9%
	CenterPoint Energy Inc	10.2%
	Sempra Energy	9.6%
	DTE Energy Co	9.2%
Laggards	NextEra Energy Inc	-3.9%
	CMS Energy Corp	-2.8%
	AES Corp/The	-2.6%
	Ameren Corp	-0.1%
	Alliant Energy Corp	0.5%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$19.02	$16.26	$17.22
15.3x	17.9x	16.9x

Sector Update

Utilities lagged the S&P 500® in April, posting a 3.17% improvement compared to a 12.68% bounce in the S&P 500. Trailing twelve-month comparisons now favor the broader market index, down 1.13 compared to a 2.36% decline in the Utilities sector. Economic stimulus and the beginning of state re-openings drove a more risk-on rebound, likely contributing to lower performance for this defensive sector.

All but one of the utilities' four sub-sectors posted improvements for the month, led by Multi-Utilities that were 5.5% higher. The Independent Power and Renewable sub-sector posted a 2.6% decline in April, likely a result of lower fossil fuel commodity prices that reduces adoption of renewable power. Princeton, New Jersey based NRG Energy (NRG) was the leader for the group, up 23% in the month while renewables giant NextEra (NEE) was the laggard for the month, down 3.9%. NRG rebounded after being particularly hard-hit in March due to its gas exposure. Utilities with direct energy exposure outperformed peers in April after a severe pullback in the prior month.

At 17.9x current year earnings forecasts, the Utilities group appears reasonably valued compared to its three year average multiple. In a lower-for-longer interest rate environment, the attractive yields and historically defensive characteristics of the sector could substantiate premium valuations relative to the market in periods of elevated volatility. We continue encourage selectivity among the space, focusing on companies with well-covered dividends, quality electric and renewable assets, and attractive service territories relative to national averages.

Date	Release	For	Prior
6-May	MBA Mortgage Applications Index	05/02	-3.3%
6-May	ADP Employment Change	Apr	-149K
6-May	EIA Crude Oil Inventories	05/02	NA
7-May	Initial Claims	05/02	3.839M
7-May	Continuing Claims	04/25	17.992M
7-May	Productivity-Prel	Q1	+1.2%
7-May	Unit Labor Costs - Prelim	Q1	0.9%
7-May	EIA Natural Gas Inventories	05/02	NA
7-May	Consumer Credit	Mar	$22.3B
8-May	Nonfarm Payrolls	Apr	-701K
8-May	Nonfarm Private Payrolls	Apr	-713K
8-May	Avg. Hourly Earnings	Apr	0.4%
8-May	Unemployment Rate	Apr	4.4%
8-May	Average Workweek	Apr	34.2
8-May	Wholesale Inventories	Mar	-0.7%
12-May	Core CPI	Apr	-0.1%
12-May	CPI	Apr	-0.4%
13-May	MBA Mortgage Applications Index	05/09	0.1%
13-May	Core PPI	Apr	0.2%
13-May	PPI	Apr	-0.2%
13-May	EIA Crude Oil Inventories	05/09	NA
14-May	Continuing Claims	05/02	NA
14-May	Export Prices ex-ag.	Apr	-1.5%
14-May	Import Prices ex-oil	Apr	0.0%
14-May	Initial Claims	05/09	NA
14-May	EIA Natural Gas Inventories	05/09	NA
15-May	Empire State Manufacturing	May	-78.2
15-May	Retail Sales	Apr	-8.7%
15-May	Retail Sales ex-auto	Apr	-4.5%
15-May	Capacity Utilization	Apr	72.7%
15-May	Industrial Production	Apr	-5.4%
15-May	Business Inventories	Mar	-0.4%
15-May	Univ. of Michigan Consumer Sentiment - Prelim	May	71.8
15-May	Net Long-Term TIC Flows	Mar	$49.4B
18-May	NAHB Housing Market Index	May	30
19-May	Housing Starts	Apr	1216K
19-May	Building Permits	Apr	1353K
20-May	MBA Mortgage Applications Index	05/16	NA
20-May	EIA Crude Oil Inventories	05/16	NA
21-May	Initial Claims	05/16	NA
21-May	Continuing Claims	05/09	NA
21-May	Philadelphia Fed Index	May	-56.6
21-May	Existing Home Sales	Apr	5.27M
21-May	EIA Natural Gas Inventories	05/16	NA
26-May	FHFA Housing Price Index	May	0.7%
26-May	S&P Case-Shiller Home Price Index	Mar	3.5%

Source: Briefing.com

Date	Release	For	Prior
26-May	New Home Sales	Apr	627K
26-May	Consumer Confidence	May	86.9
27-May	MBA Mortgage Applications Index	05/23	NA
27-May	EIA Crude Oil Inventories	05/23	NA
28-May	Initial Claims	05/23	NA
28-May	Continuing Claims	05/16	NA
28-May	Durable Orders	Apr	-14.4%
28-May	Durable Goods –ex transportation	Apr	-0.2%
28-May	GDP - Second Estimate	Q1	-4.8%
28-May	GDP Deflator - Second Estimate	Q1	1.3%
28-May	Pending Home Sales	Apr	-20.8%
28-May	EIA Natural Gas Inventories	05/23	NA
29-May	Personal Income	Apr	-2.0%
29-May	Personal Spending	Apr	-7.5%
29-May	PCE Prices	Apr	-0.3%
29-May	PCE Prices - Core	Apr	-0.1%
29-May	Chicago PMI	May	35.4
29-May	Univ. of Michigan Consumer Sentiment	May	NA

Source: Briefing.com

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 2020. 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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