MARKET COMMENTARY

DAVENPORT 1863
BUILDING WEALTH TOGETHER

SEPTEMBER 2023

- The best performing S&P 500® sector in August was Energy
- We now enter a period known for volatility in September and October
- Wage inflation is starting to slow

August was a challenging month for equity investors following two solidly positive gains in June and July. Contributing to the August equity performance was weakness seen across the seven large-cap technology leaders that have paced the 2023 equity market rally. Against this backdrop, the VIX Index or "fear gauge," which started the month at a little under 14, ended the month relatively flat. For the full month, the Dow Jones Industrial Average decreased 2.4%, the S&P 500® index was down 1.8%, and the smaller cap-weighted Russell 2000® decreased 5.2%.

The best-performing S&P 500 sector in August and the only sector that posted a gain for the month was Energy, which increased 1.3%, followed by the Communications Services sector, down 0.4%. The weakest performance in the month was posted by the Utilities sector, which decreased by 6.7%, followed by the Consumer Staples sector, which was down 3.8%. For the prior twelve-month period, the Information Technology sector was the best performer with a 32.0% increase, followed by the Communication Services sector, which was up 24.6%, while the Utilities sector was the worst performer for the past twelve months with a 15.5% decrease followed by the Real Estate sector which was down 11.3%.

Returning from the Labor Day holiday, we now enter a period known for volatility with a history of market corrections arising in September and October. Given encouraging recent employment datasets, we remain hopeful that early autumn may prove more favorable to investors this year. However, there are two market-moving issues for investors to keep an eye on - a widely anticipated potential strike by the United Auto Workers (UAW) and the possible arrival of a federal government shutdown at the start of the new fiscal year on October 1st. Contracts between the UAW and major automakers are set to expire at 11:59 p.m. on September 14th – with a possible strike by the 150,000 union workers driving significant potential economic loss. In the meantime, as Congress reconvenes from summer recess, politics has the Democrats and Republicans hundreds of billions apart on-budget funding for FY2024. As such, Congress is not expected to pass legislation covering 12 appropriation bills to fund the federal government's operations before the September 30th deadline. A partial federal government shutdown lasting a few weeks could have a significant negative effect on the economy and could drive increased economic uncertainties heading into the 2024 election year.

Where to from here?

Although the unemployment rate did rise in August, the driving force behind the rise was not layoffs but increased numbers of people officially looking for work. That is, only folks actively looking for work are categorized as 'unemployed,' while working-age people not seeking employment are excluded from the calculation. Labor force participation – that ran at 62.8% in August – ramped by 0.2%, having pretty much returned to pre-COVID levels. That is, as excess consumer savings tied to federal COVID distributions have been consumed, and student loan debt payments are set to resume, folks are seeking new employment, while those already working are more inclined to stay in their current position.

The combination of fewer job openings, fewer quits, and more Americans seeking employment may lead to improvement in the jobs market. Thus, despite recent headlines pointing to airline pilots gaining multi-year 40% pay increases, wage inflation has started to ease, with average hourly earnings rising at a 4.3% annual pace in August to $33.82 per hour. We sense that a slowing U.S. economy will likely see wage pressures continue to abate in the months to come, which could influence the FOMC to reassess interest rate policy.

Although challenges and volatility could persist heading into autumn, we continue to anticipate that Corporate America emerges from its 2023 earnings recession later this year with an improving outlook into 2024. Over the intermediate and longer term, our outlook is for a return to sustained economic and corporate earnings growth. With the S&P 500 trading at under 19x 2024 consensus estimated earnings, markets generally do not look unusually cheap. However, seven mega-cap stocks have driven about 70% of the S&P 500's YTD gains, with many other quality issues having lagged the broad average while trading at reasonable valuations. Thus, selectivity among equity investment remains critical, with our focus being on stocks of firms possessing less exposure to interest rates and retaining pricing power to sustain earnings growth and free cash flow generation. Alternatively, fixed income also offers attractive real returns, notably among shorter-term bonds.

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Please see important disclosures in the Disclosure Section at the end of this document.

MARKET AND ECONOMIC STATISTICS

Market Indices:	8/31/2023	12/30/2022	% Change YTD	7/31/2023	% Change (Monthly)
S&P Composite	4,507.66	3,839.50	17.40%	4,588.96	-1.77%
Dow Jones Industrials	34,721.91	33,147.25	4.75%	35,559.53	-2.36%
NASDAQ Composite	14,034.97	10,466.48	34.09%	14,346.02	-2.17%
Russell 2000	1,899.68	1,761.25	7.86%	2,003.18	-5.17%
FTSE 100	7,439.13	7,451.74	-0.17%	7,699.41	-3.38%
Shanghai Composite	3,119.88	3,089.26	0.99%	3,291.04	-5.20%
Nikkei Stock Average	32,619.34	26,094.50	25.00%	33,172.22	-1.67%
Stoxx Europe 600	458.19	424.89	7.84%	471.35	-2.79%
MSCI Emerging Markets	980.33	956.38	2.50%	1,046.91	-6.36%
MSCI Emerging Markets Small Cap	1,287.10	1,127.18	14.19%	1,307.40	-1.55%
Performance of S&P 500 by Industry:	**% of Index as of 12/30/22**	**1 Month**	**3 Month**	**Year to Date**	**12 Months**
Consumer Discretionary	10.54%	-1.30%	13.20%	33.75%	10.13%
Consumer Staples	6.53%	-3.82%	0.91%	-1.94%	0.66%
Energy	4.48%	1.27%	15.68%	0.77%	10.74%
Financials	12.53%	-2.86%	8.35%	0.16%	4.17%
Health Care	13.20%	-0.80%	4.24%	-2.29%	6.76%
Industrials	8.45%	-2.26%	11.75%	9.80%	16.54%
Information Technology	28.15%	-1.45%	7.77%	43.69%	31.99%
Materials	2.49%	-3.46%	10.58%	6.39%	10.04%
Communication Services	8.73%	-0.40%	9.05%	44.14%	24.55%
Utilities	2.53%	-6.72%	-3.12%	-11.36%	-15.48%
Real Estate	2.45%	-3.14%	2.75%	-0.18%	-11.34%
S&P 500 (Absolute performance)	100%	-1.77%	7.84%	17.40%	13.97%
Interest Rates:	**8/31/2023**	**12/30/2022**	**YTD Change (Basis Points)**	**7/31/2023**	**Month Change (BPS)**
Fed Funds Effective Rate	5.33%	4.33%	100	5.33%	0
Prime Rate	8.50%	7.50%	100	8.50%	0
Three Month Treasury Bill	5.35%	4.40%	95	5.29%	6
Ten Year Treasury	4.11%	3.87%	23	3.96%	15
Spread - 10 Year vs 3 Month	-1.24%	-0.52%	-72	-1.33%	9
Foreign Currencies:	**8/31/2023**	**12/30/2022**	**% Change YTD**	**7/31/2023**	**% Change (Monthly)**
Brazil Real (in US dollars)	0.20	0.19	6.7%	0.21	-4.6%
British Pound (in US dollars)	1.27	1.21	4.9%	1.28	-1.3%
Canadian Dollar (in US dollars)	0.74	0.74	0.3%	0.76	-2.3%
Chinese Yuan (per US dollar)	7.26	6.90	5.2%	7.14	1.6%
Euro (in US dollars)	1.08	1.07	1.3%	1.10	-1.4%
Japanese Yen (per US dollar)	145.54	131.12	11.0%	142.29	2.3%
Commodity Prices:	**8/31/2023**	**12/30/2022**	**% Change YTD**	**7/31/2023**	**% Change (Monthly)**
CRB (Commodity) Index	552.84	554.78	-0.3%	563.85	-2.0%
Gold (Comex spot per troy oz.)	1940.19	1824.02	6.4%	1965.09	-1.3%
Oil (West Texas int. crude)	83.63	80.26	4.2%	81.80	2.2%
Aluminum (LME spot per metric ton)	2165.75	2349.51	-7.8%	2244.81	-3.5%
Natural Gas (Futures 10,000 MMBtu)	2.77	4.48	-38.1%	2.63	5.1%
Economic Indicators:	**7/31/2023**	**12/31/2021**	**% Change YTD**	**6/30/2023**	**% Change (Monthly)**
Consumer Price Index	303.8	280.9	8.2%	304.3	-0.17%
Producer Price Index	251.7	233.5	7.8%	251.29	0.18%
	Q1 2023	**Q4 2022**	**Q3 2022**	**Q2 2022**	**Q1 2022**
GDP Growth Rate (Quarterly)	2.00%	2.60%	3.20%	-0.60%	-1.60%
Unemployment Rate (End of Month)	**August** 3.8%	**July** 3.5%	**June** 3.6%	**May** 3.7%	**April** 3.4%

