MARKET COMMENTARY

DAVENPORT 1863
BUILDING WEALTH TOGETHER

OCTOBER 2022

- Investors should prepare for Corporate America to signal further weakening of business trends
- All of the eleven S&P 500® sectors ended down for the month
- Recession fears and rising interest rates provide an overhang for stocks

Market pessimism weighed on equities in September and was reflected in a sharp drop in all major indexes. The gloomy mood was exacerbated by mounting concerns that the Federal Reserve may have become overly aggressive and that tight monetary policy could push the economy into recession. With this backdrop, the VIX Index or "fear gauge" rose from near 27 before ending the month at over 31. For the full month, all major equity indexes were negative with the Dow Jones Industrial Average decreasing 8.8%, the S&P 500 index down 9.3%, and the smaller cap weighted Russell 2000® down 9.7% for the month.

September was another tough month for equities with all eleven S&P industry sectors down for the month. The best performing sector was Health Care which decreased by 2.7% followed by the Financials sector which declined by 7.9% for the month. The weakest performance in the month was posted by the Real Estate sector which decreased by 13.6% followed by the Communication Services sector which was down 12.2%. For the prior twelve month period, the Energy sector was the best performer with a 39.6% increase followed by the Utilities sector up 2.5%, while the Communication Services sector was the worst performer for the past twelve months with a 39.6% decrease followed by the Consumer Discretionary sector which was down 21.5%.

With Fed policy driving markets, the potential for entrenched inflation remains a key investor concern. Against this backdrop, inflation continues to be elevated with headline PCE reported at 6.2% for the 12 months ended August which was down from 6.4% reported in July. Core PCE that excludes volatile energy and food costs accelerated on both an annual and monthly basis, rising 4.9% in August from a year ago, compared with a 4.7% increase in July, while on a month-over-month basis Core PCE was up 0.6% - suggesting that broad based inflation is becoming ingrained within the U.S. economy - raising challenges to Fed policy. Household incomes ramped by 0.3% for the month in line with expectations, while spending increased 0.4% in August driven by inflation - with the stat at 0.1% excluding the 0.3% monthly headline inflation figure contrasting with a 0.2% decline in July. Spending on services such as rent, utilities, transportation and healthcare picked up strongly in August, and goods spending declined for the second month in a row as gasoline prices fell - with consumers digging into savings and or credit to cover rising costs for essential goods and services. Looking at specifics for August, food prices rose 0.8% while energy prices slid 5.5%. Housing and utilities prices were up 1% while healthcare costs ramped by 0.6%. Thus, investors responding to what appears entrenched inflation along with a flagging global economy have been selling risk based assets with no apparent place to hide.

Where to from here?

We sense that consensus forecasts for 2023 earnings growth - now standing at ~8.7% - remain too high as forecasts for 2022 have been tempered but with the outlook for next year not being trimmed as significantly. Thus, with the market selloff extending, the S&P 500 has fallen to a new three-month low in bear market territory having traded down almost 25% year to date. We continue to view the 2023 consensus earnings forecast for the S&P 500 as being overly optimistic with the forward P/E multiple, therefore, being understated -as a reduced earnings outlook would drive this P/E ratio higher. That is, the S&P 500 P/E multiple that stood at 22.9x 2021 EPS last December 31 has retrenched back toward historical norms today in the 16x range. We would not be surprised to see 2023 EPS forecasts retreat toward the $220 range - implying a relatively flattish year on the horizon as the U.S. economy potentially slips into a modest recession in 4Q2022 that extends into 1H2023 - that if forthcoming would seem to limit near term prospects for the market.

As we await 3Q2022 earnings season beginning in mid-October, investors should prepare for Corporate America to signal a further weakening of business trends with the outlook into 2023 being uncertain to call. Choppy market conditions will likely persist into late autumn or early winter until rising interest rates show initial signs of influencing the underlying inflation trendline that could then drive a shift in investor sentiment despite the weak economic outlook we anticipate extending into 1H2023. Still, with the broad based pullback experienced, we believe it is time for long term oriented investors to identify and consider building/adding to positions among quality stocks that have the wherewithal to weather the evolving economic slowdown and emerge poised for solid growth over the intermediate term. We remain very selective employing a barbell strategy that focuses on quality, lower beta, dividend paying companies as well as select growth stocks possessing pricing power to sustain margins and growth over the intermediate/longer term.

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MARKET AND ECONOMIC STATISTICS

Market Indices:	9/30/2022	12/31/2021	% Change YTD	8/31/2022	% Change (Monthly)
S&P Composite	3,585.62	4,766.18	-24.77%	3,955.00	-9.34%
Dow Jones Industrials	28,725.51	36,338.30	-20.95%	31,510.43	-8.84%
NASDAQ Composite	10,575.62	15,644.97	-32.40%	11,816.20	-10.50%
Russell 2000	1,664.72	2,245.31	-25.86%	1,844.12	-9.73%
FTSE 100	6,893.81	7,384.54	-6.65%	7,284.15	-5.36%
Shanghai Composite	3,024.39	3,639.78	-16.91%	3,202.14	-5.55%
Nikkei Stock Average	25,937.21	28,791.71	-9.91%	28,091.53	-7.67%
Stoxx Europe 600	387.85	487.80	-20.49%	415.12	-6.57%
MSCI Emerging Markets	875.79	1,232.01	-28.91%	994.11	-11.90%
MSCI Emerging Markets Small Cap	1,046.38	1,412.34	-25.91%	1,165.44	-10.22%
Performance of S&P 500 by Industry:	**% of Index as of 09/30/22**	**1 Month**	**3 Month**	**Year to Date**	**12 Months**
Consumer Discretionary	11.71%	-8.09%	4.13%	-30.32%	-21.50%
Consumer Staples	6.88%	-8.33%	-7.24%	-13.52%	-2.63%
Energy	4.59%	-9.68%	1.16%	30.71%	39.58%
Financials	11.00%	-7.93%	-3.62%	-22.41%	-19.25%
Health Care	15.10%	-2.74%	-5.55%	-14.15%	-4.89%
Industrials	7.87%	-10.56%	-5.12%	-21.72%	-15.27%
Information Technology	26.34%	-12.05%	-6.44%	-31.93%	-20.73%
Materials	2.51%	-9.62%	-7.64%	-24.90%	-13.87%
Communication Services	8.07%	-12.16%	-12.91%	-39.43%	-39.56%
Utilities	3.14%	-11.55%	-6.71%	-8.58%	2.45%
Real Estate	2.80%	-13.64%	-11.66%	-30.43%	-18.75%
S&P 500 (Absolute performance)	100.0%	-9.34%	-5.28%	-24.77%	-16.76%
Interest Rates:	**9/30/2022**	**12/31/2021**	**YTD Change (Basis Points)**	**8/31/2022**	**Month Change (BPS)**
Fed Funds Effective Rate	3.08%	0.09%	299	2.33%	-225
Prime Rate	6.25%	3.25%	300	5.50%	75
Three Month Treasury Bill	2.90%	0.09%	282	0.89%	201
Ten Year Treasury	3.83%	1.51%	232	3.19%	64
Spread - 10 Year vs 3 Month	0.93%	1.43%	-50	2.30%	-138
Foreign Currencies:	**9/30/2022**	**12/31/2021**	**% Change YTD**	**8/31/2022**	**% Change (Monthly)**
Brazil Real (in US dollars)	0.18	0.18	3.0%	0.19	-4.2%
British Pound (in US dollars)	1.12	1.35	-17.5%	1.16	-3.9%
Canadian Dollar (in US dollars)	0.72	0.79	-8.6%	0.76	-5.1%
Chinese Yuan (per US dollar)	7.12	6.36	12.0%	6.89	3.3%
Euro (in US dollars)	0.98	1.14	-13.8%	1.01	-2.5%
Japanese Yen (per US dollar)	144.74	115.08	25.8%	138.96	4.2%
Commodity Prices:	**9/30/2022**	**12/31/2021**	**% Change YTD**	**8/31/2022**	**% Change (Monthly)**
CRB (Commodity) Index	559.45	578.31	-3.3%	585.01	-4.4%
Gold (Comex spot per troy oz.)	1660.61	1829.20	-9.2%	1711.04	-2.9%
Oil (West Texas int. crude)	79.49	75.21	5.7%	89.55	-11.2%
Aluminum (LME spot per metric ton)	2154.75	2806.00	-23.2%	2369.25	-9.1%
Natural Gas (Futures 10,000 MMBtu)	6.77	3.73	81.4%	9.13	-25.9%
Economic Indicators:	**8/31/2022**	**12/31/2021**	**% Change YTD**	**7/31/2022**	**% Change (Monthly)**
Consumer Price Index	295.6	280.1	5.5%	295.3	0.12%
Producer Price Index	260.4	232.0	12.2%	234.0	11.3%
	Q4 2021	**Q3 2021**	**Q2 2021**	**Q3 2020**	**Q4 2020**
GDP Growth Rate (Quarterly)	7.00%	2.10%	6.70%	6.30%	4.50%
Unemployment Rate (End of Month)	**August 3.7%**	**July 3.5%**	**June 3.6%**	**May 3.6%**	**April 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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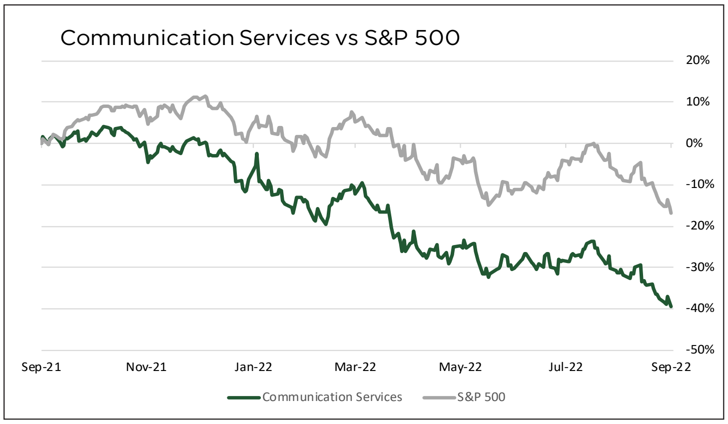
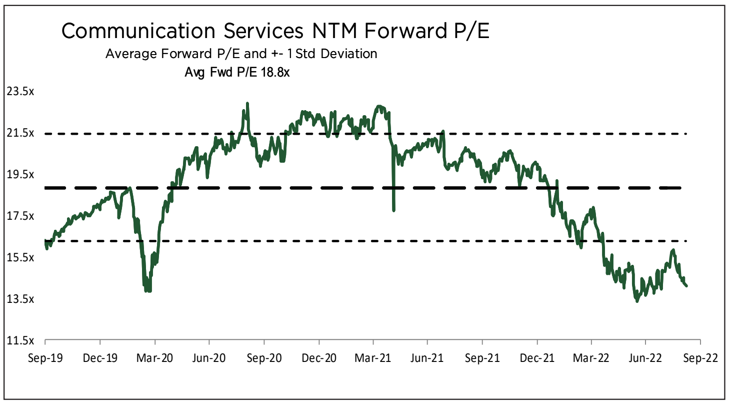
Sector Updates

