MARKET COMMENTARY

DAVENPORT 1863
BUILDING WEALTH TOGETHER

SEPTEMBER 2022

- Recession fears and rising interest rates provide an overhang for stocks
- Nine of the Eleven S&P industry sectors were down for the month
- U.S. housing trends continue to unwind with pending home sales slipping 1% in July

Hawkish commentary from the Fed weighed on markets in August as investors parsed the outlook for rising rates amidst broad economic uncertainty. It was a challenging month for equities with recession fears and rising interest rates providing an overhang all while consumers and businesses grappled with a difficult inflation environment. With this backdrop, the VIX Index or "fear gauge" rose from near 21 to end the month near 27. For the full month, all major equity indexes were negative with the Dow Jones Industrial Average decreasing 4.1%, the S&P 500® index down 4.2%, and the smaller cap weighted Russell 2000® down 2.2% for the month.

The equity market recovery seen in July reversed in August with nine of the eleven S&P industry sectors down for the month. The best performing sector was Energy which increased 2.2% followed by the Utilities sector which was up 0.1% for the month. The weakest performance in the month was posted by the Information Technology sector which decreased 6.3% followed by the Health Care sector which was down 5.9%. For the prior twelve month period, the Energy sector was the best performer with a 68.9% increase followed by the Utilities sector up 8.4%, while the Communication Services sector was the worst performer for the past twelve months with a 35.7% decrease followed by the Consumer Discretionary sector which was down 16.8%.

A key event in August was Fed Chair Powell's brief but forceful speech at the Jackson Hole symposium. Those anticipating signs of a pivot to come from the Fed were spooked by Powell's statement reinforcing the Fed's unwavering commitment to reining in inflation with steady rate hikes to come. Even after a series of four consecutive interest rate increases totaling 225 bps, Powell suggested this is "no place to stop or pause", suggesting that the Fed will "use our tools forcefully" to attack inflation that is still running near its highest level in more than 40 years. Thus, while Powell indicated the Fed hopes to achieve a soft landing for the economy, he also made clear that interest rate hikes were to continue with broad based economic pain likely to arise stating that "While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain."

U.S. housing trends continue to unwind with pending home sales slipping 1% in July according to the National Association of Realtors - with overall sales trends continuing their fall being down 19.9% versus July 2021 levels as mortgage rates have moved from 3% to a recent 5.75% range. And, Black Knight reports that home prices declined 0.77% from June to July, the first monthly fall in nearly three years - the largest single-month decline in prices since January 2011. Still, home prices remain up 14.3% y-o-y through July 2022, more than three times the historical annual average price appreciation growth rate.

A key measure of inflation - the Personal Consumption Expenditures (PCE) price index - showed inflation slowing in July. The PCE index which remains the Fed's preferred inflation measurement tool, increased by 6.3% in July over year earlier levels - representing an encouraging sign given the fall from June's 6.8% pace. The Core PCE index, which excludes volatile food and energy prices, ramped at 0.1% month-over-month with an annual 4.6% pace, coming in softer than forecast. Growth of Personal Income also fell short of expectations rising by just 0.2% in July compared to estimates targeting an increase of 0.6%, while Consumer Spending not surprisingly also fell short being up 0.1% which contrasts with forecasts being up 0.5%.

With the recent market pullback, the S&P 500 is now trading at about 16x-17x estimated 2023E EPS that we continue to view as aggressive given high expectations on the corporate earnings front as a combination of inflation, declining real incomes, and rising interest rates impacting margins and growth prospects. As such, we anticipate choppy market conditions will persist into autumn, until rising interest rates show initial signs of influencing inflation drivers that could shift investor sentiment despite a weak economic outlook. Still, we maintain our recommendation for long term investors to 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 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:	8/31/2022	12/31/2021	% Change YTD	7/29/2022	% Change (Monthly)
S&P Composite	3,955.00	4,766.18	-17.02%	4,130.29	-4.24%
Dow Jones Industrials	31,510.43	36,338.30	-13.29%	32,845.13	-4.06%
NASDAQ Composite	11,816.20	15,644.97	-24.47%	12,390.69	-4.64%
Russell 2000	1,844.12	2,245.31	-17.87%	1,885.23	-2.18%
FTSE 100	7,284.15	7,384.54	-1.36%	7,423.43	-1.88%
Shanghai Composite	3,202.14	3,639.78	-12.02%	3,253.24	-1.57%
Nikkei Stock Average	28,091.53	28,791.71	-2.43%	27,801.64	1.04%
Stoxx Europe 600	415.12	487.80	-14.90%	438.29	-5.29%
MSCI Emerging Markets	994.11	1,232.01	-19.31%	993.78	0.03%
MSCI Emerging Markets Small Cap	1,165.44	1,412.34	-17.48%	1,140.09	2.22%
Performance of S&P 500 by Industry:	**% of Index as of 08/31/22**	**1 Month**	**3 Month**	**Year to Date**	**12 Months**
Consumer Discretionary	11.43%	-4.72%	0.94%	-24.19%	-16.83%
Consumer Staples	6.77%	-1.88%	-1.71%	-5.67%	1.45%
Energy	4.67%	2.18%	-7.02%	44.72%	68.88%
Financials	10.86%	-2.18%	-6.91%	-15.73%	-14.04%
Health Care	14.07%	-5.88%	-5.64%	-11.73%	-7.78%
Industrials	7.92%	-3.08%	-1.87%	-12.47%	-11.15%
Information Technology	27.32%	-6.26%	-3.59%	-22.61%	-15.12%
Materials	2.54%	-3.67%	-12.20%	-16.91%	-11.78%
Communication Services	8.42%	-4.21%	-8.49%	-31.05%	-35.72%
Utilities	3.13%	0.07%	0.06%	3.36%	8.38%
Real Estate	2.86%	-5.71%	-5.35%	-19.43%	-12.17%
S&P 500 (Absolute performance)	100.0%	-4.24%	-4.29%	-17.02%	-12.55%
Interest Rates:	**8/31/2022**	**12/31/2021**	**YTD Change (Basis Points)**	**7/29/2022**	**Month Change (BPS)**
Fed Funds Effective Rate	0.08%	0.09%	-1	2.32%	-224
Prime Rate	5.50%	3.25%	225	5.50%	0
Three Month Treasury Bill	2.90%	0.09%	282	0.89%	201
Ten Year Treasury	3.19%	1.51%	168	2.65%	54
Spread - 10 Year vs 3 Month	0.29%	1.43%	-113	1.76%	-147
Foreign Currencies:	**8/31/2022**	**12/31/2021**	**% Change YTD**	**7/29/2022**	**% Change (Monthly)**
Brazil Real (in US dollars)	0.19	0.18	7.5%	0.19	-0.2%
British Pound (in US dollars)	1.16	1.35	-14.1%	1.22	-4.5%
Canadian Dollar (in US dollars)	0.76	0.79	-3.7%	0.78	-2.5%
Chinese Yuan (per US dollar)	6.89	6.36	8.4%	6.74	2.2%
Euro (in US dollars)	1.01	1.14	-11.6%	1.02	-1.6%
Japanese Yen (per US dollar)	138.96	115.08	20.8%	133.27	4.3%
Commodity Prices:	**8/31/2022**	**12/31/2021**	**% Change YTD**	**7/29/2022**	**% Change (Monthly)**
CRB (Commodity) Index	585.01	578.31	1.2%	582.45	0.4%
Gold (Comex spot per troy oz.)	1711.04	1829.20	-6.5%	1765.94	-3.1%
Oil (West Texas int. crude)	89.55	75.21	19.1%	98.62	-9.2%
Aluminum (LME spot per metric ton)	2369.25	2806.00	-15.6%	2504.24	-5.4%
Natural Gas (Futures 10,000 MMBtu)	9.13	3.73	144.7%	8.23	10.9%
Economic Indicators:	**6/30/2022**	**12/31/2021**	**% Change YTD**	**4/29/2022**	**% Change (Monthly)**
Consumer Price Index	295.3	280.1	5.4%	280.1	5.43%
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)	**July** **3.5**	**June** **3.6**	**May** **3.6**	**April** **3.6**	**March** **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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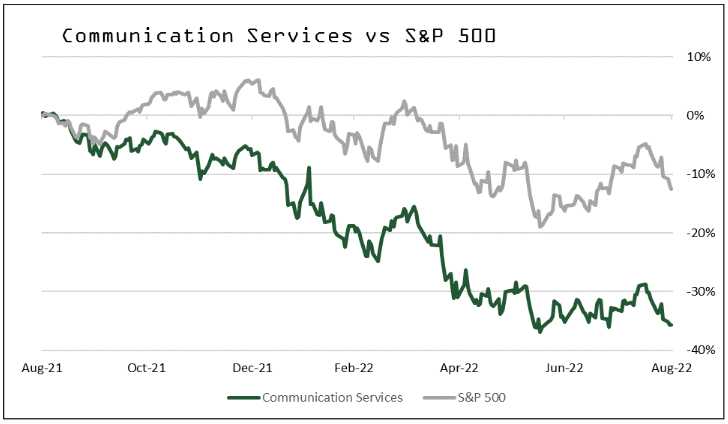
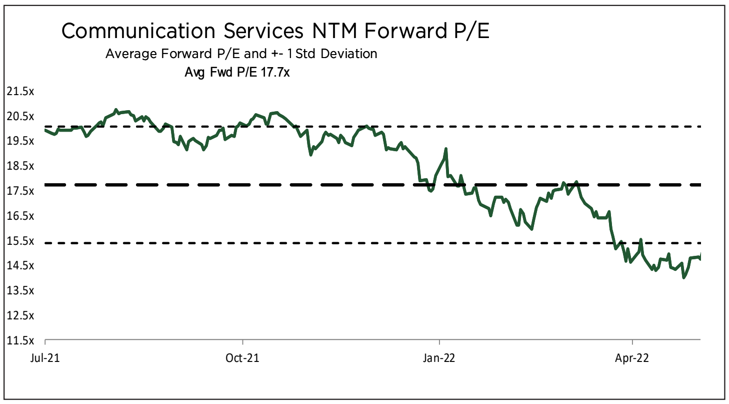
Sector Updates





