MARKET COMMENTARY

DAVENPORT 1863
BUILDING WEALTH TOGETHER

AUGUST 2021

- During July, the S&P 500® Index and the Dow Jones Industrial Average® Increased
- The best performing S&P 500 sector was Health Care
- 2Q21 Earnings Season Continues
- Delta Variant Concerns Weigh on Markets
- Fed Policy appears likely to capture market attention in coming weeks

The spread of the COVID-19 Delta variant weighed on markets in July with economically sensitive sectors, in particular, lagging. Despite this backdrop, the VIX index or "fear gauge" ended the month at just over 18 having reached a high near 25 mid-month amidst concerns that the surge in the virus could derail the economic recovery. For the full month, the Dow Jones Industrial Average increased 1.3%, the S&P 500® index increased 2.3%, and the smaller cap weighted Russell 2000® decreased 3.7%.

The best performing S&P 500 sector in July was Health Care which increased 4.7% followed by the Real Estate sector which was up 4.6%. The weakest performances in the month were posted by the Energy sector which decreased 8.4% followed by the Financials sector which was down 0.6%. For the prior twelve-month period, the Financials sector was the best performer with a 52.1% increase followed by the Industrials sector which was up 44.2%, while Utilities was the worst performer for the past twelve months with an 8.4% increase followed by the Consumer Staples sector which was up 15.1%.

Second quarter GDP grew a strong 6.5% which was up from 6.3% reported for the first quarter, but fell short of economist expectations targeting a near record gain in the 9.1% range. Business re-openings (especially in the services sector) continue to progress, but labor shortages and inflationary pressures limited gains. Still, total economic activity has now recovered to pre-pandemic levels with prospects for sustained solid, but measurably slowing, growth into 2022. Looking at some of the details behind the Bureau of Economic Analysis report for the quarter, gross private investment dipped 3.5% as supply chain bottlenecks limited manufacturing with inventories declining. Personal spending increased steadily up 11.8% (with consumers representing 69% of total economic activity) as shoppers burned through savings that declined from $4.10 trillion to $1.97 trillion. In addition, the dramatic surge experienced in the housing sector this past year has passed as new residential investment has slipped with June 2021 New Home Sales running at an annual pace of 676,000 that contrasts with a June 2020 stat at 839,000 with many potential buyers having been priced out of the market.

Although the Q2 GDP report implies a slower paced economic rebound, we remain wary of wage inflation being a stickier inflationary trend versus a transient one postulated by the Fed. Although inflation has spiked of late, with the Core PCE (the Fed's preferred measure for inflation) up 3.5% for the 12 months ended June - well over 2% targets - Fed governors believe the situation will pass. The common view suggests fast-paced rebound of economic activity here at home has created supply chain bottlenecks in the face of strong demand that has temporarily driven inflationary trends above targeted levels. Fed Chair Powell noted that into 2022, consumers should not look for a return to lower prices, but for a reduction in the pace of future price increases with Core PCE likely returning closer to 2% later in the year.

Where to from here?

With the start of August, we move into the second half of 2Q21 earnings reporting season. We continue to see modest appreciation occur among stocks of firms reporting upside results, rising on average by ~0.6%, while those falling short of investor expectations pullback by roughly 2.9%. Thus, a strong earnings season appears to have been largely been baked into markets. FactSet reports that as of late July, 297 companies among the S&P 500 had released latest operating results with 88% beating consensus forecasts with EPS up 85% (17% ahead of forecasts). Revenue growth has also significantly exceeded expectations (by 4.5%) rising on average by 23%. Every S&P sector has reported strong results versus 2Q20 when COVID shuttered the U.S. economy.

The critical near term driver remains Fed interest rate policy that will be driven by employment trends. We anticipate markets could remain choppy as we await Fed policy guidance and upcoming jobs numbers. Still, we continue to look for sustained steady recovery of the U.S. economy into 2022 (although at a slowing pace of growth) despite the latest surge in Delta COVID cases as we anticipate this variant usurps other strains and given its highly contagious nature results in the vast majority of Americans gaining immunity via vaccination or exposure/illness into spring of 2022. We remain selective on committing new investment dollars, being focused on reasonably priced durable growth issues well positioned for strong sustained growth associated with secular trends that will likely persist independent of slowing economic growth over the next few quarters.

DAVENPORT EQUITY RESEARCH

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

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

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

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

Brian Ward, CFA
(804) 698-2664
bward@investdavenport.com

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

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

Davenport & Company LLC
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MARKET AND ECONOMIC STATISTICS

Market Indices:	7/30/2021	12/31/2020	% Change YTD	6/30/2021	% Change (Monthly)
S&P Composite	4,395.26	3,756.07	17.02%	4,297.50	2.27%
Dow Jones Industrials	34,935.47	30,606.48	14.14%	34,502.51	1.25%
NASDAQ Composite	14,672.68	12,888.28	13.85%	14,503.95	1.16%
Russell 2000	2,226.25	1,974.86	12.73%	2,310.55	-3.65%
FTSE 100	7,032.30	6,460.52	8.85%	7,037.47	-0.07%
Shanghai Composite	3,397.36	3,473.07	-2.18%	3,591.20	-5.40%
Nikkei Stock Average	27,283.59	27,444.17	-0.59%	28,791.53	-5.24%
Stoxx Europe 600	461.74	399.03	15.72%	452.84	1.97%
MSCI Emerging Markets	1,277.80	1,291.26	-1.04%	1,374.64	-7.04%
MSCI Emerging Markets Small Cap	1,416.71	1,211.23	16.96%	1,439.13	-1.56%
Performance of S&P 500 by Industry:	**% of Index as of 7/30/21**	**1 Month**	**3 Month**	**Year to Date**	**12 Months**
Consumer Discretionary	12.05%	0.48%	0.20%	10.45%	25.56%
Consumer Staples	5.85%	2.37%	3.51%	6.09%	15.06%
Energy	2.55%	-8.44%	0.37%	30.35%	37.08%
Financials	10.95%	-0.61%	0.82%	23.75%	52.08%
Health Care	13.42%	4.74%	8.89%	16.21%	25.23%
Industrials	8.41%	0.85%	1.40%	16.55%	44.19%
Information Technology	27.82%	3.82%	9.82%	17.56%	38.67%
Materials	2.59%	2.00%	1.21%	15.72%	38.86%
Communication Services	11.24%	3.39%	6.12%	23.15%	42.57%
Utilities	2.48%	4.21%	-1.14%	5.03%	8.41%
Real Estate	2.63%	4.55%	8.60%	27.27%	29.01%
S&P 500 (Absolute performance)	100%	2.27%	5.12%	17.02%	34.37%
Interest Rates:	**7/30/2021**	**12/31/2020**	**YTD Change (Basis Points)**	**6/30/2021**	**Month Change (BPS)**
Fed Funds Effective Rate	0.06%	0.09%	-3	0.08%	-2
Prime Rate	3.25%	3.25%	0	3.25%	0
Three Month Treasury Bill	0.05%	0.10%	-5	0.05%	0
Ten Year Treasury	1.22%	0.91%	31	1.47%	-25
Spread - 10 Year vs 3 Month	1.17%	0.82%	35	1.42%	-25
Foreign Currencies:	**7/30/2021**	**12/31/2020**	**% Change YTD**	**6/30/2021**	**% Change (Monthly)**
Brazil Real (in US dollars)	0.19	0.19	-0.4%	0.20	-4.7%
British Pound (in US dollars)	1.39	1.37	1.7%	1.38	0.5%
Canadian Dollar (in US dollars)	0.80	0.79	2.1%	0.81	-0.6%
Chinese Yuan (per US dollar)	6.46	6.53	-1.0%	6.46	0.1%
Euro (in US dollars)	1.19	1.22	-2.8%	1.19	0.1%
Japanese Yen (per US dollar)	109.72	103.25	6.3%	111.11	-1.3%
Commodity Prices:	**7/30/2021**	**12/31/2020**	**% Change YTD**	**6/30/2021**	**% Change (Monthly)**
CRB (Commodity) Index	562.20	443.81	26.7%	556.00	1.1%
Gold (Comex spot per troy oz.)	1814.19	1898.36	-4.4%	1770.11	2.5%
Oil (West Texas int. crude)	73.95	48.52	52.4%	73.47	0.7%
Aluminum (LME spot per metric ton)	2598.00	1973.60	31.6%	2509.50	3.5%
Natural Gas (Futures 10,000 MMBtu)	3.91	2.54	54.2%	3.65	7.2%
Economic Indicators:	**6/30/2021**	**12/31/2020**	**% Change YTD**	**5/31/2021**	**% Change (Monthly)**
Consumer Price Index	271.0	261.6	3.6%	268.6	0.9%
Producer Price Index	219.7	205.6	6.9%	217.2	1.2%
	Q2 2021	**Q1 2021**	**Q4 2020**	**Q3 2020**	**Q2 2020**
GDP Growth Rate (Quarterly)	6.50%	6.40%	4.30%	33.40%	-31.40%
Unemployment Rate (End of Month)	**June** 5.9%	**May** 5.8%	**April** 6.1%	**March** 6.0%	**February** 6.2%

