MARKET COMMENTARY

DAVENPORT 1863
BUILDING WEALTH TOGETHER

FEBRUARY 2023

- Equity markets rebounded in January with all major indexes increasing
- Inflation appears to be improving but remains above Fed targets
- Companies are heading into a new round of cost-cutting initiatives to drive earnings

Coming off a challenging 2022, equity markets broadly rebounded in January with all major indexes up sharply as investor sentiment improved in the new year. Increasing confidence in the likelihood of a soft landing and the potential for the Fed to further slow the pace of interest rate hikes appear to have provided support for the January rebound. Reflecting this environment, the VIX Index or "fear gauge" declined from the 23 level at the start of January to end the month at under 20. For the full month, all three major equity indexes increased with the Dow Jones Industrial Average up 2.8%, the S&P 500® index up 6.2%, and the smaller-cap weighted Russell 2000® increasing a quite strong 9.7%.

The best performing S&P 500 sector in January was Consumer Discretionary which increased 15.0% followed by the Communication Services sector which was up 14.2%. The weakest performances in the month were posted by the Health Care sector and the Utilities sector which each decreased by 2.0% followed by the Consumer Staples sector which was down 1.0%. For the prior twelve-month period, the Energy sector was the best performer with a 37.3% increase followed by the Health Care sector which was up 1.5%, while the Communication Services sector was the worst performer for the past twelve months with a 27.3% decrease followed by the Consumer Discretionary sector which was down 20.5%.

Although the likelihood of a 'soft landing' for the U.S. economy appears to have improved, it seems a bit premature to celebrate as inflation remains well above Fed targets; consumer spending is sputtering; and, Corporate CEOs point to cost-cutting as being the key driver to earnings this year. We note that retail sales have fallen in three of the past four months. Spending on services, including rent, was flat in December, after adjusting for inflation (the worst monthly reading in nearly a year). Housing remains weak with sales of existing homes having fallen to their lowest level since 2014 as mortgage rates moved sharply higher. And, the auto industry posted its worst year of sales in more than a decade (driven by supply chain issues but also reflecting the impact of rising interest rates on financing costs/affordability). Yet, investors remain complacent with the VIX fear index tracking at below 20 levels – with investors apparently not overly concerned.

Overall, we continue to view the broad market as being pretty fairly valued with the S&P 500 trading at about 19x consensus 2023 estimated earnings. Although the January Jobs report suggests the labor market remains robust, we are concerned that consumer spending could be poised to be squeezed further, slowing corporate revenue growth this year, while inflationary wage trends pressure margins. As such, Corporate America is heading into a new round of cost-cutting to drive earnings with an economic slowdown remaining in the cards through at least 1H2023. Meanwhile, the Jobs report if anything points to the Fed as maintaining its tightening strategy to rebalance labor supply and demand through 2023 with the potential for rate cuts diminishing measurably in our view (we expect rates to peak at 5.00% plus and remain there through yearend). So, whether it is simply a slowdown with lackluster results delivered that is forthcoming this year, or a modest recession, matters little as we anticipate improved momentum to show up later this year and into 2024 as interest rates stabilize.

Where to from here?

We are encouraged that Street expectations for 2023 S&P 500 earnings have retrenched toward reasonable levels, although with the market multiple approaching 19x forward EPS, the valuation stands well above the long-term average of about 16x. Thus, we sense that the Street consensus target for the S&P 500 could be overly ambitious as it stands today. As such, investors need to be highly selective when putting funds to work. We remain focused on companies offering solid intermediate or longer-term potential returns, while currently being reasonably valued; having less exposure to interest rates; possessing specialized products and services remaining in demand offering enhanced pricing power to drive earnings and cash flow. Furthermore, given existing interest rates, fixed income offers investors real returns not seen for the past decade with shorter-term government bonds offering attractive risk-free returns in the 4% range, while investment-grade corporate debt yields stand at about 5%.