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-4.21%	-8.49%	-31.05%	-35.72%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-4.24%	-4.29%	-17.02%	-12.55%

	Company Performance	1 Month
Leader	Walt Disney Co/The	5.6%
	Fox Corp	3.2%
	Meta Platforms Inc	2.4%
	Fox Corp	2.3%
	T-Mobile US Inc	0.6%
Laggards	Match Group Inc	-22.9%
	Warner Bros Discovery	-11.7%
	Verizon Communications	-9.5%
	Lumen Technologies Inc	-8.5%
	Take-Two Interactive	-7.7%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$11.43	$11.78	$13.40
16.1x	15.7x	13.8x

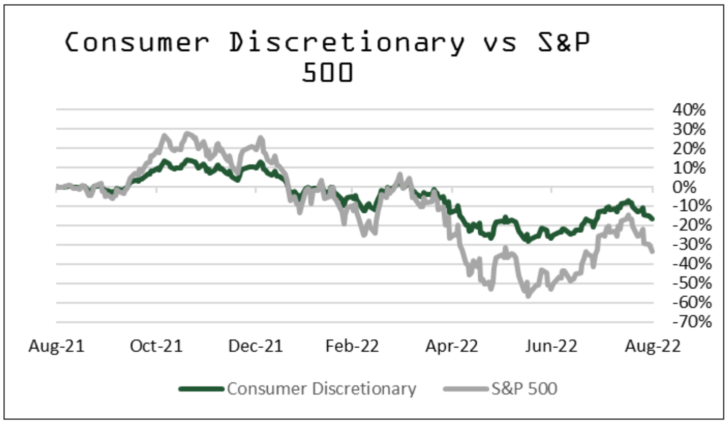
Sector Update

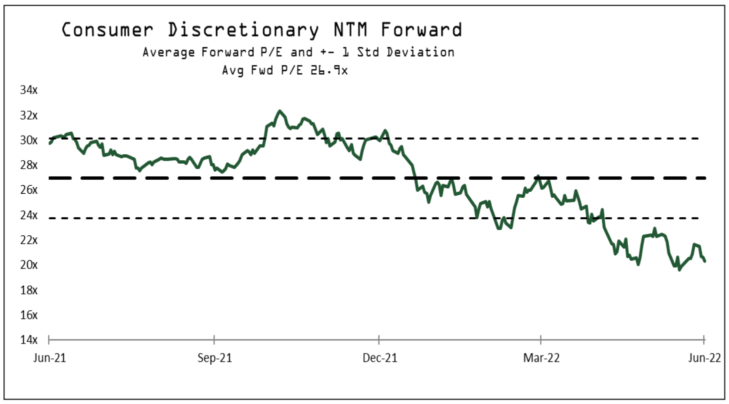
Communications Services declined 4.2% in August, in line with the market. The Communications Services sector could outperform the market over the next year, since it trades at a significant discount to the market with a twelve month forward P/E multiple of 13.8x, compared to its average multiple of 18.3x.

The Entertainment sub-sector (+0.4%) outpaced the market as Disney's performance offset the sharp decline in Warner Brothers Discovery (WBD) shares. Disney reported better than expected Q3 2022 results driven by a 100% increase in its theme park revenue. The company's Direct to Consumer (DTC) streaming content business added 15.5 million subscribers in the third quarter to reach 221 million, surpassing Netflix as the largest global streaming media provider. Disney and Netflix management expects higher subscriber growth this fall since they both have a robust slate of new content.

Both companies plan to introduce an ad supported streaming service, with Disney offering an ad supported service in the U.S. by December and Netflix targeting 2023 for the launch of its new service. Ad supported streaming services could expand the potential market for both Disney and Netflix. Disney expects to reach 215 to 245 million total streaming media subscribers by FY24, including 135-165 Disney+ subscribers, and 80 million Disney+ Hotstar subscribers. The company expects its Direct to Consumer (DTC) streaming business to become profitable in FY24.

Warner Brothers Discovery (WBD) reported second quarter results significantly below the consensus estimate as it began the process of integrating the operations of Discovery and Warner Media. While WBD may remain focused on merger integration activities in the near-term, management may shift its focus to the launch of WBD's new streaming media platform in mid-2023. The new streaming platform will include Discovery and Warner Media content and will be based on a single technology platform. A single streaming media platform may be more compelling to advertisers, since WBD could have better visibility into consumers viewing habits.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-4.72%	0.94%	-24.19%	-16.83%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-4.24%	-4.29%	-17.02%	-12.55%

	Company Performance	1 Month
Leader	Ulta Beauty Inc	8.0%
	Norwegian Cruise Line	7.7%
	Ross Stores Inc	6.2%
	Royal Caribbean Cruises	5.5%
	General Motors Co	5.4%
Laggards	Dollar Tree Inc	-17.9%
	Mohawk Industries Inc	-14.1%
	Advance Auto Parts Inc	-12.9%
	Newell Brands Inc	-11.7%
	CarMax Inc	-11.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$36.22	$44.58	$57.76
33.7x	27.4x	21.1x

Sector Update

It was a challenging month for equities in the Consumer Discretionary sector with the group underperforming the S&P 500 as seen in the accompanying table. Although pockets of relief are being seen in areas such as gasoline prices, high overall inflation levels appear to be weighing on consumers. Sub-sector performance was weak across most categories with the most significant decreases seen in the Household Durables and Auto Components subsectors. Looking at the performance of Consumer Discretionary stocks over the past twelve month period, the sector has significantly underperformed the S&P 500 with all sub-sectors other than Automobiles declining.