TELECOMMUNICATIONS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-12.16%	-12.91%	-39.43%	-39.56%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-9.34%	-5.28%	-24.77%	-16.76%

	Company Performance	1 Month
Leader	Twitter Inc	13.1%
	Netflix Inc	5.3%
	Activision Blizzard Inc	-5.3%
	Omnicom Group Inc	-5.7%
	T-Mobile US Inc	-6.8%
Laggards	Lumen Technologies	-26.9%
	Charter Comm.	-26.5%
	DISH Network Corp	-20.3%
	Comcast Corp	-19.0%
	Paramount Global	-18.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$11.46	$11.64	$13.26
14.1x	13.9x	12.2x

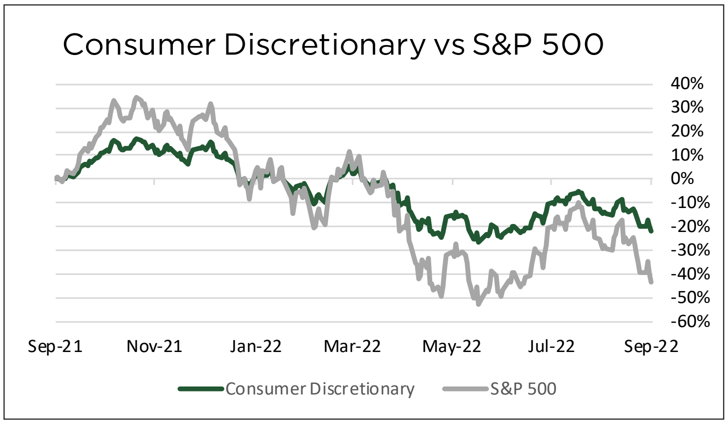
Sector Update

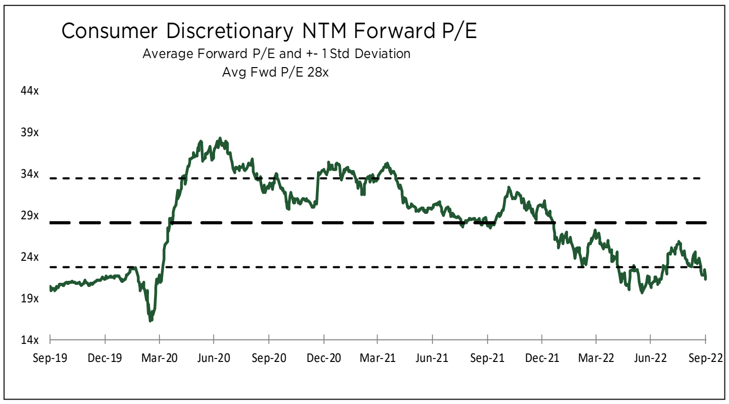
Communications Services underperformed the market in September due to the significant decline in the shares of Charter Communications and Comcast. Investors were disappointed that the companies were no longer adding new high-speed Internet customers. While both companies signed up millions of new high-speed Internet subscribers over the past two years as most people learned and worked from home, their subscriber growth stalled in the June quarter, with Comcast reporting flat subscriber growth and Charter reporting a loss of high-speed Internet subscribers. Comcast CEO Brian Roberts recently told investors that he expects the company to sustain growth in its cable revenue and adjusted EBITDA as growth in its business and wireless customers offset flat growth in its consumer high-speed Internet business. He also noted that Comcast's theme park business remained strong in the third quarter.

Interactive Media & Services continued to underperform the market in September as investors worried about the potential impact of a recession on advertising demand. However, we believe that retail and travel related advertising in the third quarter held up well based on commentary by Comcast and Visa at recent investment conferences. Given Alphabet's higher exposure to retail and travel related advertising and its potential market share gains, the company may have grown its digital ad revenue in the mid-single digits+ in the third quarter. While the efficacy of advertising on Facebook, Instagram and Snap was significantly impacted by Apple's privacy initiative, Google search remained an effective way for advertisers to target ads and measure ad outcomes.

The Communications Services sector could outperform the market over the next year, since it trades at a significant discount to the market with a twelve month forward P/E multiple of 13.9x, compared to its average multiple of 16.8x.

CONSUMER DISCRETIONARY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-8.09%	4.13%	-30.32%	-21.50%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-9.34%	-5.28%	-24.77%	-16.76%

	Company Performance	1 Month
Leader	Wynn Resorts Ltd	4.0%
	Darden Restaurants Inc	2.1%
	AutoZone Inc	1.1%
	Dollar General Corp	1.0%
	O'Reilly Automotive Inc	0.9%
Laggards	VF Corp	-27.8%
	Ford Motor Co	-26.5%
	Carnival Corp	-25.7%
	CarMax Inc	-25.4%
	Caesars Entertainment	-25.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$36.46	$43.70	$56.44
30.8x	25.7x	19.9x

Sector Update

The Consumer Discretionary sector dropped sharply in September against a broad market pullback as seen in the accompanying table. With the Federal Reserve pursuing a restrictive monetary policy agenda, investors appear concerned that consumers will curtail spending as the likelihood of recession increases. Sub-sector performance was weak across all categories with the most significant declines seen in the Textiles, Apparel & Luxury Goods sub-sector followed by the Auto Components sub-sector. Looking at the performance of Consumer Discretionary stocks over the year-to-date period, the sector has significantly underperformed the S&P 500 with all sub-sectors in deep negative territory.