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MARKET AND ECONOMIC STATISTICS

Market Indices:	1/31/2023	12/30/2022	% Change YTD	12/30/2022	% Change (Monthly)
S&P Composite	4,076.60	3,839.50	6.18%	3,839.50	6.18%
Dow Jones Industrials	34,086.04	33,147.25	2.83%	33,147.25	2.83%
NASDAQ Composite	11,584.55	10,466.48	10.68%	10,466.48	10.68%
Russell 2000	1,931.95	1,761.25	9.69%	1,761.25	9.69%
FTSE 100	7,771.70	7,451.74	4.29%	7,451.74	4.29%
Shanghai Composite	3,255.67	3,089.26	5.39%	3,089.26	5.39%
Nikkei Stock Average	27,327.11	26,094.50	4.72%	26,094.50	4.72%
Stoxx Europe 600	453.21	424.89	6.67%	424.89	6.67%
MSCI Emerging Markets	1,031.50	956.38	7.85%	956.38	7.85%
MSCI Emerging Markets Small Cap	1,193.28	1,127.18	5.86%	1,127.18	5.86%

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	10.87%	14.99%	2.82%	14.99%	-20.51%
Consumer Staples	6.54%	-1.06%	1.80%	-1.06%	-2.71%
Energy	4.72%	2.71%	0.11%	2.71%	37.31%
Financials	11.46%	6.70%	7.80%	6.70%	-6.41%
Health Care	14.27%	-2.03%	0.44%	-2.03%	1.50%
Industrials	8.30%	3.68%	8.05%	3.68%	1.13%
Information Technology	27.16%	9.26%	5.90%	9.26%	-16.55%
Materials	2.75%	8.96%	14.43%	8.96%	0.53%
Communication Services	8.26%	14.22%	12.47%	14.22%	-27.30%
Utilities	2.87%	-2.04%	3.53%	-2.04%	-0.14%
Real Estate	2.80%	9.85%	10.86%	9.85%	-14.06%
S&P 500 (Absolute performance)	100.0%	6.18%	5.28%	6.18%	-9.72%

Interest Rates:	1/31/2023	12/30/2022	YTD Change (Basis Points)	12/30/2022	Month Change (BPS)
Fed Funds Effective Rate	4.33%	0.09%	424	4.33%	0
Prime Rate	7.50%	7.50%	0	7.50%	0
Three Month Treasury Bill	4.65%	0.09%	456	3.37%	128
Ten Year Treasury	3.51%	3.87%	-37	3.87%	-37
Spread - 10 Year vs 3 Month	-1.14%	3.79%	-493	0.51%	-165

Foreign Currencies:	1/31/2023	12/30/2022	% Change YTD	12/30/2022	% Change (Monthly)
Brazil Real (in US dollars)	0.20	0.19	4.1%	0.19	4.1%
British Pound (in US dollars)	1.23	1.21	2.0%	1.21	2.0%
Canadian Dollar (in US dollars)	0.75	0.74	1.9%	0.74	1.9%
Chinese Yuan (per US dollar)	6.76	6.90	-2.1%	6.90	-2.1%
Euro (in US dollars)	1.09	1.07	1.5%	1.07	1.5%
Japanese Yen (per US dollar)	130.09	131.12	-0.8%	131.12	-0.8%

Commodity Prices:	1/31/2023	12/30/2022	% Change YTD	12/30/2022	% Change (Monthly)
CRB (Commodity) Index	557.02	554.78	0.4%	554.78	0.4%
Gold (Comex spot per troy oz.)	1928.36	1824.02	5.7%	1824.02	5.7%
Oil (West Texas int. crude)	78.87	80.26	-1.7%	80.26	-1.7%
Aluminum (LME spot per metric ton)	2613.00	2349.51	11.2%	2349.51	11.2%
Natural Gas (Futures 10,000 MMBtu)	2.68	4.48	-40.0%	4.48	-40.0%

Economic Indicators:	9/30/2022	12/31/2021	% Change YTD	8/31/2022	% Change (Monthly)
Consumer Price Index	296.8	280.1	5.9%	295.6	0.39%
Producer Price Index	253.1	232.0	9.1%	252.2	0.4%
	Q3 2022	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**
GDP Growth Rate (Quarterly)	3.20%	-0.60%	-1.60%	7.00%	2.70%
Unemployment Rate (End of Month)	**November 3.7%**	**October 3.7%**	**September 3.5%**	**August 3.7%**	**July 3.5%**

