MARKET COMMENTARY

DAVENPORT 1863
BUILDING WEALTH TOGETHER

NOVEMBER 2023

- The best and worst performing S&P 500® sector in October was Utilities and Energy, respectively
- FOMC held the fed funds rate steady at 5.25%-5.50%
- Labor costs fell, unemployment ticks up

Following a weak September, equity markets continued to slide in October as all major indices declined. The surprise attack in Israel, combined with ongoing high interest rates and inflation, provided a challenging backdrop for equities. However, more recently, the Fed's decision to hold rates steady offered some market support. The VIX Index or "fear gauge" spiked to almost 22 in mid-October before rolling back to around the 18 level at the end of the month. For the full month, the Dow Jones Industrial Average decreased 1.4%, the S&P 500® index was down 2.2%, and the smaller cap-weighted Russell 2000® decreased 6.9%.

Ten of the eleven sectors of the S&P 500 declined during October. The best-performing sector for the month was Utilities, which increased by 1.2% and was followed by the Information Technology sector, down 0.1%. The weakest performance in the month was posted by the Energy sector, which decreased by 6.1%, followed by the Consumer Discretionary sector, down 4.5%. For the prior twelve-month period, the Communication Services sector was the best performer with a 34.5% increase, followed by the Information Technology sector, which was up 29.6%, while the Utilities sector was the worst performer for the past twelve months with a 10.7% decrease followed by the Real Estate sector which was down 9.9%.

The FOMC held the funds rate steady at its November 1st session amid signs of a stronger than forecast U.S. economy, but with a recent surge of interest rates driving tighter financial conditions. In a widely expected move, the FOMC unanimously agreed to hold the key federal funds rate in a target range between 5.25%-5.50%, where it has been since July. This was the second consecutive meeting that the Fed chose to hold, following a string of 11 rate hikes, including four in 2023. The FOMC meeting statement included an upgrade to the committee's general assessment of the economy after 3Q2023 GDP growth came through above expectations at 4.9%. At his post-meeting news conference, Fed Chair Powell reiterated prior commentary suggesting that, while employment gains have moderated since early in the year, the U.S. still has a long way to go to see inflation retrench to a sustained 2% level with Core PCE inflation running at 3.7% of late.

Labor costs surprisingly declined in the third quarter, according to data released by the Bureau of Labor Statistics (BLS) that pointed to easing inflation pressures and a slowing labor market. More specifically, unit labor costs (a measure of compensation versus productivity) fell 0.8% in the third quarter (after rising by 1.6% in the second quarter), reflecting a 3.9% ramp in compensation versus a 4.7% rise in productivity. In contrast, the seasonally adjusted stat was forecast by economists to rise by 0.7%. BLS further noted that on a 12-month basis, unit labor cost increases had slowed to 1.9% - an encouraging trendline.

According to the BLS, the U.S. economy added 150,000 jobs in October – coming in below economist expectations, targeting 170,000 non-farm payroll additions. In addition, the unemployment rate rose to 3.9%, compared to expectations that it would hold steady at 3.8% as more folks exited the workforce. At the same time, average hourly earnings grew less than expected, rising by 0.2% for the month (below an anticipated 0.3% pace) and are up 4.1% over the past year. Both the number of new hires and the number of people who voluntarily quit their jobs have trended down this year, while layoffs have held steady, suggesting the labor market is stabilizing, with less turnover being a key driver to rising employer headcounts.

Where to from here?

Although uncertainties on the economic and geopolitical fronts appear poised to persist in the near term, we are encouraged by recent economic datasets and Fed policy. The associated shift in investor sentiment could well be sustained into yearend given the existing economic outlook - in line with historical market strength frequently arising in November/December. That is, despite our view that existing consensus forecasts for S&P 500 earnings gains on the order of 10.1% into 2024 could be on the optimistic side, we see interesting opportunities among select companies possessing pricing power positioning them for sustained growth through 2024, while short term fixed income continues to offer attractive real returns. And, over the intermediate term, we continue to look for a return to sustained moderate economic and corporate earnings growth, offering solid total returns for patient investors.

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MARKET AND ECONOMIC STATISTICS

Market Indices:	10/31/2023	12/30/2022	% Change YTD	9/29/2023	% Change (Monthly)
S&P Composite	4,193.80	3,839.50	9.23%	4,288.05	-2.20%
Dow Jones Industrials	33,052.87	33,147.25	-0.28%	33,507.50	-1.36%
NASDAQ Composite	12,851.24	10,466.48	22.78%	13,219.32	-2.78%
Russell 2000	1,662.28	1,761.25	-5.62%	1,785.10	-6.88%
FTSE 100	7,321.72	7,451.74	-1.74%	7,608.08	-3.76%
Shanghai Composite	3,018.77	3,089.26	-2.28%	3,110.48	-2.95%
Nikkei Stock Average	30,858.85	26,094.50	18.26%	31,857.62	-3.14%
Stoxx Europe 600	433.66	424.89	2.06%	450.22	-3.68%
MSCI Emerging Markets	915.20	956.38	-4.31%	952.78	-3.94%
MSCI Emerging Markets Small Cap	1,197.61	1,127.18	6.25%	1,259.05	-4.88%

Performance of S&P 500 by Industry:	% of Index as of 10/31/2023	1 Month	3 Month	Year to Date	12 Months
Consumer Discretionary	10.56%	-4.51%	-11.41%	20.04%	7.34%
Consumer Staples	6.58%	-1.37%	-9.69%	-7.92%	-5.26%
Energy	4.54%	-6.08%	-2.54%	-3.02%	-5.48%
Financials	12.76%	-2.62%	-8.48%	-5.63%	-4.65%
Health Care	13.10%	-3.33%	-7.09%	-8.48%	-6.17%
Industrials	8.31%	-2.97%	-10.91%	0.09%	4.31%
Information Technology	28.18%	-0.07%	-8.32%	33.67%	29.56%
Materials	2.41%	-3.22%	-11.28%	-2.23%	2.69%
Communication Services	8.75%	-2.00%	-5.58%	36.64%	34.54%
Utilities	2.48%	1.23%	-11.08%	-15.51%	-10.71%
Real Estate	2.35%	-2.93%	-13.33%	-10.68%	-9.86%
S&P 500 (Absolute performance)	100.00%	-2.20%	-8.61%	9.23%	8.31%

Interest Rates:	10/31/2023	12/30/2022	YTD Change (Basis Points)	9/29/2023	Month Change (BPS)
Fed Funds Effective Rate	5.33%	4.33%	100	5.33%	0
Prime Rate	8.50%	7.50%	100	8.50%	0
Three Month Treasury Bill	5.40%	4.40%	100	5.40%	-1
Ten Year Treasury	4.93%	3.87%	106	4.57%	36
Spread - 10 Year vs 3 Month	-0.47%	-0.52%	6	-0.83%	36

Foreign Currencies:	10/31/2023	12/30/2022	% Change YTD	9/29/2023	% Change (Monthly)
Brazil Real (in US dollars)	0.20	0.19	4.9%	0.20	-0.1%
British Pound (in US dollars)	1.22	1.21	0.6%	1.22	-0.4%
Canadian Dollar (in US dollars)	0.72	0.74	-2.3%	0.74	-2.1%
Chinese Yuan (per US dollar)	7.32	6.90	6.1%	7.30	0.3%
Euro (in US dollars)	1.06	1.07	-1.2%	1.06	0.0%
Japanese Yen (per US dollar)	151.68	131.12	15.7%	149.37	1.5%

Commodity Prices:	10/31/2023	12/30/2022	% Change YTD	9/29/2023	% Change (Monthly)
CRB (Commodity) Index	539.51	554.78	-2.8%	548.56	-1.6%
Gold (Comex spot per troy oz.)	1983.88	1824.02	8.8%	1848.63	7.3%
Oil (West Texas int. crude)	81.02	80.26	0.9%	90.79	-10.8%
Aluminum (LME spot per metric ton)	2240.09	2349.51	-4.7%	2330.50	-3.9%
Natural Gas (Futures 10,000 MMBtu)	3.58	4.48	-20.1%	2.93	22.1%

Economic Indicators:	10/31/2023	12/31/2021	% Change YTD	6/30/2023	% Change (Monthly)
Consumer Price Index	307.5	280.9	9.5%	303.8	1.20%
Producer Price Index	260.0	233.5	11.3%	251.19	3.50%
	3Q23	**2Q23**	**1Q23**	**4Q22**	**3Q22**
GDP Growth Rate (Quarterly)	4.90%	2.10%	2.20%	2.60%	2.70%
Unemployment Rate (End of Month)	**October 3.9**	**September 3.8%**	**August 3.8%**	**July 3.5%**	**June 3.6%**

*GDP growth rate is calculated as the percent change from the previous period seasonally adjusted at annual rates. **S&P Sectors were re-named at the end of 2001. The sector Industrials is a combination of the former sectors Capital Goods & Transportation.Sources: Wall Street Journal, Bloomberg, The Department of Labor, The Bureau of Labor Statistics, The Bureau of Economic Analysis, US Treasury website.