*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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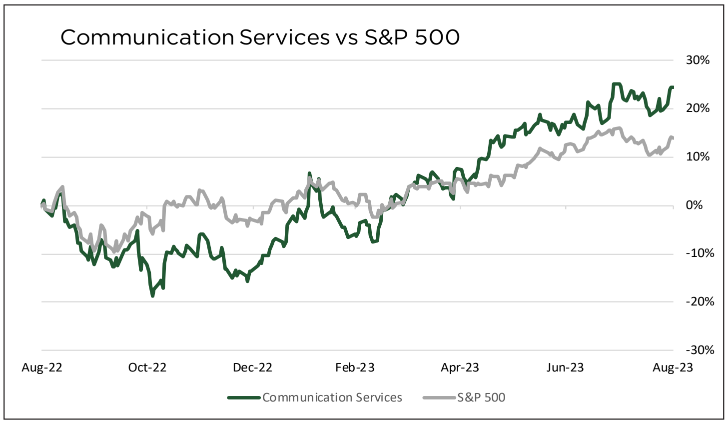
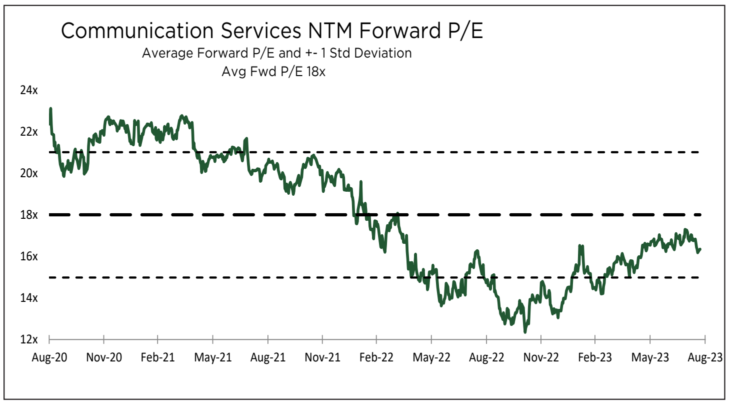
COMMUNICATIONS SERVICES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-0.40%	9.05%	44.14%	24.55%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-1.77%	7.84%	17.40%	13.97%

	Company Performance	1 Month
Leader	News Corp	9.4%
	News Corp	8.4%
	Charter Comm	8.1%
	Comcast Corp	3.3%
	Alphabet Inc	3.2%
Laggards	Electronic Arts Inc	-12.0%
	Meta Platforms Inc	-7.1%
	Take-Two Interactive Software	-7.0%
	Paramount Global	-5.9%
	Walt Disney Co/The	-5.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$10.67	$12.23	$14.51
21.5x	18.8x	15.8x

Sector Update

Communications Services outperformed the market in August (-0.4%), driven by the rise in the Diversified Telecommunications (+2.3%) and Media (+2.9%) sectors. Leading U.S. telecommunications companies gained access to their C-Band wireless spectrum four months sooner than expected, which may enable them to expand their 5G coverage and enhance the performance of their 5G wireless networks.

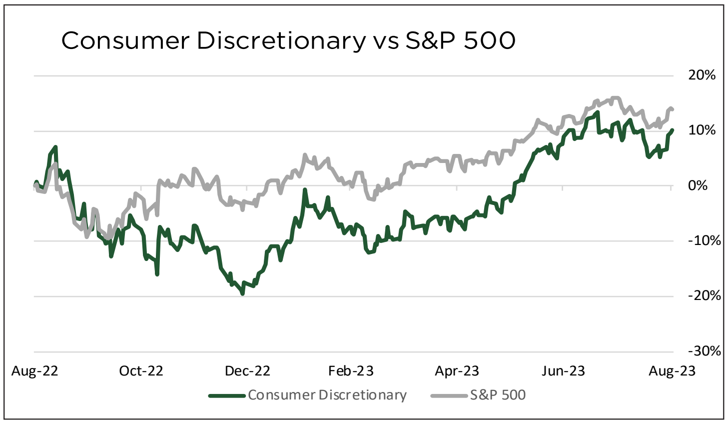
News Corporation, the publisher of Barron's, the Wall Street Journal, and Investor's Business Daily, was the top-performing company in the Communications Services and Media sub-sector in August after reporting better-than-expected results, with more than 50% of its revenue obtained from its digital platforms.

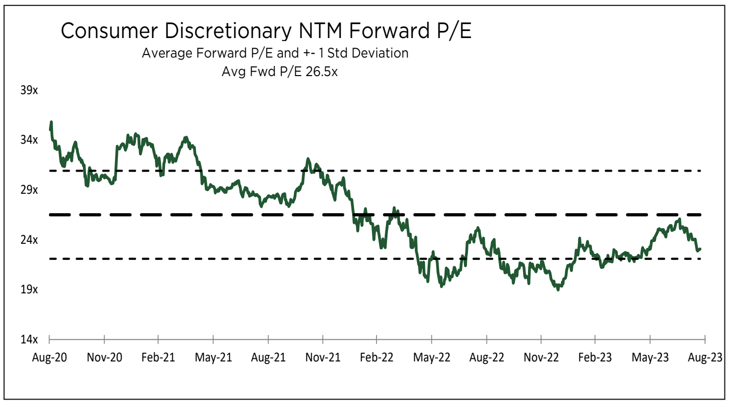
The Interactive Media & Services sub-sector (-0.4%) outperformed the market in August, driven by Alphabet's better-than-expected results. The company announced that it will introduce Gemini, a new AI technology, over the next few months. According to Alphabet, Gemini is based on large language models (the basis for generative AI) and its AlphaGo computer system (combining Google's search algorithm, neural networks, and reinforcement learning). Alphabet believes that Gemini may be capable of interpreting text, planning, strategizing, and refining its data output.

The Entertainment sub-sector (-3.6%) lagged the market in August due to the decline in the shares of Electronic Arts (EA) and Take-Two Interactive Software. Global video game software declined 5% in 2022 but is expected to grow 2.6% in 2023 to $187.7 billion, driven by robust demand for new video game consoles. U.S. consumers increased their spending on video game hardware by 23% in the first half of 2023, but their spending on video game software remained flat year-over-year.

The Communications Services sector appears close to fairly valued, with a P/E of 18.8x, compared to its average 12-month forward P/E multiple of 18x.

CONSUMER DISCRETIONARY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-1.30%	13.20%	33.75%	10.13%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-1.77%	7.84%	17.40%	13.97%

	Company Performance	1 Month
Leader	Hasbro Inc	11.5%
	TJX Cos Inc/The	6.9%
	Ross Stores Inc	6.3%
	Booking Holdings Inc	4.5%
	Amazon.com Inc	3.2%
Laggards	Etsy Inc	-27.6%
	Norwegian Cruise Line	-24.9%
	Tapestry Inc	-22.8%
	Carnival Corp	-16.0%
	MGM Resorts Int.	-13.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$43.79	$52.92	$60.38
30.7x	25.4x	22.3x

Sector Update

The Consumer Discretionary sector declined in August following a solidly positive July performance. Sub-sectors that demonstrated the strongest results for the month included Leisure Products, Multiline Retail, and Specialty Retail. Consumer Discretionary sub-sectors that were softer in July included Auto Components, Textiles, Apparel & Luxury Goods, and Automobiles. Although tracking in negative territory for August, the sector slightly exceeded the performance of the S&P 500 for the month. Consumer Discretionary stocks have significantly outperformed the index on both the 3-months and year-to-date periods, as seen in the accompanying chart.