*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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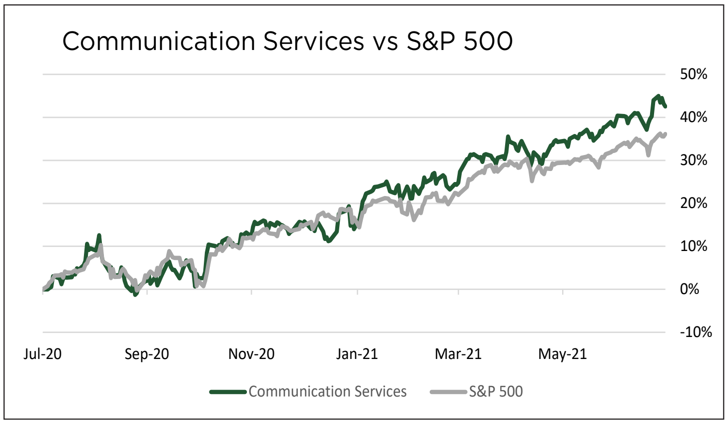
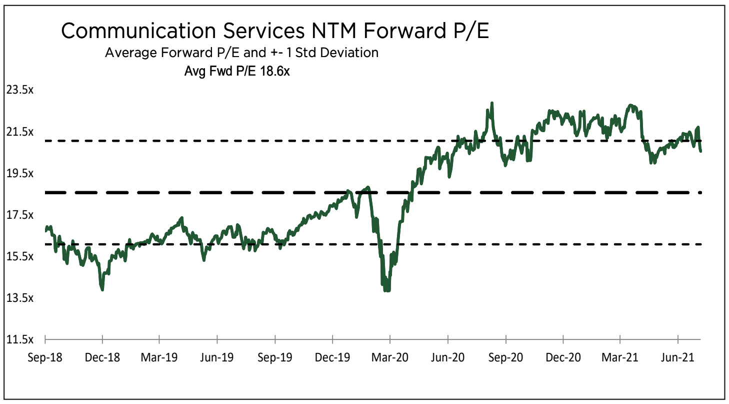
COMMUNICATION SERVICES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
3.39%	6.12%	23.15%	42.57%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.27%	5.12%	17.02%	34.37%

	Company Performance	1 Month
Leaders	Alphabet Inc.	10.4%
	Interpublic Group of Cos Inc.	8.8%
	Alphabet Inc.	7.9%
	Comcast Corp.	3.2%
	Charter Communications	3.1%
Laggards	Activision Blizzard Inc.	-12.4%
	Live Nation Entertainment	-9.9%
	ViacomCBS Inc.	-9.4%
	Omnicom Group Inc	-9.0%
	Lumen Technologies Inc.	-8.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$9.91	$12.33	$13.85
27.6x	22.2x	19.7x

Sector Update

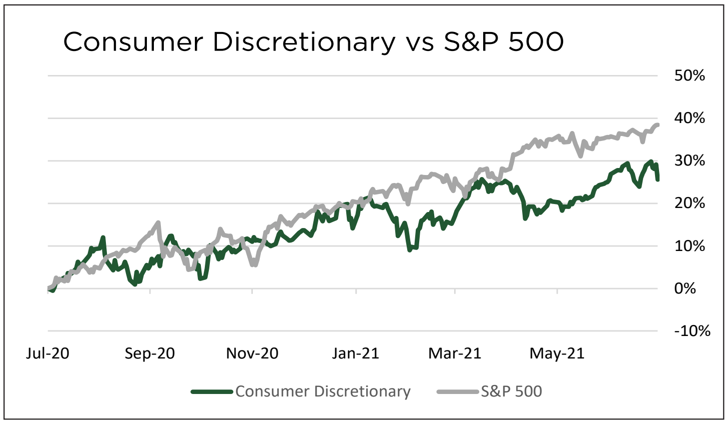
The Communications Services sector appreciated 3.39% in July and 23.2% year-to-date (YTD), compared to the S&P 500 index, which rose 2.27% and 17%. Communications Services' 12-month forward P/E of 22.2x remains above its average forward P/E of 18.6x.

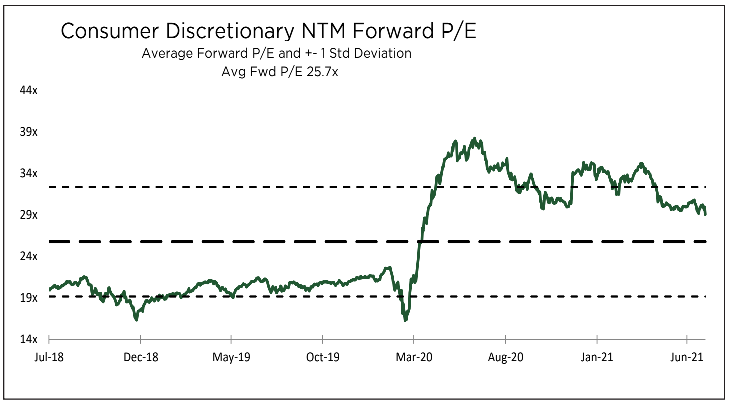
Interactive Media and Services was the best performing sub-sector in July (+6.6%) and the top sub-sector YTD (+44.5%) driven by the performance of Alphabet, with its shares up 10% in July and 53% YTD. Alphabet reported better than expected Q-2 21 results driven by 68% growth in advertising revenue. The company benefited from a broad based increase in brand and direct response advertising led by retailers and robust demand from entertainment, financial services, media, and travel companies. Alphabet is using artificial intelligence (AI) /machine learning to help advertisers bid for ads and target customers.

Media was the second best sub-sector in July (+1.3%) and YTD (+13.6%). Comcast outperformed its Media peers in July due to its better than expected Q-2 21 results. Comcast signed up a record number of new high-speed Internet customers and grew its high-speed Internet revenue 14% year-over-year. Customers are attracted to Comcast's industry leading network that is capable of delivering download speeds of 1.2 gigabits. This network performance is significantly faster than most telecommunications carrier networks.

The Communications Services sector could lag the market in the near-term, since U.S. consumers may become more cautious in response to the rapid rise of infections from the highly infectious Covid delta variant.