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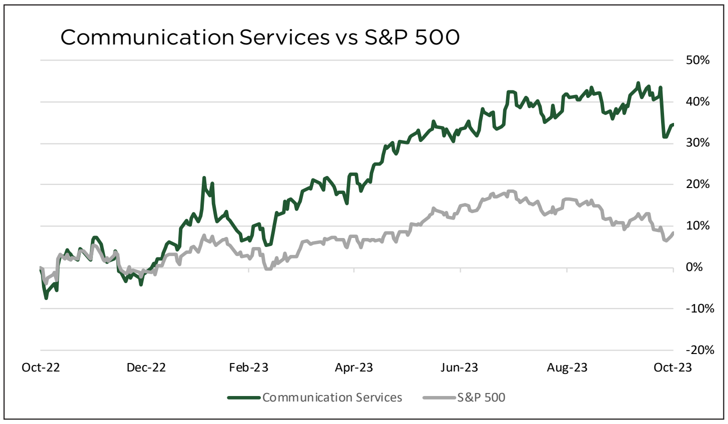
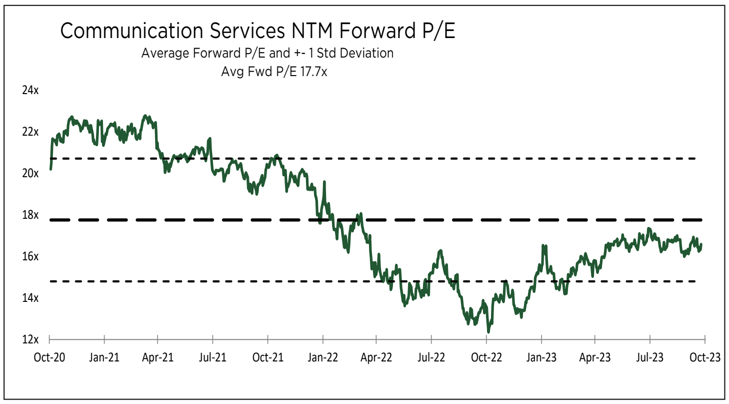
Sector Updates

COMMUNICATIONS SERVICES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.00%	-5.58%	36.64%	34.54%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-2.20%	-8.61%	9.23%	8.31%

	Company Performance	1 Month
Leaders	Netflix Inc	9.0%
	Verizon	8.4%
	News Corp	3.1%
	Electronic Arts Inc	2.8%
	News Corp	2.7%
Laggards	Paramount Global	-15.7%
	Match Group Inc	-11.7%
	Warner Bros Discovery	-8.5%
	Charter Communications	-8.4%
	Comcast Corp	-6.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$11.54	$12.58	$14.85
18.9x	17.3x	14.7x

Sector Update

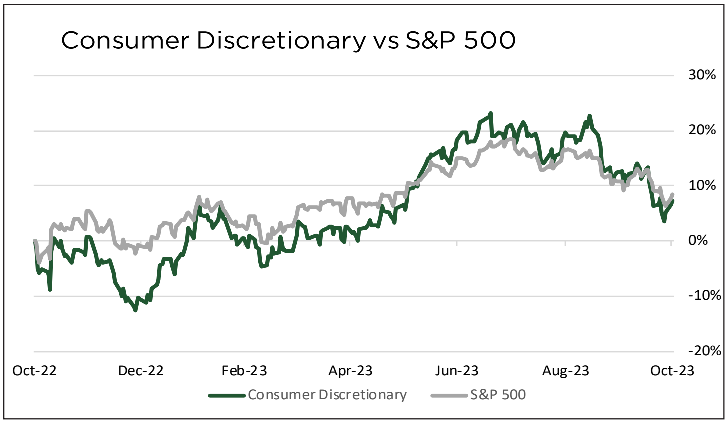
Communications Services performed in line with the market in October. The rise in the Diversified Telecommunications and Entertainment sub-sectors offset a decline in the Interactive & Media Services and Media sub-sectors.

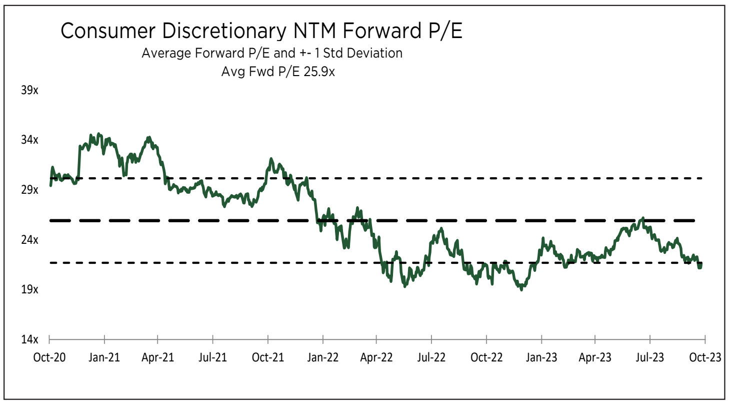
The Communications Services sector appears attractively valued, with a current forward P/E of 17.3x and 14.7x the consensus analyst FY23/24 EPS estimates, compared to its average twelve-month forward P/E multiple of 17.7x. The sector is trading below its estimated FY24 earnings growth rate of 18%.

Despite the mixed performance of streaming media companies, the Entertainment sub-sector outperformed the market, driven by the rise in Netflix shares. Netflix reported better-than-expected subscriber growth as it converted non-paying customers to paying customers and had a positive reception to its lower-priced ad-supported service. Netflix's streaming media competitors are pursuing a similar strategy since they also have a large number of non-paying customers. Given that streaming media companies are generating higher revenue per customer from their lower-priced ad-supported services than their higher-priced ad-free services, they could generate improved revenue growth over the long term as the number of customers opting for ad-supported services represent a larger portion of their customer base. There is the potential risk that The Hollywood actor's strike could impact entertainment companies' content production and delay their release of new content in FY24

The Diversified Telecommunications sub-sector outperformed the market in October. Leading telecommunications services companies are generating improved growth in broadband subscribers as they benefit from higher consumer and business demand for their broadband services provided over their fiber optic networks and a higher demand for their lower-priced broadband services provided over their 5G wireless networks. This performance represents a stark contrast to leading cable companies that reported minimal growth in broadband subscribers in the recent quarter.

