MARKET COMMENTARY

DAVENPORT 1863
BUILDING WEALTH TOGETHER

OCTOBER 2024

- The best industry sector performance for September was Consumer Discretionary, while Energy was the worst
- Investor maxim "Don't fight the Fed" reinforced as rates were cut by 50bps
- Shortly following the rate cut, the yield curve was uninverted

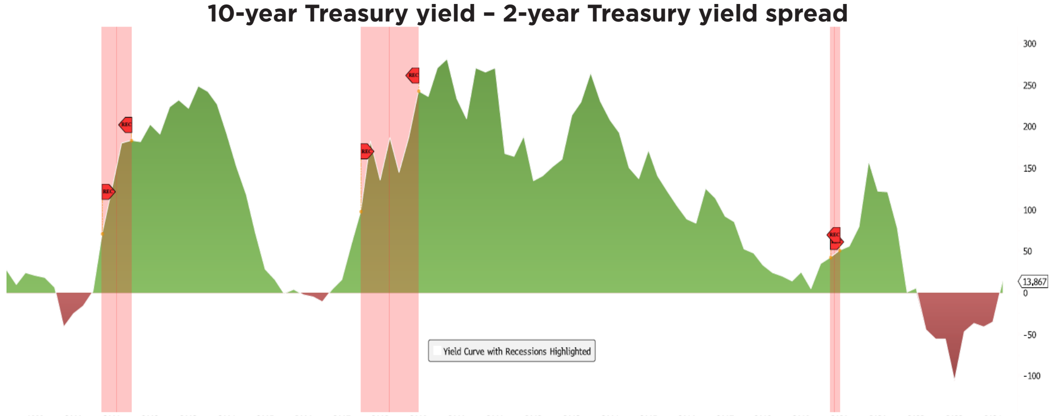
The 50 basis points rate cut by the Federal Reserve in September represented a shift from "higher for longer" monetary policy and provided the fuel to sustain the market rally with all major indices rising through month-end. With a more accommodative monetary policy in place, investor sentiment turned positive, and the S&P 500 made multiple new highs during the month. Despite a backdrop of rising geopolitical risks and an upcoming presidential election, the VIX Index, commonly referred to as the fear gauge, suggests that investors may have turned somewhat complacent with the index declining to the mid-teens by month end. For the full month of September, the Dow Jones Industrial Average increased by 1.9%, the S&P 500® index was up 2.0%, and the smaller cap-weighted Russell 2000® increased by 0.6%.

Eight of the eleven sectors of the S&P 500 increased during September. The best-performing sector for the month was Consumer Discretionary, which increased by 7.0% and was followed by the Utilities sector, which was up 6.4%. The weakest performance in the month was posted by the Energy sector, which decreased by 2.8%, followed by the Health Care sector, which was down 1.8%. For the prior twelve months period, the Information Technology sector was the best performer with a 51.6% increase, followed by the Communication Services sector, which was up 41.6%, while the Energy sector was the worst performer for the past twelve months with a 2.6% decrease followed by the Health Care sector which was up 19.7%.

The decision by the Federal Reserve to cut rates in September is supportive of a potential economic soft landing and has proved bullish for equity markets, reinforcing the old investor maxim "Don't fight the Fed." Chair Powell characterized the rate cut as 'recalibrating' policy down over time to a more neutral level, noting inflation had slowed to 2.5% while employment has softened – driving a renewed effort by the FOMC to cut rates to foster employment and reduce risks of recession. We suggest the 50 BPS cut was remarkable as it varied from prior FOMC policy focused on 25 BPS moves aside from times of financial crisis and or a looming recession – underscoring the FOMC's action to not fall behind now that signs point to inflation as heading back towards the longer term 2% target.

The move to cut rates has driven a recent shift in the shape of the yield curve, which has been inverted since 2022. The yield curve inversion simply means that short-term interest rates had moved above long-term rates, which is unusual on a historical basis. When it does occur, it has often been viewed as a warning sign as a potential precursor to economic recession. Although the recent uninverting of the spread between 10-year and 2-year Treasury securities is encouraging, it does not necessarily signal an all-clear for either the economy or markets but it does suggest a return to a more normal interest rate environment. The chart below highlights the historical yield curve spread, the duration of its inversion periods, and how the spread has recently turned slightly positive. The light red shaded bars on the chart also depict prior recessions, which occurred after prior periods of yield curve inversions or substantial declines.

10-year Treasury yield – 2-year Treasury yield spread



Source: Bloomberg

DAVENPORT EQUITY RESEARCH

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

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

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

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

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

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

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

Davenport & Company LLC
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We have also taken particular note of the September report from the Bureau of Economic Analysis (BEA), which showed markedly stronger revised figures for real Gross Domestic Income in the second quarter. The recast figures include a sharply higher savings rate (at 5.2% in the 2Q2024 versus the prior estimate at a softening 3.3%) that offers consumers a considerable buffer likely sustaining consumption. As such, we anticipate a stronger than previously expected savings rate could be supportive of economic growth. However, we do anticipate cooling labor markets may present a headwind, but without seeing a recession on the horizon today with the Atlanta Fed GDPNow indicating third quarter GDP growth estimated at 3.1%. In addition, we note that historically, economic growth tends to reaccelerate about three quarters after the FOMC initiates rate cuts – suggesting growth could build momentum into the second half of next year.

With the shift in FOMC rate policy behind us, we are focused on corporate earnings growth and free cash flow generation versus the pace of Fed actions to follow. That is, the trajectory of earnings growth and cash flow generation will likely prove to be key drivers for future equity performance versus how fast the FOMC trims the funds rate from meeting to meeting. Encouragingly, we are not seeing signs of recession today, and if the economy develops as widely expected with a soft landing, we expect improved economic momentum to arise next year that could portend well for equity investment over the intermediate term. Thus, we continue to focus on selective investment while taking a 12-18 month, intermediate-term investment time horizon. Our focus today remains on quality, well-managed company stocks having attractive relative valuations while being poised to potentially benefit from lower interest rates.

MARKET AND ECONOMIC STATISTICS

Market Indices:	9/30/2024	12/29/2023	% Change YTD	8/30/2024	% Change (Monthly)
S&P Composite	5,762.48	4,769.83	20.81%	5,648.40	2.02%
Dow Jones Industrials	42,330.15	37,689.54	12.31%	41,563.08	1.85%
NASDAQ Composite	18,189.17	15,011.35	21.17%	17,713.62	2.68%
Russell 2000	2,229.97	2,027.07	10.01%	2,217.63	0.56%
FTSE 100	8,236.95	7,733.24	6.51%	8,376.63	-1.67%
Shanghai Composite	3,336.50	2,974.94	12.15%	2,842.21	17.39%
Nikkei Stock Average	37,919.55	33,464.17	13.31%	38,647.75	-1.88%
Stoxx Europe 600	522.89	478.99	9.17%	525.05	-0.41%
MSCI Emerging Markets	1,170.85	1,023.74	14.37%	1,099.92	6.45%
MSCI Emerging Markets Small Cap	1,519.49	1,367.16	11.14%	1,467.30	3.56%

Performance of S&P 500 by Industry:	% of Index as of 9/30/2024	1 Month	3 Month	Year to Date	12 Months
Consumer Discretionary	10.11%	7.02%	7.59%	13.21%	27.01%
Consumer Staples	5.89%	0.59%	8.28%	16.46%	22.06%
Energy	3.31%	-2.79%	-3.12%	5.69%	-2.55%
Financials	12.91%	-0.67%	10.22%	20.41%	36.58%
Health Care	11.60%	-1.82%	5.65%	12.96%	19.67%
Industrials	8.51%	3.27%	11.15%	18.90%	33.76%
Information Technology	31.70%	2.45%	1.44%	29.63%	51.56%
Materials	2.23%	2.41%	9.20%	12.62%	22.88%
Communication Services	8.86%	4.54%	1.42%	27.89%	41.58%
Utilities	2.53%	6.43%	18.47%	27.45%	37.13%
Real Estate	2.34%	2.77%	16.29%	11.48%	31.17%
S&P 500 (Absolute performance)	100.00%	2.02%	5.53%	20.81%	34.38%