CONSUMER DISCRETIONARY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
0.48%	0.20%	10.45%	25.56%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.27%	5.12%	17.02%	34.37%

	Company Performance	1 Month
Leaders	Chipotle Mexican Grill Inc.	20.2%
	Yum! Brands Inc.	14.2%
	Domino's Pizza Inc.	12.6%
	L Brands Inc.	11.1%
	Hilton Worldwide Holdings	9.0%
Laggards	Las Vegas Sands Corp.	-19.6%
	Wynn Resorts Ltd.	-19.6%
	Norwegian Cruise Line	-18.3%
	Carnival Corp	-17.9%
	Caesars Entertainment Inc.	-15.8%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$34.07	$42.70	$54.59
42.2x	33.7x	26.4x

Sector Update

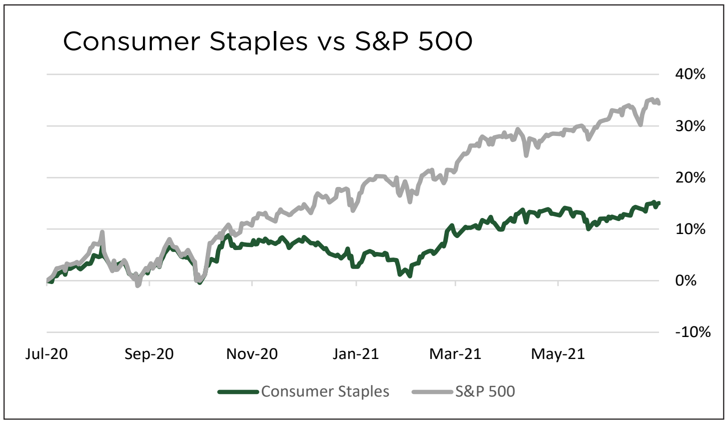
The Consumer Discretionary group lagged the S&P 500 index in July against the backdrop of the spread of the COVID-19 Delta variant. Travel and entertainment related equities were the weakest performers in the space amidst fears of potential delays in recovery due to the virus. As seen in the associated table, the group is also underperforming both on a year-to-date basis and for the trailing twelve-month period versus the broader market. The Consumer Discretionary group had experienced relatively strong outperformance earlier during the pandemic as changing consumer spending patterns benefited certain companies in areas such as ecommerce but has underperformed the market more recently.

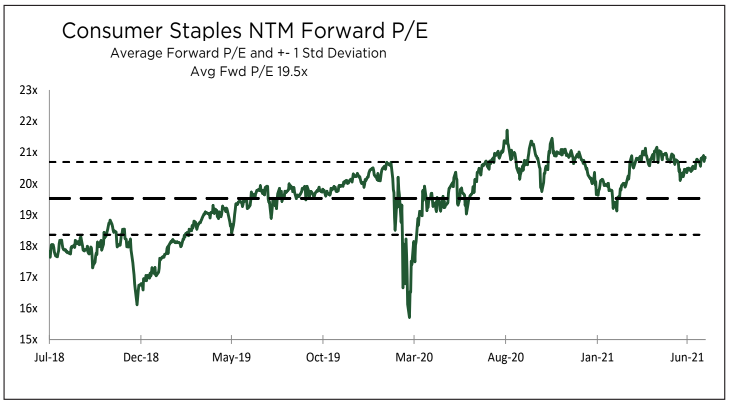
Although the spread of the COVID-19 Delta variant may begin to weigh on consumers and consumer behavior, the July consumer confidence index, as reported by the Conference Board, rose to the highest level in sixteen months. Consumer confidence rose to 129.1 in July from 128.9 in June recapturing levels from before the commencement of the pandemic. Rising vaccination levels and a strong economic backdrop supported by government stimulus appear to be supporting consumer confidence.

Inflation surged in June as reported by the Labor Department CPI report indicating that prices rose 5.4% versus pandemic depressed prior year levels. CPI ex food and energy or core CPI increased 4.5% which was the largest increase since 1991. Although prior year comparisons are low due to the pandemic, price gains are also reflecting current logistics challenges impacting supply chains as well as increasing demand as consumers exit lockdowns. A key factor that has impacted price levels has been the surge in car and truck prices as high consumer demand is facing supply shortages.

The June retail sales report underscored the transition occurring among consumers who are choosing to spend more in areas such as dining out. Retail sales for the month advanced 0.6% with strong advances seen in bars and restaurants. Automobile sales were down 2% with dealers impacted by supply issues as manufacturers are struggling with a shortage of computer chips impacting production. Nevertheless, with consumers driving more and gas prices advancing sharply year-over-year, sales at gas stations climbed 2.5% in June.

Housing markets continue to work through the pandemic impacts that spurred home buying amid rising prices and low supply. Housing starts reported by the Census Bureau for June surged 6.3% to 1.64 million for the month on a seasonally adjusted basis versus May. The increase in housing starts reflected a 29% gain versus the prior year level which was negatively impacted by the pandemic. Meanwhile, new home sales slipped 6.6% in June as home buyers may be reacting to sustained high real estate prices with limited supply of new homes for sale. The annualized pace of new home sales was 676,000 which represents a sharp drop from earlier this year when sales levels approached an annualized rate of nearly 1 million units.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.37%	3.51%	6.09%	15.06%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.27%	5.12%	17.02%	34.37%

	Company Performance	1 Month
Leaders	Costco Wholsale Corp	8.6%
	The Kroger Co	6.2%
	PepsiCo Inc	5.9%
	Proctor & Gamble Co	5.4%
	Coca-Cola Co	5.4%
Laggards	Lamb Weston Holdings	-17.2%
	Walgreens Boots Alliance	-10.4%
	Molson Coors Beverage	-8.9%
	Conagra Brands Inc	-7.9%
	Kraft Heinz Co	-5.7%

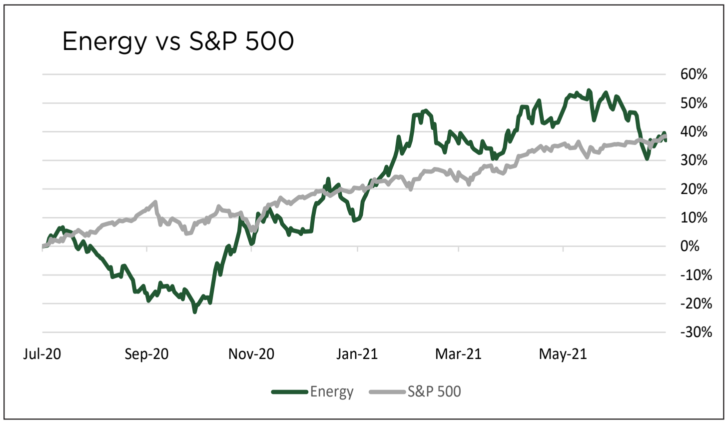
Consensus FY EPS / P/E

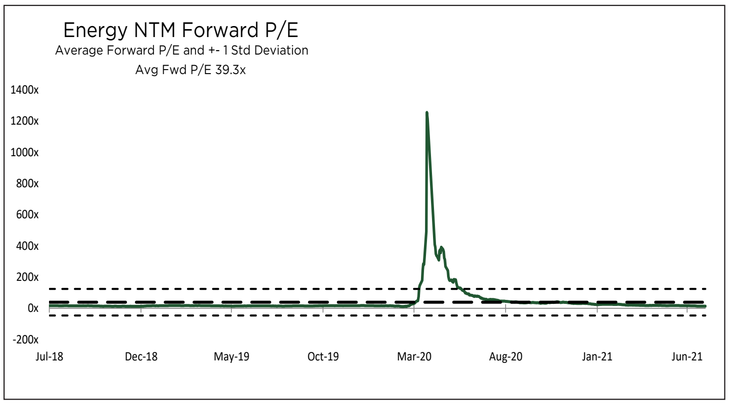
Last Year	Current Year	Next Year
$33.27	$34.36	$36.77
22.2x	21.5x	20.1x

Sector Update

The Consumer Staples sector rose 2.37% on average in July and managed to slightly outperform the S&P 500 Index that increased 2.27% for the month. For the month, all segments reported gains with the exception of Food Products. YTD, the Consumer Staples sector is up 6.09% and remains well behind the S&P Index that is up 17.02%. The YTD underperformance of the group reflects in part the question about the sustainability of elevated consumer demand as markets exit the COVID pandemic. Increased input cost pressures, rising expectations for enhanced competitive promotional activity and increased pressure for shelf space and market share at retailers create further overhangs on the segments. Many Consumer Staples companies raised prices in 1H to offset rising input cost pressures (freight, labor, agricultural products, etc) and are now executing additional price increases in 2H as cost increases persist and margins face pressures. Companies remain focused on navigating the current volatile environment, monitoring inventory with retailers and customers, supporting core brands with higher marketing and innovation and returning value to shareholders.