Consumer sentiment picked up in August according to the University of Michigan index of consumer sentiment. The sentiment index moved higher for the month to 58.2 from the July reading of 51.1. The improvement in sentiment was broad based across age and income demographics with recently falling gasoline prices appearing to play a role in the better sentiment levels.

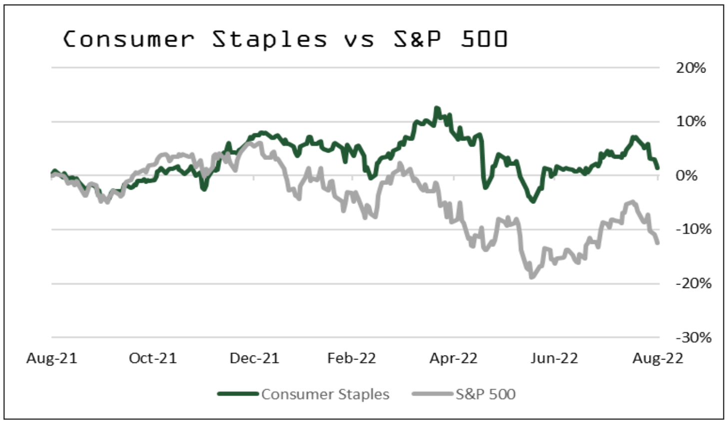
Consumers received some modest signs of improvement on the inflation front for July with the Consumer Price Index reporting below expectations at 8.5% reflecting a drop from the 9.1% pace seen in June albeit still at a relatively high level. Core inflation, which eliminates food and energy prices, advanced at a 5.9% pace which was unchanged from the June level. Food prices rose sharply in July up 10.9% year-over-year while gas price inflation dropped for the month. We remain optimistic that the pace of inflation may moderate, particularly as base effects become more prominent in the coming months.

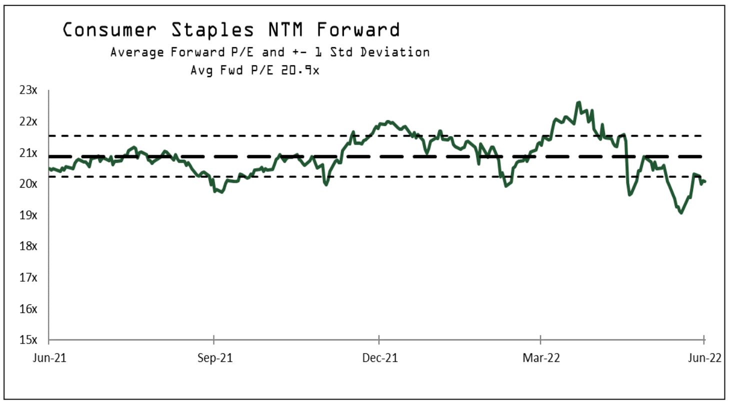
In mid-August the July retail sales report was released indicating a flat month with cheaper gasoline prices bringing down headline growth. Excluding gasoline and auto sales, retail sales rose 0.7% reflecting broad growth including internet sales up a strong 2.7%. On the services side, sales at restaurants grew modestly up 0.1% month-over-month while up a strong 11.6% versus the prior year.

The National Association of Homebuilders or NAHB confidence index dropped to 49 in August which represented the eighth monthly decline for the index and a sharp decline from the prior year's level of 75. The August homebuilder confidence index declined 6 points from the July level against a backdrop of mortgage rates and home prices impacting affordability.

New home sales for July dropped 29.6% versus last year and 12.6% versus June levels according to the Commerce Department. The drop in new home sales to a seasonally adjusted 511,000 represented the slowest pace since 2016. Higher mortgage rates and home prices appear to be constraining buyers with the average new home price in July of $439,400 up from $414,900 in June. New home prices this year appear to have peaked in April at $458,200.

CONSUMER STAPLES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-1.88%	-1.71%	-5.67%	1.45%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-4.24%	-4.29%	-17.02%	-12.55%

	Company Performance	1 Month
Leader	Archer-Daniels-Midland	6.2%
	J M Smucker Co/The	5.8%
	Kroger Co/The	3.2%
	Altria Group Inc	2.9%
	General Mills Inc	2.7%
Laggards	Tyson Foods Inc	-14.4%
	Molson Coors	-13.5%
	Walgreens Boots	-11.5%
	Monster Beverage Corp	-10.8%
	Estee Lauder Cos Inc	-6.9%

Consensus FY EPS / P/E

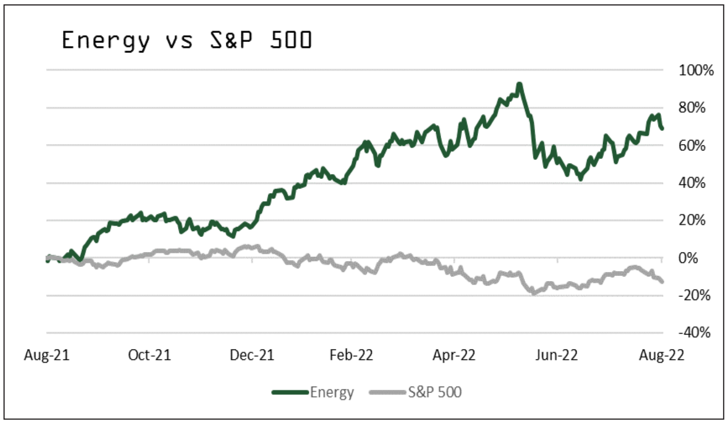
Last Year	Current Year	Next Year
$35.17	$35.94	$38.35
21.6x	21.1x	19.8x

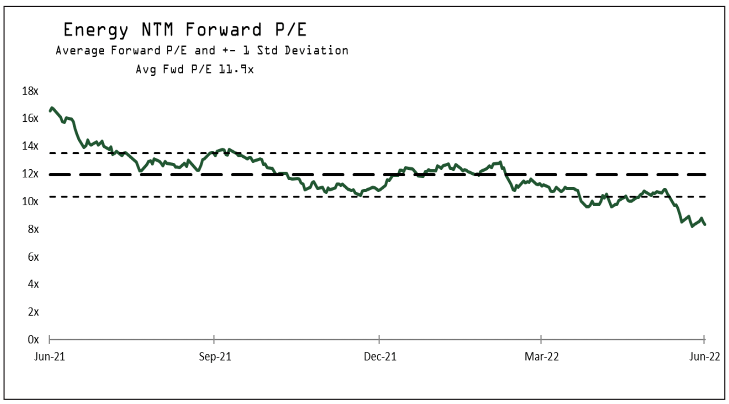
Sector Update

The Consumer Staples sector decreased 1.88% on average in August and significantly outperformed the S&P 500 Index which decreased 4.24% for the month. All sectors reported declines for the month. YTD through August, the Consumer Staples sector has decreased 5.67% on average and has significantly outperformed the S&P 500 Index which declined 17.02%. The Consumer Staples segment is now trading with a current forward P/E of 21.1x which compares to its average forward P/E of about 20.9x. With stronger balance sheets, we expect renewed interest for consolidation as consumer staples companies seek to drive faster top-line growth, reformulate brand portfolios and seek additional cost savings. An investment in many of the Consumer Staples companies continues to offer an attractive dividend yield. We continue to advise the selective investment among the Consumer Staples stocks.

Entering the fall season, the sentiment for the Consumer Staples segment centers on both macro and company specific factors. In general, consumer demand remains in line versus expectations despite higher prices with elasticities for most products still running below historical levels. 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. Companies have either just raised prices or are planning additional actions. The carry forward of the pricing along with the potential for some moderation in input cost pressures could set up for potential margin upside surprises over the next year. We continue to prefer investment in companies with pricing power, leading market shares, strong balance sheets, and experienced management. Food consumption at home in the US has now shifted closer to the historical average of about half following the elevated level during the pandemic. At present, the price gap in the US between branded and private label offerings is about 29%. The gap remains a key factor to monitor as consumers face inflation cost pressures. On a macro view, investor sentiment remains favorable to exposure to the more defensive names offering attractive dividend yields, balance sheets and cash flows. Currency remains a headwind for international companies. Key risk factors include consumer demand versus pricing, the potential for increased promotional competitive activity, inventory, the pace of input and logistic pressures and execution.

ENERGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.18%	-7.02%	44.72%	68.88%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-4.24%	-4.29%	-17.02%	-12.55%

	Company Performance	1 Month
Leader	Baker Hughes Co	24.1%
	Devon Energy Corp	12.4%
	ConocoPhillips	12.3%
	Marathon Petroleum	9.9%
	EOG Resources Inc	9.1%
Laggards	Chevron Corp	-3.5%
	Exxon Mobil Corp	-1.4%
	Williams Cos Inc/The	-0.2%
	Phillips 66	0.5%
	Coterra Energy Inc	1.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$61.46	$78.51	$68.54
10.0x	7.8x	8.9x

Sector Update

Geopolitical uncertainty ranging from a potential Iran nuclear deal to an unexpected economic slowdown in China weighed on energy markets in August against a backdrop of moderating oil prices and pressures on U.S. economic growth. Nevertheless, the Energy sector outperformed the broader market in August despite these macro headwinds. The Energy sector has outperformed versus the S&P 500 for the one-month, year-to-date and on a trailing twelve-month basis, as seen in the accompanying table.

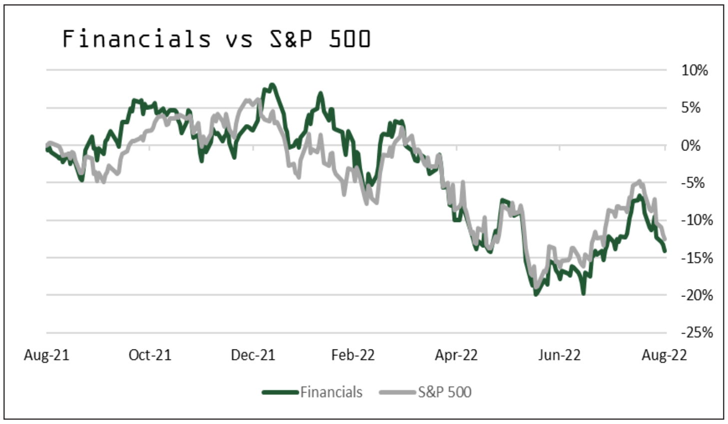
A slowing economic backdrop contributed to a reduction in OPEC's oil demand forecast announced mid-month. OPEC trimmed its forecast for 2022 global oil demand by 260,000 barrels per day to 100.03 million barrels per day. OPEC indicated that oil markets are getting closer to balanced conditions as oil supplies move closer to demand levels as economic and COVID factors weigh on projections. Looking at 2023, OPEC trimmed its forecast by the same 260,000 barrels per day to 102.72 million barrels per day.

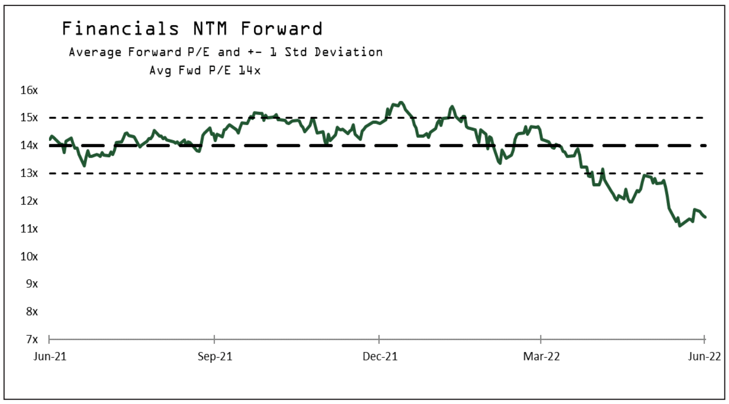
Towards the end of August, oil prices weakened amidst increasing focus on a potential Iran nuclear deal and the resulting implications on oil markets. The potential for an Iran nuclear deal and the return of Iranian oil to world markets presented a late month overhang that appears to have pushed crude below recent support. Coinciding with the Iran news, OPEC leadership indicated that the cartel is contemplating output cuts. This could lead to a market dynamic where OPEC works towards providing some oil market stability in the event of supply returning from Iran.

West Texas Intermediate crude oil prices trended lower in August moving from about $98 per barrel to end the month just under $90 per barrel. Natural gas prices moved higher during the month from about $8 per million Btu to end the month at a little over $9 per million Btu. Retail gasoline prices in August dropped to $3.94 per gallon at the end of the month from the $4.44 average price seen at the end of June. We note that gas prices remain well above the August 2021 level of $3.24 per gallon. We are pleased to see the pullback in gasoline prices during August in an environment of constrained refining capacity.

The Baker Hughes oil rig count was flat in the month coming in at 605 rigs for August versus 605 rigs in July. Oil rig count at month-end was above the prior year level of 410 rigs as we have seen growth in rig counts over the past year. U.S. crude oil storage at 418 million barrels was down from last month's level of 427 million barrels. We note that storage levels have generally been declining off the 2020 pandemic highs and are currently below the prior year level of 425 million barrels.

FINANCIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.18%	-6.91%	-15.73%	-14.04%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-4.24%	-4.29%	-17.02%	-12.55%

	Company Performance	1 Month
Leader	Principal Financial Group	11.7%
	Progressive Corp/The	6.6%
	Raymond James Financial	6.0%
	Aflac Inc	3.7%
	W R Berkley Corp	3.6%
Laggards	Lincoln National Corp	-10.3%
	Assurant Inc	-9.8%
	Moody's Corp	-8.3%
	MarketAxess Holdings Inc	-8.2%
	Truist Financial Corp	-7.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$44.26	$42.33	$47.98
12.4x	12.9x	11.4x

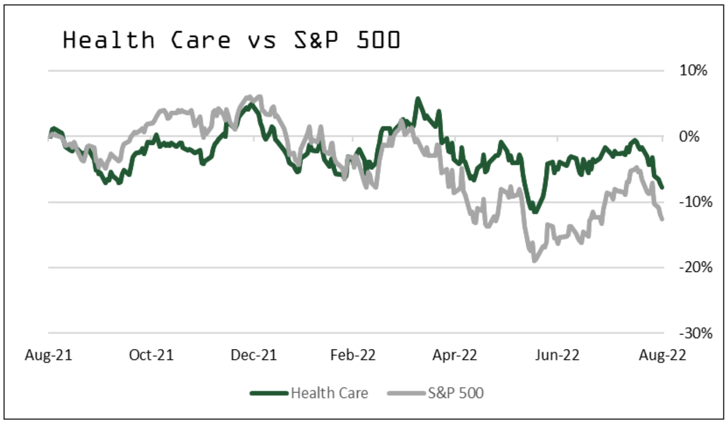
Sector Update

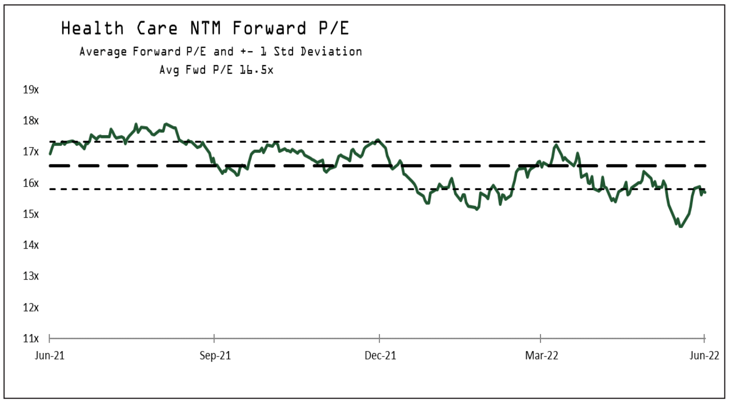
The Financials sector pulled back nearly 7% in August, giving up substantially all of its prior month's gains and lagging the 4.24% retrenchment in the S&P 500 index in the period. Year-to-Date (YTD) returns show the Financials group slightly outperforming the S&P 500; however, both the sector and index remain more than 15% below year-end levels. Trailing twelve month comparisons favor the S&P 500 index relative to the Financials sector, down 12.55% and 14.04%, respectively. All Financials subsectors except for Insurers finished August lower than the prior month, led by Diversified Financial Services with a 6.6% decline and followed by a 2% drop in Banks.