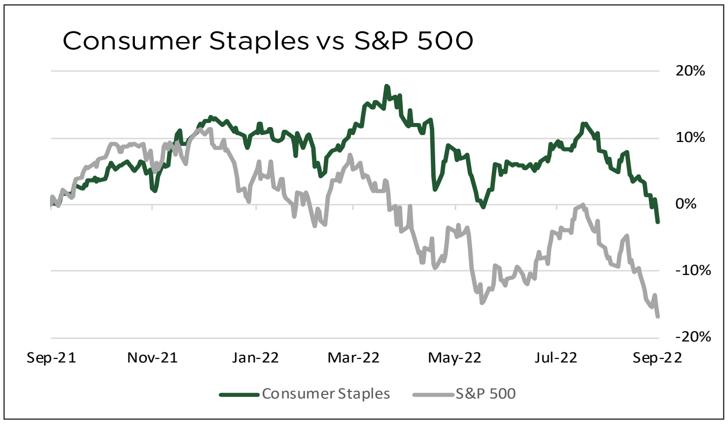
The August consumer price index report or CPI showed inflation running hotter than expected with a headline increase of 0.1% month-over-month and up 8.3% year-over-year. Core inflation which strips out food and gas prices increased 0.6% month-over-month. The CPI report included surprising strength in both food and shelter prices suggesting that the Fed has more work to do to reign in price levels.

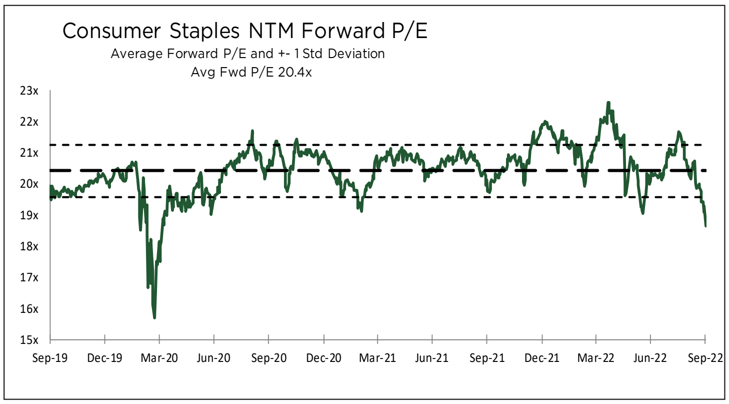
Housing data has continued to show signs of weakness fueled by macro factors including much higher mortgage rates. The average 30-year fixed rate mortgage is tracking at rates about double last year according to Freddie Mac. Meanwhile, home price appreciation is slowing although average home prices remain significantly higher than the previous year. The affordability challenges of higher mortgage rates and home prices have led to homes taking longer to sell and spending more days on the market according to Realtor.com. Existing home sales in August fell 0.4% to 4.8 million according to the National Association of Realtors. The drop in home sales represented the seventh straight monthly decline and reached the lowest level since May of 2020. On a year-over-year basis, existing home sales dropped 19.9%.

The University of Michigan Consumer Sentiment index improved to 59.5 in September versus 58.2 in August. The result reflects a sharp drop from the prior year level of 72.8 and was slightly below expectations per Bloomberg. Declining energy prices appear to have improved the inflation outlook for the year ahead which was reported at 4.6% and is the lowest reading reported in the past year by the survey group.

August retail sales were reported up a stronger than expected 0.3% fueled by gains in auto sales which were up 2.8% against a backdrop of lower gasoline prices. July retail sales were revised from flat to a drop of 0.4% according to the Commerce Department. Excluding autos, retail sales for August declined 0.3%. Month-to-month inflation was up 0.1% which underscores the resiliency of spending in the face of higher prices.

CONSUMER STAPLES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-8.33%	-7.24%	-13.52%	-2.63%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-9.34%	-5.28%	-24.77%	-16.76%

	Company Performance	1 Month
Leader	General Mills Inc	-0.2%
	J M Smucker Co	-1.8%
	Hershey Co	-1.9%
	Monster Beverage Corp	-2.1%
	Walmart Inc	-2.2%
Laggards	McCormick & Co Inc	-15.2%
	Estee Lauder Cos Inc	-15.1%
	Church & Dwight Co Inc	-14.7%
	Sysco Corp	-14.0%
	Philip Morris	-13.1%

Consensus FY EPS / P/E

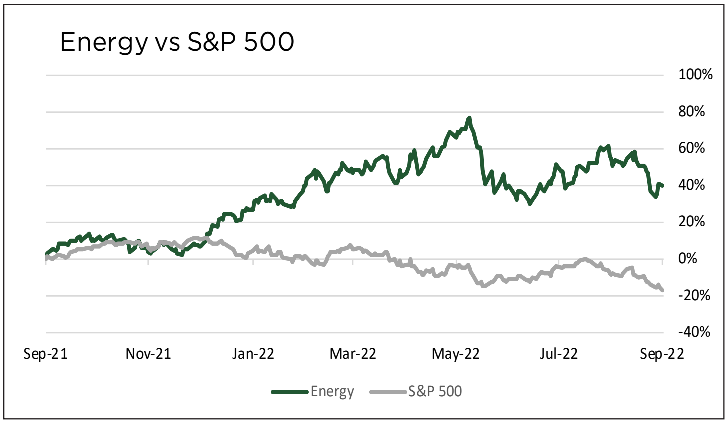
Last Year	Current Year	Next Year
$35.28	$36.04	$38.66
19.7x	19.3x	18.0x

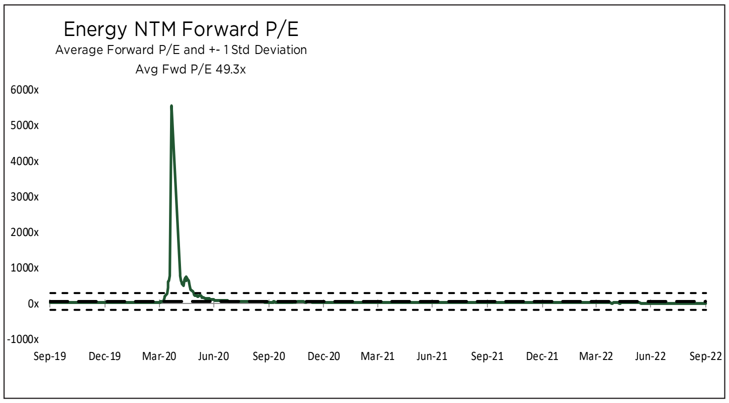
Sector Update

The Consumer Staples sector decreased by 8.33% on average in September and outperformed the S&P 500 Index which decreased by 9.34% for the month. All sectors reported declines for the month with the greatest decrease in personal products. Year-to-date through September, the Consumer Staples sector has decreased 13.52% on average and has significantly outperformed the S&P 500 Index which declined by 24.77%. The Consumer Staples segment is now trading with a current forward P/E of about 19.3x which is relatively in line with its average P/E multiple. With the uncertain global economic backdrop, investor sentiment remains favorable to exposure to the more defensive stock segment. The companies continue to face a volatile operating environment with labor challenges, supply chain disruptions, mixed input costs, uncertain consumer behavior, and difficulty managing inventory for customers. Pricing remains a key factor and historically, strong top-line growth supported by favorable pricing translates into higher margins and earnings for Consumer Staples Companies. We continue to prefer investment in companies with pricing power, leading market shares, strong balance sheets, and experienced management. We continue to advise selective investment among the Consumer Staples stocks.

During an Investor Conference in September, several companies in the household and personal product segment lowered expectations given slowing consumer demand, especially for more discretionary items such as small appliances, household products and vitamins along with inventory build at retailers. For food and beverage companies, consumer demand continues to track in line with expectations despite higher prices with elasticities for most products still running below historical levels. In recent weeks, sales of batteries accelerated in response to hurricane preparations. Currency remains a headwind for international companies. The continued benefit of pricing along with the potential for some moderation in input cost pressures could set up potential margin upside surprises over the next year. The Consumer Staples companies are realizing some declining input cost pressures (i.e. grains, some transportation, labor, etc.), but overall expectations are for high-single to low-double-digit input cost pressures in FY23. The pace of food consumption at home in the U.S. is outpacing away from home consumption as it costs 3-4x more to eat out at a restaurant. Facing higher costs, consumers are increasingly shopping multiple channels (club, dollar stores, grocery, etc) seeking value.

ENERGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-9.68%	1.16%	30.71%	39.58%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-9.34%	-5.28%	-24.77%	-16.76%

	Company Performance	1 Month
Leader	Marathon Petroleum	-1.4%
	Schlumberger NV	-5.9%
	ConocoPhillips	-6.5%
	EOG Resources Inc	-7.9%
	Valero Energy Corp	-8.8%
Laggards	Halliburton Co	-18.3%
	Baker Hughes Co	-17.0%
	ONEOK Inc	-16.3%
	Williams Cos Inc/The	-15.9%
	Coterra Energy Inc	-15.5%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$60.62	$77.59	$69.34
9.1x	7.1x	8.0x

Sector Update

Rising fear of global recession amidst a backdrop of OPEC tightening roiled energy markets in September and impacted energy stock performance. With OPEC positioning to cut production and uncertainty around the potential for continuing withdrawals from the Strategic Petroleum Reserve, the outlook for energy supply tightening in coming months appears increasingly likely. Against this backdrop, the Energy sector slightly underperformed the S&P 500 for the one month period while on a year-to-date and a trailing twelve-month basis the sector has significantly outperformed, as seen in the accompanying table.

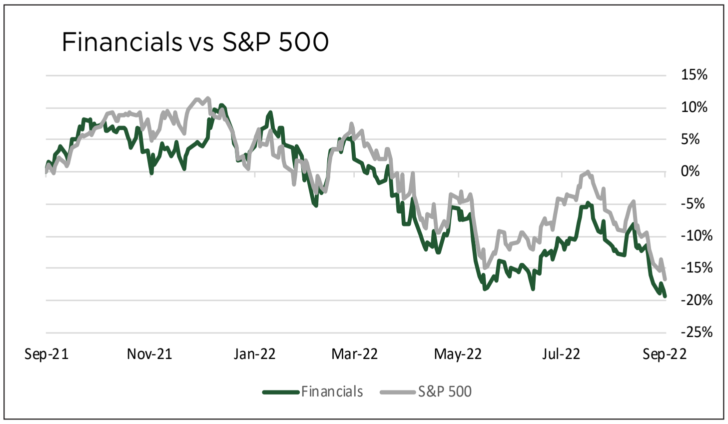
The expanded OPEC+ group shifted gears in early September agreeing on a 100,000 barrels per day cut in production and followed that in early October with reports of a potential further 2 million barrels per day cut. The moves appear designed to signal that the oil cartel will respond to market supply dynamics in the face of the potential for recession-induced demand weakness. The September drop in oil production represented the first announced cutback by OPEC in over a year and reverses the increase of 100,000 barrels per day following President Biden's recent trip to Saudi Arabia.

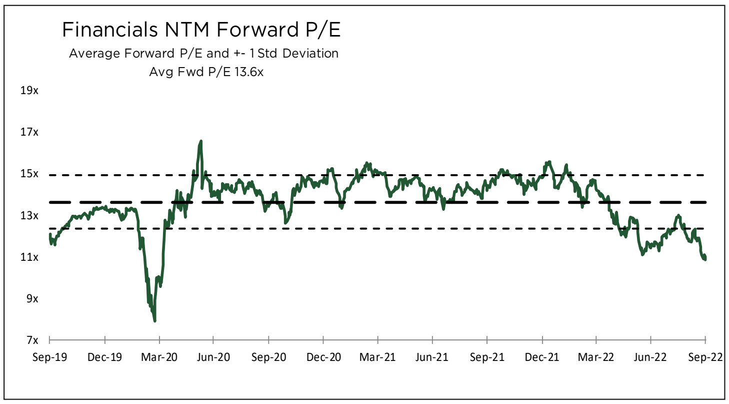
Following a summer slowdown, Russian oil exports were reported to have picked up in August with significant demand from China and India. Although sanctions have slowed the flow of oil into the European Union, strong demand from China has boosted reported imports above 1 million barrels per day into that market with India close behind. Reuters has reported that the combination of higher export volumes and rising prices should boost Russian energy export revenues by about 38% this year.

West Texas Intermediate crude oil prices trended lower in September moving from just under $90 per barrel to end the month at a little over $79 per barrel. Natural gas prices moved down during the month from a little over $9 per million Btu to end the month at a little under $7 per million Btu. Retail gasoline prices in September dropped to $3.83 per gallon at the end of the month from the $3.94 average price seen at the end of August. We note that gas prices remain well above the prior year's level of $3.27 per gallon. We are pleased to see the pullback in gasoline prices in an environment of global energy uncertainty.

The Baker Hughes oil rig count was down slightly in the month coming in at 604 rigs for September versus 605 rigs in August. The oil rig count at month-end was above the prior year's level of 421 rigs as we have seen growth in rig counts over the past year. U.S. crude oil storage at 431 million barrels was up from last month's level of 418 million barrels. We note that storage levels have generally been declining off the 2020 pandemic highs but are currently above the prior year's level of 419 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 has continued during 2022. The trough daily production seen in 2020 was in the 9.7 million barrels per day range and has now rebounded to about 12.0 million barrels per day at the end of the month.

FINANCIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-7.93%	-3.62%	-22.41%	-19.25%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-9.34%	-5.28%	-24.77%	-16.76%

	Company Performance	1 Month
Leader	Allstate Corp	3.3%
	Globe Life Inc	2.6%
	Charles Schwab Corp	1.3%
	W R Berkley Corp	-0.3%
	Cboe Global Markets Inc	-0.5%
Laggards	Franklin Resources Inc	-17.5%
	BlackRock Inc	-17.4%
	SVB Financial Group	-17.4%
	Invesco Ltd	-16.8%
	Citigroup Inc	-14.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$44.31	$40.68	$47.91
11.4x	12.4x	10.5x

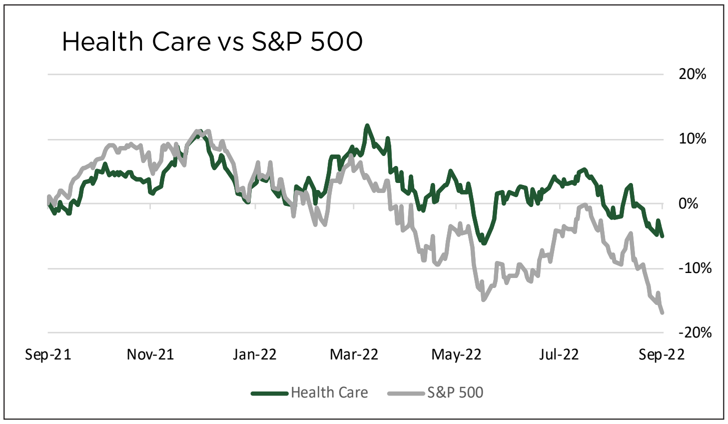
Sector Update

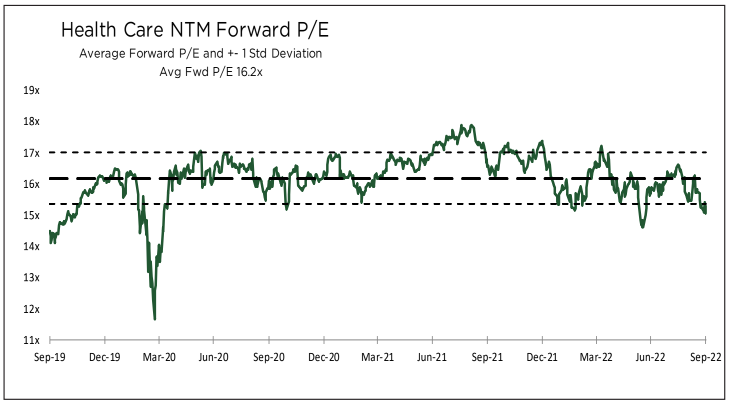
The Financials sector extended its slide in September, down 7.93% in the month following a near 7% downside move in August. The sector followed the broader market lower with the S&P 500 giving up 9.34% in September. Year-to-Date (YTD) returns show the Financials group slightly outperforming the S&P 500; however, both the sector and index remain more than 22% below 2021 levels through the first three quarters of the year. Trailing twelve month comparisons favor the S&P 500 index relative to the Financials sector, down 16.76% and 19.25%, respectively. All Financials subsectors finished September lower than the prior month, led by the Consumer Finance group with a 12.7% decline followed by a 9.9% pullback in Capital Markets oriented firms.