Interest Rates:	9/30/2024	12/29/2023	YTD Change (Basis Points)	8/30/2024	Month Change (BPS)
Fed Funds Effective Rate	4.83%	5.33%	-50	5.33%	-50
Prime Rate	8.00%	8.50%	-50	8.50%	-50
Three Month Treasury Bill	4.55%	5.33%	-78	5.04%	-49
Ten Year Treasury	3.78%	3.88%	-10	3.90%	-12
Spread - 10 Year vs 3 Month	-0.77%	-1.45%	68	-1.14%	37

Foreign Currencies:	9/30/2024	12/29/2023	% Change YTD	8/30/2024	% Change (Monthly)
Brazil Real (in US dollars)	0.18	0.21	-11.0%	0.18	2.9%
British Pound (in US dollars)	1.34	1.27	5.1%	1.31	1.9%
Canadian Dollar (in US dollars)	0.74	0.76	-2.1%	0.74	-0.2%
Chinese Yuan (per US dollar)	7.02	7.10	-1.1%	7.09	-1.0%
Euro (in US dollars)	1.11	1.10	0.9%	1.10	0.8%
Japanese Yen (per US dollar)	143.63	141.04	1.8%	146.17	-1.7%

Commodity Prices:	9/30/2024	12/29/2023	% Change YTD	8/30/2024	% Change (Monthly)
CRB (Commodity) Index	540.27	510.32	5.9%	536.35	0.7%
Gold (Comex spot per troy oz.)	2634.58	2062.98	27.7%	2503.39	5.2%
Oil (West Texas int. crude)	68.17	71.65	-4.9%	73.55	-7.3%
Aluminum (LME spot per metric ton)	2608.72	2345.50	11.2%	2423.65	7.6%
Natural Gas (Futures 10,000 MMBtu)	2.92	2.51	16.3%	2.13	37.4%

Economic Indicators:	8/31/2024	1/31/2024	% Change YTD	7/31/2024	% Change (Monthly)
Consumer Price Index	314.1	309.7	-1.4%	313.5	0.2%
Producer Price Index	257.5	255.0	-1.0%	257.0	0.2%
	2Q24	**1Q24**	**4Q23**	**3Q23**	**2Q23**
GDP Growth Rate (Quarterly)	3.00%	1.60%	3.20%	4.40%	2.40%
Unemployment Rate (End of Month)	**August** **4.2%**	**July** **4.3%**	**June** **4.1%**	**May** **4.0%**	**April** **3.9%**

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

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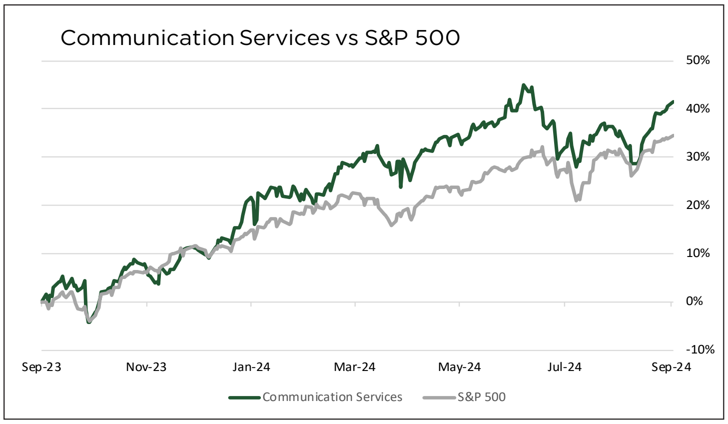
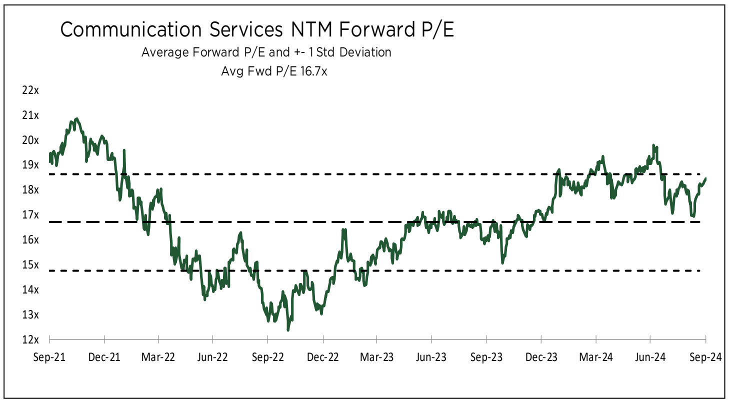
COMMUNICATIONS SERVICES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
4.54%	1.42%	27.89%	41.58%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.02%	5.53%	20.81%	34.38%

	Company Performance	1 Month
Leaders	Live Nation	12.1%
	AT&T Inc	10.6%
	Meta Platforms Inc	9.8%
	Verizon Comm.	7.5%
	Walt Disney Co/The	6.4%
Laggards	Charter Comm.	-6.8%
	News Corp	-6.0%
	Electronic Arts Inc	-5.5%
	News Corp	-5.0%
	Take-Two Interactive	-4.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$13.62	$14.95	$17.27
22.9x	20.9x	18.1x

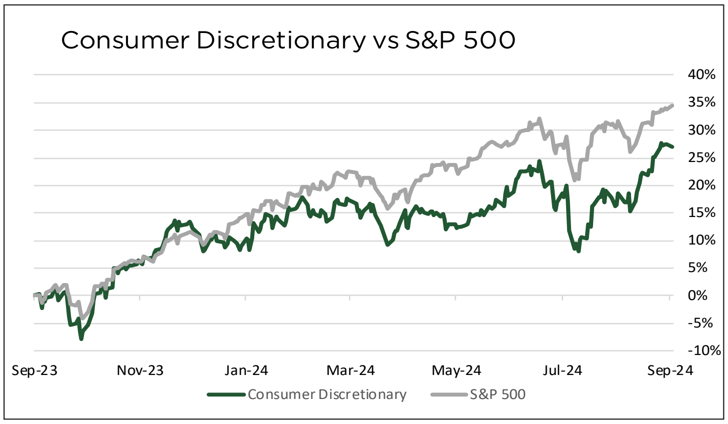
Sector Update

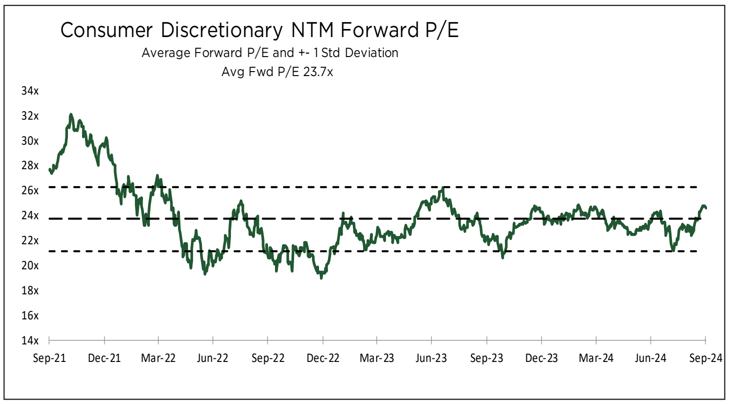
Communications Services and its Diversified Telecommunications and Interactive Media & Services sub-sectors significantly outperformed the market in September. Income-oriented investors may have become attracted to the higher dividend yields provided by leading U.S. telecommunications carriers after the U.S. Federal Reserve cut interest rates by fifty basis points and signaled the potential for further rate cuts. Over the past year, telecommunications carriers gained a share against the cable companies with their lower-priced, fixed wireless broadband services. However, this market dynamic may not last much longer. The carriers may not have enough wireless spectrum to support the growth in their mobile and fixed wireless services. Given that the U.S. Federal Communications Commission does not currently have government authority to auction new spectrum, carriers may become spectrum-constrained and may end up deemphasizing fixed wireless services to conserve spectrum for their higher-value mobile customers.

Investor enthusiasm over Meta Platform's new AI features may have contributed to the appreciation of its shares and the Interactive Media & Services sector outpacing the market in September. META introduced a number of new features, including allowing users to talk with Meta AI, its generative AI co-pilot, and share photos with it. The company also introduced customizable AI that businesses can use for customer service and other customer-facing applications. The company applied gen AI technology to personalize content, which boosted user engagement on its platforms. META's application of gen AI enhanced its advertising platform so that advertisers can more effectively target potential customers with automated ad campaigns across its platforms. While companies such as Alphabet, Microsoft Azure, and Open AI developed proprietary large language models (LLMs) for gen AI training and inference, Meta Platforms developed Llama, the leading open-source LLM. Developers may prefer Llama over proprietary LLMs since it's more economical to run gen AI training and inference on Llama than on most proprietary LLMs. META is building out the Llama ecosystem, including a reference system, new safety and security tools, and application interfaces (APIs) to help developers create new-gen agents/applications. Llama could benefit from the contributions of open-source communities to technology.