CONSUMER DISCRETIONARY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-4.51%	-11.41%	20.04%	7.34%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-2.20%	-8.61%	9.23%	8.31%

	Company Performance	1 Month
Leaders	NIKE Inc	7.5%
	Chipotle Mexican Grill	6.0%
	Amazon.com Inc	4.7%
	Las Vegas Sands Corp	3.5%
	Ross Stores Inc	2.7%
Laggards	Hasbro Inc	-31.7%
	Whirlpool Corp	-21.8%
	Ford Motor Co	-21.5%
	Tesla Inc	-19.7%
	Norwegian Cruise Line Holdings	-17.5%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$45.78	$52.04	$58.60
26.4x	23.2x	20.6x

Sector Update

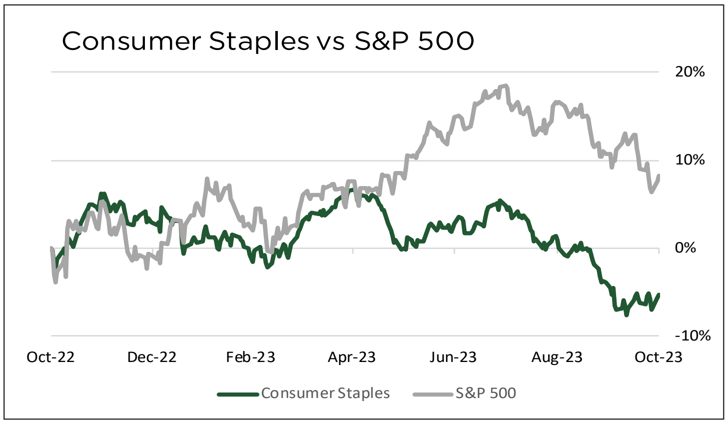
The Consumer Discretionary sector continued to under perform the broader market in October as the Mideast conflict, high interest rates, and sticky inflation weighed on investors during the month. Among Consumer Discretionary sub-sectors, the strongest performance was in Textiles, Apparel and Luxury Goods, and Multiline Retail. Consumer Discretionary sub-sectors that were softest included Leisure Products, Automobiles, Distributors, Auto Components, and Household Durables. Although outperforming the S&P 500 year-to-date, the sector has underperformed on a one-month, three-month, and trailing twelve-month basis, as seen in the accompanying chart.

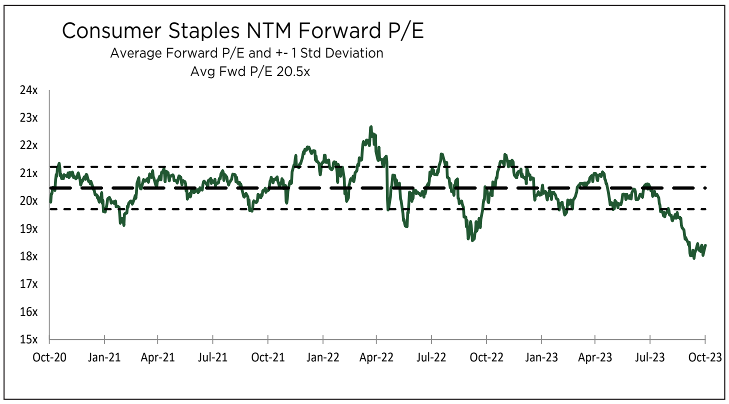
Existing home sales reported in mid-October for the September period declined to the lowest level in over a decade as homebuyers grapple with high mortgage rates and a low supply of houses for sale, which dropped about 8.1% over the past year. Existing home sales declined 2% in the month, reaching an annualized rate of 3.96 million units, according to the National Association of Realtors. On a year-over-year basis, the decline is much steeper, with sales down 15.4%.

Home prices for existing homes climbed in the month to $394,300, representing a 2.8% gain versus last year. The National Association of Realtors further indicated that about 26% of properties for sale are being sold above the listing price. The Case-Shiller 20-city home price report for August rose 1% month-over-month and was up 2.2% versus the prior year. The national Case-Shiller index, which is a broader measure of home prices, rose 2.6% versus the prior year, with a low supply of homes for sale being considered a key factor in home price appreciation.

September retail sales were solidly positive, representing the sixth month of sales gains in a row. The monthly increase of 0.7% was fueled by strong gasoline and automobile sales in the period. The gasoline increase reflects ongoing high price levels for gas at the pump.

The Consumer Confidence Index reported by the Conference Board declined in October to a five-month low. The index dropped to 102.6 in October from 104.3 in September as high inflation and interest rates, plus the Israel-Hamas war weighed on confidence. The futures expectation index slipped from 76.4 to 75.6, with 80 considered a breakpoint that could signal a potential recession ahead.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-1.37%	-9.69%	-7.92%	-5.26%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-2.20%	-8.61%	9.23%	8.31%

	Company Performance	1 Month
Leaders	Dollar General Corp	12.5%
	Colgate-Palmolive Co	5.6%
	Dollar Tree Inc	4.4%
	Procter & Gamble Co/	2.9%
	Walmart Inc	2.2%
Laggards	WK Kellogg Co	-31.7%
	McCormick & Co Inc	-15.5%
	Hormel Foods Corp	-14.4%
	Estee Lauder Cos Inc	-10.8%
	Clorox Co/The	-10.2%

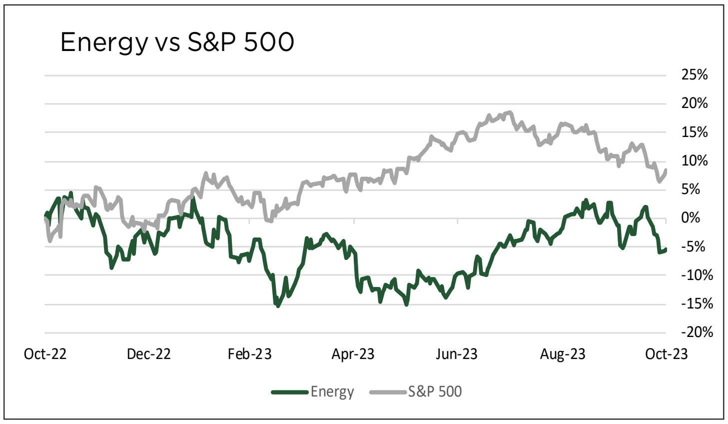
Consensus FY EPS / P/E

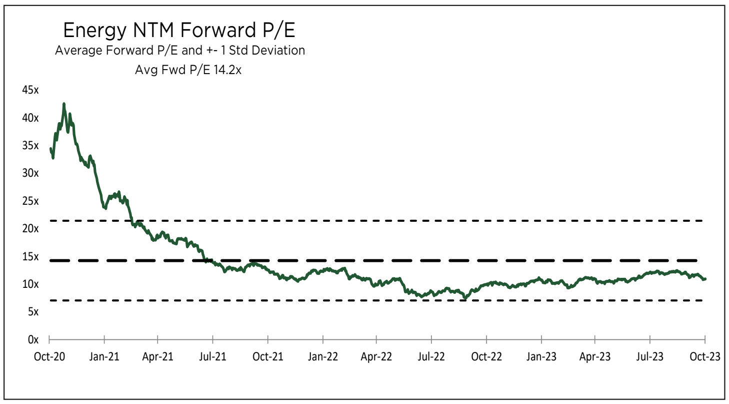
Last Year	Current Year	Next Year
$36.44	$37.88	$40.30
19.7x	18.9x	17.8x

Sector Update

The Consumer Staples sector decreased by 1.37% on average in October and surprisingly slightly outperformed the S&P 500 Index, which decreased by 2.20%. The Household Products segment was the only segment to contribute for the month. All other segments were relatively flat or lower. With the Federal Reserve's decision to hold interest rates, yields recently pulled back, potentially helping to support some renewed interest in dividend-yielding stocks. The question remains on the direction of interest rates. Year-to-date, the Consumer Staples sector decreased by 7.92% on average and has well underperformed the S&P 500 Index, which increased by 9.23%. The Consumer Staples segment trades with a current forward P/E of about 18.9x, below its average forward P/E of about 20.5x. More attractive valuations for high-quality Consumer Staples Companies should begin to attract investor attention. Companies seek to drive top-line growth by adding faster brands to portfolios, and potential M&A remains a key theme. Recent cases of bird flu in the Midwest raise questions for both egg and chicken-producing companies as to the security and safety of supply along with pricing.