*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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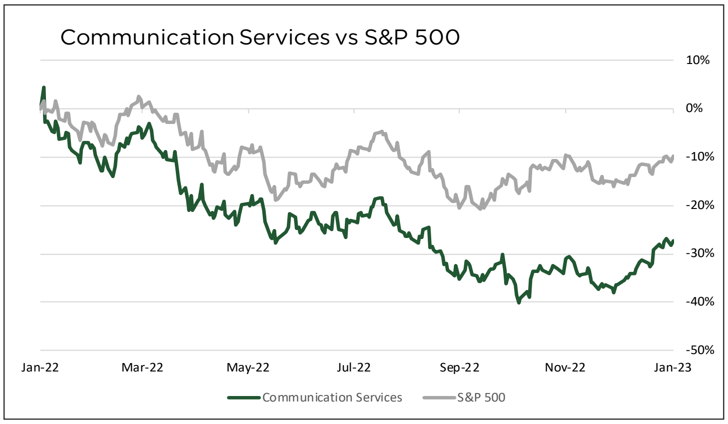
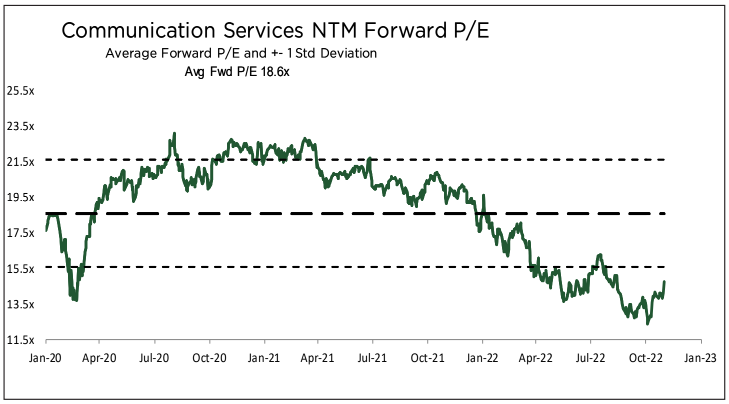
COMMUNICATIONS SERVICES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
14.22%	12.47%	14.22%	-27.30%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
6.18%	5.28%	6.18%	-9.72%

	Company Performance	1 Month
Leader	Warner Bros Discovery	56.3%
	Paramount Global	37.2%
	Match Group Inc	30.4%
	Walt Disney Co	24.9%
	Meta Platforms Inc	23.8%
Laggards	Activision Blizzard	0.0%
	Lumen Technologies	0.6%
	DISH Network	2.5%
	Electronic Arts	5.3%
	Omnicom Group	5.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$10.72	$11.78	$13.79
17.0x	15.5x	13.2x

Sector Update

Communications Services (+14.22%) outperformed the market in January driven by the rise in the shares of Paramount Global (NASDAQ-PARA), The Walt Disney Company (NYSE-DIS), and Warner Brothers Discovery (NASDAQ-WBD). These companies reached peak valuations in the spring of 2021 as investors rewarded them for robust streaming subscriber growth. However, investors were disenchanted by the companies escalating losses as they increased their investment in content.

Several recent developments contributed to renewed investor enthusiasm in Disney, Paramount Global, and Warner Brothers Discovery.

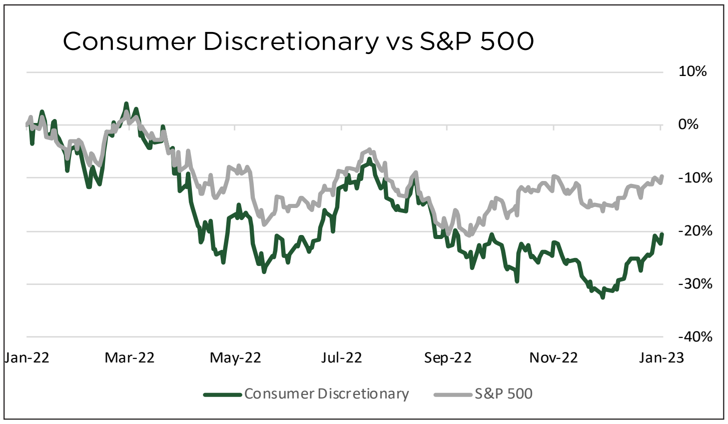
1). Berkshire Hathaway's disclosure in mid-November that it accumulated a 15% equity stake in Paramount Global boosted PARA's share price.