Following up on strongly hawkish commentary at Jackson Hole, the FOMC raised its overnight benchmark rate by another 75 bps in September, including a median 'dot plot' projection of a 4.6% fed funds rate by the end of 2023 that surprised markets to the upside. The implications of continuously hawkish Fed talk and action are clear, suggesting the central bank will continue to tighten into restrictive territory despite a slowing macroeconomic backdrop and widespread recessionary concerns with a focus on reducing inflation and labor demand—likely driving a meaningful expansion of the unemployment rate from recent lows. We note the quantitative tightening process only reached its run-rate level of balance sheet run-off in September, adding to liquidity constraints in capital markets while further reducing aggregate economic demand. Given the Financials group is cyclically linked, the potential for recession exacerbated by monetary policy constraints could remain a significant overhang on the group near-term.

In mid-October, we head into another pivotal earnings season. On one hand, interest revenue streams are likely to be stronger than in recent years on higher rates and solid loan demand trends, while trading revenues could be very strong on the back of elevated volatility and volumes in fixed income, commodities, and currencies. On the other side of the ledger—critical areas of focus will be the progression of credit quality, loan demand and originations, the underperformance of fee income in mortgage and investment banking arms, and likely losses in fixed income inventories tied to the rising rate environment. Management commentary on guidance and broader economic trends will be under the microscope in the coming weeks as well. In Q2, earnings and guidance from industry leaders suggested a continuation of firming loan demand and solid credit quality, with loss rates moving higher from record lows but remaining nearly 50% below pre-pandemic levels; however, current public market valuations imply broad disbelief of these trends moving forward.

We continue to see the group coming from a fundamental position of strength; however, remain cautious about near-term performance against a deteriorating macro backdrop. For patient long-term investors, we see pockets of value in the sector for multi-year investment in companies trading at material discounts to book value and historic earnings multiples.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.74%	-5.55%	-14.15%	-4.89%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-9.34%	-5.28%	-24.77%	-16.76%

	Company Performance	1 Month
Leader	Biogen Inc	36.7%
	Regeneron Pharm	18.6%
	Eli Lilly & Co	7.3%
	Bristol-Myers Squibb Co	5.5%
	Vertex Pharma	2.8%
Laggards	Organon & Co	-18.0%
	Catalent Inc	-17.8%
	STERIS PLC	-17.4%
	West Pharmaceutical	-17.1%
	Align Technology Inc	-15.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$83.17	$94.56	$93.70
17.0x	14.9x	15.1x

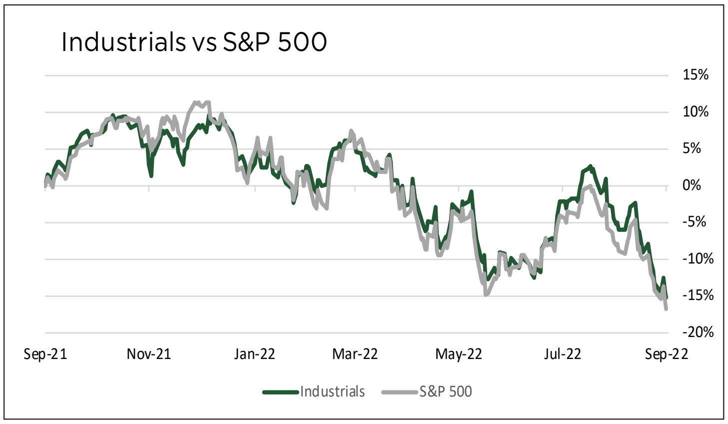
Sector Update

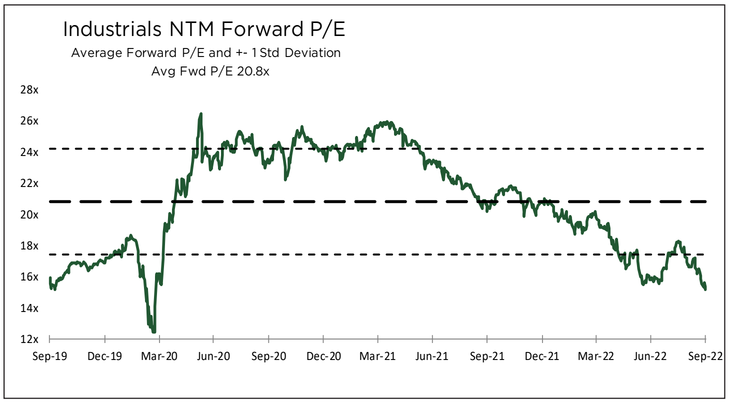
Markets were under pressure during the latter portion of September after the Bureau of Labor Statistics reported August consumer price trends (CPI) that ran well ahead of forecasts that set the stage for further aggressive tightening by the FOMC. As a result, the S&P 500 sold off by 9.3% into month end, while interest rates and the U.S. dollar ramped measurably higher. Thus, it appears that there was no place to hide with selling pressure experienced among the majority of equities and fixed-income arenas. As illustrated in the adjacent graphics, the Health Care sector also experienced modest pressures, although given the defensive nature of the products and services offered did outperform – declining just 2.7% for the month, while on a year-to-date basis a decline of 14.2% contrasts with the broad market selloff that reached 24.8%.

Performance across the healthcare sector however varied with many issues experiencing declines post CPI report along with numerous other growth stocks, while a select few saw company specific developments fuel outperformance. For example, Biogen shares surged higher after the firm and JV partner Eisai reported encouraging data from a phase 3 clinical trial of their experimental Alzheimer's drug Lecanemab that appeared to slow the progress of the condition among early disease stage in study patients. Likewise, Eli Lilly shares advanced as its Alzheimer's therapeutic, Donanemab, was filed for FDA approval in late August with a review now underway. Given that an estimated 5.8 million Americans currently suffer from Alzheimer's it is not surprising that R&D development news influences share valuations – although final FDA approvals may or may not be forthcoming on these products. In addition, Regeneron reported positive clinical study datasets offering the potential to expand the labels on two of the firm's leading therapeutics - Dupixent and Eylea – that catalyzed shares in September.

In contrast, general market weakness and shifting consumer spending habits influenced other healthcare stocks notably including Organon, West Pharmaceuticals, and Align Technology. In addition, company/sector-specific issues arose at Catalent where manufacturing issues were identified related to COVID vaccines, while firms in the surgical sterilization segment were impacted by a new liability overhang arising from ethylene oxide leakage potentially connected with a heightened risk of cancer among staff operating sterilizing equipment.