In the midst of earnings updates by the Consumer Staples Companies, key themes include input cost inflation (grains, packaging, freight, labor, etc), consumer consumption behavior, pricing, mix management, inventory management and supply chain disruptions. The recovery in the foodservice and on-premise consumption channels remain key tailwinds entering 2H. The rise of the COVID variants is creating increased near-term volatility for the pace of recovery for the companies. Companies with strong brands with leading market share positions, successful innovation, attractive cash flow generation and experienced management teams remain preferred investments. Emphasis on supporting momentum in the e-commerce segment remains a strategy. Portfolio Transformation remains a key focus including brand and segment divestments and acquisitions as well as streamlining the number of product offerings or SKUs. Companies seek growth and to add faster growing platforms such as coffee, pet food, plant based offerings, snacking and direct to consumer platforms. Recent transactions include Planters Nuts, pet treats, plant based and sweetener ingredients and the recently announced sale of Tropicana and other juices. Additional transactions are expected to continue in 2H of FY21 and FY22 driven by companies able to leverage healthier balance sheets to pursue portfolio transformation to drive growth. Selective investment among the group remains critical in 2021. In an ongoing lower rate environment, an investment in many of the Consumer Staples companies continues to offer an attractive dividend yield.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-8.44%	0.37%	30.35%	47.08%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.27%	5.12%	17.02%	34.37%

	Company Performance	1 Month
Leaders	Chevron Corp	-2.8%
	Kinder Morgan Inc	-4.7%
	The Williams Cos Inc	-5.6%
	ONEOK Inc	-6.6%
	Baker Hughes Co	-7.1%
Laggards	Diamondback Energy Inc	-17.9%
	Occidental Petroleum Corp	-16.5%
	Marathon Oil Corp	-14.9%
	Phillips 66	-14.4%
	Valeron Energy Corp	-14.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$3.78	$22.89	$12.7
98.7x	16.3x	12.7x

Sector Update

Energy markets were volatile in July as traders reacted to a range of factors including the spread of the Delta variant of COVID-19 as well as the news that OPEC had reached a new oil production agreement. The potential for the Delta variant to impact the global economic recovery appeared to be a key factor adding to market fears. Reflecting these emerging concerns, energy stocks sharply underperformed the broader market for the month. We note that despite the sector significantly underperforming the S&P 500 for the month, the group remains above the S&P500 on both a trailing twelve month basis and year-to-date, as seen in the accompanying table.

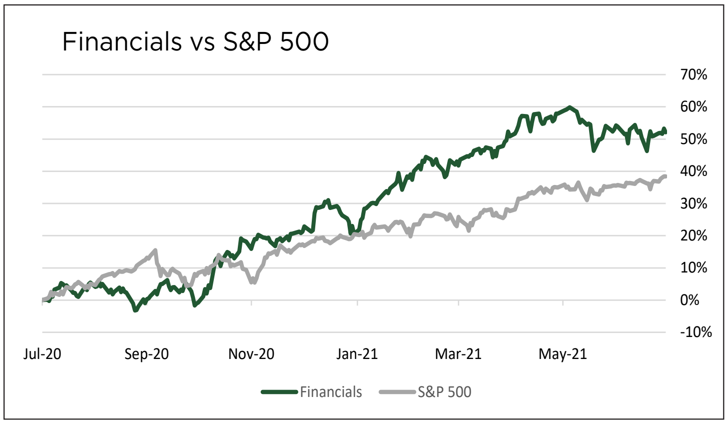
In mid-July energy markets responded to reports that OPEC had reached agreement to boost monthly oil production to pre-pandemic levels by the end of 2022. Negotiations among OPEC members for a new production deal had stalled in recent weeks with the pace of production growth appearing to have become a sticking point between Saudi Arabia and the United Arab Emirates. The new deal calls for the expanded OPEC+ group to gradually build production by 400,000 barrels per day each month until December 2022. The production agreement should result in the restoration of all of the supply cuts that were made during the pandemic.

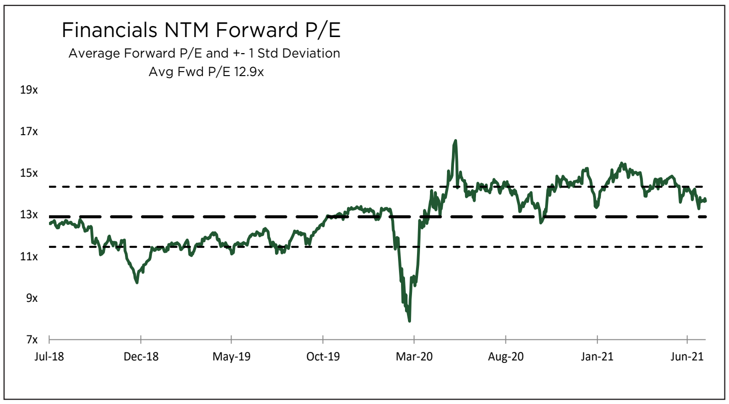
OPEC expects world oil demand will recover to pre-pandemic levels next year per the organization's July outlook report. Demand is expected to grow 3.4% or 3.3 million barrels per day in 2022 reaching 99.86 million barrels per day with gains led by the United States, China and India. Growth is expected to pick up in the second half of 2022 to average over 100 million barrels per day as demand recovers from the pandemic slowdown. OPEC continues to target oil demand growth of 6.6% this year or 5.95 million barrels per day.

Natural gas prices have been in a relatively steady uptrend as inventory have been depleted with gas in storage well below prior year levels. The combination of weather impacts including record heat in the Northeast has spurred gas consumption while regional droughts have impacted hydro power generation. International demand for U.S. natural gas has also been a factor with exports projected to grow by 20% to 25% this year according to reports by MarketWatch. With inventory levels low, market observers will be carefully watching demand this fall and winter with the prospect of weather factors pushing U.S. markets into a potentially undersupplied position.

Oil prices moved sideways in July with WTI Crude oil hovering around $70 for much of the month. Retail gasoline prices have been surging higher this year and in July prices continued to climb. At the end of July average retail gas prices reached $3.23 per gallon which is up from June at $3.19 per gallon and from $2.27 last year.

FINANCIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-0.61%	0.82%	23.75%	52.08%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.27%	5.12%	17.02%	34.37%

	Company Performance	1 Month
Leaders	MSCI Inc	11.8%
	Aon PLC	8.9%
	Nasdaq Inc	6.2%
	Chubb Ltd	6.2%
	State Street Corp	5.9%
Laggards	Willis Towers Watson PLC	-10.4%
	Invesco Ltd	-8.8%
	People's United Financial	-8.4%
	Citizen's Financial Group	-8.1%
	M&T Bank Corp	-7.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$44.52	$45.76	$43.41
13.6x	13.3x	14.0x

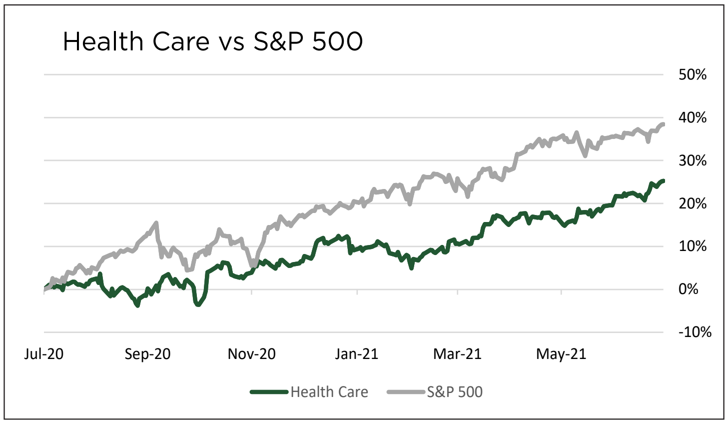
Sector Update

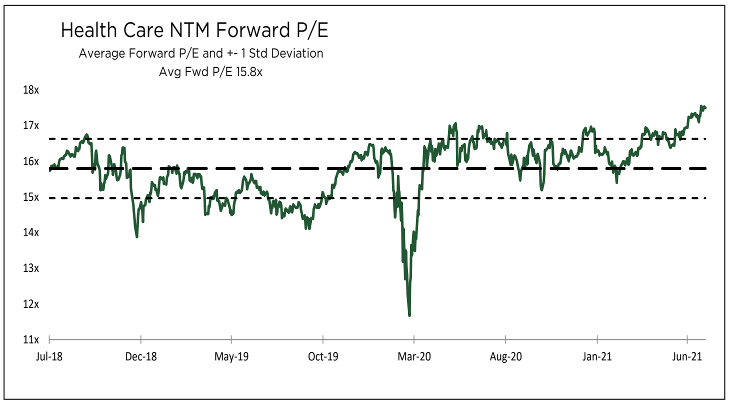
The Financials sector finished July down 0.61%, trailing a 2.27% improvement in the S&P 500® in the same period. Following several months of outperformance against the broader market, June performance reflected profit taking and creeping concerns regarding a flatter yield curve and slowing recovery related to the Delta variant of COVID. Over the last three months, the sector gained 0.82% compared to 5.12% for the S&P. On a trailing twelve-month basis, the sector outperformed the broader market index by just under 18 percentage points, up 52% from pandemic lows. The sector's sensitivity to a cyclical recovery has clearly translated into solid returns against a vastly improved macro backdrop; however, renewed concerns regarding COVID have slowed recent momentum.