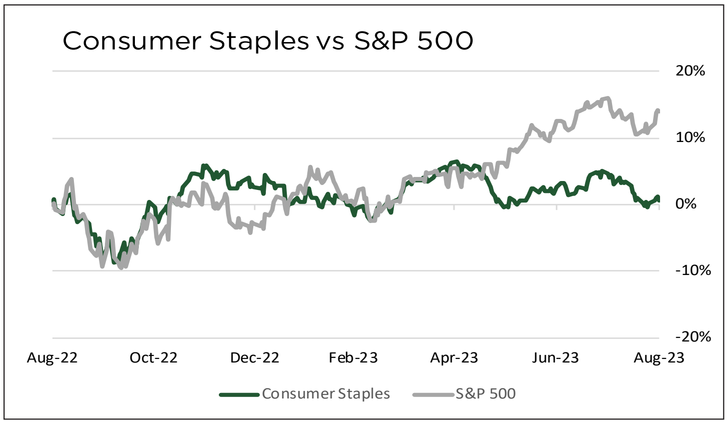
Retail sales in July continued the positive trend set in April through June, as reported by the Commerce Department in mid-August. Retail sales increased 0.7% in the month, which reflects a sharp increase from the June monthly gain of 0.2%. The July increase was the biggest growth in retail sales in the past six months, with particular growth seen in internet purchases. For the month, internet sales grew 1.9% sequentially and a strong 10.3% versus the prior year. Relative strength in the month was also seen in restaurant sales, which grew 1.4% month-over-month. Core retail sales, which excludes autos and gasoline, rose 1.0%, a significant increase from last month's 0.3% gain. With consumption representing about two-thirds of the U.S. economy, the growth in retail sales presents an encouraging macro data point regarding the health of the broader economy.

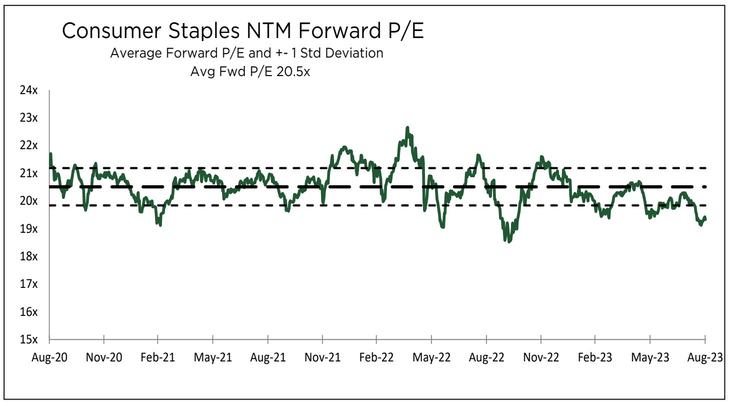
Housing starts increased to a 1.45 million annual rate in July from 1.40 million in June as homebuyers are grappling with supply shortages in the existing homes market. For the month, the pace of new construction increased by 3.9% versus a revised June decline of 11.7%. Existing home sales in July dropped 2.2% month-over-month to a seasonally adjusted annual rate of 4.07 million, according to the National Association of Realtors.

The July sales level was the slowest pace since January as high mortgage rates and low numbers of homes available for sale appeared to weigh on the pace of transactions. The median price of an existing home for sale was $406,700 in July, up 1.9% versus the prior year, while rates on 30-year fixed-rate mortgages have risen above 7%.

The June S&P CoreLogic Case-Shiller 20-city house price index was reported in late August, indicating that prices increased by 0.9% versus May but declined on average by 1.2% versus the prior year. The broader national price index increased by 0.7% versus May and was flat year-over-year. Recent Case-Shiller data indicates regional trends taking hold with homes in the western U.S. suffering more extreme price weakness, including in markets such as San Francisco and Seattle, where average prices were reported down 9.7% and 8.8%, respectively.

CONSUMER STAPLES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-3.82%	0.91%	-1.94%	0.66%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-1.77%	7.84%	17.40%	13.97%

	Company Performance	1 Month
Leader	Bunge Ltd	5.2%
	Clorox Co/The	3.3%
	Walmart Inc	1.7%
	Church & Dwight Co Inc	1.1%
	Monster Beverage Corp	-0.1%
Laggards	Dollar Tree Inc	-20.7%
	Dollar General Corp	-18.0%
	Walgreens Boots	-15.5%
	Estee Lauder Cos Inc	-10.8%
	General Mills Inc	-9.5%

Consensus FY EPS / P/E

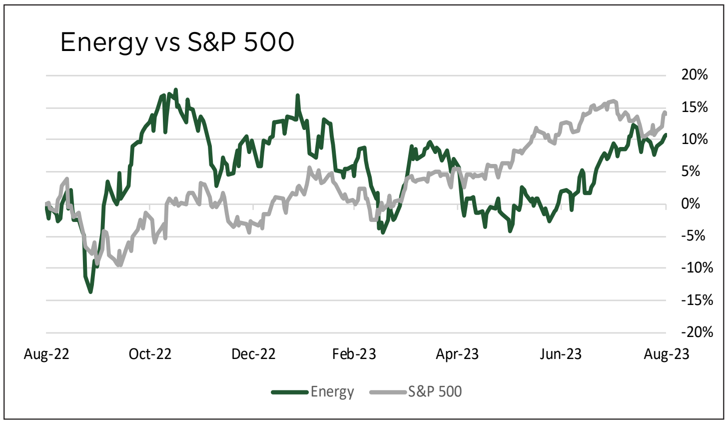
Last Year	Current Year	Next Year
$36.14	$37.93	$40.71
21.1x	20.1x	18.8x

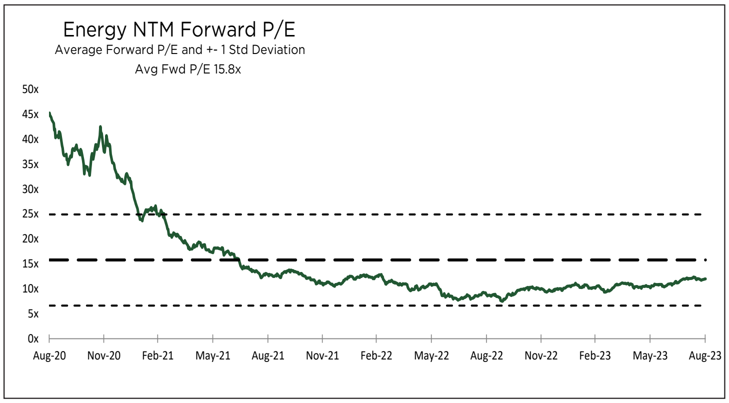
Sector Update

The Consumer Staples sector decreased by 3.82% on average in August and underperformed the S&P 500 Index, which fell by 1.77%. All sectors reported weaker results in the month, reflecting investor rotation away from the segment. In recent weeks, rotation out of stocks in the Packaged Food segment has been led by concerns about sequentially moderating volumes. A potential slowdown in the top line in 2H and into 2024 raises the risk of an increased promotional environment and heightened margin pressure. Greater emphasis on potential mergers and acquisitions persists as top-line growth moderates and investor sentiment increasingly focuses on volume expectations for Q4 and 2024. Year-to-date, the Consumer Staples sector decreased by 1.94% on average and has well underperformed the S&P 500 Index, which increased by 17.40%. The Consumer Staples segment trades with a current forward P/E of about 20.1x, which is relatively in line with its average forward P/E of about 20.5x. More attractive valuations for Consumer Staples Companies should begin to attract investor attention. We continue to advise a selective investment among the Consumer Staples stocks and prefer an investment in companies with pricing, leading market share, strong balance sheets, and experienced management. Companies exposed to attractive growth segments, including confectionery, snacks, beverages, and pet food, remain attractive investments. Many of the stocks also offer an attractive dividend yield.

Consumer Staples company management teams are approaching year-end with an increasingly more cautious outlook, given comments from presentations during a recent Investor Conference. Changing consumer purchase pattern behaviors, along with such headwinds as the resumption of student loan payments, higher interest rates, and increasing consumer debt levels, raise concerns. The pace of consumer trade down to private label products remains a crucial question. Dry weather persists across the Midwest and is a growing concern for crop yields. Despite the dry weather, the US corn production outlook, as measured by the USDA, is forecast at 15.1 billion bushels or the second-highest crop on record. Yield for the domestic corn crop is forecast at 175.1 bushels per acre. For US soybeans, the crop production is forecast at 4.2 billion bushels with a yield of 50.9 bushels per acre. More details will emerge in August following crop tours.

ENERGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
1.27%	15.68%	0.77%	10.74%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-1.77%	7.84%	17.40%	13.97%

	Company Performance	1 Month
Leader	APA Corp	8.3%
	Marathon Petroleum	7.3%
	Pioneer Natural	5.4%
	Targa Resources Corp	5.2%
	Exxon Mobil Corp	3.7%
Laggards	Devon Energy Corp	-5.4%
	EOG Resources Inc	-3.0%
	Kinder Morgan Inc	-2.8%
	ONEOK Inc	-2.7%
	Chevron Corp	-1.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$70.22	$57.22	$58.03
9.6x	11.8x	11.7x

Sector Update

The Energy sector outperformed in August, buoyed by the effects of rebounding oil prices late in the month. The growth in the sector came despite some signs of slowing economic conditions, raising the potential for associated negative demand impacts. Energy sector equities outperformed the broader market in August, which follows the relatively strong performance posted by the group in July. The Energy Equipment & Services subsector led index subsector categories for the month, followed by the Oil, Gas, & Consumable Fuels subsector. Although the Energy sector outperformed for the month, the sector has lagged significantly behind the S&P 500 for the year-to-date and trailing twelve-month periods, as seen in the accompanying table.

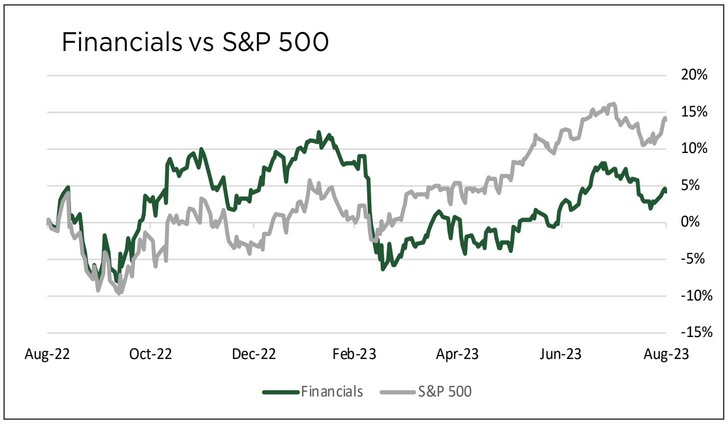
China emerged as a touch point for energy markets as a slew of soft economic reports raised macro concerns. Sluggish economic reports pressured China's GDP growth outlook as the nation implemented policies geared towards spurring growth. Both industrial output and retail sales data in China reflect recent slowing trends, which contributed to the cutting of key policy rates in the country as China's central bank lowered interest rates.

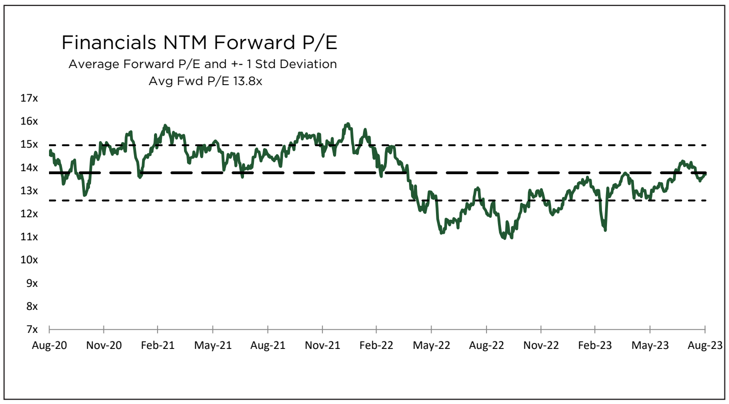
In mid-August, OPEC provided an update on its forecast for global oil demand with no change in the aggregate 2023 and 2024 outlook. OPEC expects oil demand to grow by 2.4 million barrels per day this year, followed by 2.2 million barrels expected next year. OPEC expects supply growth for 2023 to be fueled by increases in the U.S., Brazil, Norway, Kazakhstan, Guyana, and China.

West Texas Intermediate (WTI) crude oil prices moved modestly higher, with WTI trading from around the $81 per barrel range to end the month just under $84 per barrel before moving to the high $80's per barrel in early September. Natural gas prices increased from about $2.56 per million Btu to end the month at about $2.77 per million Btu. Retail gasoline prices climbed in July, moving to $3.91 per gallon at the end of the month from the $3.87 average price seen at the prior month's end and down from the prior year's level of $3.94.

The Baker Hughes oil rig count was down in the month, coming in at 512 rigs versus 529 rigs last month. The oil rig count at month-end was down versus the prior year's level of 605 rigs, which differs from the trend we have seen of growth in rig counts over the past year. U.S. crude oil storage at 423 million barrels was down from last month's level of 440 million barrels. We note that storage levels have generally been declining off the 2020 pandemic highs and are currently slightly above the prior year's level of 418 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 2022. The trough daily production seen in 2020 was in the 9.7 million barrels per day range and has now rebounded to about 12.8 million barrels per day at the end of the month.

FINANCIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.86%	8.35%	0.16%	4.17%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-1.77%	7.84%	17.40%	13.97%

	Company Performance	1 Month
Leader	Global Payments Inc	14.9%
	FleetCor Technologies	9.2%
	Arthur J Gallagher & Co	7.3%
	Cboe Global Markets Inc	7.2%
	Progressive Corp/The	5.9%
Laggards	PayPal Holdings Inc	-17.6%
	Discover Financial	-14.7%
	Citigroup Inc	-13.4%
	Citizens Financial Group	-12.8%
	Capital One Financial	-12.5%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$36.67	$40.72	$43.36
15.6x	14.0x	13.2x

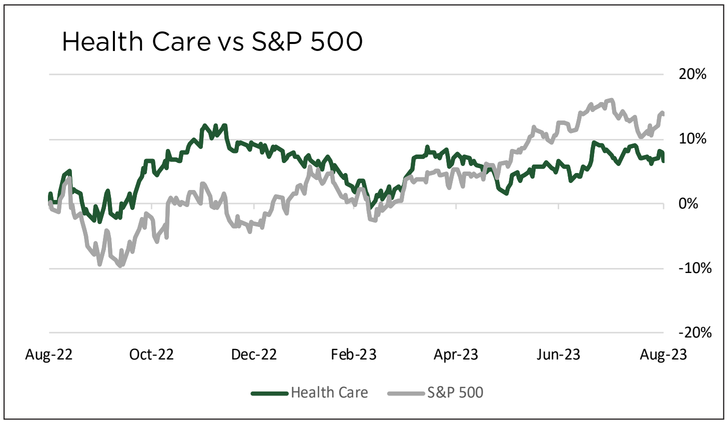
Sector Update

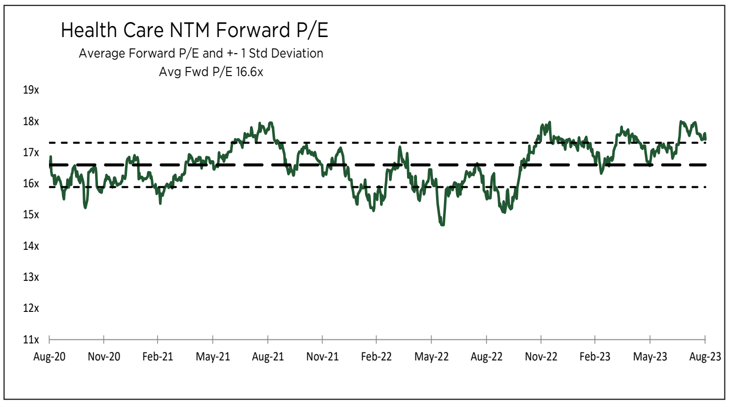
The Financials sector declined 2.86% in August, underperforming the S&P 500, which was 1.7% lower in the same period. Financial sector performance on a YTD and TTM basis remains well below index levels, reflecting a flattish first eight months of 2023 and a 4.2% gain on a trailing twelve-month basis. Underperformance relative to the market index largely reflects banking turmoil in March and more dramatic gains in the heavily weighted technology sector in the past six and twelve months.