The Communications Services sector appears close to fairly valued, with a P/E of 20.9x and 18.1x the consensus analyst FY24/FY25 EPS estimates, compared to estimated FY25 earnings growth of 15% and its average twelve-month forward P/E multiple of 16.7x.

CONSUMER DISCRETIONARY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
7.02%	7.59%	13.21%	27.01%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.02%	5.53%	20.81%	34.38%

	Company Performance	1 Month
Leaders	Las Vegas Sands Corp	29.1%
	Wynn Resorts Ltd	24.7%
	Tesla Inc	22.2%
	Tapestry Inc	14.7%
	Norwegian Cruise Line	14.6%
Laggards	General Motors Co	-9.9%
	CarMax Inc	-8.5%
	Ford Motor Co	-5.6%
	LKQ Corp	-4.0%
	Garmin Ltd	-4.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$56.61	$57.45	$64.08
28.4x	27.9x	25.1x

Sector Update

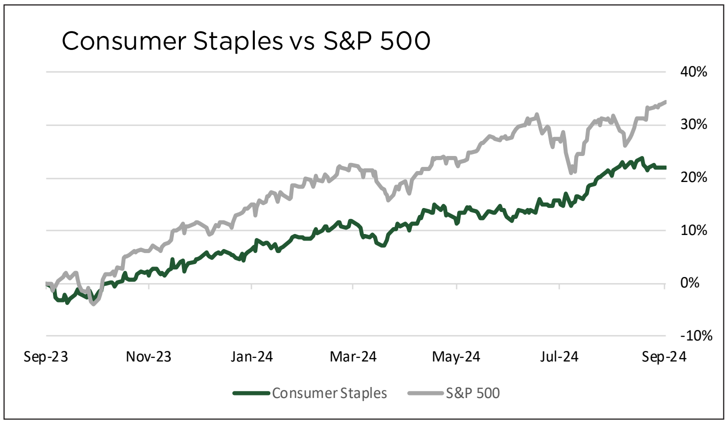
The Consumer Discretionary sector significantly outperformed the broader market in September, reflecting improved sentiment in a declining rate environment. Among Consumer Discretionary subsectors, the strongest performance for the month was seen in the Household Durables category, followed by Automobiles and Leisure Products. Subsectors that were softest included Multiline Retail and Auto Components. The Consumer Discretionary sector has outperformed the S&P 500 for the 1-month and 3-month periods while underperforming on a year-to-date and trailing twelve-month basis, as reflected in the accompanying chart.

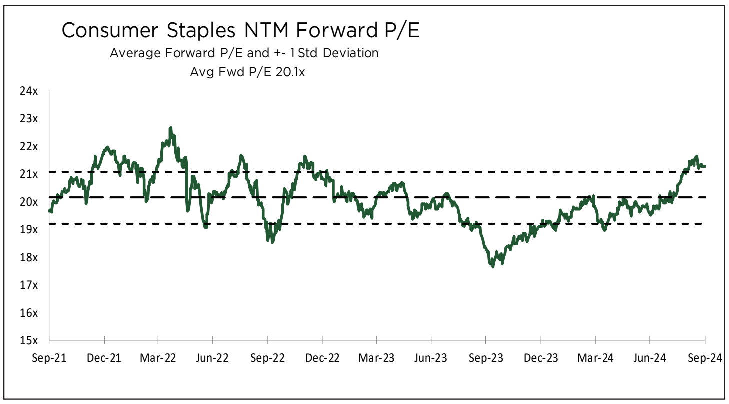
The Conference Board reported a drop in September consumer confidence to a three-month low, with particular emphasis on rising concerns about employment levels and the jobs market. The consumer confidence index declined to 98.7 in September from 105.6 in August, with the September results coming in below consensus expectations of 104.0 per Bloomberg. The expectations index, which looks forward six months, declined from 86.7 in August to 81.7 in September.

The August retail sales report was released by the Census Bureau in mid-September indicating a modest 0.1% gain versus July and up 2.1% versus the prior year. The August report represents a significant slowdown from July's 1.1% gain, which had benefited in the month from a rebound in auto-related spending. In September, miscellaneous and nonstore (online) retailers showed particular strength, while gasoline retailers and department stores lagged. Weakening oil prices and lower gasoline prices appear to have contributed to the softness in gasoline retail sales results for the month.

Existing home sales dropped in August, according to data released in mid-September by the National Association of Realtors. Home sales declined 2.5% to an annual rate of 3.86 million, which represented a significant decline from last month's level of 3.95 million. Home prices continued to climb with the median price up 3.1% versus the prior year to $416,700. Buyer demand was robust, with about 20% of properties selling above the asking price supported by an average of 2.4 offers per home sold. Inventory of homes for sale is climbing with the total number of homes for sales up 22.7% versus the prior year representing a 4.2 months supply of homes available for sale. We note that a more balanced market can be considered when inventory available for sale stands at about four to six months. Mortgage rates continued to decline from average 30-year fixed rates of near 7.50% earlier this year to levels in the low to mid 6% range in September. The declining rate environment could prove supportive of the housing market in future periods.

CONSUMER STAPLES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
0.59%	8.28%	16.46%	22.06%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.02%	5.53%	20.81%	34.38%

	Company Performance	1 Month
Leaders	Monster Beverage Corp	10.7%
	Estee Lauder Cos Inc/	8.8%
	Brown-Forman Corp	7.9%
	Kroger Co/The	7.7%
	Constellation Brands Inc	7.1%
Laggards	Dollar Tree Inc	-16.8%
	Tyson Foods Inc	-7.4%
	Altria Group Inc	-5.1%
	Bunge Global SA	-4.7%
	Walgreens Boots	-3.1%

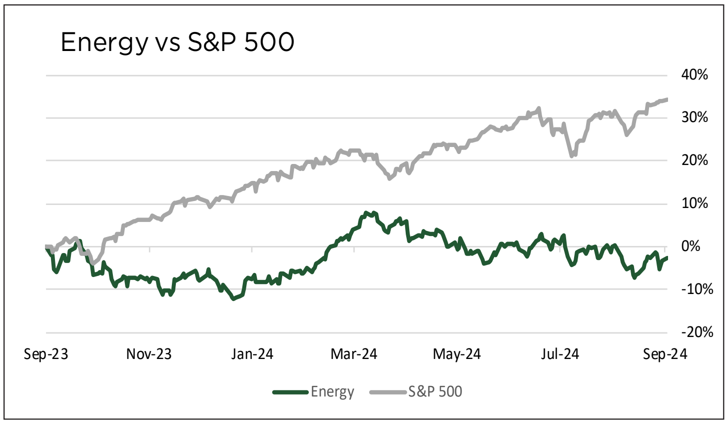
Consensus FY EPS / P/E

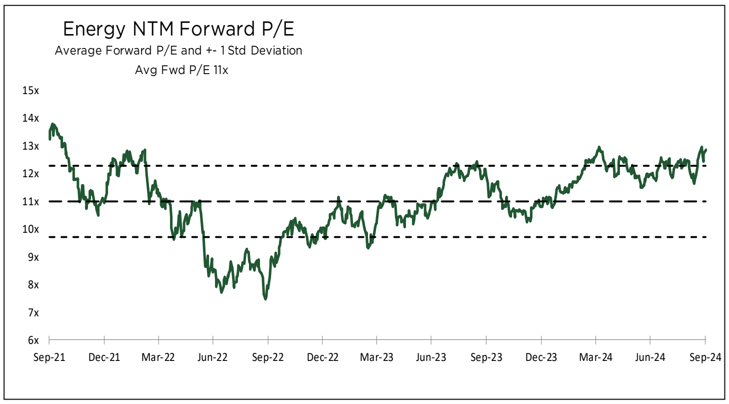
Last Year	Current Year	Next Year
$39.11	$39.58	$42.01
22.7x	22.4x	21.1x

Sector Update

The Consumer Staples sector slowed sequentially and increased only 0.6% on average in September while underperforming the S&P 500 Index, which rose by 2.0%. All segments contributed to results for the month except Tobacco. Personal Products were the strongest segment, with companies exposed to China rallying on news of recent economic stimulus measures in China. YTD through September, the Consumer Staples segment increased 16.5% vs the S&P 500, which rose 20.8%. The Consumer Staples segment trades with a forward P/E of 22.4x vs its average forward P/E of 20.1x. The overwhelming conversation remains centered on consumer behavior globally as the consumer seems increasingly under more stress in 2H. The consumer also appears to have curtailed current spending in response to the upcoming US Presidential election. There are exceptions, including seasonal items and decorations, along with essentials such as batteries, paper products, food, etc. Consumers continue to shop through different domestic channels (i.e., mass and e-commerce). The trend towards increased at-home consumption reflects the rising cost of dining out and a more value-seeking consumer. According to Circana, 86% of eating occasions in 2024 are expected to be at home. Private label share of food volume is increasing, reflecting increased customer demand, additional shelf space, and the benefit of a recovering supply chain. The rate of increases for pricing and input costs is moderating with some exceptions, including beef, chicken, and sweeteners. We continue to advise a selective investment among the Consumer Staples stocks, and a market weighting remains preferred. Many of the stocks also offer an attractive dividend yield.