Although a range of headwinds persists for the healthcare sector, related to supply chains, raw materials, and labor/wage costs, given the current uncertain macro-economic environment we sense that Health Care is poised to outperform into 2023 compared to many other more economically sensitive S&P sectors suggesting selective investment remains appropriate.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-10.56%	-5.12%	-21.72%	-15.27%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-9.34%	-5.28%	-24.77%	-16.76%

	Company Performance	1 Month
Leader	Rollins Inc	2.7%
	CoStar Group Inc	0.0%
	Nielsen Holdings PLC	-0.4%
	Robert Half Int.	-0.6%
	IDEX Corp	-0.7%
Laggards	FedEx Corp	-29.6%
	Boeing Co	-24.4%
	Generac Holdings Inc	-19.2%
	United Parcel Service Inc	-17.0%
	Southwest Airlines Co	-16.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$34.70	$41.00	$48.10
20.2x	17.1x	14.6x

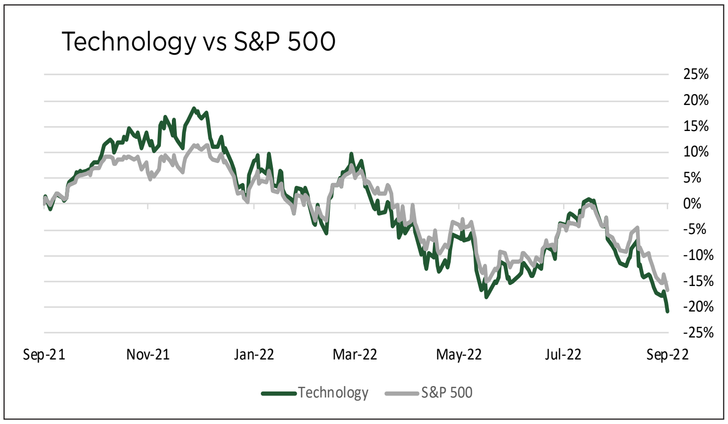
Sector Update

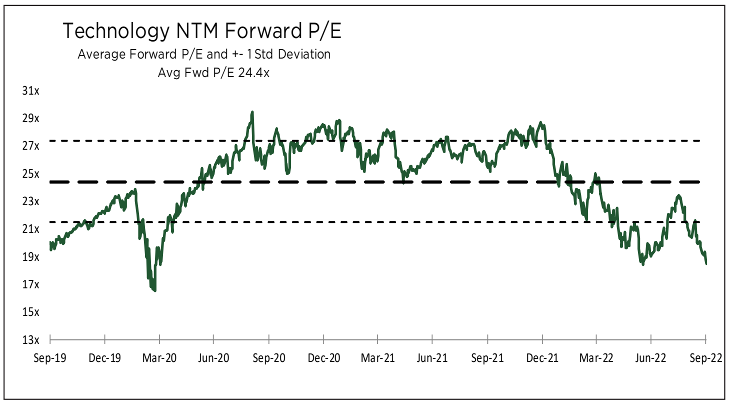
The Industrial Sector underperformed the S&P 500 by 1.22% in the month of September, with a -10.56% monthly performance. This underperformance versus the overall market occurred due to the cyclical nature of the sector amplifying the continued supply-chain disruptions that the global economy has experienced along with mounting concerns that the Federal Reserve may push the economy into recession by employing overly tight monetary policy. Year-to-date comparisons favor the Industrial Sector against the broader index despite this cyclical nature, where the Industrials Sector is known for experiencing earnings slowdowns in strong relation to slowing economic growth. The Air Freight & Logistics subsector contributed most significantly to the weak month that the Industrial Sector experienced with a 19.9% loss, although each other subsector within the Industrials sector also experienced declines for the month. The top laggard of the month, which contributed significantly to the decline in Air Freight & Logistics, was FedEx Corp (FDX), with a 29.6% loss for the month. FedEx shares dropped sharply in the middle of the month when management reported fewer packages shipped because of weakening economic conditions and a drop in operating income by 69% after earnings. The earnings announcement came on the heels of an unexpected statement issued by the company stating trouble was likely ahead for the company as they expect a global recession to arise. United Parcel Service (UPS), the fourth worst performing equity in the sector for the month with a 17.0% loss, also saw share price depreciation after FedEx's announcement, as investors expect business performance to decline in tandem with FedEx. Inflationary pressures and rising production costs continue to weigh on supply chains throughout the Industrial sector, with companies hiring less as new orders fell.

The September manufacturing ISM fell 1.9%, to 50.9% vs an expected 52.0%, which was dragged down by weak new orders and employment. A reading under 50% represents a contraction in the manufacturing sector of the economy, a number that the PMI reading is approaching. PMIs remain a macro lens into earnings revisions, which suggests that global earnings estimates are poised to fall as central banks are getting increasingly hawkish, Europe battles with an energy crisis, U.S. and China activity slows, and uncertainty persists across Taiwan, Ukraine, and Brazil. This sector of the economy remains a supply-chain-constrained environment, with panelists expressing concern about a softening in the economy.

The Industrial sector is trading at a Next Twelve Month Forward P/E of 17.1x, 3.7x lower than the Average P/E of 20.8x. The compressed multiple is likely justified as rising interest rates, quantitative tightening, depressed consumer confidence, and lower earnings forecasts remain pressures for the sector in the intermediate term.

INFORMATION TECHNOLOGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-12.05%	-6.44%	-31.93%	-20.73%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-9.34%	-5.28%	-24.77%	-16.76%

	Company Performance	1 Month
Leader	Citrix Systems Inc	1.1%
	Fortinet Inc	0.9%
	DXC Technology Co	-1.2%
	Gartner Inc	-3.0%
	Enphase Energy Inc	-3.1%
Laggards	Adobe Inc	-26.3%
	Advanced Micro Devices	-25.3%
	Western Digital Corp	-23.0%
	Seagate Technology	-20.5%
	Monolithic Power Systems	-19.8%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$93.96	$106.55	$118.26
22.1x	19.5x	17.6x

Sector Update

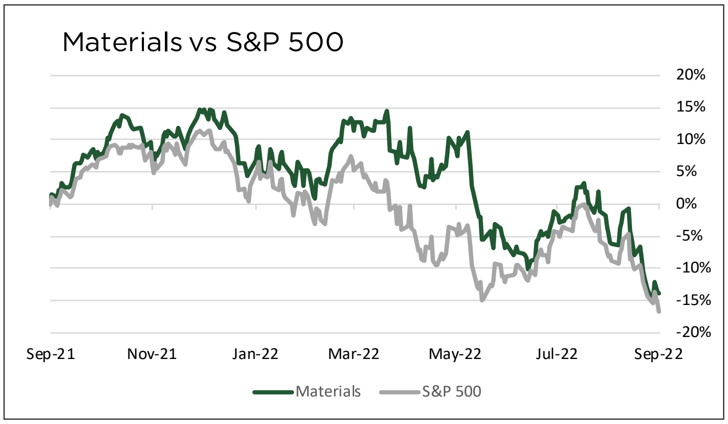
The Federal Reserve's aggressive interest rate hikes to combat persistent inflation contributed to the significant decline in the Technology sector in September since technology company discounted cash flow valuations are impacted by higher interest rates.

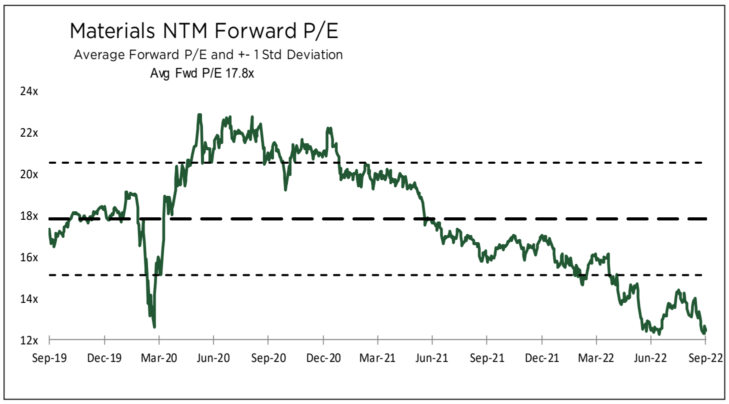
Given the potential risk of a recession in 2023, we consider the current consensus Technology sector EPS estimate (11% growth) optimistic. The Technology sector could pull back further over the next few months and underperform the market as companies lower their 2023 earnings guidance in response to a potential recession. We still do not consider the Technology sector attractively valued, with a P/E of 19.5x the consensus analyst 2022 EPS estimate, with the potential risk that sector earnings could remain flat in 2023.

The Semiconductor and Semiconductor Capital Equipment sector significantly underperformed the market in September and year-to-date. Micron recently warned of lower-than-expected PC and smartphone demand in 2022, with global PC unit shipments and smartphone units expected to decline 15% and 9% year-over-year. Investors may receive a comprehensive assessment of semiconductor demand in the consumer, enterprise, hyperscale cloud data center, industrial, and telecom carrier sectors when Taiwan Semiconductor, the largest chip contract manufacturer, reports results next week.

Accenture, a leading IT services company, provided FY23 guidance below the consensus estimate, which contributed to IT Services underperforming the market in September. Despite the potential impact of inflation and a recession, Accenture expects to grow its FY23 revenue 8%-11% at constant currency as corporations and governments continued to invest in their digital transformation. Accenture consultants are helping customers implement new cloud-based software/services/AI to improve their internal and supply chain processes. These investments may help Accenture's clients to better cope with an inflationary environment.

MATERIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-9.62%	-7.64%	-24.90%	-13.87%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-9.34%	-5.28%	-24.77%	-16.76%

	Company Performance	1 Month
Leader	Newmont Corp	1.6%
	Albemarle Corp	-1.3%
	FMC Corp	-2.2%
	Linde PLC	-4.7%
	Vulcan Materials Co	-5.3%
Laggards	Westrock Co	-23.9%
	International Paper Co	-23.8%
	Eastman Chemical Co	-21.9%
	Nucor Corp	-19.5%
	Celanese Corp	-18.5%

Consensus FY EPS / P/E

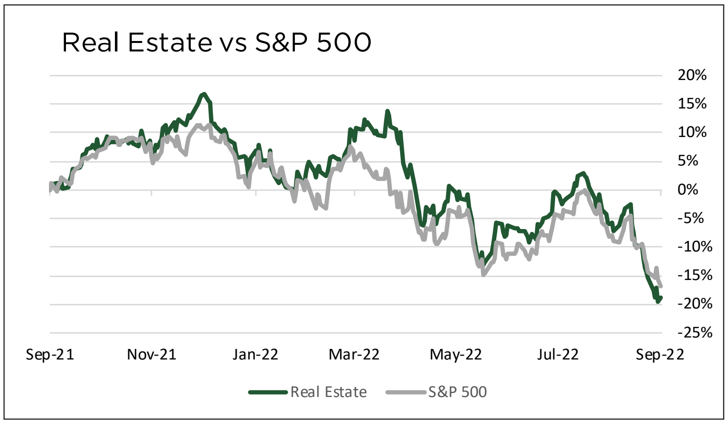
Last Year	Current Year	Next Year
$34.94	$36.41	$33.58
12.2x	11.7x	12.7x

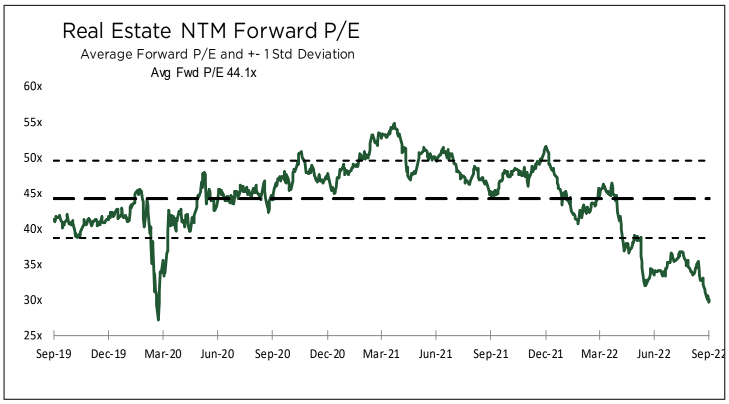
Sector Update

The Materials segment decreased by 9.62% in September and outperformed the S&P 500 Index which decreased by 9.34%. All sectors reported decreases for the month. The Containers and Packaging segment was the weakest declining by 17.4% followed by chemicals which declined by 10% for the month. Demand for packaging (i.e. boxes) in Q4 is now expected to be more challenging versus earlier estimates due to continued destocking and changes in consumer purchases. The Materials segment is now trading with a current forward P/E of about 11.7x which is below its average forward P/E of 17.8x and towards the low end of its historic trading range. The current valuation seems to reflect the more moderate 2H expectations. The selective investment among the stocks in the segment remains a key strategy.

Execution, end market demand, and input cost pressures remain critical factors. For the chemicals segment, 1H results were characterized by higher energy costs that impacted such products as resin and feedstock and logistic and supply chain challenges. For 2H and FY23 focus centers on the outlook for European and Asian economies, expected moderating input cost pressures for oil derivative products, currency movement, customer demand, inventory levels, and capacity utilization. The coating segment appears best positioned given its pricing actions this year to offset input cost pressures. Rising interest rates globally are pressuring such end markets as construction and housing. Within the domestic housing market, the recent rise of fixed mortgages to around 7% is further pressuring the already weakening domestic housing market. Tight housing inventory and declining input costs (lumber, metal, etc.) provide positive tailwinds heading into 2023 while moderating consumer demand presents a challenge. An investment in repair and remodel companies remains attractive as consumers with low fixed mortgage rates increasingly lack the incentive to move. The macro trend towards the transition to clean energy remains a key theme supporting investment in hydrogen, carbon capture, and lithium technologies. Lithium supply and demand remains tight supporting favorable pricing.

REAL ESTATE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-13.64%	-11.66%	-30.43%	-18.75%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-9.34%	-5.28%	-24.77%	-16.76%

	Company Performance	1 Month
Leader	Boston Properties Inc	-5.6%
	Mid-America Apartment	-6.4%
	Invitation Homes Inc	-6.9%
	UDR Inc	-7.0%
	Camden Property Trust	-7.1%
Laggards	Digital Realty Trust Inc	-19.8%
	Prologis Inc	-18.4%
	Duke Realty Corp	-18.1%
	Iron Mountain Inc	-16.4%
	Weyerhaeuser Co	-16.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$6.59	$7.45	$7.63
34.3x	30.3x	29.6x

Sector Update

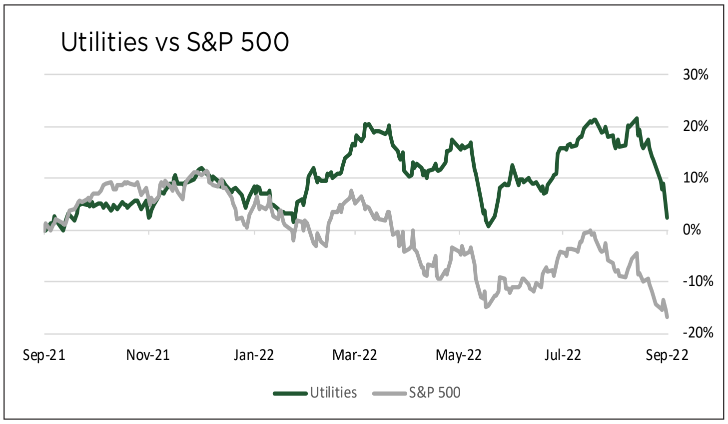
Investors experienced a challenging month in September as a much stronger than forecast rise in August headline consumer prices (CPI rising by 8.3% year over year) was followed by another 75 basis point hike in the fed funds rate at the September 21st FOMC session. As a result, the S&P 500 sold off by 9.3% into month end, while interest rates and the U.S. dollar ramped measurably higher with heightened expectations of further rate hikes to follow into 1H2023 along with fears of recession as appearing on the horizon. More specifically, in September, the yield on the 2-year note moved up by 77 basis points to 4.22%, while the 10-year Treasury yield ramped to 3.83% (up 68 basis points). Thus, it appears that there was no place to hide with selling pressure experienced among the majority of equities and fixed-income arenas. Real Estate, frequently viewed as a bond proxy segment of the market tends to have performance correlated to interest rates as well as general economic conditions. With deteriorating conditions in September, Real Estate continued a trend of underperformance versus the broad market averages with the sector falling sharply by 13.6% for the month, while collapsing 30.4% year to date.

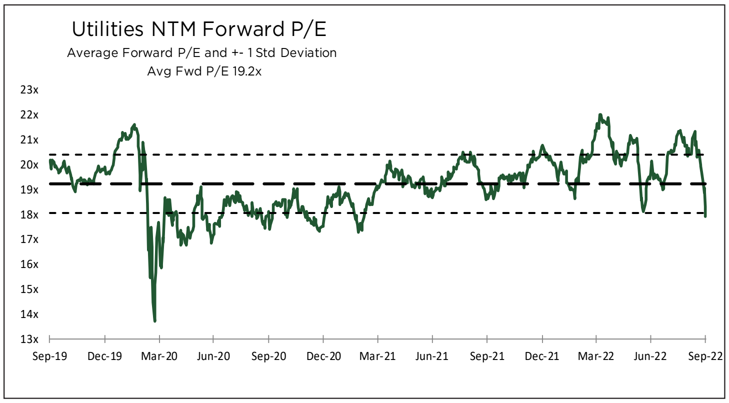
With consumers having retrenched on purchases of durable goods given a slowing economy and the housing sector having rolled over, REIT investor fears over occupancy and rental pricing implications have arisen. Still, with a recent investor presentation, Boston Properties noted that its premiere office buildings stood at 92% occupied (well above industry averages if the 87% range), while its new project pipeline remains solid.