We continue to advise a selective investment among the Consumer Staples stocks and prefer investing in companies with pricing, leading market share, strong balance sheets, and experienced management. Companies exposed to growth segments, including confectionery, snacks, beverages, and pet food, remain attractive investments. Companies that are investing in brand support enhancing capabilities (i.e., e-commerce and digital), investing in innovation, realizing efficiencies, and addressing changing market dynamics should remain well positioned versus peers. Food volume remains relatively flat as consumer behavior shifts to eating down existing pantries, reducing waste, stocking up less, and reducing basket unit sizes. The latest earnings updates from Consumer Staples companies exhibited continued margin recovery, moderating input cost pressures with some exceptions, changing consumer shopping patterns and behaviors, and ongoing focus on realizing efficiencies and innovation. Margins should continue to recover as long as the promotional environment remains rational. Private label share of food volume continues to increase. The tobacco companies remain confident in executing a smoke-free transformation, with a leading company targeting generating two-thirds of its revenues from smoke-free products by 2030. The key focus includes investing in sustainable growth while delivering superior shareholder returns. For 2024, momentum should persist for the beer companies supported by strong execution and continued focus on price/mix. Strong beer brands are gaining additional shelf space following fall shelf resets by retailers. For personal product and household product companies, the emphasis remains on pricing, private label pressures, innovation, and gross margin recovery. Continued weaker recovery in China remained an overhang for many beauty and perfume companies during the latest quarter.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-6.08%	-2.54%	-3.02%	-5.48%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-2.20%	-8.61%	9.23%	8.31%

	Company Performance	1 Month
Leaders	EQT Corp	4.4%
	Pioneer Natural Re-	4.1%
	Diamondback Energy	3.5%
	ONEOK Inc	2.8%
	Williams Cos Inc/The	2.1%
Laggards	Chevron Corp	-13.6%
	Valero Energy Corp	-10.4%
	Exxon Mobil Corp	-10.0%
	Hess Corp	-5.6%
	Phillips 66	-5.1%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$64.27	$58.61	$60.19
10.1x	11.1x	10.8x

Sector Update

The war in the Middle East roiled energy markets in October, with concerns centered on potential supply and demand risk. The Energy sector underperformed the broader market, which may reflect shifts in energy prices and the outlook for macroeconomic growth. The Oil, Gas & Consumable Fuels subsector and the Energy Equipment & Services subsector declined in the month. The Energy sector has underperformed the S&P 500 for the one-month, year-to-date, and trailing twelve-month periods, as seen in the accompanying table.

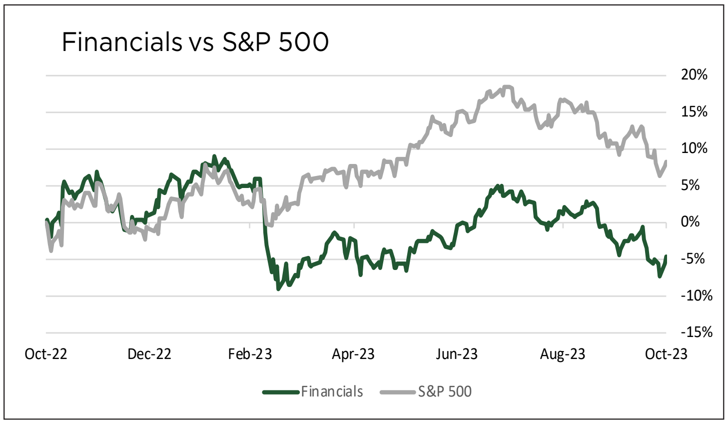
The attack against Israel drove oil prices higher initially, but the rise was short-lived as early signs suggested that the conflict could remain regionally confined. Uncertainty continues to rest in the possibility that the conflict could spread further through the Middle East, thereby interrupting supplies – particularly if the conflict were to spread to Iran. Another area of concern as it relates to oil prices would be if the U.S. were to tighten sanctions enforcement against Iran further, contributing to potential downward pressure on Iranian oil exports.

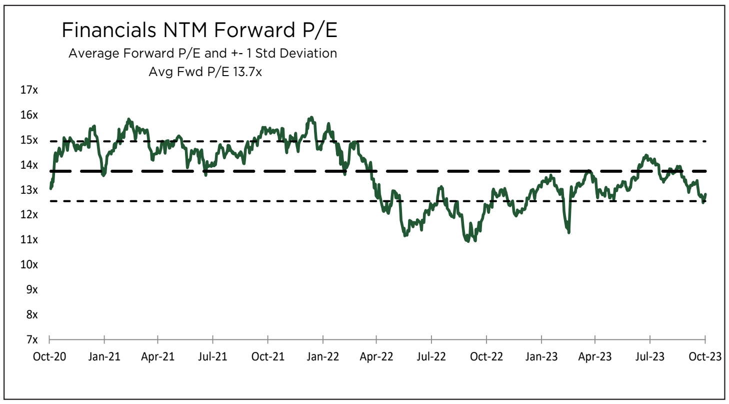
In mid-October, oil prices weakened as the U.S. eased sanctions against the oil and gas-producing nation Venezuela. The U.S. Treasury issued a temporary license that would authorize transactions that involve Venezuelan oil and gas companies. The easing of sanctions against Venezuela provides some supply relief during this turbulent period.

The International Energy Agency (IEA) updated its long-term oil demand forecast, indicating that it is likely to peak before 2030. The outlook incorporates an expectation that utilization of renewable energy sources may increase, pushing down demand for coal, oil, and natural gas. A key driver of long-term renewable energy demand growth is expected to be fueled by the increased utilization of electric vehicles.

West Texas Intermediate (WTI) crude oil prices moved lower in October, with WTI trading from the $90-$91 range per barrel to ending the month at about $81 per barrel. Natural gas prices increased from about $3.23 per million Btu to end the month at about $3.56 per million Btu. Retail gasoline prices dropped in October, moving to $3.60 per gallon at the end of the month from the $3.91 average price seen at the end of the prior month and down from the prior year's level of $3.86.

The Baker Hughes oil rig count increased slightly in the month, coming in at 504 rigs versus 502 rigs last month. The oil rig count at month-end was down versus the prior year's level of 610 rigs. U.S. crude oil storage at 422 million barrels was up from last month's level of 416 million barrels. We note that storage levels have generally been declining off the 2020 pandemic highs and are below the previous year's 437 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 13.2 million barrels per day at the end of the month.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.62%	-8.48%	-5.63%	-4.65%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-2.20%	-8.61%	9.23%	8.31%

	Company Performance	1 Month
Leaders	Allstate Corp/The	15.0%
	Progressive Corp/The	13.5%
	Willis Towers Watson	12.9%
	Arch Capital Group Ltd	8.7%
	Globe Life Inc	7.0%
Laggards	Regions Financial Corp	-15.5%
	Blackstone Inc	-13.8%
	T Rowe Price Group Inc	-13.7%
	Morgan Stanley	-13.3%
	Citizens Financial Group	-12.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$37.47	$40.89	$43.53
14.3x	13.2x	12.4x

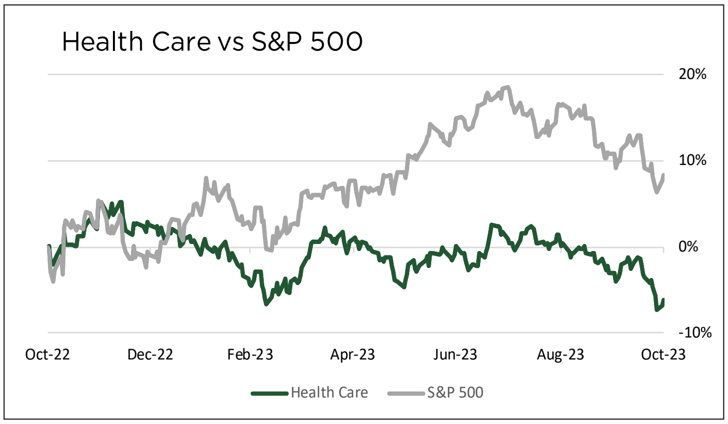
Sector Update

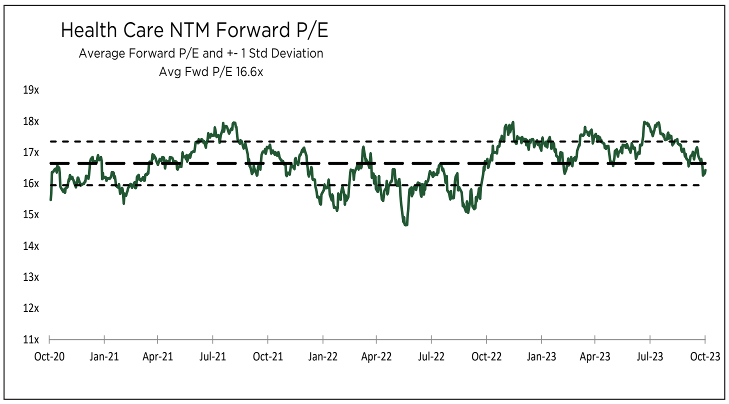
The Financials sector declined 2.62% in October, lagging a 2.2% pullback in the S&P 500® index in the same period. Financial sector performance on a YTD and TTM basis remains well below index levels, reflecting turbulence in the banking sector in March.