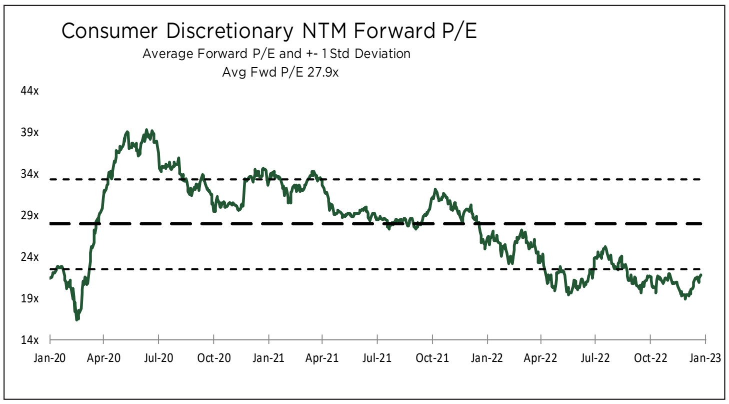
2). The Walt Disney Company disappointed investors when it provided FY23 guidance and FY24 Disney+ profit guidance below the consensus estimate. Disney's Board of Directors rekindled investor enthusiasm when it fired CEO Bob Chapek and hired his predecessor, Bob Iger, to return as CEO for a two-year term. In addition, activist investor Nelson Peltz, of Triad Partners, accumulated an $800 million equity stake in Disney and is pressuring the company to improve the profitability of its streaming media business.

3). Warner Brothers Discovery recently disclosed that its streaming media business is ahead of its original plan to become profitable by FY24 and generate a $1 billion profit in FY25. WBD expects to reduce its operating costs by merging Discovery+ and HBO Max into a single streaming service and technology platform this spring.

Communications Services could outperform the market this year since its P/E of 15.5x represents a significant discount to the market and its average forward P/E of 18.6x. Even though Communications Services companies reported weaker near-term demand, their focus on cost reductions and efficiency could drive higher profit growth over the next few years.

CONSUMER DISCRETIONARY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
14.99%	2.82%	14.99%	-20.51%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
6.18%	5.28%	6.18%	-9.72%

	Company Performance	1 Month
Leader	Tesla	40.6%
	Carnival Corp	34.2%
	Royal Caribbean	31.4%
	Expedia Group	30.5%
	Pool Corp	27.5%
Laggards	O'Reilly Automotive	-6.1%
	Dollar General	-5.1%
	Genuine Parts	-3.3%
	Hasbro	-3.0%
	AutoZone	-1.1%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$41.21	$49.58	$58.36
28.1x	23.3x	19.8x