Although demand remains resilient in the warehouse and data center segments of the market, in September, Digital Realty and Prologis experienced measurable selling pressure. A key operating cost in the data center sector and for Digital Realty is energy where significant price hikes have occurred (notably in the Eurozone), while foreign exchange headwinds and higher rates on a recently completed debt offering (versus debt maturities being refinanced) are likely factors weighing on the shares. Prologis has just completed its $26 billion stock-based acquisition of warehouse competitor Duke Realty that while expected to be accretive has likely created some overhang on the share valuation. And, despite the rollover of the housing market, rental rates are poised to continue heading higher into 2023 which has supported performance from Mid-America Apartment and Invitation Homes in September.

Given the Fed's quantitative tightening strategy now underway, we sense that economic uncertainty will persist as the U.S. has not experienced a similar process to any significant degree in the past four decades with the outcome/ramification to follow. Interest rate, occupancy, and pricing trends and the influence they have on the economy will likely remain the challenge to investor sentiment for the Real Estate sector into 2023.

UTILITIES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-11.55%	-6.71%	-8.58%	2.45%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-9.34%	-5.28%	-24.77%	-16.76%

	Company Performance	1 Month
Leader	Constellation Energy	2.0%
	FirstEnergy Corp	-6.4%
	NRG Energy Inc	-7.3%
	NextEra Energy Inc	-7.8%
	Sempra Energy	-9.1%
Laggards	Edison International	-16.5%
	Dominion Energy Inc	-15.5%
	Exelon Corp	-14.7%
	NiSource Inc	-14.6%
	Pinnacle West Capital	-14.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$16.64	$17.72	$18.83
20.0x	18.8x	17.7x

Sector Update

The Utilities sector was one of five S&P 500 sectors to decline by more than 10% in September, lagging the broader market decline of 9.34% in the month on an 11.55% slide. Year-to-date comparisons favor the Utilities sector relative to the market—with the sector down 8.6% compared to a 24.8% retrenchment in the S&P through the third quarter. The sector also meaningfully outpaced the broader market in the past twelve months, up 2.45% compared to the S&P down 16.8% in the same period. In line with our prior commentary, September performance in this historically defensive sector appeared to be pressured on multiple fronts as higher rates increase the cost of capital for these large debt issuers while competing for security effects of higher yields in fixed-income markets pull investors away from these 'bond proxies'.

Performance was consistently ugly across subsectors, with all four categories experiencing monthly declines in a range of 11.2% to 13.5%, with the worst performing group being Water Utilities comprised solely of American Water Works (AWK).

Constellation Energy (CEG) was again the top performing Utility in September, leading the sector for the third consecutive month. In addition, CEG was the only sector component to finish the month with a positive return. The growth-oriented Exelon spin-off appeared to build on the momentum from the recent passage of the Inflation Reduction Act and its ~$369B in renewable energy spending is expected to further increase regulated demand for renewable power production. CEG is the largest publicly traded renewables producer with ~162GW of carbon-free generation, leading the industry with runner-up NextEra (NEE) at ~99GW. CEG previously pledged to achieve 95% carbon-free generation by 2030 and 100% by 2040.

We continue to think many Utilities are somewhat 'caught in the middle' between historical defensiveness and inflationary pressures against long-term capital expenditure backlogs. Higher interest rates could be an additional drag; increasing cost of capital for companies with substantial debt issuance needs, while investors are no longer pinned to bond proxy equities in a search for income with a two-year treasury providing a 4.2% yield at the end of September.

Following a substantial pullback in the past month, the Sector appears more reasonably valued at 17.7x FY23 earnings expectations and below its multi-year average valuation. While there remains significant uncertainty around current and out-year estimates in the broader market, it is likely that earnings revisions in the Utilities sector could remain stable or improve modestly on the back of recent legislation and favorable weather. The Utilities sector continue to trade at a premium to the market; however, investors appear willing to pay up for stability against a deteriorating macro backdrop. We reiterate our preference of placing new investments in secular growth stories with reasonable valuations at this juncture; however, the Utilities no longer appear prohibitively expensive.

ECONOMIC CALENDAR

Date	Release	For	Prior
7-Oct	Nonfarm Payrolls	Sep	315K
7-Oct	Nonfarm Private Payrolls	Sep	308K
7-Oct	Avg. Hourly Earnings	Sep	0.30%
7-Oct	Unemployment Rate	Sep	3.70%
7-Oct	Average Workweek	Sep	34.5
7-Oct	Wholesale Invensories	Aug	0.60%
7-Oct	Consumer Credit	Aug	$23.3B
7-Oct	MBA Mortgage Applications Index	10/8	-14.20%
12-Oct	PPI	Sep	-0.10%
12-Oct	Core PPI	Sep	0.40%
13-Oct	CPI	Sep	0.10%
13-Oct	Initial Claims	10/8	1361K
13-Oct	Continuing Claims	10/1	1361K
13-Oct	EIA Natural Gas Inventories	10/8	+129 bcf
13-Oct	EIA Crude Oil Inventories	10/8	-3.36M
13-Oct	Treasury Budget	Sep	-$219.6B
14-Oct	Retail Sales	Sep	0.30%
14-Oct	Retail Sales ex-auto	Sep	-0.30%
14-Oct	Import Prices	Sep	-1.00%
14-Oct	Export Prices	Sep	-1.60%
15-Sep	Export Prices ex-ag.	Sep	-1.80%
14-Oct	Business Inventories	Aug	0.60%
14-Oct	Univ. Of Michigan Consumer Sentiment - Prelim	Oct	NA
17-Oct	Empire State Manufacturing	Oct	-1.5
18-Oct	Industrial Production	Sep	-0.20%
18-Oct	Capacity Utilization	Sep	80.00%
18-Oct	NAHB Housing Market Index	Oct	46
19-Oct	MBA Mortgage Applications Index	10/15	NA
19-Oct	Housing Starts	Sep	1575K
19-Oct	Building Permits	Sep	1517K
19-Oct	EIA Crude Oil Inventories	10/15	NA
20-Oct	Initial Claims	10/15	NA
20-Oct	Continuing Claims	10/8	NA
20-Oct	Philadelphia Fed Index	Oct	-9.9
20-Oct	Existing Home Sales	Sep	NA
20-Oct	EIA Natural Gas Inventories	10/15	NA
25-Oct	FHFA Housing Price Index	Aug	NA
25-Oct	S&P Case-Shiller Home Price Index	Aug	NA
25-Oct	Consumer Confidence	Oct	NA
26-Oct	MBA Mortgage Applications Index	10/22	NA
26-Oct	Adv. Intl. Trade in Goods	Sep	NA
26-Oct	Adv. Retail Inventories	Sep	NA

ECONOMIC CALENDAR

26-Oct	Adv. Wholesales Inventories	Sep	NA
26-Oct	New Home Sales	Sep	NA
26-Oct	EIA Crude Oil Inventories	10/22	NA
27-Oct	Chain Deflator-Adv.	Q3	NA
27-Oct	Continuing Claims	10/15	NA
27-Oct	Durable Orders	Sep	NA
27-Oct	GDP-Adv.	Q3	NA
27-Oct	Initial Claims	10/22	NA
27-Oct	EIA Natural Gas Inventories	10/22	NA
28-Oct	Employment Cost Index	Q3	NA
28-Oct	PCE Prices	Sep	NA
28-Oct	PCE Prices - Core	Sep	NA
28-Oct	Personal Income	Sep	NA
28-Oct	Personal Spending	Sep	NA
28-Oct	Pending Home Sales	Sep	NA
28-Oct	Univ. of Michigan Consumer Sentiment - Final	Oct	NA
31-Oct	Chicago PMI	Oct	NA

DISCLOSURES

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

Past performance is not indicative of future results.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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