Financials, and particularly lenders, remain challenged by the current macro environment. Recently, concerns have emerged around consumer credit performance against continued elevated price levels and reduced savings as the end of pandemic support programs, notably student loan forbearance, have ended. Although loss and delinquency trends are in line with pre-pandemic norms, it appears likely that loss trends may continue to weaken against a higher interest rate regime with incremental drag on consumer wallets from student loan payments resuming and consistently elevated price levels despite recent disinflationary trends. Against this backdrop, it is unsurprising to see the Consumer Finance and Bank subsectors were again the weakest performing sub-sectors in October, down 5.3% and 4.4%, respectively. A positive inflection in lender performance likely requires a back-down in short-term yields to alleviate deposit reprice headwinds or improved sentiment on loss trajectory in consumer and commercial real estate sectors, in our view.

Insurers were the top performing sub-sector in October, up 3%, as they continue to benefit from a higher rate environment, with interest income streams showing material improvement from prior year levels in Q3 reports. In the meantime, hard market pricing conditions persist as insurers take price against inflationary trends, with underwriting profit gains partially offset by increasing loss severity and frequency. Ongoing claims inflation appears likely to extend the current hard market and, as a result, support higher premium rates in many lines of insurance products in the near and medium term.

The Financial Sector currently trades at a forward P/E ratio of 12.4x FY24 expectations, below its three-year average forward twelve-month multiple of 13.7x. Valuations in the financial sector, particularly among banks, appear very reasonable for longer-term focus investment following recent weakness; however, they face an uncertain near-term outlook on reduced earnings forecasts and recessionary/liquidity concerns.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-3.33%	-7.09%	-8.48%	-6.17%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-2.20%	-8.61%	9.23%	8.31%

	Company Performance	1 Month
Leaders	Cigna Group/The	8.1%
	Humana Inc	7.6%
	Quest Diagnostics Inc	6.8%
	UnitedHealth Group Inc	6.2%
	Cardinal Health Inc	4.8%
Laggards	Align Technology Inc	-39.5%
	Moderna Inc	-26.5%
	Revvity Inc	-25.2%
	Catalent Inc	-24.5%
	Bio-Rad Laboratories	-23.2%

Consensus FY EPS / P/E

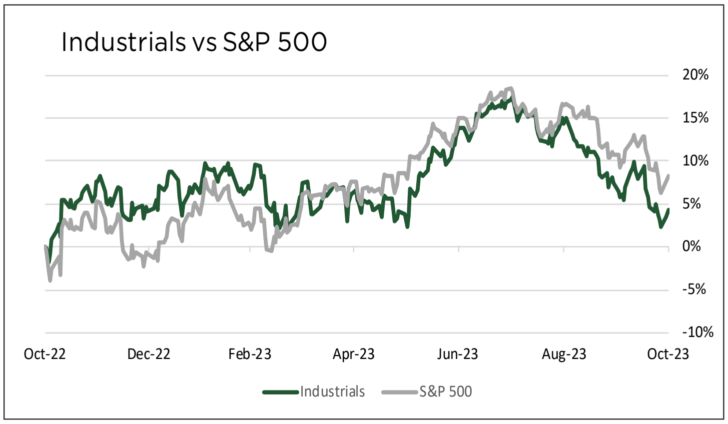
Last Year	Current Year	Next Year
$67.02	$77.34	$91.27
21.7x	18.8x	15.9x

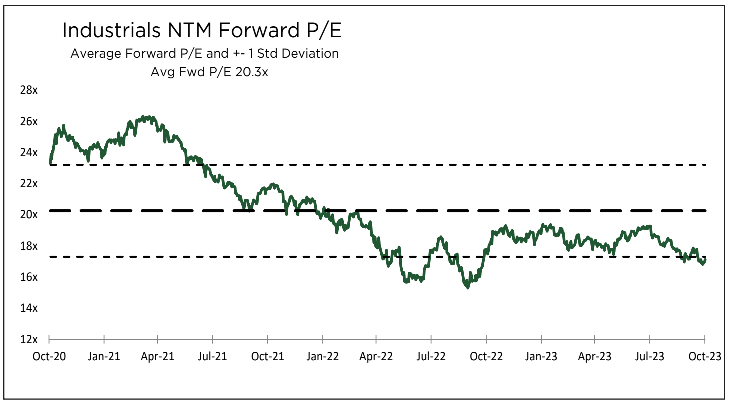
Sector Update

The healthcare sector underperformed the market in October with a 3.33% loss, representing the third-worst-performing S&P 500 sector.

The Life Sciences Tools and services, Health Care Equipment and supplies, Biotechnology, and Pharmaceuticals subsectors were down during the month, while the Health Care Providers and services subsector was up, and the Health Care Technology was flat. As illustrated in the adjacent tables, Cigna, Humana, Quest Diagnostics, UnitedHealth, and Cardinal Health led the healthcare sector in the month. Managed care stocks Cigna, Humana, and UnitedHealth each posted leading performance within the Healthcare sector in October, helped by solid Medical Advantage star rating results issued by the Center for Medicare Services. Quest Diagnostics was also a top-performing healthcare stock in October after posting solid quarterly earnings highlighting strength in their non-covid product portfolio.

On the contrary, Align Technology, Moderna, Revvity, Catalent, and Bio-Rad Laboratories registered steep losses in October. Align Technologies reported quarterly results below analyst expectations, leading them to cut their full-year guidance due to a slowdown in ortho demand. Meanwhile, Moderna posted steep losses for the quarter as they recorded a write-down due to unused doses of its COVID-19 vaccine. Revvity also posted quarterly results below expectation, impacted by a slowdown in the biopharmaceutical industry. A slowdown in the biopharmaceutical industry continued to hinder the Life Sciences Tools and services subsector, with the subsector down 12.8% in October. This decline has been brought on as Pharmaceutical companies have trimmed R&D budgets to control costs while access to capital from emerging companies has slowed. Additionally, a market correction in China has hampered the Biopharmaceutical market, as geopolitical uncertainties between the US and China have slowed down Western corporate investment in China. The Health Care sector trades at a current forward P/E ratio of 18.8x, well above its average current forward P/E ratio of 16.6x.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.97%	-10.91%	0.09%	4.31%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-2.20%	-8.61%	9.23%	8.31%

	Company Performance	1 Month
Leaders	RTX Corp	13.1%
	Lockheed Martin Corp	11.2%
	General Dynamics Corp	9.2%
	Waste Management Inc	7.8%
	Leidos Holdings Inc	7.6%
Laggards	Generac Holdings Inc	-22.8%
	Southwest Airlines Co	-17.9%
	United Airlines Holdings	-17.2%
	Caterpillar Inc	-17.2%
	Delta Air Lines Inc	-15.5%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$42.77	$45.04	$50.57
19.5x	18.5x	16.5x