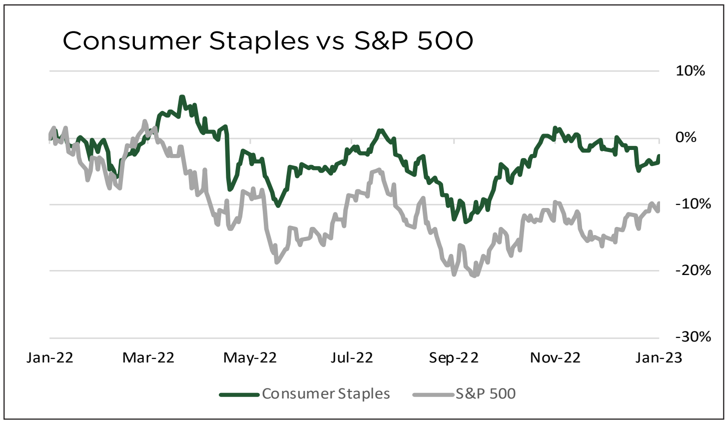
Sector Update

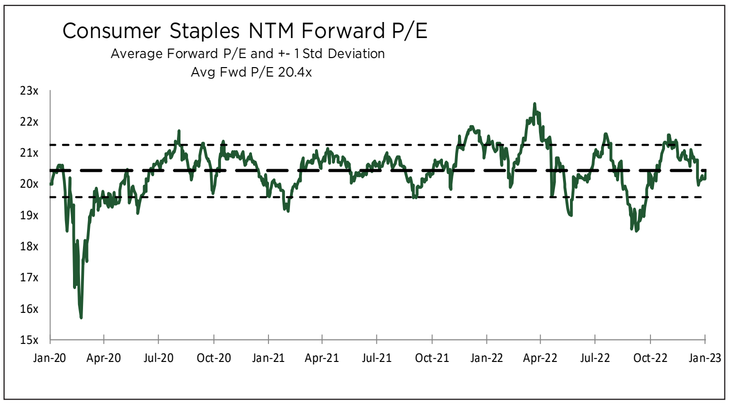
The Consumer Discretionary sector outperformed the S&P 500 in January by a large margin as the group experienced a strong bounce back with more constructive investor sentiment. Sub-sector performance was led by sharp gains in the Automobiles, Internet & Direct Marketing Retail, and Auto Components categories. These gains were slightly offset by weakness in the Leisure Products sub-sector. Although January's performance was strong, looking at the relative performance of Consumer Discretionary stocks over a more extended period, the sector has significantly underperformed the S&P 500 for the 3-month and trailing-twelve month periods.

Consumer sentiment improved in January per the University of Michigan Consumer Sentiment Index which reached its highest level since last April. The Consumer Sentiment Index increased to 64.9 in January from 59.7 in December. Although improving inflation has appeared to benefit sentiment, there remain broader macro concerns which were highlighted by Joanne Hsu, Research Associate Professor at the University of Michigan. Ms. Hsu indicated that: "Slowing inflation provides some much-needed upward momentum for consumer sentiment. However, global factors like the end of China's 'zero-COVID' policies may put additional upward pressure on inflation. Furthermore, the debt ceiling debate looms ahead and could reverse the improvement in sentiment seen over the last several months; past debt ceiling crises in 2011 and 2013 prompted steep declines in consumer confidence."

There were some encouraging signs of improvement in the housing market which has been constrained by the impact of high mortgage rates and a diminished supply of homes for sale. Reports from Realtor.com indicate that aspects of the housing market may be normalizing with a 55% year-over-year increase in the active inventory of homes for sale and an eleven-day increase in the number of days an average home has spent on the market. In addition, home price growth fell to the single digits for the first time since December 2021 while about 14% of active listings reported a price cut in December.

In late January U.S. new home sales for December were reported up 2.3% to a seasonally-adjusted rate of 616,000 from 602,000 in November. Although new home sales rose sequentially, on a year-over-year basis home sales dropped sharply declining 26.6%. New home sales represent a relatively small portion of overall home sales with existing homes representing the lion's share of transactions. The National Association of Realtors reported that December existing home sales dropped 1.5% to a seasonally adjusted annual rate of 4.02 million. This result represented the 11th consecutive decline in existing home sales. On a year-over-year basis, existing home sales dropped 34%.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-1.06%	1.80%	-1.06%	-2.71%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
6.18%	5.28%	6.18%	-9.72%

	Company Performance	1 Month
Leader	Costco Wholesale	12.0%
	Lamb Weston	11.8%
	Estee Lauder	11.7%
	Tyson Foods	5.6%
	Clorox Co	3.1%
Laggards	Archer-Daniels	-10.8%
	McCormick & Co	-9.4%
	Campbell Soup	-8.5%
	General Mills	-6.5%
	Procter & Gamble	-6.1%