The recent "Fed Pivot" bear market rally appeared to reverse course near the end of August following Chair Jerome Powell's direct comments at Jackson Hole. After a series of larger than normal rate hikes, Powell suggested the Fed will continue to move into a restrictive stance with this being "no place to stop or pause" in tightening financial conditions to reduce inflation through lowering macroeconomic demand. Powell went on to say, "While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation, but a failure to restore price stability would mean far greater pain."

The implications of Fed talk at Jackson Hole are clear, suggesting the central bank will continue to tighten into restrictive territory despite a slowing macroeconomic backdrop and growing recessionary concerns. Given the Financials group is cyclically linked, the potential for recession exacerbated by monetary policy constraints appeared to drive the larger-than-market pullback in the sector over a trailing twelve month period.

In contrast, Q2 earnings and guidance from industry leaders suggest 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. We expect further low double-digit loan growth into the back-half of the year and modestly higher loss rates; however, do not expect a rapid decline in credit quality given the cumulative impacts of deleveraging on consumer balance sheets through the pandemic period despite pressure on disposable incomes from 40-year high inflation. Importantly, the primary driver of consumer loss rates is employment, which continues to demonstrate resilience in a 3.5% unemployment rate while labor force participation appears to be recovering nicely from pandemic lows.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-5.88%	-5.64%	-11.73%	-7.78%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-4.24%	-4.29%	-17.02%	-12.55%

	Company Performance	1 Month
Leader	Cardinal Health Inc	18.7%
	McKesson Corp	7.4%
	Gilead Sciences Inc	6.2%
	Becton Dickinson and	3.3%
	Molina Healthcare Inc	2.9%
Laggards	Catalent Inc	-22.2%
	Moderna Inc	-19.4%
	Charles River Lab.	-18.1%
	Waters Corp	-18.0%
	Zoetis Inc	-14.3%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$83.10	$94.60	$93.85
17.5x	15.3x	15.5x

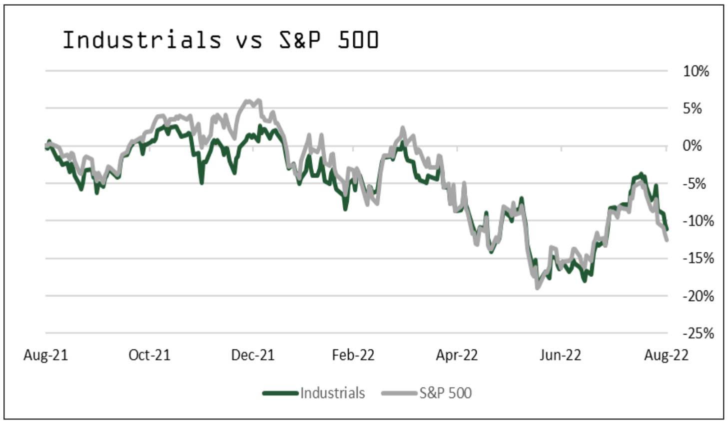
Sector Update

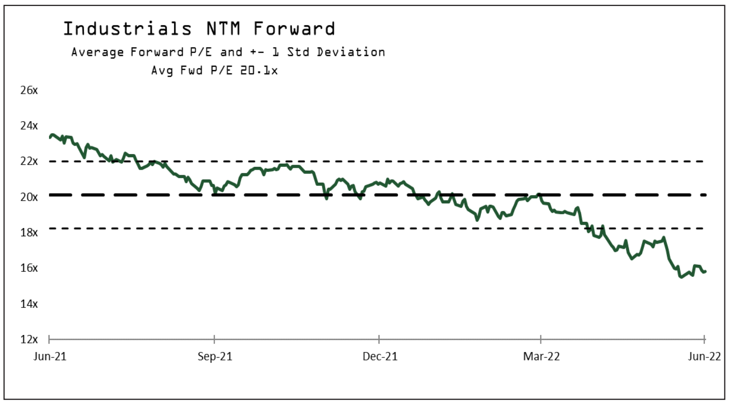
August saw the summer market rally fizzle as the Fed repeatedly told investors to look for further interest rate hikes as the FOMC remains steadfast in its efforts to quell inflation. As a result, the S&P 500 retreated 4.24% in August. As illustrated in the adjacent graphics, the Health Care sector deemed defensive in nature that had consistently outperformed the S&P over the past year into spring has lagged over the past month and quarter – with the sector falling 5.88% in August and being down 5.64% over the past quarter. We sense that two factors have been at play here. First, given prior outperformance earlier in 2022, the sector naturally had less of a bounce to make up for a weaker performance that arose among other sectors of the S&P 500 with the June/July market rally. In addition, the passage of the Inflation Reduction Act of 2022 included legislation positioning the Medicare program to directly negotiate prices paid for many pharmaceuticals for the first time – to be phased in over the next few years. Investors anticipate this reform could likely reduce prices paid which impacts profit margins for the biopharma sector that influenced stock valuations last month that we believe persists going forward.

Performance across the health care sector also varied of late based on the latest quarterly earnings, other company specific developments, and varied future expectations notably impacted by foreign exchange headwinds (for multi-national corporations). In addition, COVID continues to impact results for many health care firms – with those offering diagnostics, vaccines and antiviral therapeutics seeing stronger than anticipated trends sustained, while those focused on medical intervention products or services have experienced a slower than anticipated rebound in non-COVID demand. In addition, labor shortages, raw material costs and rising wages all impacted companies to varying degrees – with hospitals experiencing noteworthy headwinds on the labor/wage front. At current valuations, the sector trades below the historical average 16.5x forward P/E multiple which is understandable given uncertain market dynamics. Still, given the current uncertain macro-economic environment Health Care is poised to deliver solid relative earnings into 2023 compared to many other more economically sensitive S&P sectors suggesting selective investment remains appropriate.

Stronger performers in August included Cardinal Health where the CEO departed and an activist investor became involved spurring potential for change; McKesson and Gilead that both saw COVID driving demand for vaccine distribution and use of anti-viral Veklury that drove upside earnings; and, Becton Dickinson that won a patent infringement challenge, tendered for $500 million of senior notes and reported upside earnings. On the other hand, perceived slowing demand going forward for COVID related products weighed on Catalent and Moderna share valuations, while retooling of manufacturing sites at Charles River weighed on latest earnings with management trimming 2022 earnings guidance.

INDUSTRIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-3.08%	-1.87%	-12.47%	-11.15%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-4.24%	-4.29%	-17.02%	-12.55%

	Company Performance	1 Month
Leader	Nielsen Holdings PLC	16.2%
	Deere & Co	6.4%
	Huntington Ingalls In-	6.2%
	Trane Technologies PLC	4.8%
	CH Robinson Worldwide	3.1%
Laggards	Generac Holdings Inc	-17.8%
	3M Co	-13.2%
	Rollins Inc	-12.5%
	Fortune Brands Home	-11.8%
	Leidos Holdings Inc	-11.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$34.86	$41.64	$48.87
22.5x	18.8x	16.0x

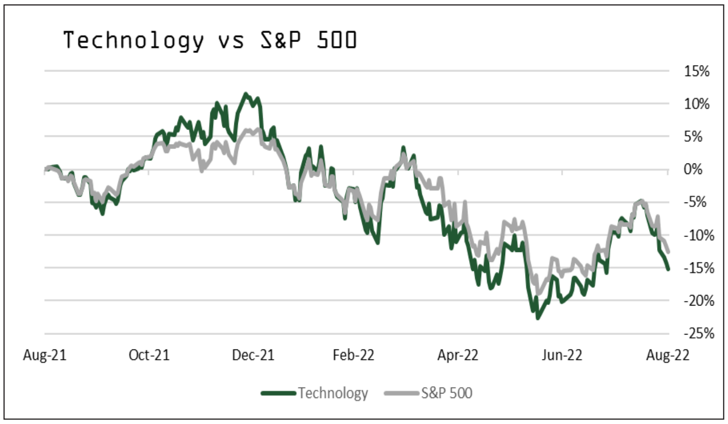
Sector Update

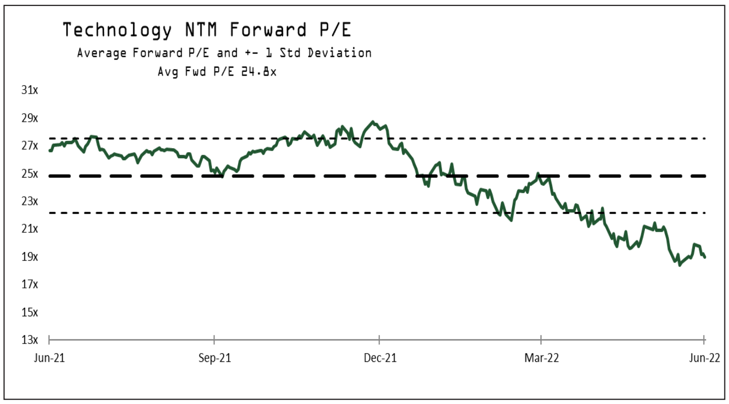
The Industrial Sector outperformed the S&P 500 by 1.16% in the month of August, with a -3.08% monthly decline. Year to date comparisons favor the Industrial Sector against the broader index despite the cyclical nature of the Industrials Sector known for experiencing earnings slowdowns in strong relation to slowing economic growth, with a -12.47% return vs. a -17.02% return from the S&P 500 since the start of the year. The Construction & Engineering subsector contributed most significantly to the strong month that the Industrial Sector experienced with a 1.9% gain; the only subsector in the group to post a positive gain. The top leaders for the month were all members of different subsectors, led by Nielsen Holdings, which posted a 16.2% return for the month after announcing regulatory approval to move forward with an acquisition by a private equity group. Generac Holdings led the laggards group as the worst performing equity in the Industrial sector with a -17.8% decline in August, while the subsector that it operates in, Electrical Equipment, registered the worst performance of subsectors in the Industrial sector with a -8.3% return. Inflationary pressures and rising production costs continue to weigh on supply chains throughout the Industrial sector, although labor issues showed signs of easing as companies continued to hire at strong rates in August, with few indications of layoffs, hiring freezes, or head-count reductions through attrition.

The Institute for Supply Chain Management registered a reading of 52.8%, the same reading as in July. For the second straight month, the Manufacturing PMI figure is the lowest since June 2020 when it registered 52.4%. A reading under 50% represents a contraction in the manufacturing sector of the economy, a number that the PMI reading is approaching. Although the headline was flat, during an ISM downtrend, the data moves in the opposite direction about 30% of the time, suggesting that the lack-of-decrease month over month in the PMI reading is not necessarily a sign of recovery. PMIs remain a macro lens into earnings revisions, which suggests that global earnings estimates are poised to fall. 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 16.0x, down 0.4x lower than last month and 3.6x lower than its one year average Forward P/E. 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
-6.26%	-3.59%	-22.61%	-15.12%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-4.24%	-4.29%	-17.02%	-12.55%

	Company Performance	1 Month
Leader	EPAM Systems Inc	22.1%
	Ceridian HCM Holding	8.9%
	PayPal Holdings Inc	8.0%
	Gartner Inc	7.5%
	Broadridge Financial	6.6%
Laggards	SolarEdge Technologies	-23.4%
	DXC Technology Co	-21.6%
	Fortinet Inc	-18.4%
	NVIDIA Corp	-16.9%
	Seagate Technology	-16.3%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$94.24	$107.97	$118.52
25.1x	21.9x	20.0x

Sector Update

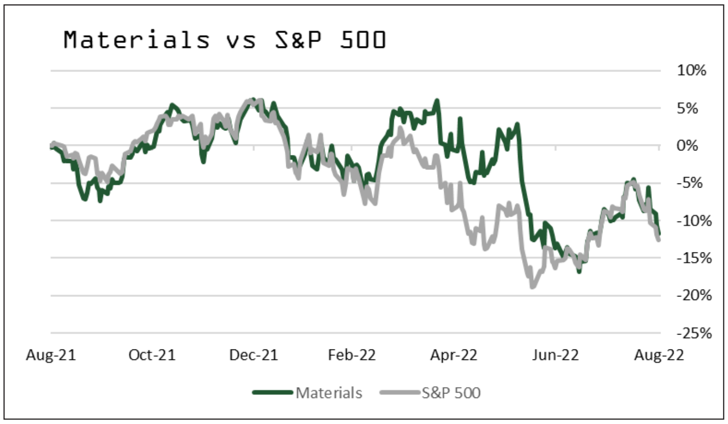
Investors had become more positively inclined toward the Technology sector in July due to the pullback of long-term interest rates as well as reports of robust revenue growth in June. However, U.S. Federal Reserve Chairman Powell at his annual Jackson Hole, Wyoming policy speech in late August emphasized that the Federal Reserve will continue to increase interest rates to combat inflation even if these actions caused some pain for consumers and businesses. Chairman Powell's firm resolution toward fighting inflation contributed to the rise of long-term interest rates and the sharp decline in the market and the Technology sector. The Technology sector was also pressured by lower guidance from Advanced Micro Devices, Micron Technology, NVIDIA, Salesforce.com, and ServiceNow.com.

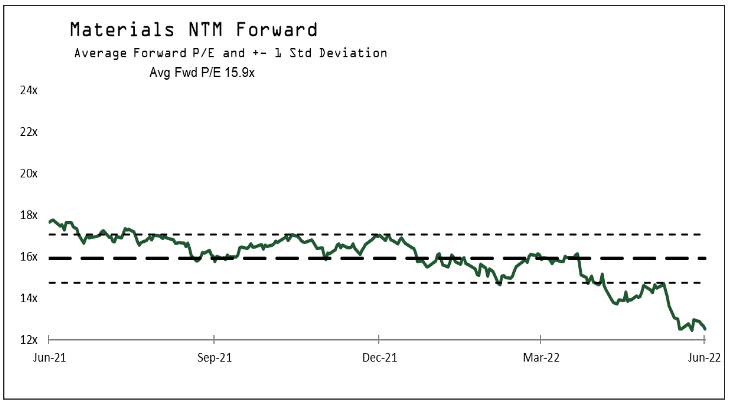
The Technology sector (-6.26%) underperformed the S&P 500 index (-4.24%) in August, since the Technology sector is more sensitive to rising rates than the rest of the market.

Given the increasing number of technology companies that are reducing their 2022 guidance and the potential risk that a recession in Europe and the U.S. could reduce corporate profits, we believe that the current consensus analyst earnings estimates may be too high. Therefore, we do not consider the Technology sector attractively valued, with a P/E of 21.9x estimated 2022 earnings, compared to its long-term average 12-month forward P/E multiple of 24.9x. The Technology sector could underperform the market over the next few months, since technology company valuations could be impacted by lower than expected earnings as well as the further contraction of P/E multiples in response to higher interest rates.

Leading software companies reported that most of their customers remain committed to their digital transformation to drive improved efficiencies. However, Salesforce.com reported that corporations in the consumer goods, communications and media sectors have become more cautious in their IT spending.

MATERIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-3.67%	-12.20%	-16.91%	-11.78%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-4.24%	-4.29%	-17.02%	-12.55%

	Company Performance	1 Month
Leader	Albemarle Corp	9.7%
	CF Industries Holdings	8.3%
	Corteva Inc	6.7%
	Mosaic Co/The	2.3%
	Air Products	1.7%
Laggards	Ball Corp	-24.0%
	Sealed Air Corp	-12.0%
	International Flavors	-10.9%
	DuPont de Nemours Inc	-9.1%
	Newmont Corp	-8.7%

Consensus FY EPS / P/E

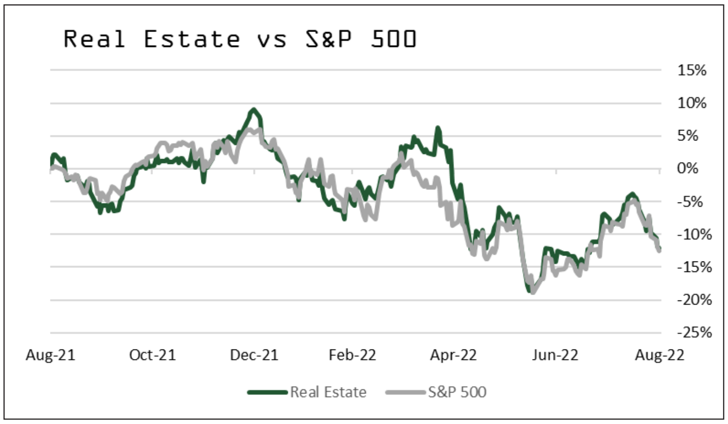
Last Year	Current Year	Next Year
$35.17	$37.32	$34.38
13.5x	12.7x	13.8x

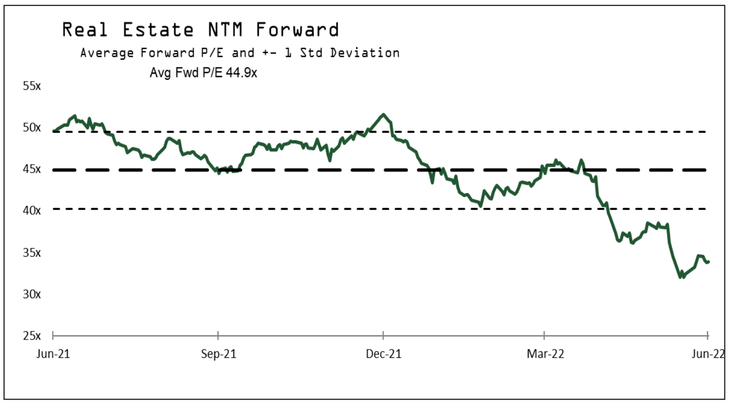
Sector Update

The Materials segment decreased 3.67% in August and outperformed the S&P 500 Index that decreased 4.24%. All sectors reported decreases for the month. The Materials segment is now trading with a current forward P/E of 12.7x which is below its average forward P/E of about 15.5x and towards the low end of its historic trading range. Inflation is increasingly weighing on consumer demand and those companies offering attractive niche markets remain in favor. For 2H, the key focus centers on consumer and customer demand, pricing, input cost pressures, global economies, financing, inventory levels and supply/demand balance. Select M&A, pricing, raw material trends and capacity expansion remain factors to monitor. The selective investment among the stocks in the segment remains a key strategy.

Demand remains a key factor to monitor as inflation remains a key headwind for the materials segment. During his recent speech at the Jackson Hole symposium, Fed Chair Powell reinforced the Fed's unwavering commitment to reining in inflation with steady rate hikes to come. His speech resolved the question as to whether the Fed may pivot in their tightening strategy as US inflation remains elevated. For the packaging segment, the sentiment is shifting to expected slower demand in Q4 and weaker pricing as inventories rise. Most manufacturers continue to benefit from higher demand, but the pace is slowing versus the beginning of the year. The tightening of interest rates by the Fed remains a factor that could further dampen demand and new investment in 2H and into 2023. In chemicals, demand is weakening, but there are exceptions. The macro trend towards the transition to clean energy remains a key theme supporting an investment in hydrogen, carbon capture and lithium technologies. Lithium supply and demand remain tight supporting favorable pricing. Demand for lithium remains strong and should increase over 30% to 1.5 million tons by 2025. Execution and end market demand remain critical factors. For agriculture companies, a tighter supply of nitrogen (used in fertilizer) in Europe as plants shut down due to surging natural gas costs is a growing concern. Wheat prices are declining as concerns regarding Ukraine's supply are moderating. The US soybean crop indicates record yields while the corn crop also indicates favorable yields, but below trend. Domestic crops have faced extreme heat and sporadic rainfall. Within the housing segment, most metrics are negative including sales, pricing, and consumer confidence. US pending home sales declined 1% in July as measured by the National Association of Realtors in response to the rise in mortgage rates to the 5.75% range. Home prices declined 0.7% in July from June which represented the first monthly decline in three years. However, domestic home prices still remain up 14.3% year-to-date vs the prior year period.

REAL ESTATE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-5.71%	-5.35%	-19.43%	-12.17%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-4.24%	-4.29%	-17.02%	-12.55%

	Company Performance	1 Month
Leader	Iron Mountain Inc	8.5%
	Extra Space Storage Inc	4.9%
	Public Storage	1.4%
	Host Hotels & Resorts	-0.2%
	SBA Communications	-3.1%
Laggards	Vornado Realty Trust	-13.7%
	Boston Properties Inc	-12.9%
	Welltower Inc	-11.2%
	Ventas Inc	-11.0%
	Mid-America Apart.	-10.8%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$6.66	$7.56	$7.82
39.3x	34.6x	33.5x

Sector Update

With the July 27th FOMC session, the Fed raised the funds rate by 75 basis points to a range of 2.25% - 2.50% and more importantly reiterated their strategy focused on aggressive efforts to quell inflation – signaling sustained rate hikes as likely this year to the consternation of those investors looking for a pivot in policy as inflation appears to have peaked. As a result, August saw the summer market rally fizzle with the S&P 500 retreating 4.24% for the month. As illustrated in the adjacent graphics, the interest rate/economically sensitive Real Estate sector continued to underperform last month just as it has on a year to date basis – declining by 5.71% in August and being off 19.43% Ytd. That is, the Real Estate sector performance correlates to interest rates as a bond proxy as well as to general economic trends. With consumers having retrenched on purchases of durable goods given a slowing economy, REIT investor fears over occupancy and rental pricing implications have arisen.

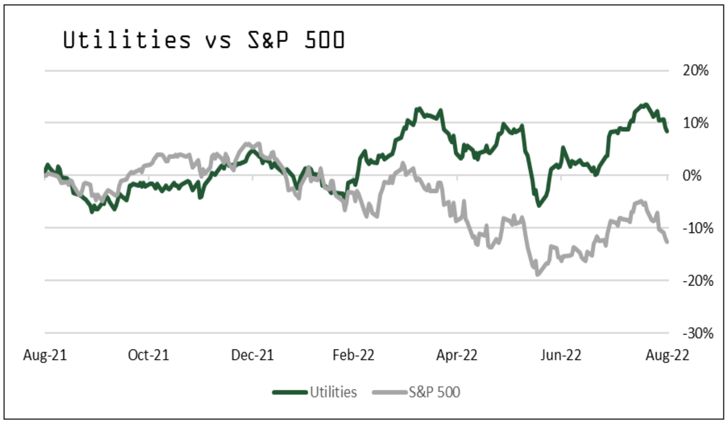
Given the Fed's quantitative tightening strategy now underway, we sense that economic uncertainty will persist as the U.S. has not experienced a similar process to any significant degree in the past four decades with the outcome/ramification to follow. Interest rate, occupancy and pricing trends and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

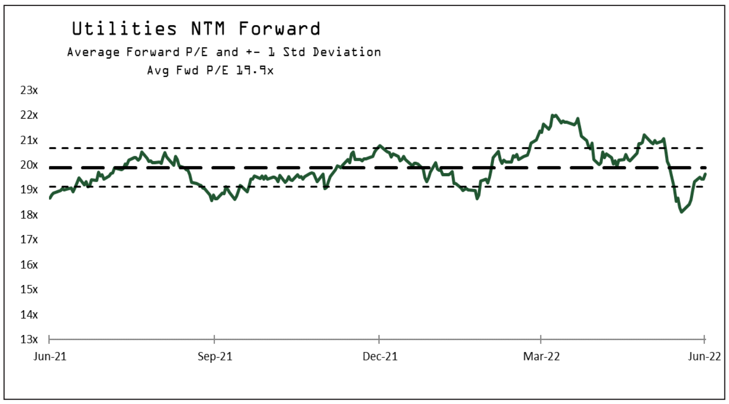
With latest quarterly earnings reports, some REITs delivered upside results and raised guidance. Iron Mountain, Extra Space Storage and Public Storage each reported strong quarterly results drive by better than forecast pricing trends that ranged from up 7.5% to 22.8% per square foot. Thus, although rising interest rates and uncertain macro-economics represent a headwind, these firms obviously retain pricing power and delivered upside EPS and FFO with expectations on the rise for 2022.