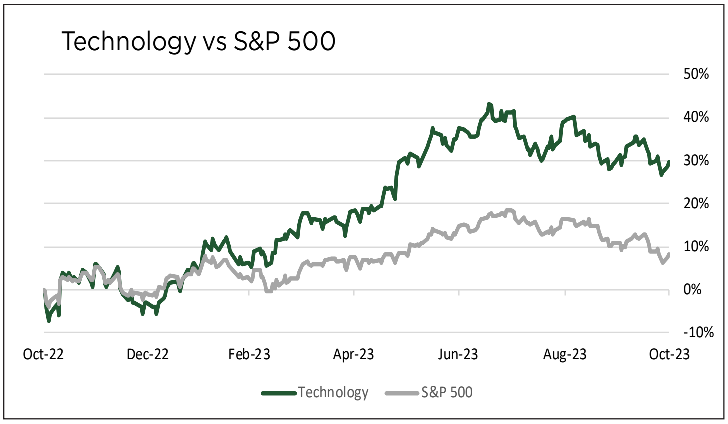
Sector Update

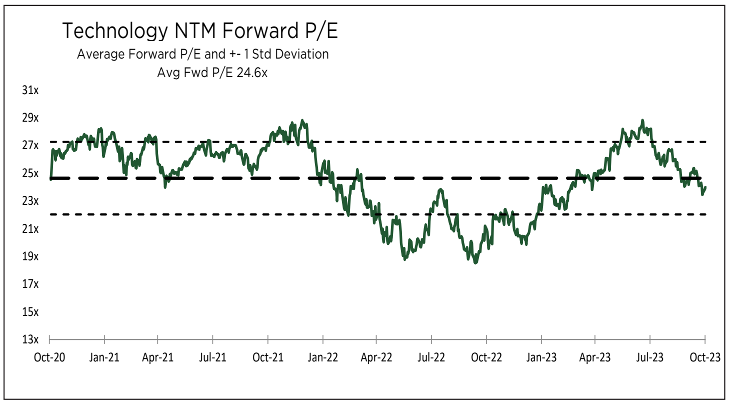
The Industrial Sector decreased 2.97% in October, underperforming the 2.20% decline in the S&P 500. The Industrial sector has also lagged behind the S&P 500 on a three-month basis, a Year-to-Date basis, and a trailing-12-month basis. 9 of the 12 subsectors within Industrials declined in the month, with the most substantial decline once again being Airlines, with a 16.1% drop. Rising costs such as labor and maintenance have been rising in the airline industry, while higher interest rates and the possibility of a slowing economy may impact demand. Similar to September, the second worst-performing subsector in October was once again Construction and Engineering and its sole member, Quanta Services, with a 10.7% decline.

The best-performing equity in the Industrial Sector was RTX Corp, with a 13.1% gain. RTX Corp reported upside financial results during their quarterly earnings call, where they reissued their Free Cash Flow guidance and announced a $10 billion accelerated share repurchase program. Aerospace and Defense peer Lockheed Martin posted the second-highest monthly gain in October, up 11.2%. Lockheed Martin also posted quarterly earnings, where they posted stable profits across its business, reaffirmed its 2023 expectations, and increased its planned share repurchases by $2 billion. The third best-performing equity within the Industrial sector for October was General Dynamics, also a member of the Aerospace and defense sector. General Dynamics posted strong quarterly results in October, including accelerated growth from its defense businesses. Three of the five laggards in October are members of the airline subsector, including United Airlines, Southwest Airlines, and Delta Airlines. United Airlines reported record profit in its quarterly earnings call. However, shares fell after the call due to United's outlook for the fourth quarter suggested that higher fuel prices and the cancellation of flights to Israel would impact earnings. Southwest Airlines also posted record sales, although unit revenue is expected to fall between 9% - 11% in their next quarter, while fuel costs look likely to rise.

The October Manufacturing PMI registered a reading of 46.7%, 2.3% lower than the 49% recorded in September. The New Orders Index remained in contraction territory at 45.5%, 3.7% lower than the September figure of 49.2%. The Production Index reading of 50.4% represents a 2.1% decrease compared to September's figure of 52.5%. The Industrial Sector is trading at a Forward P/E of 18.5x, down 0.6x from last month's reading of 19.1x and below the sector's three-year average of about 20.3x.

INFORMATION TECHNOLOGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-0.07%	-8.32%	33.67%	29.56%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-2.20%	-8.61%	9.23%	8.31%

	Company Performance	1 Month
Leaders	Arista Networks Inc	8.9%
	Microsoft Corp	7.1%
	Adobe Inc	4.3%
	ServiceNow Inc	4.1%
	Palo Alto Networks Inc	3.7%
Laggards	SolarEdge Technologies	-41.4%
	Enphase Energy Inc	-33.8%
	ON Semiconductor	-32.6%
	Teradyne Inc	-17.1%
	EPAM Systems Inc	-14.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$89.88	$112.59	$132.50
32.3x	25.8x	21.9x

Sector Update

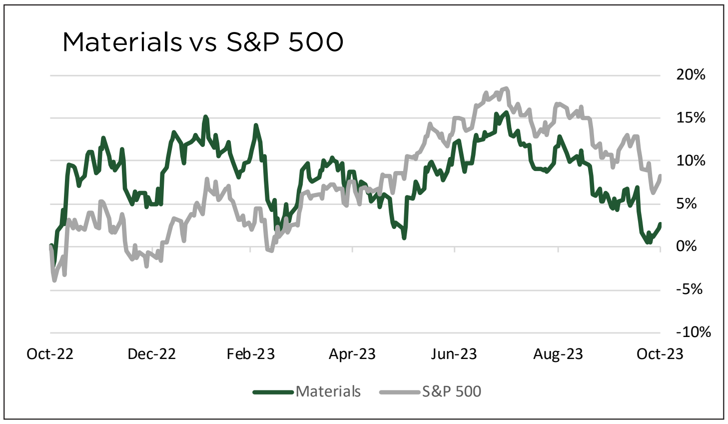
The Technology sector outperformed the market in October, driven by the Software sub-sector. Software companies Adobe, Microsoft, Palo Alto Networks, and ServiceNow represented four of the top five top performing Technology stocks.

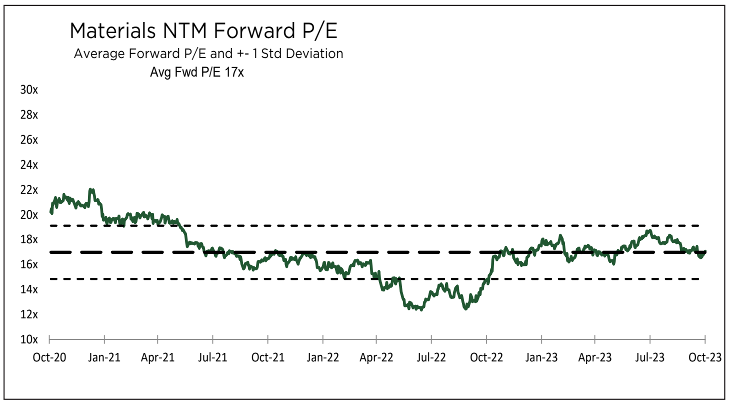
Software companies are enhancing their software applications with generative AI co-pilots, and Adobe and Microsoft already announced their plan to charge for this enhanced service. Generative AI co-pilots can review a user's emails, publications, texts, and recent meetings and can help create an email, presentation, or spreadsheet. Co-pilots can also help create or modify images and videos.

IBM estimated that 75% of corporate generative AI spending is on customer service, finance operations, human resources, sales and marketing, and IT. Corporations expect to reduce their cost in these areas by applying generative AI. We have spoken with a software developer who obtained 15%-20% greater efficiency from utilizing a generative AI software application that tracked his software development and proactively presented blocks of Java code obtained from Microsoft's GitHub code library.

The Communications Networking sub-sector also outperformed the market in October. Leading cloud service providers are building large clusters of GPUs to operate large language models for the application of generative AI technology. Cloud service providers are increasing their spending on high-performance Ethernet networking equipment from leading communications networking companies to connect these GPU clusters. The Technology sector appears close to fairly valued, with a P/E of 25.8x, compared to its average forward P/E of 24.6x.

MATERIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-3.22%	-11.28%	-2.23%	2.69%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-2.20%	-8.61%	9.23%	8.31%

	Company Performance	1 Month
Leaders	Linde PLC	2.6%
	Newmont Corp	1.4%
	Westrock Co	0.4%
	International Flavors &	0.3%
	Packaging Corp of	-0.3%
Laggards	Albemarle Corp	-25.4%
	FMC Corp	-20.6%
	Freeport-McMoRan Inc	-9.4%
	Celanese Corp	-8.8%
	Mosaic Co/The	-8.8%

Consensus FY EPS / P/E

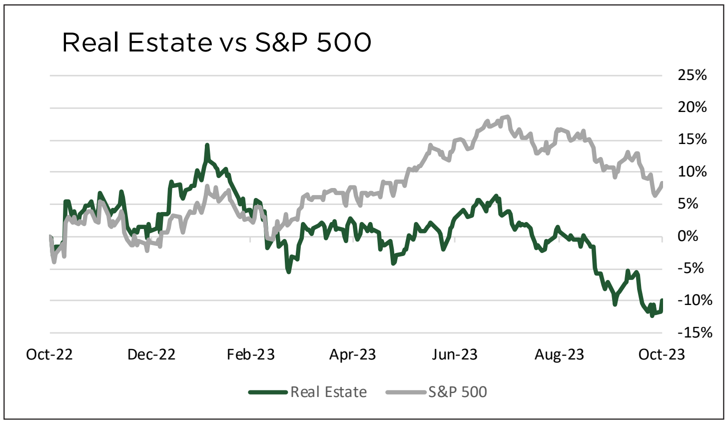
Last Year	Current Year	Next Year
$28.31	$27.53	$29.00
16.9x	17.4x	16.5x

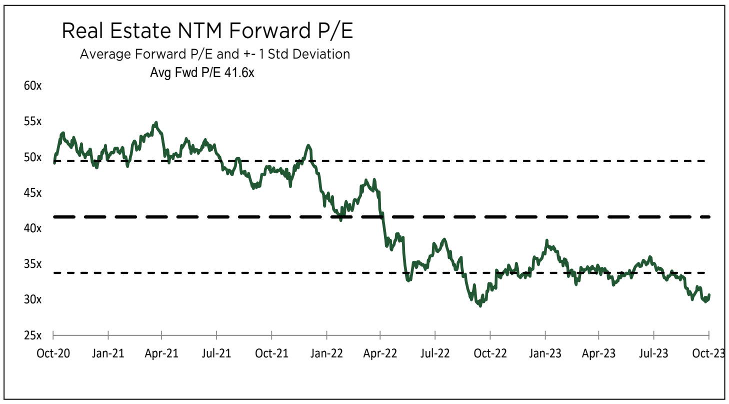
Sector Update

The Materials segment decreased by 3.22% in October and underperformed the S&P 500 Index, which decreased by 2.20%. Year to date, the Materials segment decreased by 2.23% and well underperformed the S&P 500 Index, which increased by 9.23%. All segments reported declines for the month, with the greatest decreases reported by Metals and Mining as shares of lithium stocks weakened. Concerns about lithium volume growth, demand, pricing, and the overall global supply and demand balance weighed on lithium company stock prices towards the end of the month. The Materials segment now trades with a current forward P/E of 17.4x and just slightly ahead of its average forward P/E of about 17x. Selective investment among the group remains a key factor, with a preference for strong management teams and high-quality businesses. Preferred areas for potential investment include hydrocarbon, coatings, and lithium.

With 3-year mortgage rates topping 8%, both mortgage applications and existing home sales are being impacted. A key positive is that home prices remain elevated largely due to tight supply despite softening new home sales. Consumer spending is trending more cautiously but remains solid despite continued inflationary pressures. End market demand, energy costs, and interest rates remain key factors approaching the end of the year. Looking into 2024, headwinds include consumer behavior and confidence trends, the outlook for the macroeconomic environment and the potential for a recession, realized pricing, consumer demand, volume, and inventory levels. Labor market tightness is easing, and wages are moderating—key drivers for 2024 center on volume, the inventory destocking cycle, and end market demand. Focus on costs, capital spending, and working capital remain key areas as interest rates remain elevated—uncertain travel and leisure and weaker-than-expected recovery in China present additional concerns.

REAL ESTATE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.93%	-13.33%	-10.68%	-9.86%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-2.20%	-8.61%	9.23%	8.31%

	Company Performance	1 Month
Leaders	American Tower Corp	8.4%
	SBA Communications	4.2%
	Digital Realty Trust Inc	2.8%
	Welltower Inc	2.1%
	Kimco Realty Corp	2.0%
Laggards	Healthpeak Properties	-15.3%
	Extra Space Storage Inc	-14.8%
	UDR Inc	-10.8%
	Camden Property Trust	-10.3%
	Prologis Inc	-10.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$5.93	$6.58	$6.83
35.0x	31.6x	30.4x

Sector Update

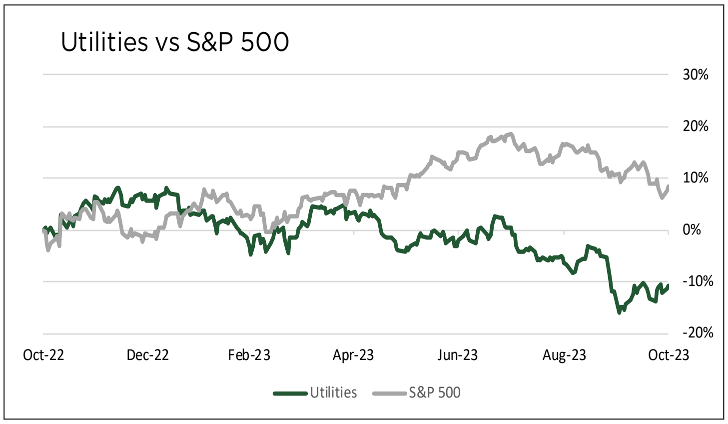
October saw equity markets pull back into correction territory, with the S&P 500 having retrenched by roughly 10.6% at month end from its 52-week high - as interest rates moved ever higher. We note that during October, the Benchmark 10-year Treasury rate moved from 4.69% on the 2nd to close at 4.88% on the 31st – pressuring equity markets that saw the S&P 500 decline 2.20% for the month. Beyond the obvious influence interest rates play on bond proxy issues in the Real Estate sector that lagged once again – falling 2.93% in October - investors also digested the latest 3Q2023 operating results during the past month, with varied company outcomes and management commentary being a factor to individual stock performance. Still, while the Real Estate sector continues to lag, being off 2.93% in October and trailing S&P 500 performance consistently over the past year, overall performance was essentially in the middle of the pack in October among the 11 S&P industry sectors. Now, investors anticipate the Fed has completed its rate hiking cycle, having instituted 11, 25 BPS hikes over the past 18 months that could be supportive of proxy issues. However, signs also point to a slowing U.S. economy, with some economists calling for a recession to arise in 2024 – that could see leasing demand soften - while others are encouraged as lower interest rates could support Real Estate.

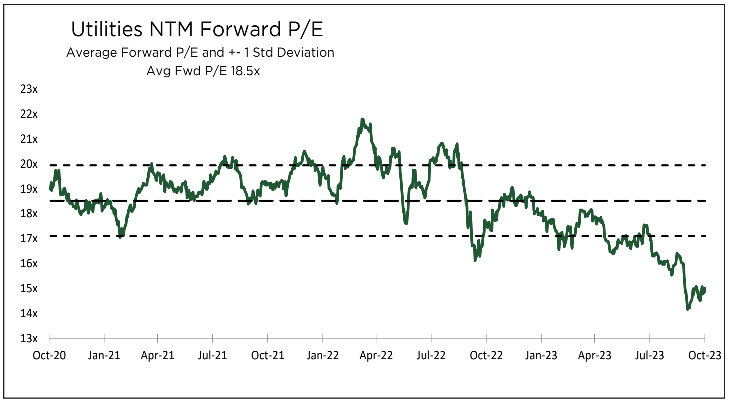
Thus, the near-term outlook for the Real Estate sector remains uncertain as we approach yearend, likely to persist into 1H2024. Still, the 3Q2023 earnings season saw solid rebounds for tower issues. American Tower and SBA Communications both reported upside operating results along with increased guidance. Despite slowing capex investment forecast for leading wireless carriers into 2024, master lease colocation agreements (MLAs) are forecast to support tower REIT operations, while data center demand remains robust. In the meantime, American Tower appears poised to close on the sale of the majority of its holdings in AMT India by yearend, which pleases investors. Digital Realty also reported a solid 3Q2023 with progress on capital recycling, while management was bullish on future potential contributions from generative AI. The positives, however, were partially offset as management also trimmed the 2023 estimated FFO a tad that, limited upside for Digital shares.