Consensus FY EPS / P/E

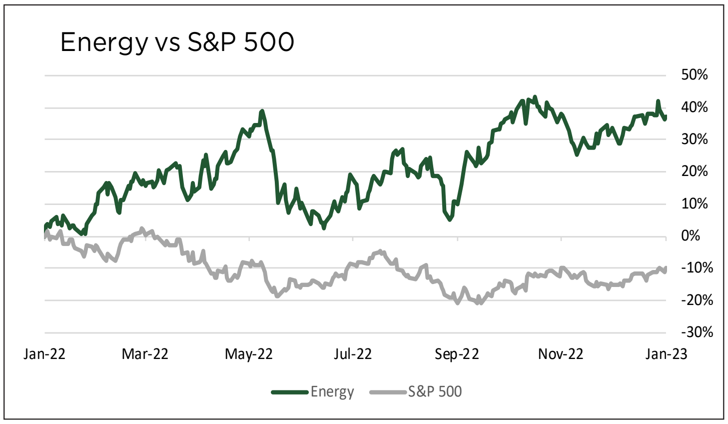
Last Year	Current Year	Next Year
$34.91	$36.99	$40.14
22.1x	20.8x	19.2x

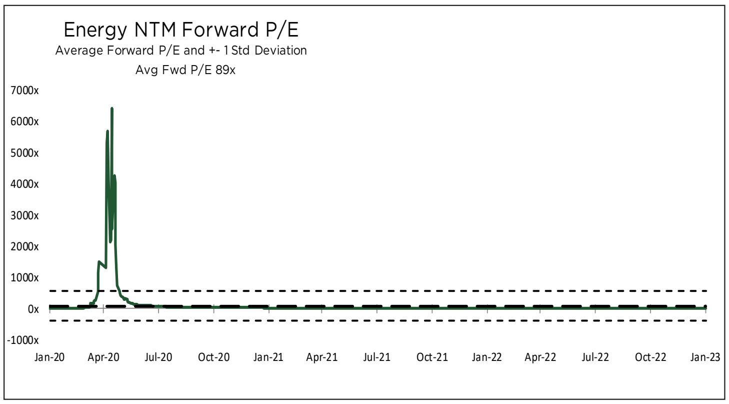
Sector Update

The Consumer Staples sector decreased by 1.06% on average in January and well underperformed the S&P 500 Index which increased 6.18% for the month. Performance for January was mixed by segments with the greatest increase in Personal Products rising 11.7% and the greatest decline in Household Products with a 5.2% decrease. Historically, Consumer Staples stocks have weakened as the new year begins and investors reposition portfolios away from more defensive stocks. The Consumer Staples segment is now trading with a current forward P/E of about 20.8x which is towards the upper end of its historic trading range and above its average P/E. We continue to prefer an investment in companies with pricing, leading market share, strong balance sheets, and experienced management. With the uncertain global economic backdrop, investor sentiment remains favorable to exposure to the more defensive stock segment. An investment in many Consumer Staples companies continues to offer an attractive dividend yield. With stronger balance sheets, we expect renewed interest in consolidation as consumer staples companies seek to drive faster top-line growth, reformulate brand portfolios and seek additional cost savings. We continue to advise selective investment among the Consumer Staples stocks.

In the midst of earnings season, key takeaways from company updates include the pace of pricing vs input cost pressures, the rebuilding of gross margins, consumer behavior, inventory levels at retailers, interest rate forecasts, currency translation, increasing brand support, and innovation. Among the Consumer Staples companies, elasticity for the majority of brands remains below historical levels. Companies in the Household and Personal care segments are reporting sooner than expected gross margin recovery reflecting the realization of pricing vs input cost pressures, pricing, improving service levels, and the benefit of the shift in the timing of an earlier cold and flu season. The strength of the brands and consumer loyalty remain key factors to monitor in 2023 as there is some beginning of consumer trade down to more value-priced, smaller pack size or private label offerings. Examples include laundry detergent and cat litter. Some companies plan additional price increases in FY23 and that strategy likely faces tougher in-market execution and higher justification by retailers. Easing lockdown restrictions in China supports a more favorable expectation for those companies with exposure to China and the travel and leisure channel such as cosmetics and fragrances. Results for domestic tobacco companies continue to benefit from favorable pricing. Purchase patterns between premium and discount brands and use rates remain a key focus along with the growth of the discount cigarette segment. Domestic tobacco companies should continue to pursue the transition to a non-combustible environment either through innovation or expansion of existing offerings. The stock price of domestic tobacco companies face enhanced volatility in 2023 given upcoming key regulatory updates for the issuance of the FDA's proposed nicotine levels in cigarettes in May 2023 and the potential final rulemaking stage of the FDA's proposed ban on menthol as a flavoring agent in combustible cigarettes in 2H of 2023. In addition, the law in California (about 15% of US cigarette sales) has now gone into effect in 2023 that prohibits the sale of most flavored tobacco products, including flavored e-cigarettes and menthol cigarettes.

ENERGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.71%	0.11%	2.71%	37.31%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
6.18%	5.28%	6.18%	-9.72%

	Company Performance	1 Month
Leader	Marathon Petroleum	10.4%
	Valero Energy Corp	10.4%
	Baker Hughes Co	7.5%
	Diamondback Energy	6.8%
	Schlumberger	6.6%
Laggards	APA Corp	-5.0%
	Phillips 66	-3.7%
	EQT Corp	-3.4%
	Chevron Corp	-3.0%
	Williams Cos Inc	-2.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$80.15	$65.83	$62.29
8.6x	10.5x	11.1x

Sector Update

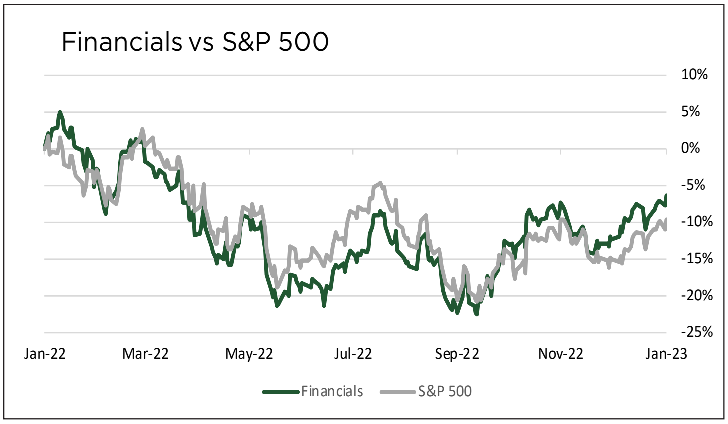
The Energy sector has again trailed the broader market in January as it did in December and November. The performance came against a backdrop of improving investor sentiment and a broadly constructive market environment. Share price performance by sub-sector was led by Energy Equipment & Services with the Oil, Gas & Consumables sub-sector trailing during the period. Although the Energy sector has lagged the S&P 500 during both one-month and trailing three-month periods, the sector has sharply outperformed on a trailing twelve-month basis, as seen in the accompanying table.

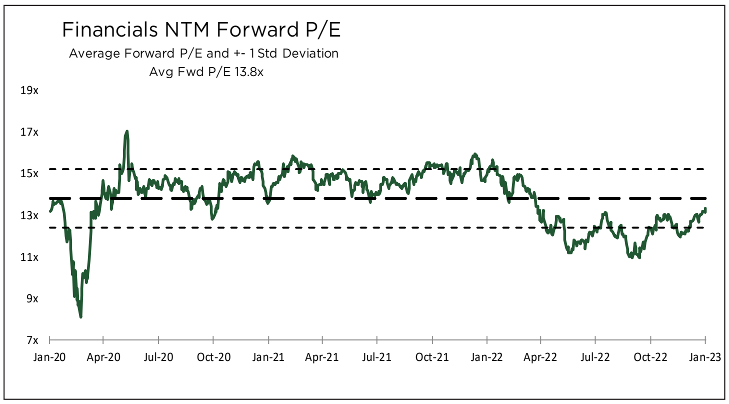
OPEC maintained its outlook for 2023 oil demand growth at 2.2 million barrels per day which is down from the 2022 growth estimate of 2.5 million barrels per day. The outlook reflects an expected improvement in China as the nation reopens from COVID. OPEC indicated that the forecast “remains surrounded by uncertainties including global economic developments, shifts in COVID-19 containment policies, and geopolitical tensions.” OPEC maintained its target for 2023 supply growth which is expected to increase by 1.5 million barrels per day.