Entering the Q3 earnings season, assessment and confidence of upside vs downside potential for organic sales and volume remain a key factor. The key remains how to stimulate consumer purchases. Most consumer staples companies are increasing the level of promotions and brand support entering Q4 to drive volume, consumer awareness, retailer relations, and support innovation. Within the global beverage segment, promotional activity, inventory levels, premiumization, and innovation remain key factors approaching the key holiday selling season. Companies remain focused on driving productivity savings, managing costs, and navigating input costs. With companies continuing to deleverage their balance sheets, the theme of potential mergers and acquisitions continues. Execution and end market demand remain critical factors.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.79%	-3.12%	5.69%	-2.55%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.02%	5.53%	20.81%	34.38%

	Company Performance	1 Month
Leaders	EQT Corp	9.3%
	Baker Hughes Co	2.8%
	Kinder Morgan Inc	2.4%
	Targa Resources Corp	0.8%
	Williams Cos Inc/The	-0.3%
Laggards	APA Corp	-14.1%
	Devon Energy Corp	-12.6%
	Diamondback Energy	-11.6%
	Occidental Petroleum	-9.5%
	Marathon Petroleum	-8.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$53.32	$48.44	$54.13
12.7x	14.0x	12.5x

Sector Update

The Energy sector underperformed relative to the S&P 500 in September as the continuing conflict in Ukraine and an escalation of hostilities in the Middle East weighed on sentiment. Amidst this backdrop, the Oil, Gas, & Consumable Fuels subsector outperformed the Energy Equipment & Services subsector for August. Overall, the energy sector has been underperforming the S&P 500 on a 3-month, YTD, and trailing twelve-months basis.

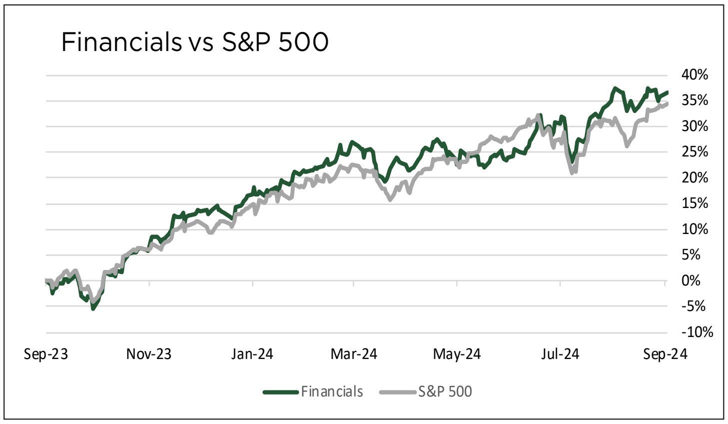
In a mid-month update, OPEC cut its forecast for global oil demand growth in 2024 and trimmed expectations for 2025. The cartel expects world oil demand to rise by 2.03 million barrels per day (bpd) in 2024, down from the 2.11 million bpd figure expected last month. Expected oil demand growth for 2025 was cut to 1.74 million bpd from 1.78 million bpd, which is still at the top end of industry estimates. Most of the revisions resulted from China's oil demand outlook, which was trimmed to 650 k/bpd in 2024 from 700 k/bpd. The cartel provided commentary around Chinese economic growth, saying that it is expected to remain well supported but noted that headwinds in the real estate sector, with housing sales slowing and increasing penetration of LNG trucks and electric vehicles, are likely to weigh on diesel and gasoline demand in the future.

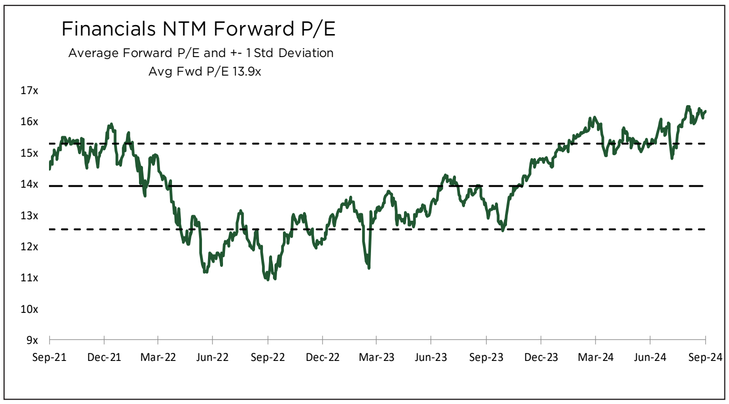
The International Energy Agency's (IEA) mid-September report indicates that global oil demand growth is decelerating. China is still leading the downturn as the country's economic outlook and long-term energy transition weigh on global consumption. First half 2024 gains came in at 800 kb/d YoY, marking the lowest level seen since 2020. The IEA expects world oil demand to rise by 900 kb/d, which is down ~7% from its previous forecast, which is at the lower end of expectations, according to Reuters. The IEA commented, "With the steam seemingly running out of Chinese oil demand growth, and only modest increases or declines in most other countries, current trends reinforce our expectation that global demand will plateau by the end of this decade." The IEA sees Chinese demand rising by 180 k/bpd in 2024, down from the 410 k/bpd level in July.

West Texas Intermediate (WTI) crude oil prices moved lower to $68.17 at the end of the month from the $73.55 level seen last month. Natural gas prices increased considerably to $2.92 from $2.13 last month, representing a 37% increase. Retail gasoline cooled slightly to $3.20 from the $3.33 figure seen a month ago. A dramatic escalation in hostilities in the Middle East, as seen in early October, may increase volatility in the near term.

The Baker Hughes oil rig count increased to 587 in September from the 583 level seen last month. For the week ending September 20, U.S. crude oil inventories came in at 413 million barrels compared to last month's number of 425 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 2024. The trough daily production seen in 2020 was in the 9.7 million barrels per day range and has now rebounded to a range of ~13.2 million barrels per day at the end of the month.

FINANCIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-0.67%	10.22%	20.41%	36.58%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.02%	5.53%	20.81%	34.38%

	Company Performance	1 Month
Leaders	FactSet Research Sys-	8.8%
	PayPal Holdings Inc	7.7%
	Blackstone Inc	7.6%
	MetLife Inc	6.5%
	Erie Indemnity Co	6.2%
Laggards	Global Payments Inc	-7.7%
	JPMorgan Chase & Co	-6.2%
	W R Berkley Corp	-5.0%
	American International	-5.0%
	Citizens Financial Group	-4.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$43.34	$44.18	$47.00
17.4x	17.1x	16.0x

Sector Update

The Financials sector retreated 0.7% in September, underperforming the 2.0% gain in the S&P 500® index. Still, the sector outperformed in the third quarter on a 10.2% advance compared to a 5.5% gain in the S&P as profit-taking in the tech sector, combined with growing soft-landing confidence and 'recalibration' toward more accommodative Fed policy drove some broadening toward pro-cyclical areas of the market. The Financials sector performance was slightly below the market in the year-to-date, but slightly better than two percentage points ahead of the index in the past twelve-months.