Given a mixed economic outlook overall, it is unsurprising to see others in the Real Estate sector experience declines, with several pulling back by double digits. Along with reporting in line 3Q2023, HealthPeak announced an all-stock merger with Physicians Realty, leaving some investors skeptical about consolidation risks. Similarly, the conclusion of the July 2023 acquisition by Extra Space Storage of Life Storage has investors concerned over the pace of integration as rental rates have come under pressure that could weigh results in 2024. And, both UDR and Camden Property Trust missed on 3Q2023 operating results along with disappointing guidance into 4Q2023 that weighed on share valuations.

With economists and the FOMC forecasting a weakening U.S. economy into 2024 (some looking for recession) as interest rates remain poised to be higher for longer, challenges will likely persist for the Real Estate sector into 1H2024. Thus, selectivity remains a key factor for those sifting through the Real Estate sector,

UTILITIES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
1.23%	-11.08%	-15.51%	-10.71%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-2.20%	-8.61%	9.23%	8.31%

	Company Performance	1 Month
Leaders	NRG Energy Inc	10.0%
	Public Service Enter-	8.3%
	PPL Corp	4.3%
	FirstEnergy Corp	4.2%
	Southern Co/The	4.0%
Laggards	Dominion Energy Inc	-9.7%
	Eversource Energy	-7.5%
	American Water Works Co Inc	-5.0%
	Evergy Inc	-3.1%
	DTE Energy Co	-2.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$17.20	$18.63	$20.28
17.6x	16.3x	14.9x

Sector Update

The utility sector gained 1.23% in October, outpacing a 2.2% decline in the S&P 500® as defensive characteristics appeared to benefit the group in a risk-off environment, bouncing from washed-out lows driven by a recent back-up in long-term bond yields. The Utilities group continues to be the worst-performing sector in the S&P year-to-date and in the past twelve-month period, reflecting a stretch of relative weakness against an elevated interest rate backdrop. It remains the case that alternative interest-bearing investments in the bond market provide reasonable alternatives to 'bond proxy' equities compared to the past ~15 years, and the cost of capital remains in an upward trajectory for these large debt issuers.

Local utility Dominion (D) was the worst performer in the sector in October, down 9.7% in the month. Given D is unlikely to grow its dividend as a result of earnings dilution from gas asset sales to Berkshire Hathaway and Enbridge, shares appear to be among the most interest-sensitive in the sector. In the meantime, these sales insulate D from prior threats of a credit rating downgrade as the company will use proceeds to pay down parent-level debt. Investors continue to await the completion of the company's ongoing strategic review and establishment of long-term capex and earnings growth guidance in early 2024.

Despite near-term volatility tied to interest rate dynamics, Utilities appear well-positioned for above-trend earnings growth on a multi-year basis, given significant visibility into long-term capex cycles around transmission and distribution modernization in addition to renewable energy projects supported by regulators. Earnings growth expectations in the Electric Utilities sub-sector look particularly strong at ~15% in FY23 and ~10% in FY24, per Bloomberg data.

The Utilities sector appears attractively valued relative to its historical trend as the group trades more than two standard deviations below its three-year average forward earnings multiple of 18.5x. Elevated interest rates have the potential to remain a near-term overhang on the sector; however, a peak in interest rates or relative weakening in broader market earnings trends could be drivers of multiple expansion and stronger performance in the sector into 2024.

ECONOMIC CALENDAR

Date	Release	For	Prior
7-Nov	Trade Balance	Sep	-$58.7B
7-Nov	Consumer Credit	Sep	-$15.6B
8-Nov	MBA Mortgage Applications Index	11/4	-2.1%
8-Nov	Wholesale Inventories	Sep	-0.10%
8-Nov	EIA Crude Oil Inventories	11/4	N/A
9-Nov	Intial Claims	11/4	217K
9-Nov	Continuing Claims	10/29	1818K
9-Nov	EIA Natural Gas Inventories	11/4	+79 bcf
10-Nov	Univ. of Michigan Consumer Sentiment - Prelim	Nov	63.8
10-Nov	Treasury Budget	Oct	-$171.0B
14-Nov	CPI	Oct	0.40%
14-Nov	Core CPI	Oct	0.30%
15-Nov	MBA Mortgage Applications Index	11/11	N/A
15-Nov	Retails Sales	Oct	0.70%
15-Nov	Retails Sales ex-auto	Oct	0.60%
15-Nov	PPI	Oct	0.50%
15-Nov	Core PPI	Oct	0.30%
15-Nov	Empire State Manufacturing	Nov	-4.6
15-Nov	Business Inventories	Sep	0.40%
15-Nov	EIA Crude Oil Inventories	11/11	N/A
16-Nov	Initial Claims	11/11	N/A
16-Nov	Continuing Claims	11/4	N/A
16-Nov	Philadelphia Fed Index	Nov	-9
16-Nov	Export Prices ex-ag.	Oct	1.00%
16-Nov	Import Prices ex-oil	Oct	-0.20%
16-Nov	Industrial Production	Oct	0.3
16-Nov	Capacity Utilization	Oct	79.70%
16-Nov	NAHB Housing Market Index	Nov	40
16-Nov	EIA Natrual Gas Inventories	11/11	N/A
16-Nov	Net Long-Term TIC Flows	Sep	$63.5B
17-Nov	Housing Starts	Oct	1358K
17-Nov	Building Permits	Oct	1473K
20-Nov	Leading Indicators	Oct	-0.70%
21-Nov	Existing Home Sales	Oct	3.96M
22-Nov	MBA Mortgage Applications Index	11/18	N/A
22-Nov	Durable Orders	Oct	4.70%
22-Nov	Durable Goods - ex transportation	Oct	0.50%
22-Nov	Univ. of Michigan Consumer Sentiment - Final	Nov	N/A
22-Nov	EIA Crude Oil Inventories	11/18	N/A
23-Nov	Initial Claims	11/18	N/A
23-Nov	Continuing Claims	11/11	N/A
23-Nov	EIA Natural Gas Inventories	11/18	N/A

ECONOMIC CALENDAR

27-Nov	New Home Sales	Oct	759K
28-Nov	FHFA Housing Price Index	Sep	0.60%
28-Nov	S&P Case-Shiller Home Price Index	Sep	2.20%
28-Nov	Consumer Confidence	Nov	102.6
29-Nov	MBA Mortgage Applications Index	11/25	N/A
29-Nov	GDP - Second Estimate	Q3	4.90%
29-Nov	GDP Deflator - Second Estimate	Q3	3.50%
29-Nov	Adv. Intl. Trade in Goods	Oct	-$85.8B
29-Nov	Adv. Retail Inventories	Oct	0.90%
29-Nov	Adv. Wholesale Inventories	Oct	0.00%
29-Nov	EIA Crude Oil Inventories	11/25	N/A
29-Nov	Fed's Beige Book	Nov	N/A
30-Nov	Chicago PMI	Nov	N/A
30-Nov	Initial Claimss	11/25	N/A
30-Nov	Continuing Claims	11/18	N/A
30-Nov	Personal Income	Oct	0.30%
30-Nov	Personal Spending	Oct	0.70%
30-Nov	PCE Prices	Oct	0.40%
30-Nov	PCE Prices - Core	Oct	0.30%
30-Nov	Pending Home Sales	Oct	1.10%
30-Nov	EIA Natural Gas Inventories	11/25	N/A

DISCLOSURES

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

Past performance is not indicative of future results.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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