The Consumer Finance sub-sector was the strongest in July, up 3.2% following strong earnings reports in Q2. Results for lenders included further loss reserve releases that inflated earnings growth, but the consumer credit group also generated modest loan growth in the quarter and guided to solid improvements in loan demand for the rest of the year. Commentary from Banks continue to support a recovery in loan demand in early FY22, which remains a current overhang on the group despite strong fundamentals in other aspects including credit quality, capital adequacy, and liquidity.

The yield curve shifted lower in July, reflecting lower growth expectations for the broader economy compared to earlier expectations. While short-term maturities inside of two years remained flat, anchored by Fed policy, longer dated treasuries saw yield compression of 25 bps or more from seven to 30-year treasuries. We think compression in yields were the primary driver of the Bank sub-sector posting a 3.2% decline in the month despite very strong Q2 results.

We remain bullish on Financials given several supportive macro drivers over the near-term; however, we see opportunity in rotating new investment toward secular growth names that have experienced weakness on inflation and interest rate worries.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
4.74%	8.89%	16.21%	25.53%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.27%	5.12%	17.02%	34.37%

	Company Performance	1 Month
Leaders	Moderna Inc.	50.5%
	Dexcom Inc.	20.7%
	HCA Healthcare Inc	20.1%
	PerkinElmer Inc	18.0%
	Bio-Rad Laboratories Inc	14.8%
Laggards	Incyte Corp	-8.1%
	Centene Corp	-5.9%
	Biogen Inc	-5.6%
	Organon & Co	-4.1%
	Baxter International Inc	-3.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$64.82	$85.91	$89.76
23.7x	17.9x	17.1x

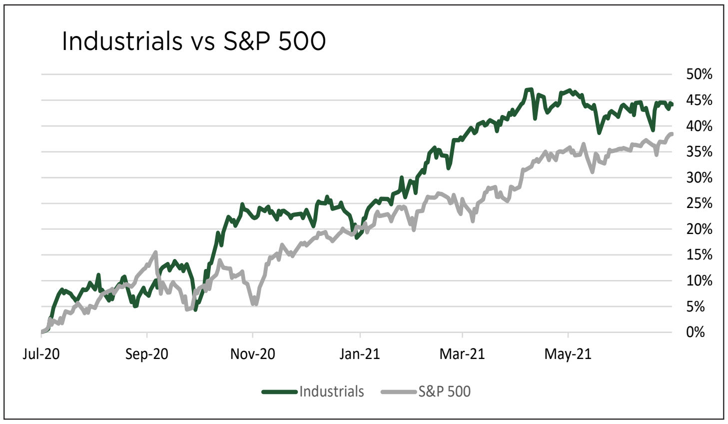
Sector Update

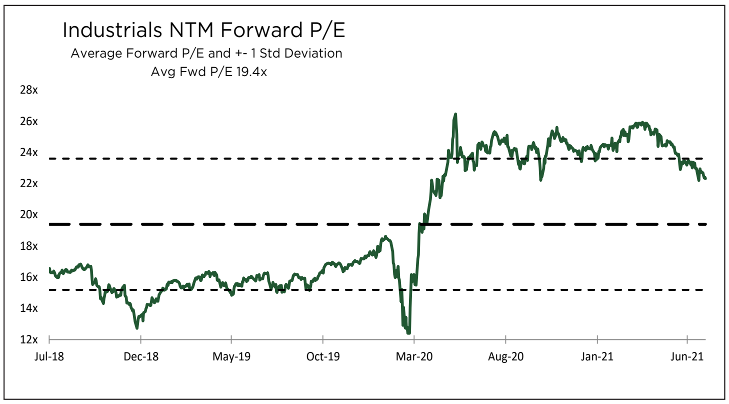
Investors experienced choppy market conditions in July as the Delta COVID variant entered the U.S., spreading across the southeast and ultimately nationwide. Yet, 2Q21 corporate earnings reports have been robust being the catalyst driving markets to new all-time highs. For the month, the S&P 500® advanced 2.27% having risen by 17.02% year to date. COVID has had a significant influence on investor sentiment toward Health Care investment with this being the top performing S&P sector for the month – rising by 4.74%. As illustrated in the adjacent charts, the recent performance gap experienced by health care issues relative to the broad market has narrowed of late with year to date appreciation at 16.21%. We attribute this improved sentiment to renewed COVID fears/overhang to economic growth prospects now arising in the U.S., while company specific product/service demand has also been influenced by the pandemic. Rising Delta COVID caseload has created stronger global demand for vaccines with Moderna being a smaller, relatively pure play vaccine manufacturer that has seen demand/revenues surge with its order book full into 2022. Dexcom has broadened its marketing efforts for its continuous blood glucose monitoring system into the pharmacy channel along with direct to consumer advertising that has driven dramatic revenue and earnings gains. And leading for-profit hospital operator HCA has managed the surge of COVID well, while maintaining access to other health care surgeries and therapies that provided strength reported in recent operating results.

Although select equipment, biopharma, and life science tools providers performed well in July, the broad based biotech sector lagged. Incyte reported down results for the 2Q21 and adjusted their guidance for 2021 that pressured share prices. Centene, a provider of managed care services for government-funded populations, pointed to rising medical costs as expected in 2H21 with shares pulling back. And Biogen's launch of its Alzheimer's therapeutic Aducanumab ultimately raised investor concerns as FDA approval proved controversial (with a physician advisory panel recommending against approval) that was followed by management announcing a price for the product at $56,000 per year that impacted investor sentiment toward the shares.

At this time, the health care sector trades at ~17.9x forward earnings that is above the historical average 15.7x multiple – consistent with valuations seen since spring of 2020 as COVID set in - but also remains at a discount to that of the S&P 500. We continue to see solid prospects among select health care related issues – notably for growth-oriented stocks in the medical technology, life science and biotechnology subsectors where we see increased demand for COVID-deferred medical treatments driving elective surgeries, while R&D focused efforts notably in gene therapies are expanding. In addition, psychology toward large cap pharmaceuticals has varied of late and could remain in flux, influenced by potential Biden Administration Medicare reforms to come.

INDUSTRIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
0.85%	1.40%	16.55%	44.19%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.27%	5.12%	17.02%	34.37%

	Company Performance	1 Month
Leaders	Carrier Global Corp	13.7%
	Rollins Inc	12.1%
	Copart Inc	11.5%
	IHS Markit LTD	11.0%
	Trane Technologies PLC	10.6%
Laggards	United Airlines Holdings	-10.7%
	United Parcel Service Inc.	-8.0%
	Delta Air Lines Inc.	-7.8%
	PACCAR Inc.	-7.0%
	FedEx Corp	-6.2%

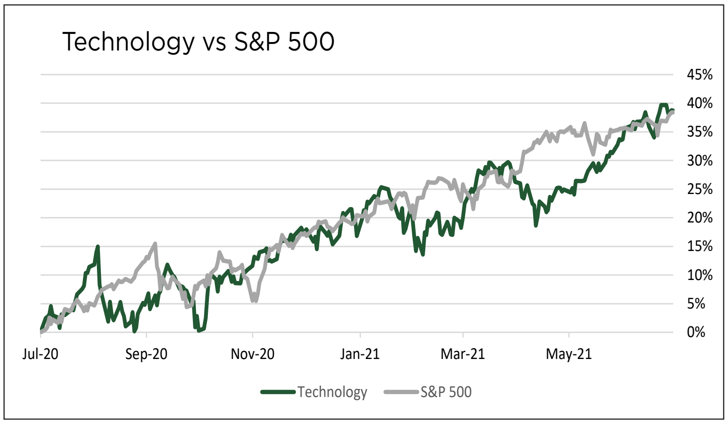
Consensus FY EPS / P/E

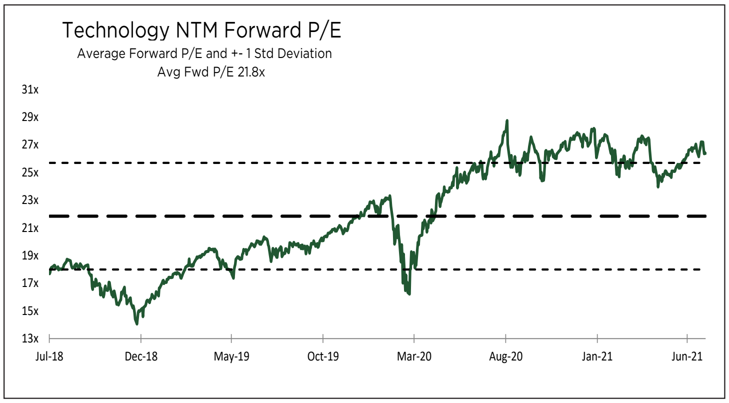
Last Year	Current Year	Next Year
$23.75	$32.71	$43.76
36.8x	26.7x	20.0x

Sector Update

Industrials underperformed the broader market in July, but performance varied considerably by sub-industry. The weakness within the air freight & logistics group, which was a top laggard, largely occurred in the final days of July following reported earnings by United Parcel Service (UPS). The company reported a decline in average daily package volumes in the US, which appeared to raise concern that the pandemic-related boom in shipment growth could be fading. While prior year volume comparisons could be a challenge for the industry, bulls would point to the company's pursuit of a "better, not bigger" strategy and ongoing progress towards the multi-year profitability targets. Shares of FedEx Corp (FDX) traded lower in sympathy towards month-end. Separately, the buildings products industry was a top performer led by double-digit gains in shares of Carrier Global (CARR) and Trane Technologies (TT). Both companies specialize in climate control solutions and heating, ventilation and air-conditioning (HVAC) equipment on a global scale. As individuals spent more time working from home during the pandemic, the additional usage and stress placed on HVAC systems catalyzed demand for repairs as well as total system replacements across the US residential industry. In addition, these companies appear to be benefiting from major commercial themes like sustainability, climate and regulatory changes as well as healthy buildings and indoor air quality solutions. It remains to be seen to what extent do workers split time at home versus in the office setting in a post-Covid environment.

Domestic manufacturing activity expanded in July, according to the ISM Manufacturing PMI, that registered 59.5% for the month. The index pulled back from 60.6% in June and the headline number was below market expectations. However, underlying demand remains strong as reflected in the New Orders Index while low customer inventory levels against a high backlog of orders could support sustained levels of production. While survey panel sentiment was clearly optimistic (thirteen positive comments for every one cautious comment), the combination of supply chain challenges, rising inflation and labor shortages continue to limit manufacturing upside in the United States. Given the historical relationship between the PMI data and the overall economy, the July index reading corresponds to a 4.7% increase in real GDP on an annualized basis. Manufacturing activity in the Eurozone pulled back modestly from the record summer-highs, as the July PMI index was reported at 62.8% according the IHS Markit data. Despite a slowing of momentum, manufacturing across every major country remained well into expansion territory. The survey indicates job creation is robust and production output is unable to keep pace with the inflow of new order activity. Similar to other regions of the world, shortages of raw materials, broad inflation and transportation challenges are factors to monitor going forward. Still, the Eurozone remains optimistic regarding the outlook for the next twelve-month period. Manufacturing activity in China softened again in July, as total new business slipped into contraction territory for the first time in fourteen-months. High product prices contributed to weaker demand, according to the survey.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
3.82%	9.82%	17.56%	38.67%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.27%	5.12%	17.02%	34.37%

	Company Performance	1 Month
Leaders	Monolithic Power Systems	20.3%
	Fortinet Inc	14.3%
	Advanced Micro Devices	13.1%
	Oracle Corp	11.9%
	F5 Networks Inc	10.6%
Laggards	Citrix Systems Inc	-14.1%
	NortonLifeLock Inc.	-8.8%
	Western Digital Corp	-8.8%
	Micron Technology Inc.	-8.7%
	PayPal Holdings Inc.	-5.5%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$78.96	$96.66	$106.96
34.1x	27.9x	25.2x

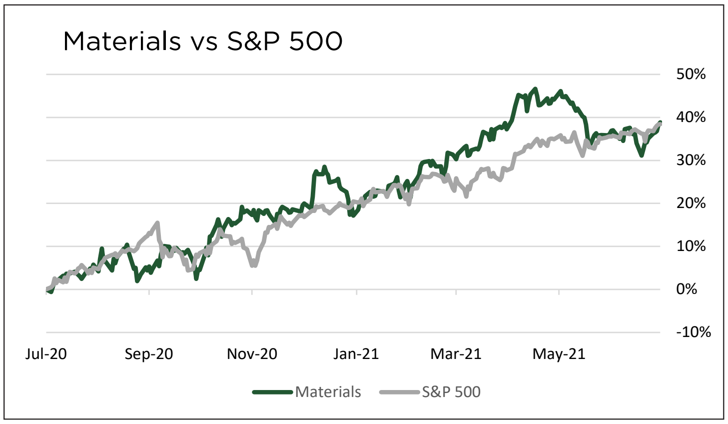
Sector Update

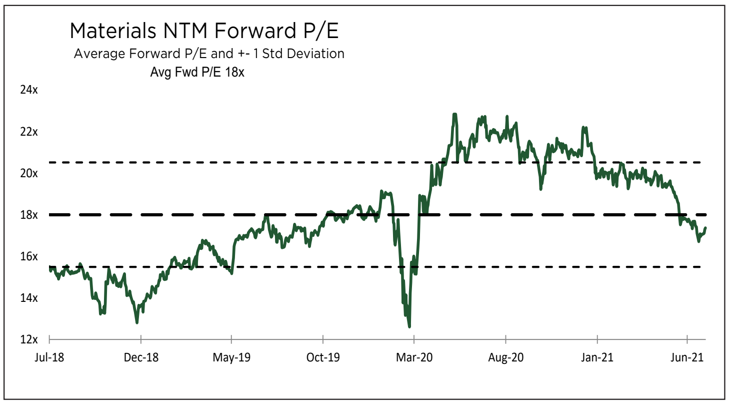
The Technology sector outperformed the market in July (+3.8%) and YTD (+17.56%). Technology Hardware, Storage and Peripherals was the top sub-sector in July (+6%) driven by Apple's better than expected results. Apple's iPhone revenue grew 50% year-over-year driven by robust consumer demand for its 5G enabled iPhones. The company could sustain robust iPhone growth for several years, since the global buildout of 5G infrastructure remains in the early stages and the number of consumers that have 5G enabled smart phones remains at a low level. The global smart phone market is expected to grow in the high-single digits this year, with 5G smart phone units up more than 100% to 500 to 550 million units.

Software remained the second top performing sub-sector YTD (+24.4%). Top sector performers in July include Fortinet, a leading provider of security software, and F5 Networks, a provider of applications security software. Fortinet grew its Q-2 21 revenue 30% year-over-year, 8% ahead of consensus analyst estimates, as it benefited from increased corporate demand for its security solutions spanning enterprise networks, SD-WAN, cloud data centers, and remote workers. F5 Networks reported better than expected result due to increased corporate demand for its multi-cloud services, which include security, applications performance, and network availability.