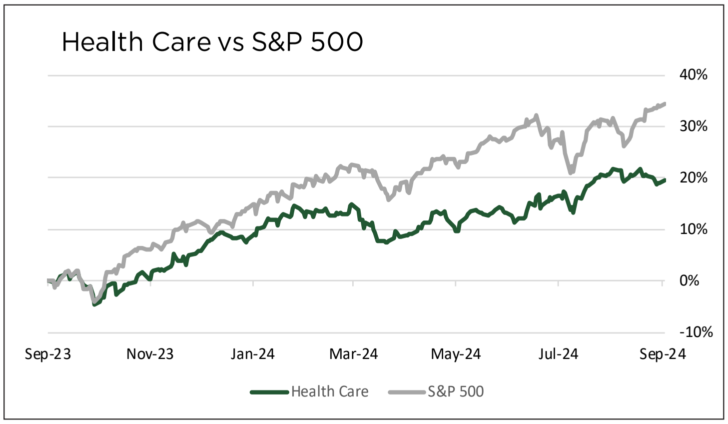
Sub-sector returns in the period were mixed, as Consumer Finance gained 3.3% compared to a 3.7% decline in the Bank group, being the best and worst performing sub-sectors in September, respectively. The Capital Markets sub-sector gained 1.6%, while Insurance was flat from August. Insurance was the leading sub-sector in Q3, up 13.4%, while Consumer Finance leads YTD sub-sector returns on a 33.3% gain.

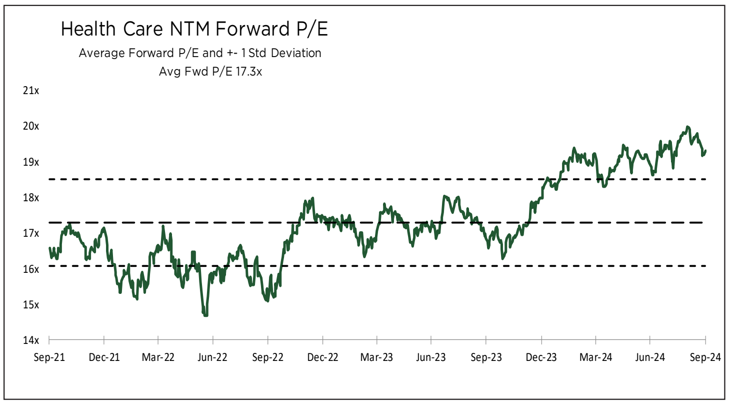
Similar to August, lenders' direct cyclical exposure weighed on share performance early in the month but reversed course as volatility subsided and more sanguine conditions persisted into month-end, particularly after the FOMC reduced its policy rate by 50bps and signaled further rate cuts in the near future. Easing restrictiveness of monetary policy presents a potential offset to consumer credit concerns voiced by Ally Financial (ALLY) at an industry conference in early September that led to a pullback among bank and consumer credit stocks.

Early in the month, banks were presented with positive news on the regulatory front as Fed Vice Chair for Supervision Michael Barr announced Basel III Endgame proposals would be reworked following a contentious comment period extending from last Summer. Refreshed policy would likely increase large bank capital requirements by ~9% on average into 2028, compared to a ~19% increase in the original proposal. Net-net, while remaining a fluid situation, softer increases in capital requirements could portend additional capacity for banks to return capital to shareholders through dividends and share repurchases as loan demand remains muted near-term.

At period-end, the Financials Sector traded at a forward P/E ratio of 16x FY25 expectations, well above its three-year average forward twelve-month multiple (13.9x). Given current valuations, limited loan growth prospects, and potentially softer labor data on the near horizon portending elevated credit costs, we view Financials as an Underweight relative to the sector's 12.9% weighting in the S&P despite the potential benefit to funding costs as the Fed lowers short-term benchmark rates.

HEALTH CARE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-1.82%	5.65%	12.96%	19.67%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.02%	5.53%	20.81%	34.38%

	Company Performance	1 Month
Leaders	Insulet Corp	14.8%
	GE HealthCare Tech. Inc	10.6%
	CVS Health Corp	9.9%
	Solventum Corp	8.8%
	DaVita Inc	8.6%
Laggards	Moderna Inc	-13.7%
	McKesson Corp	-11.9%
	Regeneron Pharma.	-11.3%
	Humana Inc	-10.6%
	Eli Lilly & Co	-7.7%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$75.86	$81.43	$97.26
23.7x	22.1x	18.5x

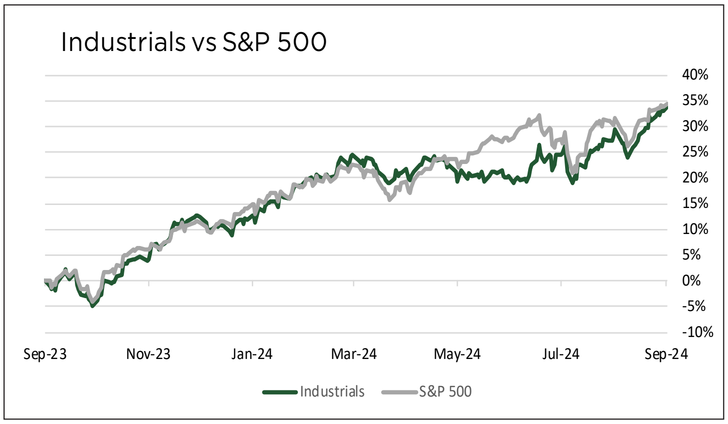
Sector Update

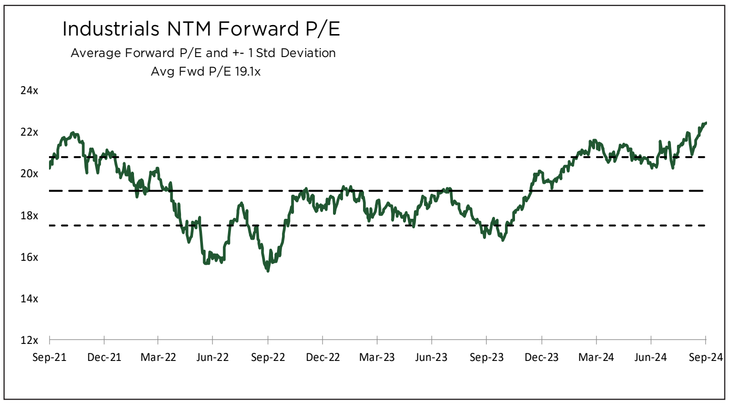
The Health Care sector declined by 1.82% in September, underperforming the S&P 500's 2.02% gain. The Life Science Tools & Services subsector led the Health Care sector during the month, closely followed by Health Care Equipment & Supplies. Regulatory pressures remained an overhang for the sector in September, intensified by uncertainties related to the election. This was underscored by the Federal Trade Commission announcing a lawsuit against several Pharmacy Benefit Managers and the CEO of Novo Nordisk being questioned by a congressional committee regarding drug prices

In the final week of September, Novo Nordisk CEO Lars Jørgensen testified before the Senate HELP Committee. When questioned about the pricing of popular diabetes and obesity medications, Jørgensen appeared to place the blame on Pharmacy Benefit Manager firms, who often restrict insurance coverage for these medications. Pharmacy Benefit Manager firms faced further scrutiny in September following a lawsuit from the FTC related to the cost of insulin. In the lawsuit, the FTC alleged that several Pharmacy Benefit Managers have artificially inflated the price of insulin in an effort to boost profits. Several of the Pharmacy Benefit Managers mentioned in the lawsuit have denied these claims, although the compounding regulatory pressure targeted at Pharmacy Benefit Managers may have contributed to elevated volatility for the group.

The Health Care Equipment and Life Science Tools & Services were the only two subsectors that reported gains in September. The Pharmaceutical subsector reported a 3.9% loss during the month, followed by a 2.7% loss from the Biotechnology sector and a 2.2% loss from the Health Care Providers & Services subsector. The Health Care sector trades at a current forward P/E ratio of 22.1x, above the historical average of 17.7x.

INDUSTRIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
3.27%	11.15%	18.90%	33.76%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.02%	5.53%	20.81%	34.38%

	Company Performance	1 Month
Leaders	United Airlines Holdings	29.6%
	GE Vernova Inc	26.9%
	Delta Air Lines Inc	19.5%
	Builders FirstSource Inc	11.4%
	Carrier Global Corp	10.6%
Laggards	Boeing Co/The	-12.5%
	FedEx Corp	-8.4%
	Huntington Ingalls	-6.5%
	Equifax Inc	-4.3%
	Union Pacific Corp	-3.8%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$45.18	$46.33	$52.75
25.4x	24.8x	21.7x

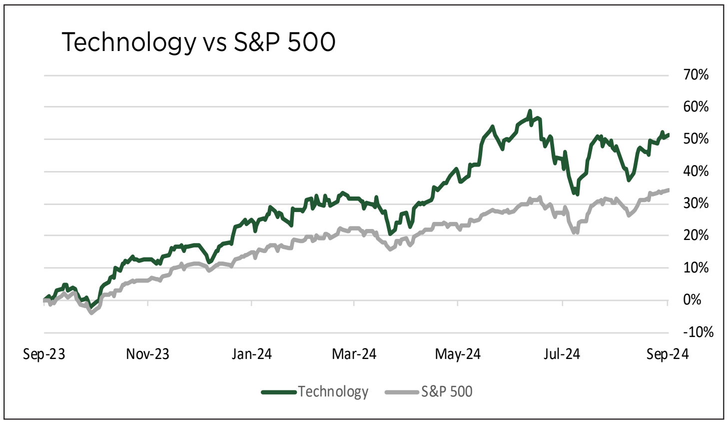
Sector Update

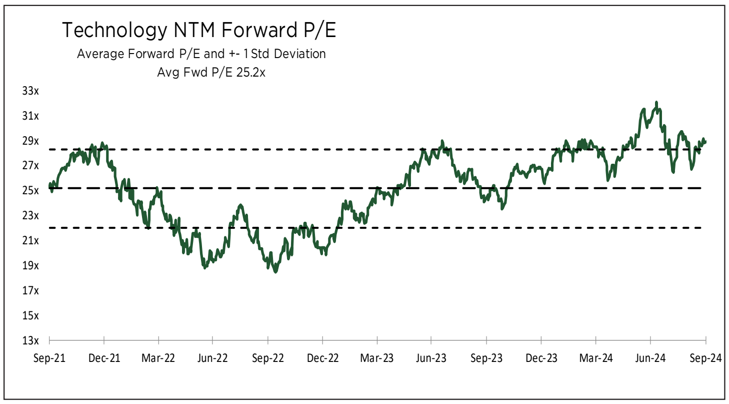
The Industrial Sector increased 3.27% in September, outperforming the 2.02% gain in the S&P 500. Despite underperforming over the past year due to uncertain economic forecasts, the Industrials sector has materially outperformed the S&P 500 over the past three months. Outperformance in September may have been bolstered by the Federal Reserve's decision to cut interest rates by 50 bps, along with sustained deflationary trends.

The Institute for Supply Management's Purchasing Managers Manufacturing Index (PMI) contracted for the sixth consecutive month in September. After ending a 16-month streak of contraction in March, the PMI index remained in contraction territory, with September marking the 22nd contraction in the past 23 months. September's reading of 47.2% remained unchanged from August's reading, although the New Orders Index increased, the Production Index increased, and the Prices Index decreased. The New Orders Index remained in contraction territory yet rose to 46.1%, 1.5% above August's reading of 44.6%. Two manufacturing industries reported growth in new orders, including Computers & Electronic Products and Food, Beverage & Tobacco Products. Meanwhile, 11 industries reported declines in New Orders in September.

Within the Industrials sector, the best-performing subsectors in the month were Airlines, with a 16.3% gain; Construction & Engineering, with an 8.4% gain; and Electrical Equipment, with an 8.3% gain. The worst-performing subsectors in the month were Commercial Services & Supplies, with a 0.7% loss, and Road & Rail, with a 0.4% loss. The Industrial Sector is currently trading at a Forward P/E ratio of 24.8x, exceeding its three-year average of approximately 19.1x.

INFORMATION TECHNOLOGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.45%	1.44%	29.63%	51.56%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.02%	5.53%	20.81%	34.38%

	Company Performance	1 Month
Leaders	Oracle Corp	20.6%
	Palantir Technologies	18.2%
	Fair Isaac Corp	12.3%
	Advanced Micro Devic-	10.4%
	Seagate Technology	10.0%
Laggards	Qorvo Inc	-10.9%
	Skyworks Solutions Inc	-9.9%
	Adobe Inc	-9.9%
	ON Semiconductor	-6.8%
	Enphase Energy Inc	-6.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$118.29	$134.06	$161.22
37.2x	32.8x	27.3x

Sector Update

The Technology sector outperformed the market in September, driven by the Communications Equipment, IT Services, and Software subsectors.

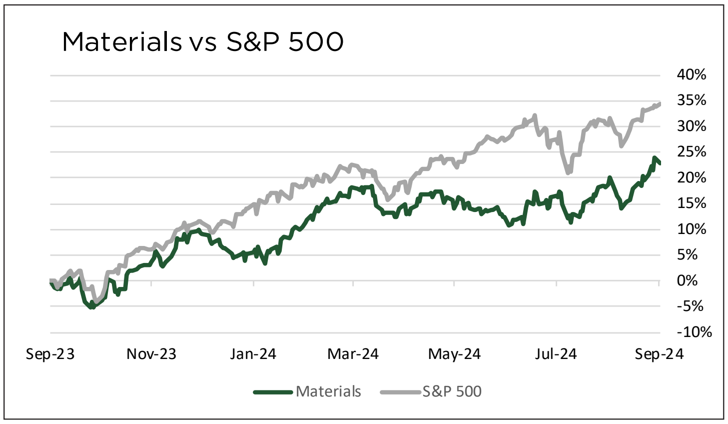
The Communications Equipment sector outperformed the market in September, driven by network equipment companies highlighting robust demand from hyperscale cloud companies for their new Ethernet switches and optical systems to support faster and larger scale computing systems to support gen AI training.

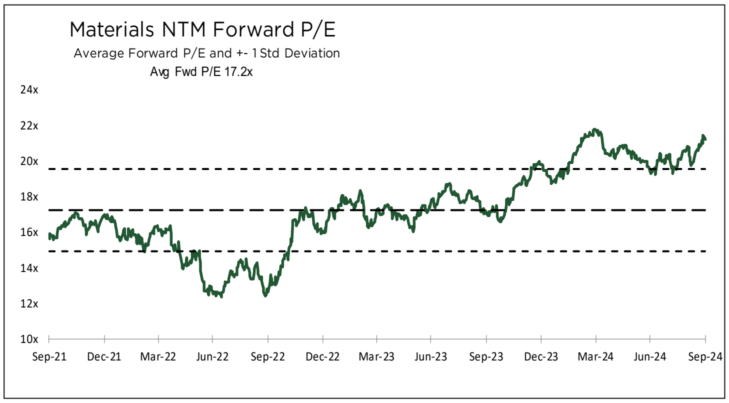
Oracle, the largest database company and a leading enterprise software company, outperformed the market in September after reporting better-than-expected Q-1 25 results. Oracle grew its cloud infrastructure revenue by 50% year-over-year and its cloud remaining performance obligations by 80%, driven by robust demand from enterprises and sovereign governments. Oracle reported that Amazon Web Services, Google Cloud, and Microsoft Azure will host Oracle's database in their respective cloud data centers. While most large enterprises, particularly financial services companies, rely on their on-premise databases, they may be more inclined to consider cloud-based database services that are supported by multiple cloud providers.

During the Goldman Sachs Communacopia + Technology Conference in early September, Advanced Micro Devices (AMD) reported that all of its OEM partners and leading cloud hyperscale companies, Meta Platforms, Microsoft, and Oracle, are adopting its new MI300X GPU for gen AI training and inferencing. Investor enthusiasm over this announcement contributed to AMD's shares significantly outperforming the market in September.

The Technology sector appears fully valued, with a P/E of 32.8x and 27.3x the consensus analyst FY24/FY25 EPS estimates, compared to the estimated FY25 EPS growth of 20% and its average twelve-month forward P/E of 25.2x.

MATERIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.41%	9.20%	12.62%	22.88%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.02%	5.53%	20.81%	34.38%

	Company Performance	1 Month
Leaders	Freeport-McMoRan Inc	12.7%
	Eastman Chemical Co	9.4%
	Air Products and Chem.	6.8%
	Ball Corp	6.4%
	DuPont de Nemours Inc	5.8%
Laggards	Mosaic Co/The	-6.3%
	LyondellBasell Ind.	-2.8%
	Nucor Corp	-1.0%
	Amcor PLC	-1.0%
	Avery Dennison Corp	-0.5%

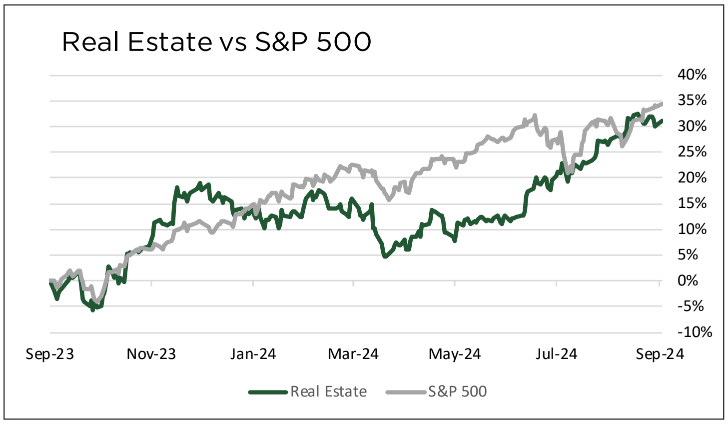
Consensus FY EPS / P/E

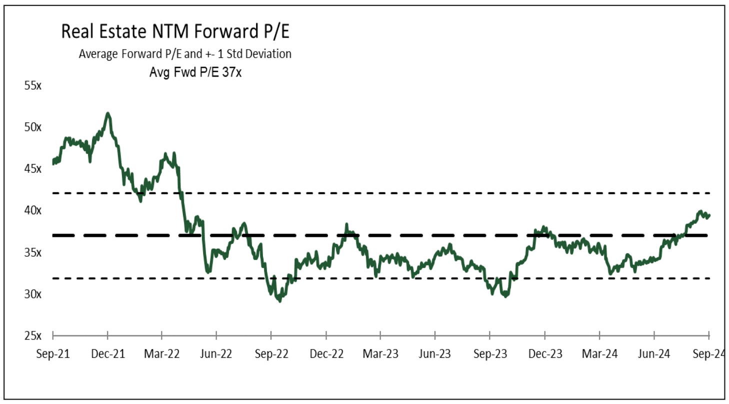
Last Year	Current Year	Next Year
$24.79	$25.57	$29.71
24.5x	23.8x	20.5x

Sector Update

The Materials segment increased by 2.41% in September and slightly outperformed the S&P 500 Index, which increased by 2.02%. All segments contributed to the increase for the month. Metals and Mining was the strongest segment in September. Physical gold prices have increased about 28% YTD, supported by the Fed's reduction in rates, an investment against uncertainty, as well as use in industrial applications. YTD through September, the Materials segment increased 12.6% vs the S&P 500, which rose 20.8%. The Materials segment now trades with an average forward P/E of about 23.8x and above its historical valuation range of 17.2x. Selective investment among the group remains a key factor, with a preference for strong management teams, high-quality businesses, and strong balance sheets. Uncertainties do persist, including consumer behavior, the upcoming Presidential election, and the overall geopolitical and macroeconomic backdrop.

Enthusiasm ahead of the news is now moderating following the Fed's 50bp rate cut. Investors expect additional cuts by year-end. Construction and chemical companies expect lower interest rates to benefit results by the end of calendar 2024 and support momentum into 2025. A weaker dollar offers a potential tailwind for companies with international exposure. China's economic stimulus measures, along with the East Coast port worker strike in the US, remain key factors to monitor in the near term. Depending on the time of the strike, greater volatility for the company's outlook, inventory, and supply chains could result over the next several quarters, depending on the level of preparation by companies ahead of the strike. Looking forward to FY25, homebuilder stocks should continue to benefit from tailwinds, including a favorable supply/demand outlook, expectations for lower interest rates, higher expected volumes, and strong balance sheets. Mortgage rates have now declined year-to-date, and that trend should support home-buying activity. With strong company balance sheets and likely lower rates, further portfolio transformation should occur, including divestment of non core assets and additions.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.77%	16.29%	11.48%	31.17%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.02%	5.53%	20.81%	34.38%

	Company Performance	1 Month
Leaders	Weyerhaeuser Co	11.1%
	CBRE Group Inc	8.1%
	BXP Inc	7.0%
	Digital Realty Trust Inc	6.7%
	Equinix Inc	6.4%
Laggards	Invitation Homes Inc	-4.3%
	CoStar Group Inc	-2.4%
	Mid-America Apartment	-2.1%
	Essex Property Trust Inc	-2.1%
	Camden Property Trust	-1.3%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$12.79	$12.96	$13.70
21.9x	21.6x	20.5x

Sector Update

The long-awaited shift in Fed interest rate policy was finally initiated with a 50 basis point cut to the funds rate announced with the September 18 FOMC session. As we have previously noted, investors had been anticipating the move for some time, with commentary from Fed Chair Powell at the late August Jackson Hole Symposium cementing forecasts. Thus, rotation into Real Estate commenced back in June, ending an extended period of underperformance for the sector, with the group experiencing the strongest rally dating to February 2022 as 30-year mortgage rates dipped to 6.1% by mid-September. Over the trailing three months during the rally, Real Estate gains surged by 16.3%, which contrasts with the 5.5% advance by the S&P 500 as a narrow focus on mega-cap Tech sector issues broadened out with smaller cap laggard and defensive issues poised to benefit to a greater extent from lower rates forecast.

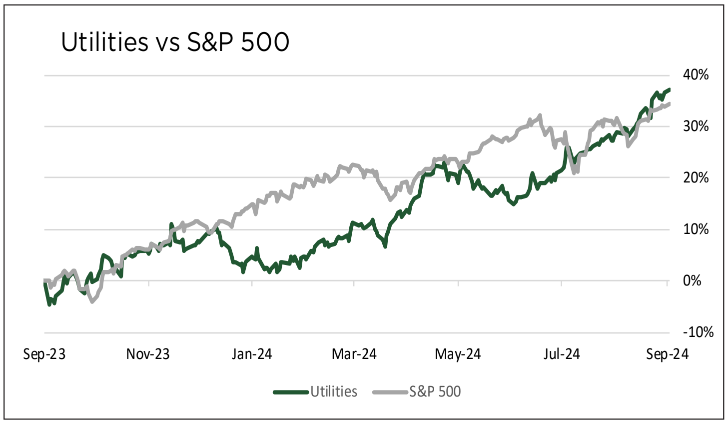
Now that the policy shift has been launched, the FOMC has signaled further substantive cuts to the funds rate are likely into 2026. Still, the rally experienced by the Real Estate sector has largely closed the prior valuation gap. Thus, as illustrated in the adjacent graphics, while Real Estate outperformed once again in September, rising by 2.8%, the spread versus gains achieved by the S&P 500, up 2.0% on the month, has narrowed.

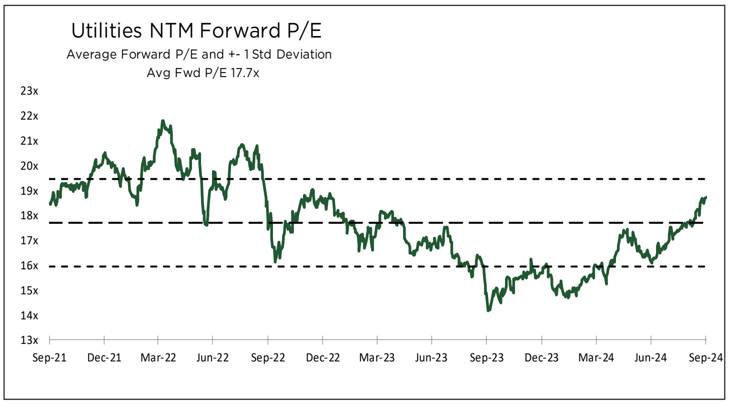
This summer, as macro disinflationary trends strengthened, many Real Estate firms reported stronger than anticipated operating results for the 2Q, with the strongest gains being forthcoming from those firms participating in housing-related products and services. Recent updates offered by multiple firms participating in post-Labor Day sector conferences indicated progress slowed in the 3Q versus 2Q on new leasing activity and gains in renewals likely tied to a slowing U.S. economy. Thus, the same sector stocks that had led Real Estate gains into late summer were pressured in September, as shown in the adjacent table.