On the other hand, office space and health care REIT shares were under pressure in August – with weaker performance from Vornado and Boston properties where rental rates remain pressured (running relatively flat) with the 3Q2022 outlook trimmed. In addition, health care REIT firms Welltower and Ventas that have a portion of their business being in company owned and operated senior living facilities were pressured by rising labor costs expected to persist through 2022 as a minimum.

We sense that pressure/fears associated with a slowing economy and rising interest rates could continue to weigh on investor sentiment toward Real Estate in 2H2022. Still, we like the longer term outlook for the sector remaining more focused on selective investment in the logistics, cell tower, and self-storage segments for long term investment as demand/pricing remains strong and capacity is tightening in some locales.

UTILITIES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
0.07%	0.06%	3.36%	8.38%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-4.24%	-4.29%	-17.02%	-12.55%

	Company Performance	1 Month
Leader	Constellation Energy	23.4%
	AES Corp/The	14.5%
	NRG Energy Inc	9.4%
	Pinnacle West Capital	2.6%
	Eversource Energy	1.7%
Laggards	Atmos Energy Corp	-6.6%
	Exelon Corp	-5.5%
	American Water Works	-4.5%
	FirstEnergy Corp	-3.8%
	NiSource Inc	-2.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$16.64	$17.93	$18.97
22.6x	21.0x	19.8x

Sector Update

The Utilities sector finished August effectively flat from the prior month, up just 0.07%. The sector beat a 4.24% decline in the S&P500 in the month, largely tied to its historically defensive characteristics and aided by further gains in renewables focused companies on the passage of the 'Inflation Reduction Act' that provides ~$369B in renewables subsidies. Year-to-date comparisons favor the Utilities sector relative to the market - with the sector up 3.36% compared to a 17.02% retrenchment in the S&P. The sector also meaningfully outpaced the broader market in the past twelve months, up 8.4% compared to the S&P down 12.6% in the same period.

Performance was fairly mixed across sub-sectors, with the Independent/Renewables group leading the way on a 14.5% improvement; however, this subsector includes just AES. Electric Utilities improved 0.6% in the month while Multi-Utilities declined 0.8% and Water Utilities (only AWK) fell 4.5% from the end of July.

Constellation Energy (CEG) was the top performing Utility in August, layering a 23.4% monthly gain on a 15.4% rally in July. 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, a spin-off from Exelon (EXC), is the largest 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. The proposed legislation is expected to provide several billion dollars in wind and solar incentives; in addition, provides a windfall through the extension of tax credits for low-carbon production to renewables firms such as CEG.

Risk-off positioning and recent legislative proposals appear to have driven recent relative performance in the sector; however, 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. We think this is clearly reflected in recent announcements from industry stalwarts such as DUK, including a $200MM cost cutting initiative and strategic review of its commercial renewables segment which could involve a sale—with proceeds aimed at deleveraging or lower debt issuance need against a higher cost of capital backdrop.

ECONOMIC CALENDAR

Date	Release	For	Prior
6-Sep	HIS Markit Services PMI	Aug	44.1
6-Sep	ISM Non-Manufacturing Index	Aug	56.70%
7-Sep	MBA Mortgage Applications Index	9/3	-3.70%
7-Sep	Trade Balance	Jul	-$79.6B
7-Sep	Beige Book	NA	NA
8-Sep	Initial Claims	9/3	232K
8-Sep	Continuing Claims	8/27	1438K
8-Sep	EIA Natural Gas Inventories	9/3	+61 bcf
8-Sep	EIA Crude Oil Inventories	9/3	-3.33M
8-Sep	Consumer Credit	Jul	$40.1B
9-Sep	Wholesale Invensories	Jul	0.80%
13-Sep	CPI	Aug	0.00%
13-Sep	Core CPI	Aug	0.30%
13-Sep	Treasury Budget	Aug	-$211.1B
14-Sep	MBA Mortgage Applications Index	9/10	NA
14-Sep	PPI	Aug	-0.5%
14-Sep	Core PPI	Aug	0.20%
14-Sep	EIA Crude Oil Inventories	9/10	NA
15-Sep	Retail Sales	Aug	0.40%
15-Sep	Initial Claims	9/10	NA
15-Sep	Continuing Claims	9/30	NA
15-Sep	Empire State Manufacturing	Sep	-31.1
15-Sep	Philadelphia Fed Index	Sep	6.2
15-Sep	Import Prices	Aug	-1.4%
15-Sep	Import Prices ex-oil	Aug	-0.5%
15-Sep	Export Prices	Aug	-3.3%
15-Sep	Export Prices ex-ag.	Aug	-3.3%
15-Sep	Industrial Production	Aug	0.60%
15-Sep	Capacity Utilization	Aug	80.30%
15-Sep	Business Inventories	Jul	1.40%
15-Sep	EIA Natural Gas Inventories	9/10	NA
16-Sep	Univ. of Michigan Consumer Sentiment - Prelim	Sep	NA
19-Sep	NAHB Housing Market Index	Sep	49
20-Sep	Housing Starts	Aug	1446K
20-Sep	Building Permits	Aug	1674K
21-Sep	MBA Mortgage Applications Index	9/17	NA
21-Sep	Existing Home Sales	Aug	4.81M
21-Sep	EIA Crude Oil Inventories	9/17	NA
21-Sep	FOMC Rate Decision	Sep	2.38%
22-Sep	Current Account Balance	Q2	-$291.4B
22-Sep	Initial Claims	9/17	NA
22-Sep	Continuing Claims	9/10	NA

ECONOMIC CALENDAR

22-Sep	EIA Natural Gas Inventories	9/17	NA
27-Sep	Durable Orders	Aug	NA
27-Sep	FHFA Housing Price Index	Jul	NA
27-Sep	S&P Case-Shiller Home Price Index	Jul	NA
27-Sep	Consumer Confidence	Sep	NA
27-Sep	New Home Sales	Aug	NA
28-Sep	MBA Mortgage Applications Index	9/24	NA
28-Sep	Adv. Intl. Trade in Goods	Aug	NA
28-Sep	Adv. Retail Inventories	Aug	NA
28-Sep	Adv. Wholesales Inventories	Aug	NA
28-Sep	Pending Home Sales	Aug	NA
28-Sep	EIA Crude Oil Inventories	9/24	NA
29-Sep	Continuing Claims	9/17	NA
29-Sep	GDP - Third Estimate	Q2	NA
29-Sep	GDP Deflator - Third Estimate	Q2	NA
29-Sep	EIA Natural Gas Inventories	9/24	NA
30-Sep	PCE Prices - Core	Aug	NA
30-Sep	Personal Spending	Aug	NA
30-Sep	Chicago PMI	Sep	NA
30-Sep	Univ. of Michigan Consumer Sentiment - Final	Sep	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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