Given that technology companies are reporting a broad based recovery across geographies and industry sectors, they could continue to deliver better than expected results. This could enable the Technology sector to outperform the market in the near-term despite sector valuations (P/E of 27.9x) that remain above the historical average (21.8x).

MATERIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.00%	1.21%	15.72%	38.86%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.27%	5.12%	17.02%	34.37%

	Company Performance	1 Month
Leaders	Albemarle Corp	22.3%
	Nucor Corp	8.4%
	Ecolab Inc.	7.2%
	Sherwin-Williams Co	6.8%
	Linde PLC	6.3%
Laggards	CF Industries Holdings	-8.2%
	Westrock Co	-7.5%
	International Paper Co	-5.8%
	Sealed Air Corp	-4.2%
	PPG Industries	-3.7%

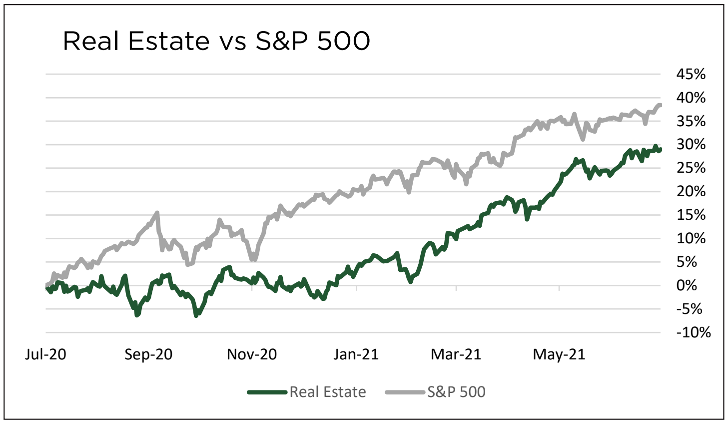
Consensus FY EPS / P/E

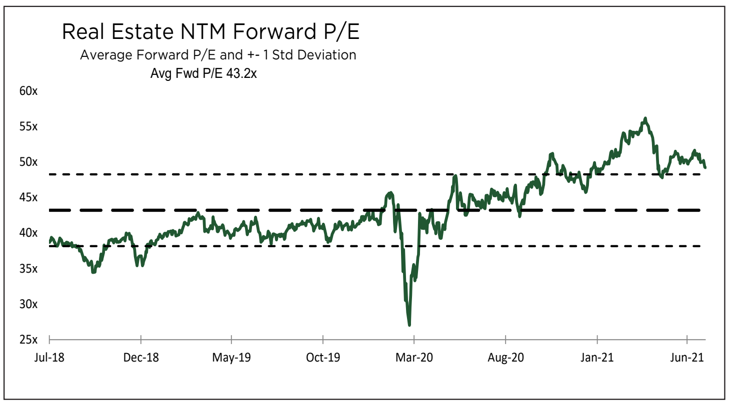
Last Year	Current Year	Next Year
$22.82	$30.52	$30.10
23.1x	17.3x	17.5x

Sector Update

The Materials segment reported an increase of 2.0% in July which slightly underperformed the S&P 500 Index that increased 2.27%. Three segments reversed the prior month declines with the exception of the containers and packaging segment that remained lower. YTD, the Materials segment is up 15.72% vs the S&P 500 Index up 17.02%. The Metals and Mining segment remains the strongest performer YTD and up nearly 35% followed by the Construction Materials segment up nearly 25%. For 2H, key focus centers on a potential infrastructure bill, the pace of global market re-openings, consumer demand, input cost pressures and pricing. Demand remains strong for electric vehicles creating support for lithium suppliers, car manufacturers and battery makers. Commodities have been mixed lately with corn and lumber softer while oil (resin) remains higher. Supported by rising demand, copper prices remain higher. Movement continues regarding the proposed infrastructure bill as the Senate voted in favor to consider a $1,2 trillion bill. The bill focuses on improving and repairing physical infrastructure including roads, bridges, rail, transit, broadband, etc. It now must pass both the House and Senate

As companies report results and outline expectations during the second quarter earnings season, key factors center on input cost pressures, end market demand and use of cash. The winter storm in Texas disrupted the supply chain for key ingredients for many companies resulting in a near-term raw material supply shortage and higher prices. Industrial coating companies continue to aggressively raise prices to offset the sharp increase in input costs in order to mitigate 2H expected margin pressure. Companies expect many higher commodity costs to peak in Q3. Excess cash should be used to repurchase shares as well as for acquisitions. Paper companies are raising prices in 2H driven by tighter markets and strong demand, but margins and competitive activity could weigh on results. Companies with leading market shares and strong execution should capture higher market share as markets reopen. Selective investment among the group remains a key factor in 2021, but the outlook remains favorable. The potential rise in COVID variants and market restrictions remain key trends to monitor heading into the fall.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
4.55%	8.60%	27.27%	29.01%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.27%	5.12%	17.02%	34.37%

	Company Performance	1 Month
Leaders	Mid-America Apartment	14.7%
	CBRE Group Inc	12.5%
	UDR Inc	12.3%
	Healthpeak Properties Inc	11.1%
	Alexandria Real Estate	10.7%
Laggards	Vornado Realty Trust	-6.8%
	Host Hotels & Resorts Inc	-6.8%
	Simon Property group Inc	-3.0%
	Weyerhaeuser Co	-2.0%
	Crown Castle International	-1.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$4.34	$5.73	$6.01
66.8x	50.6x	48.2x

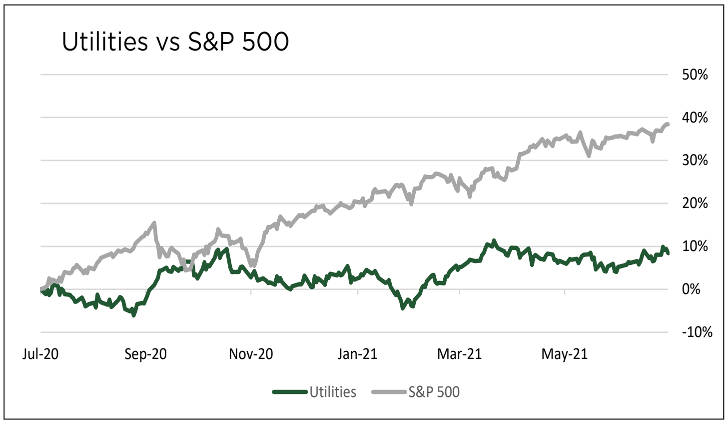
Sector Update

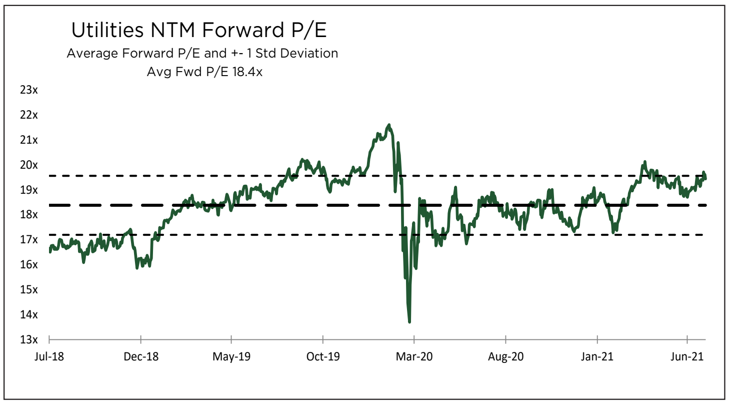
Investors experienced choppy market conditions in July as the Delta COVID variant entered the U.S., spreading across the southeast and ultimately nationwide. Yet, 2Q21 corporate earnings reports have been robust being the catalyst driving markets to new all-time highs. For the month, the S&P 500® advanced 2.27% having risen by 17.02% year to date. COVID has had a significant influence on investor sentiment toward the Real Estate sector of late – after the sector had lagged significantly in 2020 – with the segment rising by 4.55% in July. On a year to date basis, as is illustrated in the adjacent graphics, Real Estate is the second strongest S&P sub segment (just behind Energy) having achieved appreciation of 27.27% as the economy reopened.