In contrast, lower rates enhanced sentiment toward Weyerhaeuser, where 2Q2024 revenues fell versus year-earlier levels tied to stagnant housing trends, while wood product market sales were challenged, creating stiff business headwinds. Further, commercial real estate showed signs of firming supportive to CBRE and BXP, while a recovery in sentiment toward data center REITs was sustained, driving solid advances for both Digital Realty and Equinix.

We sense future returns for Real Estate will likely remain closely tied to interest rates and the U.S. economy. If jobs datasets soften it could weigh on consumer and business spending, impacting real estate leasing demand. Still, a moderating economy escaping recession along with lower expected interest rates would be supportive for bond proxy issues such as real estate over the intermediate term. In the meantime, the emerging artificial intelligence trade should continue to drive data center demand, while senior housing fundamentals have improved with enhanced earnings/FFO potential into 2H2024.

UTILITIES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
6.43%	18.47%	27.45%	37.13%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.02%	5.53%	20.81%	34.38%

	Company Performance	1 Month
Leaders	Vistra Corp	38.8%
	Constellation Energy	32.2%
	AES Corp/The	17.1%
	Public Service Enter-	10.5%
	Entergy Corp	9.0%
Laggards	Edison International	0.1%
	PG&E Corp	0.4%
	Eversource Energy	0.8%
	FirstEnergy Corp	1.0%
	Duke Energy Corp	1.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$19.78	$20.43	$22.42
20.7x	20.1x	18.3x

Sector Update

The Utilities sector continued a recent string of outperformance against the S&P 500® index in September on a 6.4% gain compared to a 2.0% advance in the broader market index. The Utilities group was the second-best performing sector in the month and the best-performing sector in the third quarter on an 18.5% gain versus a 5.5% improvement in the S&P. In addition, the sector has outperformed the broader market on a year-to-date and trailing twelve-month basis. All Utilities sector components finished September higher than the prior month as upside participation broadened to more yield-oriented sectors in the period, benefitting from lower rates and 'recalibration' of Fed rate policy toward a less restrictive stance.

The Utilities sector also continues to benefit from heightened investor interest as an AI growth theme, given increasing data center demand poised to drive significant multi-year investment in power production and delivery in the U.S. and abroad. For context, industry forecasts suggest global data center power demand could grow from approximately 2% of consumption to about 10% by 2030, led by the U.S., with nearly 20% of power consumption by data centers toward the end of the decade. The proliferation of AI and advanced chip technology requires significantly more power than traditional CPUs, driving expectations of a ~15x increase in global data center power demand into 2030.

Leading issues in the period, including Vistra (VST) and Constellation (CEG), are unregulated power producers garnering market attention as potential beneficiaries of large corporate power purchase agreements in the U.S. While regulated peers are also likely beneficiaries of broad-based electric infrastructure investment behind AI, unregulated producers are seeing increased demand given their ability to market power directly to corporate customers.

After robust year-to-date performance, the Utilities sector now trades at a modest premium to its historical average P/E of 17.7x, having re-rated higher against falling interest rates across the yield curve. On the other hand, the group continues to appear reasonably valued given new secular growth tailwinds, tailwinds from lower interest rates, and upside optionality from potential defensive rotation against an uncertain macro backdrop. Given these factors, we would continue to overweight Utilities relative to its 2.53% weight in the S&P.

ECONOMIC CALENDAR

Date	Release	For	Prior
1-Oct	S&P Global US Manufacturing PMI - Final	Sep	47.9
1-Oct	ISM Manufacturing Index	Sep	47.2%
1-Oct	JOLTS - Job Openings	Aug	7.711M
1-Oct	Construction Spending	Aug	-0.5%
2-Oct	MBA Mortgage Applications index	9/28	11.0%
2-Oct	ADP Employment Change	Sep	103K
2-Oct	EIA Crude Oil Inventories	9/28	-4.47M
3-Oct	Initial Claims	9/28	219K
3-Oct	Continuing Claims	9/21	1827K
3-Oct	S&P Global US Services PMI - Final	Sep	55.7
3-Oct	Factory Orders	Aug	4.9%
3-Oct	ISM Services PMI	Sep	51.5%
3-Oct	EIA Natural Gas Inventories	9/28	+47 bcf
4-Oct	Nonfarm Payrolls	Sep	142K
4-Oct	Nonfarm Private Payrolls	Sep	118K
4-Oct	Avg. Hourly earnings	Sep	0.4%
4-Oct	Unemplyment Rate	Sep	4.2%
4-Oct	Average Workweek	Sep	34.3
7-Oct	Consumer Credit	Aug	$25.5B
8-Oct	Trade Balance	Aug	-$78.8B
9-Oct	MBA Mortgage Applications Index	10/5	-1.3%
9-Oct	Wholesale Inventories	Aug	0.2%
9-Oct	EIA Crude Oil Inventories	10/5	+3.89M
10-Oct	Initial Claims	10/5	225K
10-Oct	Continuing Claims	9/28	1826K
10-Oct	CPI	Sep	0.2%
10-Oct	Core CPI	Sep	0.3%
10-Oct	EIA Natural Gas Inventories	10/5	+55 bcf
10-Oct	Treasury Budget	Sep	-$380.1B
11-Oct	PPI	Sep	0.2%
11-Oct	Core PPI	Sep	0.3%
11-Oct	Univ. of Michigan Consumer Sentiment - Prelim	Oct	NA
16-Oct	MBA Mortgage Applications index	10/12	NA
16-Oct	Export Prices ex-ag.	Sep	-0.6%
16-Oct	Import Prices ex-oil	Sep	-0.1%
16-Oct	EIA Crude Oil Inventories	10/12	NA
17-Oct	Initial Claims	10/12	NA
17-Oct	Continuing Claims	10/5	NA
17-Oct	Retail Sales	Sep	0.1%
17-Oct	Retail Sales ex-auto	Sep	0.1%
17-Oct	Capacity Utilization	Sep	78.0%
17-Oct	Industrial Production	Sep	0.8%

ECONOMIC CALENDAR

17-Oct	Business Inventories	Aug	0.4%
17-Oct	NAHB Housing Market Index	Oct	41
17-Oct	EIA Natural Gas Inventories	10/12	NA
17-Oct	Net Long-Term TIC Flows	Aug	$135.4B
18-Oct	Housing Starts	Sep	1356K
18-Oct	Building Permits	Sep	1475K
21-Oct	Leading Indicators	Sep	-0.2%
23-Oct	MBA Mortgage Applications index	10/19	NA
23-Oct	Existing Home Sales	Sep	3.86M
23-Oct	EIA Crude Oil Inventories	10/19	NA
24-Oct	Continuing Claims	10/12	NA
24-Oct	Initial Claims	10/19	NA
24-Oct	New Home Sales	Sep	716K
24-Oct	EIA Natural Gas Inventories	10/19	NA
25-Oct	Durable Goods -ex Transportation	Sep	0.5%
25-Oct	Durable Orders	Sep	0.0%
25-Oct	Univ. of Michigan Consumer Sentiment - Final	Oct	NA
29-Oct	FHFA Housing Price Index	Aug	NA
29-Oct	S&P Case-Shiller Home Price Index	Aug	NA
29-Oct	Consumer Confidence	Oct	NA
30-Oct	MBA Mortgage Applications index	10/26	NA
30-Oct	ADP Employment Change	Oct	143K
30-Oct	Adv. Intl. Trade in Goods	Sep	NA
30-Oct	Adv. Retail Inventories	Sep	NA
30-Oct	Adv. Wholesale Inventories	Sep	NA
30-Oct	Chain Deflator-Adv.	Q3	2.5%
30-Oct	GDP-Adv.	Q3	3.0%
30-Oct	Pending Home Sales	Sep	0.6%
30-Oct	EIA Crude Oil Inventories	10/26	NA
31-Oct	Continuing Claims	10/19	NA
31-Oct	Employment Cost Index	Q3	NA
31-Oct	Initial Claims	10/26	NA
31-Oct	PCE Prices	Sep	NA
31-Oct	PCE Prices - Core	Sep	NA
31-Oct	Personal Income	Sep	NA
31-Oct	Personal Spending	Sep	NA
31-Oct	EIA Natural Gas Inventories	10/26	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.

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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.

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CORPORATE HEADQUARTERS

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

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

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

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

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

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

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

Franklin
114 West 2nd Ave.
Franklin, VA 23851
(757) 562-0053

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Public Finance office.*