Banks were the worst-performing sub-sector in August, down 9.3%, after leading sub-sector performance in July. The Consumer Finance sub-sector fell 9.1% in the month, with four of the five worst-performing stocks in the sector coming from the industry. Renewed focus on consumer spending pressures and increasing delinquency trends were primary factors driving weak performance in the space in August. Our expectation remains that waning consumer savings and the restart of student loan payments present clear obstacles to credit performance and purchase volumes into 2024.

Diversified Financial Services and Insurance were the only Financial subsectors to post a positive return in August, up 1.7% and 0.9%, respectively. Diversified Financial Services include payment companies and the leading Financials stock in August, Global Payments (GPN), which gained nearly 15% in the month following better-than-expected earnings and raised guidance for the current year. Insurers continue to benefit from a higher rate environment, with interest income streams showing material improvement from prior year levels. In the meantime, hard market pricing conditions remain as insurers take price against inflationary trends, partially offset by increasing loss severity trends highlighted by recent catastrophe events in the United States. Ongoing underwriting loss challenges appear likely to extend the current hard market as inflationary trends subside in the wake of the current restrictive monetary policy.

The Financial Sector currently trades at a forward P/E ratio of 14.0x, approximately in line with its three-year average of 13.8x. Valuations in the Financial sector, particularly among banks, appear reasonable following recent weakness; however, the path forward remains challenging near-term on reduced earnings forecasts and abundant recessionary/liquidity concerns.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-0.80%	4.24%	-2.29%	6.76%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-1.77%	7.84%	17.40%	13.97%

	Company Performance	1 Month
Leader	Eli Lilly & Co	21.9%
	Regeneron Pharma	11.4%
	West Pharmaceutical	10.6%
	Amgen Inc	9.5%
	Boston Scientific Corp	4.0%
Laggards	Insulet Corp	-30.7%
	ResMed Inc	-28.2%
	Dexcom Inc	-18.9%
	Teleflex Inc	-15.3%
	Illumina Inc	-14.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$69.93	$82.20	$92.84
22.2x	18.8x	16.7x

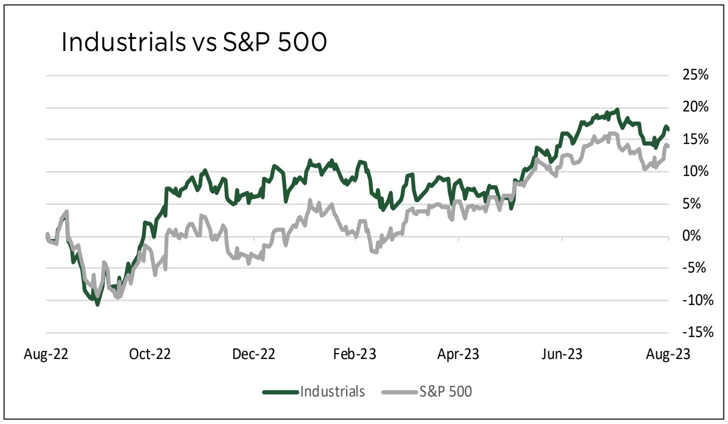
Sector Update

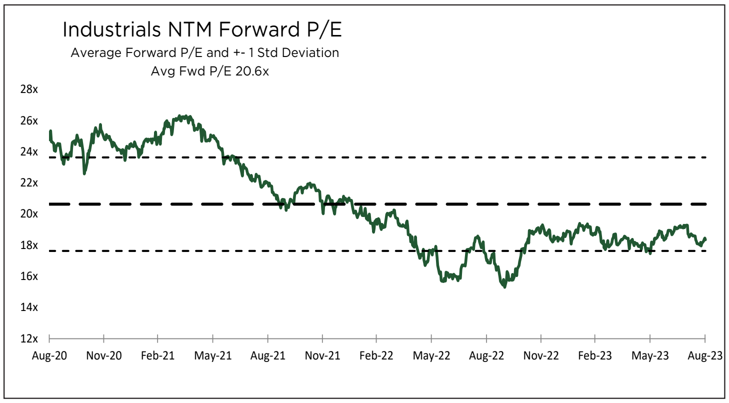
The defensive-natured healthcare sector outperformed the market in August with a 0.8% loss – representing the third-best-performing S&P 500 sector. As the COVID-19 pandemic subsided, numerous healthcare firms specializing in the provision of diagnostics and therapeutics to a global patient base encountered significant challenges, witnessing a substantial decline in demand for their products and services. Conversely, other sectors of the economy thrived as the economy reopened. Thus, we are not surprised to see the healthcare sector outperforming the S&P 500 in the month as the market turned more defensive.

In late August, the Biden Administration Announced the 10 drugs subject to price negotiations set to commence in 2026 as part of the Inflation Reduction Act of 2022. The law authorizes Medicare to directly negotiate drug prices for certain high expenditure, single source Medicare reimbursed drugs covered under the Part B or Part D aspects of Medicare. Following 2026, the government will release an additional 15 drugs subject to these price negotiations, followed by 15 more drugs in 2027, 15 in 2028, and 20 in 2029 and beyond. Thus, over the intermediate term, the majority of pharmaceutical therapeutics consumed by seniors will come under negotiation driving pricing headwinds that alter the underlying growth prospect for the sector.

As illustrated in the adjacent tables, Eli Lilly, Regeneron Pharmaceuticals, and West Pharmaceutical Services each achieved double-digit appreciation in August. Eli Lilly shares were up 21.9% in August after the pharmaceutical company delivered financial results better than expectations – further propelled by results from Novo Nordisk's obesity trial that suggested their Obesity therapeutic significantly reduced the risk of chronic heart problems. Regeneron Pharmaceutical shares were up 11.4% in August, driven by strong quarterly results that showed particular strength in the immunology drug Dupixent for the treatment of eczema. West Pharmaceuticals registered a 10.6% gain in August, as analysts noted that COVID-19-related headwinds are soon to be behind them.

On the opposite end of the spectrum, diabetes MedTech companies Dexcom and Insulet each reported double-digit losses in August, declining 18.9% and 30.7%, respectively. These declines were primarily driven by the same data that helped propel Eli Lilly in the quarter, as investors fear that GLP-1 drugs could lower obesity rates thus stunting demand for diabetes pumps and glucose monitoring systems. Meanwhile, ResMed shares declined 28.2% after reporting quarterly results early in the month that showed weaker-than-expected margins and revenue below consensus estimates. Thus, we reiterate that selectivity remains key when sifting through the healthcare sector in search of investment opportunities today.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.26%	11.75%	9.80%	16.54%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-1.77%	7.84%	17.40%	13.97%

	Company Performance	1 Month
Leader	Axon Enterprise Inc	14.5%
	Eaton Corp PLC	12.2%
	Broadridge Financial	10.9%
	Emerson Electric Co	7.6%
	Jacobs Solutions Inc	7.5%
Laggards	Generac Holdings Inc	-22.7%
	Paycom Software Inc	-20.0%
	Johnson Controls Int.	-15.1%
	Alaska Air Group Inc	-13.7%
	Norfolk Southern Corp	-12.2%

Consensus FY EPS / P/E

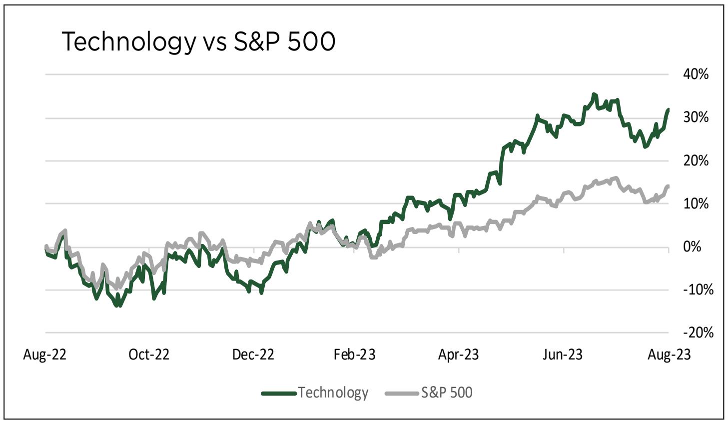
Last Year	Current Year	Next Year
$42.52	$45.91	$51.88
21.5x	19.9x	17.6x