Although latest economic reports point to a fast-paced economic recovery with preliminary 2Q21 GDP rising by 6.5%, the Delta COVID variant continues to spread nationwide, raising concerns over near term progress on reopening of society. In addition, the U.S. has experienced a surge in demand for a range of products and services, while bottlenecks have limited access to raw materials and components (such as computer chips) that has affected some aspects of the real estate sector - notably building materials – that in addition to tightening labor markets has impeded home construction with home price inflation surging that has restricted access for new home buyers to the market. As a result, various subsectors within the real estate segment have been affected in a positive or negative manner. Still, the common view remains that reopening and rising inflation trends represent positives for real estate after an extended period of underperformance in 2020.

Demand for apartments remains quite strong with relocations arising as folks working remotely move to less congested regions outside of the inner city. And as mentioned above, surging home prices have also impeded first time buyers into the housing market – also driving demand for apartments – with both Mid America Apartments and UDR shares experiencing solid double-digit appreciation in July. CGRE Group, a leading real estate management firm also has experienced strong demand and results that has catalyzed the shares higher. On the other hand, investors in New York real estate leader Vornadohave experienced selling pressure as COVID threatens to slow the pace of recovery. Likewise, Host Hotels has seen solid demand from leisure travelers, but lagging business travel volume, while COVID creates a recent overhang to the shares. We sense that economic recovery/momentum ramps into 1H22, with the key risk going forward being tied to an anticipated shift by the Fed (tightening) that leads to rising interest rates that could weigh on bond proxy investments including REITs.

UTILITIES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
4.21%	-1.14%	5.03%	8.41%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.27%	5.12%	17.02%	34.37%

	Company Performance	1 Month
Leaders	American Water Works	10.4%
	Evergy Inc	7.9%
	Eversource Energy	7.5%
	Duke Energy Corp	6.5%
	DTE Energy Co	6.4%
Laggards	AES Corp	-9.1%
	Edison International	-5.7%
	Sempra Energy	-1.4%
	NiSource Inc	1.1%
	PPL Corp	1.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$14.69	$16.59	$17.71
22.8x	20.2x	18.9x

Sector Update

The Utilities sector gained 4.21% in July, outpacing a 2.27% improvement in the S&P500® in the same period. Over the last three months, Utilities declined 1.14% compared to a 5.12% increase in the broader market index. On a trailing twelve-month basis, the Utilities sector improved just 8.4% and lagged the 34.4% improvement in the S&P by a wide margin after a strong recovery in the market from pandemic lows. Recent concerns surrounding the Delta COVID variant, slower macro recovery and compression of the yield curve appear to have been drivers of outperformance of this defensive sector in July.

Water Utilities (with AWK as its sole member) were the top performing subsector in the month. Electric Utilities posted a 4.9% gain for the month, followed by a 3% improvement in Multi-Utilities and a 9.1% decline among Independent and Renewable Producers. We note Electric Utilities are expected to increase earnings 15.6% in the current year, leading all other industries, while Water Utilities are expected to achieve 8.7% earnings growth in FY22, leading all other sub-sectors.

American Waterworks (AWK) was the best performer in the month, up 10.4%, following calls for rate adjustments by the company in its West Virginia and Iowa service territories early in July. Arlington, VA based AES Corp (AES) was the worst performer, down 9.1% with its largest downward move on 7/13/21—coinciding with a brief 12 bps increase in ten-year treasury yields.

While we continue to favor new investment in cyclically oriented or secular growth stories, the attractive yields and historically defensive characteristics of the sector could provide enhanced performance against potential market volatility. We encourage selective investment in the group, focusing on state regulated utilities with regulators supportive of strong multi-year capital backlogs focused on renewable and zero-carbon generation.

ECONOMIC CALENDAR

Date	Release	For	Prior
6-Aug	Nonfarm Payrolls	Jul	850K
6-Aug	Nonfarm Private Payrolls	Jul	662K
6-Aug	Unemployment Rate	Jul	5.9%
6-Aug	Average Hourly Earnings	Jul	0.3%
6-Aug	Average Workweek	Jul	34.7
6-Aug	Wholesale Inventories	Jun	1.3%
6-Aug	Consumer Credit	Jun	$20.5B
9-Aug	JOLTS - Job Openings	Jun	9.21mm
10-Aug	Productivity - Preliminary	Q2	5.4%
10-Aug	Unit Labor Costs - Preliminary	Q2	1.7%
11-Aug	MBA Mortage Application Index	7-Aug	N/A
11-Aug	CPI	Jul	0.9%
11-Aug	Core CPI	Jul	0.9%
11-Aug	EIA Crude Oil Inventories	7-Aug	N/A
11-Aug	Treasury Budget	Jul	($63)B
12-Aug	PPI	Jul	1%
12-Aug	Core PPI	Jul	1%
12-Aug	Initial Claims	7-Aug	N/A
12-Aug	Continuing Claims	31-Jul	N/A
12-Aug	EIA Natural Gas Inventories	7-Aug	N/A
13-Aug	Export Prices	Jul	1.20%
13-Aug	Export Prices ex-ag.	Jul	1.10%
13-Aug	Import Prices	Jul	1%
13-Aug	Import Prices ex-oil	Jul	0.70%
13-Aug	Univ. of Michigan Consumer Sentiment - Preliminary	Aug	N/A
16-Aug	Empire State Manufacturing	Aug	43.00
16-Aug	Net Long-Term TIC Flows	Jun	($30.2)B
17-Aug	Retail Sales	Jul	0.60%
17-Aug	Retail Sales ex-auto	Jul	1.30%
17-Aug	Industrial Production	Jul	0.40%
17-Aug	Capacity Utilization	Jul	75.40%
17-Aug	Business Inventories	Jun	0.50%
17-Aug	NAHB Housing Market Index	Aug	80
18-Aug	MBA Mortgage Applications Index	14-Aug	N/A
18-Aug	Housing Starts	Jul	N/A
18-Aug	Building Permits	Jul	N/A
18-Aug	EIA Crude Oil Inventories	14-Aug	N/A
19-Aug	Initial Claims	14-Aug	N/A
19-Aug	Continuing Claims	7-Aug	N/A
19-Aug	Philadelphia Fed Index	Aug	21.9
19-Aug	Leading Indicators	Jul	0.70%
19-Aug	EIA Natural Gas Inventories	14-Aug	N/A
23-Aug	Existing Home Sales	Jul	N/A
24-Aug	New Home Sales	Jul	N/A
25-Aug	MBA Mortgage Applications Index	21-Aug	N/A

ECONOMIC CALENDAR

25-Aug	Durable Goods - ex transportation	Jul	N/A
25-Aug	Durable Orders	Jul	N/A
25-Aug	EIA Crude Oil Inventories	21-Aug	N/A
26-Aug	GDP - Second Estimate	Q2	6.50%
26-Aug	GDP Deflator - Second Estimate	Q2	6%
26-Aug	Initial Claims	21-Aug	N/A
26-Aug	Continuing Claims	14-Aug	N/A
26-Aug	EIA Natural Gas Inventories	21-Aug	N/A
27-Aug	Adv. International Trade in Goods	Jul	N/A
27-Aug	Adv. Retail Inventories	Jul	N/A
27-Aug	Adv. Wholesale Inventories	Jul	N/A
27-Aug	PCE Prices	Jul	N/A
27-Aug	PCE Prices - Core	Jul	N/A
27-Aug	Personal Income	Jul	N/A
27-Aug	Personal Spending	Jul	N/A
27-Aug	Univ. of Michigan Consumer Sentiment - Final	Aug	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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CORPORATE HEADQUARTERS

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

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

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

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

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

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

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

Franklin
105 West Fourth Ave.
Franklin, VA 23851
(757) 562-0053

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

Greensboro
628 Green Valley Rd., Ste. 410
Greensboro, NC 27408
(336) 297-2800

Harrisonburg
3200 Peoples Dr., Ste. 220
Harrisonburg, VA 22801
(540) 383-6550

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

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

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

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

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

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

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

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

Sanford
503 Carthage St., Ste. 300
Sanford, NC 27330
(919) 777-9823

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

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

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

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

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

**Public Finance office.*