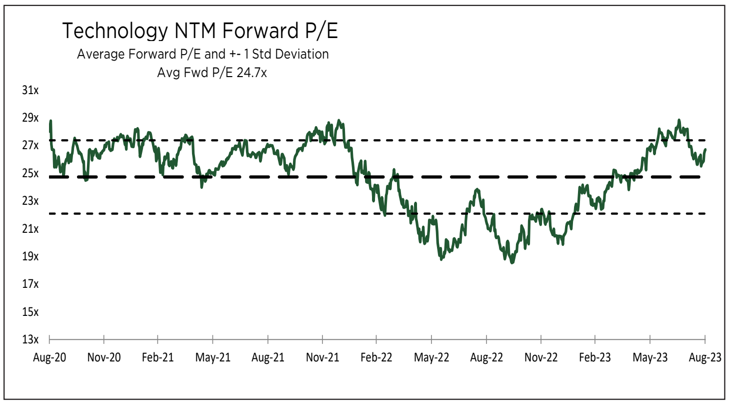
Sector Update

The Industrial Sector's 2.26% decrease underpreformed the S&P 500's 1.77% loss in August. Only 3 of the 12 subsectors within the Industrials sector reported gains in August, led by a 4.2% increase posted by the Electrical Equipment subsector and a 4.1% increase in Construction and Engineering. Emerson Electric led the Electrical Equipment subsector in August with a 7.6% gain, driven by solid quarterly results that showed an increase in margins and sales growth outpacing order growth, suggesting an improving supply chain. The Construction and Engineering subsector was led by its sole member, Quanta Services, who posted solid quarterly results and raised their full-year guidance. The higher guidance was propelled by a significant increase in revenue expectations from the firm's renewable infrastructure segment, with expectations now up double digits compared to their previously issued guidance.

The best-performing equity in the Industrial Sector was Axon Enterprise, which rose 14.5% in August after beating estimates on the top and bottom lines. Revenue in its cloud segment grew 62% in the second quarter, now representing over 60% of total revenues. Revenue retention also increased in the quarter, as existing customer increased their spending on the Axon Cloud by 22% over the past four quarters. On the other hand, the worst August performance in the Industrials sector was posted by Generac Holdings, with a decline of 22.7%. Generac Holdings reported inventory levels remain around 20% - 30% higher than normal, with the company now expecting that it will take until the end of 2023 to get inventory balances back to normal. This inventory glut led management to cut Generac's full-year revenue and earnings guidance, which has sent shares tumbling throughout August.

The July Manufacturing PMI registered a reading of 47.6%, 1.2% higher than the 46.4% recorded in July, representing a ninth month of contraction after a 30-month period of expansion. The New Orders Index remained in contraction territory at 46.8%, 0.5% lower than the figure of 47.3% recorded in July. The Prices index reading of 48.4 was up 5.8% compared to the July figure of 48.3%, while the Employment Index remained in contraction, registering 48.5%, up 4.1% from July's reading of 44.4%. The Industrial Sector is trading at a Forward P/E of 19.9x, down 0.7x from last month's reading of 20.6x and below the sector's three-year average of about 20.6x.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-1.45%	7.77%	43.69%	31.99%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-1.77%	7.84%	17.40%	13.97%

	Company Performance	1 Month
Leader	Arista Networks Inc	25.9%
	CDW Corp/DE	12.9%
	Seagate Technology	11.5%
	Akamai Technologies	11.2%
	Cisco Systems Inc	10.2%
Laggards	SolarEdge Technologies	-32.7%
	DXC Technology Co	-25.0%
	Fortinet Inc	-22.5%
	Keysight Technologies	-17.2%
	Enphase Energy Inc	-16.7%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$89.65	$107.54	$126.32
34.8x	29.0x	24.7x

Sector Update

The Technology sector outperformed the market in August (-1.45%) as the rise in the Communications Equipment sub-sector (+10.1%) somewhat offset the decline in the rest of the Technology sector. The Technology sector appears close to fully valued with a P/E of 29x, compared to its 12-month average P/E multiple of 24.7x.

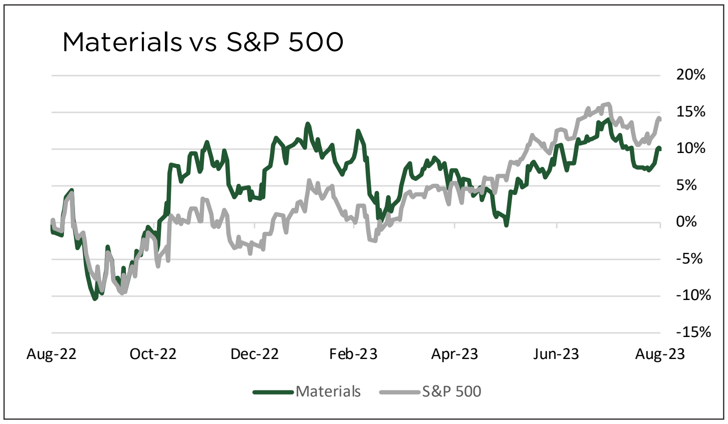
After reporting better-than-expected results, Communications Equipment companies Arista Networks and Cisco Systems were among the top-performing Technology stocks in August. They both benefited from the improvement in their supply chains, which enabled them to ship products that had been ordered over the past year.

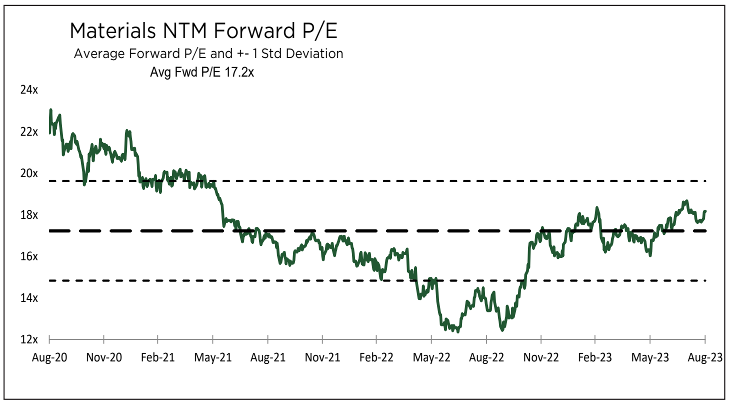
While the Semiconductor and Semiconductor Capital Equipment sector significantly outperformed the market year-to-date, the subsector underperformed the market in August (-0.5%) as it became apparent that channel and manufacturing customers are reducing their inventory in most markets and geographies due to the weak global macro-economic environment. Semiconductor companies expect to under-ship end market demand for a few quarters as their customers reduce their inventory level.

According to the Semiconductor Industry Association (SIA), semiconductor industry revenue declined 7% year-over-year in July and 12% sequentially (compared to the five-year average sequential decline of 8%), compared to a 6% year-over-year decline in June. SIA estimated that Asia Pacific and China's semiconductor revenue declined 12% year-over-year in July, while the Americas remained flat year-over-year, and Europe increased 3% year-over-year.

The Software sub-sector significantly outperformed the market in the first half of the year as investor enthusiasm over generative AI contributed to the rise in most software stocks. However, Software underperformed the market over the past two months as investors came to realize that the largest software companies could recognize a near-term benefit from the application of generative AI, but most software companies may take longer to see a benefit. The largest software companies have greater potential to benefit from generative AI than smaller firms since they can train their large language models on the tremendous amount of data generated from their large customer bases and glean insights from the application of generative AI technology and analytics.

MATERIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-3.46%	10.58%	6.39%	10.04%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-1.77%	7.84%	17.40%	13.97%

	Company Performance	1 Month
Leader	Avery Dennison Corp	2.4%
	Celanese Corp	0.8%
	Ecolab Inc	0.4%
	Steel Dynamics Inc	0.0%
	Nucor Corp	0.0%
Laggards	Sealed Air Corp	-18.8%
	International Flavors	-16.7%
	Freeport-McMoRan Inc	-10.6%
	Corteva Inc	-10.5%
	FMC Corp	-10.4%

Consensus FY EPS / P/E

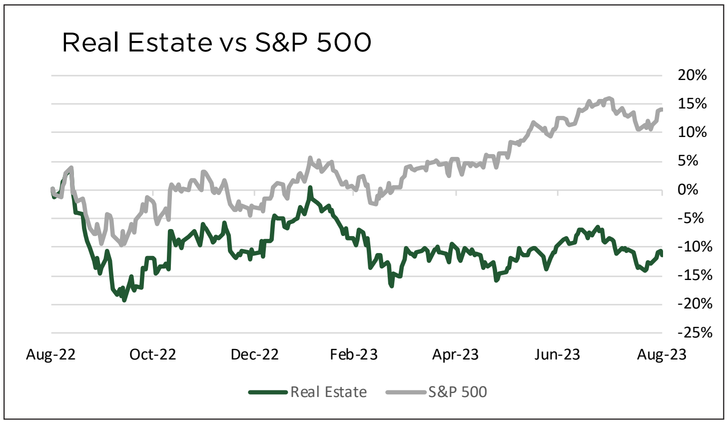
Last Year	Current Year	Next Year
$29.29	$27.94	$29.57
17.8x	18.6x	17.6x

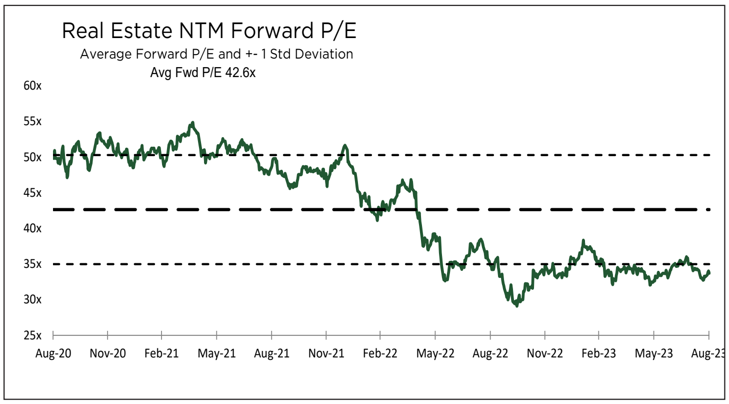
Sector Update

The Materials segment decreased by 3.46% in August and lagged the S&P 500 Index, which decreased by 1.77%. YTD, the Materials segment increased 6.39% and well underperformed the S&P 500 Index, which increased 17.40%. All segments reported declines for the month. Ingredient companies were weak during the month on outlooks, reflecting slower customer demand and inventory destocking. Companies are retreating from carrying security ingredient stock and are seeking to lower carrying costs in a higher interest rate environment. The excess inventory should be corrected during Q4, but the exact timing remains unclear. The Materials segment now trades with a current forward P/E of 18.6x and ahead of its average forward P/E of about 17.2x. The focus remains on the domestic housing sector as rates remain a key headwind. Total existing housing sales for July of 4.07 million seasonally adjusted were slightly below the consensus. The median single-family home price declined modestly on a sequential basis while inventory rose low-single digits. High mortgage rates continue to slow the turnover of existing homes. Fed Chair Powell remains committed to reducing inflation back to 2% by year-end 2025. The most recent jobs report suggests the U.S. economy remains resilient but not so strong that it likely forces the FOMC to drive the funds rate higher. Depending on Fed actions, a pause in interest rate hikes would likely serve as a catalyst. Preferred areas for potential investment include hydrocarbon, coatings, and lithium.

Key drivers include the outlook for the macroeconomic environment, the potential for a recession, realized pricing, consumer demand, volume, and inventory levels. The group seems to want to move higher, especially if the investor sentiment and the market appear to be reaching a trough level and working to inflect higher. Demand remains a key factor to monitor, as inflation remains a key factor for the materials segment. The macro trend towards the transition to clean energy remains a key theme supporting investments in hydrogen, carbon capture, and lithium technologies. Lithium supply and demand remain tight, but recent softness in lithium prices in China is weighing on the stocks. Execution and end market demand remain critical factors. Selective investment among the group remains a key factor, with a preference for strong management teams and high-quality businesses.

REAL ESTATE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-3.14%	2.75%	-0.18%	-11.34%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-1.77%	7.84%	17.40%	13.97%

	Company Performance	1 Month
Leader	Digital Realty Trust Inc	5.7%
	Iron Mountain Inc	3.5%
	SBA Communications	2.5%
	CBRE Group Inc	2.1%
	Welltower Inc	0.9%
Laggards	Host Hotels & Resorts	-14.2%
	Ventas Inc	-10.0%
	Simon Property Group	-8.9%
	Realty Income Corp	-8.1%
	Extra Space Storage Inc	-7.8%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$6.21	$6.58	$6.97
37.3x	35.2x	33.3x

Sector Update

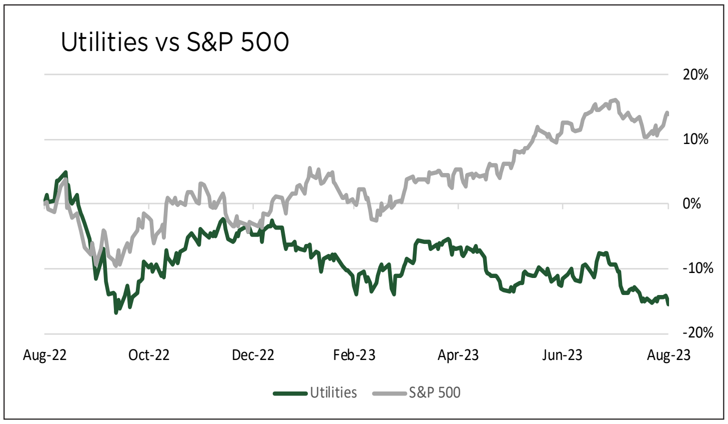
Equity markets retreated as vacation season ended, with profit-taking ensuing post the summer rally as interest rates moved higher. As outlined in the adjacent tables, the Real Estate sector underperformed in August - retreating by 3.14% (toward the middle of the pack performance-wise for the month), contrasting with the S&P 500 that dipped by just 1.77%. On a year-to-date basis, the sector's underperformance appears more dramatic as a small number of mega-cap issues (primarily technology and communication services related) have driven the majority of S&P 500 gains, skewing the relative performance for the broad market average. With the 2Q2023 earnings season, the messages from Real Estate sector leadership continue to point to a challenged operating environment – notably for REITs focused on office space - while data center demand has gained a psychological boost as firms associated with artificial intelligence 'AI' have garnered attention by the investment community. Now, as signs point to a slowing U.S. economy, leasing demand is showing signs of slumping in retail, while travel is poised to ease both seasonally as well as tied to consumer's reining in spending.

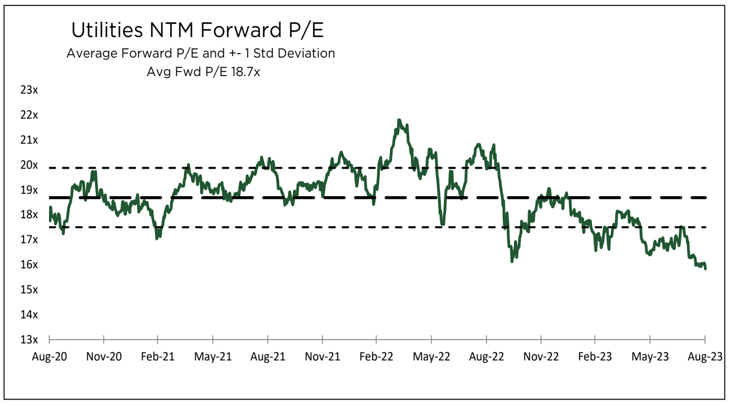
Despite the sector underperforming once again in August, a few firms in the Real Estate sector managed to move higher, including Digital Realty, Iron Mountain, and CBRE Group. Digital Realty responded to market attention toward companies involved in the emerging AI revolution – after the firm announced a new NVIDIA DGX H100 high-speed data center along with two new hyperscale center JVs in Northern Virginia. Also, with 2Q2023 operating results, the company reported increased capital recycling with reduced net debt while launching a new high-density collocation service offering that enhances the client's ability to manage data volume growth as AI evolves. Iron Mountain reported a better-than-forecast 2Q2023 from operations, with management raising expectations for the fiscal year. Management notes that pricing power has been stronger than anticipated (with plans for further increases to follow into 2H2023), driving cashflow generation above street forecasts targeted to be reinvested into the firm's evolving data center platform. And, despite seeing substantive operating declines with 2Q2023 results and reducing the 2H2023 outlook from operations, CBRE Group still beat investor expectations, with the shares advancing modestly for the month.

Other REITs backed off in August as 2Q2023 operating results fell short of expectations, and 2H2023 guidance disappointed investors after the latest results beat forecasts. Host Hotels saw 2Q2023 results come in light of plans with management suggesting travel expectations would likely soften in 2H2023 as consumers rein in leisure travel and uncertain economic conditions possibly impact business travel as well (although group bookings remain sound). Ventas delivered substantial upside operating results with the 2Q2023 senior living line of business, although investors were apparently disappointed with updated guidance for the year coming through below expectations, while the pace of new M&A deals has slowed of late. Despite seeing gains in occupancy across its portfolio (up 30 BPS in 2Q to 94.7%), management of Simon Property Group suggested leasing demand among the firm's retail line of business softened with profit forecasts/guidance trimmed that weighed on the share price.

Thus, it appears that selectivity remains a key factor for those sifting through the Real Estate sector with a challenging investment environment poised to persist.

UTILITIES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-6.72%	-3.12%	-11.36%	-15.48%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
-1.77%	7.84%	17.40%	13.97%

	Company Performance	1 Month
Leader	Constellation Energy	7.8%
	NRG Energy Inc	-1.2%
	Public Service	-3.2%
	NiSource Inc	-3.9%
	Exelon Corp	-4.2%
Laggards	AES Corp/The	-17.1%
	Eversource Energy	-11.8%
	DTE Energy Co	-9.6%
	PPL Corp	-9.5%
	Dominion Energy Inc	-9.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$16.94	$18.66	$20.29
18.8x	17.0x	15.7x

Sector Update

In August, the Utilities sector was the worst-performing S&P 500 sector on a 6.72% decline, falling well behind the 1.77% pullback in the broader market index. The Utilities sector continues to lag the S&P in the past three and twelve-month periods, as well as on a year-to-date basis, continuing a stretch of relative weakness against an elevated interest backdrop. It remains the case that alternative interest-bearing investments provide reasonable alternatives to 'bond proxy' equities compared to the past 15 years, applying pressure to Utility performance throughout the ongoing monetary tightening cycle.

All four sub-sectors finished August lower than the prior month, once again led by Independent Renewables and its sole member AES Corp (AES) on a 17% retrenchment following Q2 earnings that disappointed relative to street expectations. Water Utilities, including just American Water Works (AWK), led the four subsectors in the month but still declined 5.9% in the period. The broader Electric and Multi-Utilities subsectors finished August 6.5% and 6.8% lower than the prior month, respectively. Zero carbon darling Constellation Energy (CEG), a 2022 spin-off from Exelon (EXC), was the only Utilities component to achieve a positive return in August.

More frequent abnormal weather events have caused sharp swings in demand and prices for utility companies, including milder than typical temperatures in 1H23, impacting heating/cooling days. Despite near-term volatility tied to interest rate dynamics and weather, Utilities appear well-positioned for above-trend growth on a multi-year basis, given significant visibility into long-term capex cycles around transmission and distribution modernization in addition to renewable energy projects supported by regulators.

The Utilities sector appears attractively valued relative to its historical trend as the group trades closer to two standard deviations below its three-year average forward earnings multiple of 18.7x. Elevated interest rates have the potential to remain a near-term overhang on the sector; however, a peak in interest rates or relative weakening in broader market earnings trends could be drivers of multiple expansion and stronger performance in the sector into 2024.

ECONOMIC CALENDAR

Date	Release	For	Prior
5-Sep	Factory Orders	Jul	2.3%
6-Sep	MBA Mortage Applications Index	9/2	2.3%
6-Sep	Trade Balance	Jul	-$63.7B
6-Sep	S&P Global US Services PMI - Final	Aug	51.0
6-Sep	ISM Non-Manufacturing Index	Aug	51
6-Sep	Fed's Beige Book	Sep	N/A
7-Sep	Initial Claims	9/2	228k
7-Sep	Continuing Claims	8/26	1725k
7-Sep	Productivity-Rev	Q2	3.7%
7-Sep	Unit Labor Costs-Rev	Q2	1.6%
7-Sep	EIA Natural Gas Inventories	9/2	+32 bcf
7-Sep	EIA Crude Oil Inventories	9/2	-10.58M
8-Sep	Wholesale Inventories	Jul	-0.5%
8-Sep	Consumer Credit	Jul	$17.9B
13-Sep	MBA Mortage Applications Index	9/9	-2.9%
13-Sep	Core CPI	Aug	0.2%
13-Sep	CPI	Aug	0.2%
13-Sep	EIA Crude Oil Inventories	9/9	N/A
13-Sep	Treasury Budget	Aug	-$221.0B
14-Sep	Initial Claims	9/9	N/A
14-Sep	Continuing Claims	9/2	N/A
14-Sep	PPI	Aug	0.3%
14-Sep	Core PPI	Aug	0.3%
14-Sep	Retail Sales	Aug	0.7%
14-Sep	Retail Sales ex-auto	Aug	1.0%
14-Sep	Business Inventories	Jul	0.0%
14-Sep	EIA Natural Gas Inventories	9/9	N/A
15-Sep	Import Prices	Aug	0.4%
15-Sep	Import Prices ex-oil	Aug	0.0%
15-Sep	Export Prices	Aug	0.7%
15-Sep	Export Prices ex-ag	Aug	0.6%
15-Sep	Empire State Manufacturing	Sep	-19
15-Sep	Capacity Utilization	Aug	79.3%
15-Sep	Insutrial Production	Aug	1.0%
15-Sep	August Univ. of Michigan Consumer Sentiment - Prelim	Sep	N/A
18-Sep	NAHB Housing Market Index	Sep	N/A
18-Sep	Net Long-Term TIC Flows	Jul	N/A
19-Sep	Building Permits	Aug	N/A
19-Sep	Housing Starts	Aug	N/A
20-Sep	MBA Mortage Applications Index	9/16	N/A
20-Sep	EIA Crude Oil Inventories	9/16	N/A
20-Sep	FOMC Rate Decision	Sep	N/A

ECONOMIC CALENDAR

21-Sep	Current Account Balance	Q2	N/A
21-Sep	Initial Claims	9/16	N/A
21-Sep	Philadelphia Fed Index	Sep	N/A
21-Sep	Continuing Claims	9/9	N/A
21-Sep	Existing Home Sales	Aug	N/A
21-Sep	Leading Indicators	Aug	N/A
21-Sep	EIA Natural Gas Inventories	9/16	N/A
26-Sep	FHFA Housing Price Index	Jul	N/A
26-Sep	S&P Case-Shiller Home Price Index	Jul	N/A
26-Sep	Consumer Confidence	Sep	N/A
26-Sep	New Home Sales	Aug	N/A
27-Sep	MBA Mortage Applications Index	9/23	N/A
27-Sep	Durable Goods -ex transportation	Aug	N/A
27-Sep	Durable Orders	Aug	N/A
27-Sep	EIA Crude Oil Inventories	9/23	N/A
28-Sep	GDP - Third Estimate	Q2	N/A
28-Sep	GDP Deflator - Third Estimate	Q2	N/A
28-Sep	Initial Claims	9/23	N/A
28-Sep	Continuing Claims	9/16	N/A
28-Sep	Pending Home Sales	Aug	N/A
28-Sep	EIA Natural Gas Inventories	9/23	N/A
29-Sep	Adv. Intl. Trade in Goods	Aug	N/A
29-Sep	Chicago PMI	Sep	N/A
29-Sep	PCE Prices	Aug	N/A
29-Sep	PCE Prices - Core	Aug	N/A
29-Sep	Personal Income	Aug	N/A
29-Sep	Personal Spending	Aug	N/A
29-Sep	Univ. of Michigan Consumer Sentiment - Final	Sep	N/A

DISCLOSURES

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

Past performance is not indicative of future results.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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