The impact of China’s move to reopen its economy with the end of the Zero COVID policy is expected to boost oil demand in 2023 per the International Energy Agency (IEA). The IEA raised its forecast for 2023 oil demand growth to 1.9 million barrels per day or by almost 200,000. The forecast increase supports an expectation of overall demand reaching an average of 101.7 million barrels per day for the year. The IEA indicated that the higher outlook represents several factors beyond China including a somewhat improved economic outlook and lower oil prices benefiting demand.

West Texas Intermediate crude oil prices moved from the $80 per barrel range to the low $70 per barrel level in early January before rebounding back to end the month at about $79 per barrel. Natural gas prices continued on a downtrend during the month moving from over $4 per million Btu to end the month at about $2.68 per million Btu. Retail gasoline prices in January increased to $3.59 per gallon at the end of the month from the $3.20 average price seen at the end of December. We note that gasoline prices have now moved back above the prior year’s level of $3.46 per gallon.

The Baker Hughes oil rig count was down in the month coming in at 609 rigs for January versus 621 rigs in December. The Oil rig count at month-end was above the prior year’s level of 495 rigs as we have seen growth in rig counts over the past year. U.S. crude oil storage at 453 million barrels was up from last month’s level of 421 million barrels. We note that storage levels have generally been declining off the 2020 pandemic highs and are currently above the prior year’s level of 415 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 12.2 million barrels per day at the end of the month.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
6.70%	7.80%	6.70%	-6.41%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
6.18%	5.28%	6.18%	-9.72%

	Company Performance	1 Month
Leader	SVB Financial	31.4%
	MarketAxess Inc	30.5%
	Capital One Financial	28.0%
	Discover Financial	19.3%
	American Express	18.4%
Laggards	Charles Schwab	-7.0%
	Allstate Corp	-5.3%
	W R Berkley	-3.3%
	Cboe Global Markets	-2.1%
	Nasdaq Inc	-1.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$41.22	$45.12	$50.39
14.7x	13.5x	12.1x

Sector Update

The Financials sector rallied 6.7% in January, outpacing a broader market gain of 6.18% in the S&P 500 as early cycle and high beta stocks bounced from recent lows on Fed pause and soft landing optimism. The Financials sector leads the S&P 500 over the past three months and on a trailing-twelve month basis.

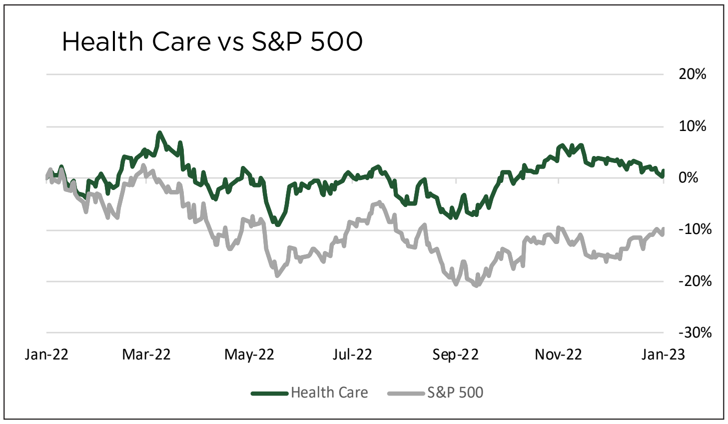
Consumer Finance was the leading sub-sector in January, up 20% in the month as seemingly over-sold issues rebounded from December lows, reflecting disinflationary aids to consumer savings and narrowing credit spreads despite weaker-than-expected earnings reports that saw substantial increases to credit loss provisions. Banks were the second-best-performing subsector in the month, up 8.9% on largely better-than-expected earnings reports. Diversified Financial Services was the worst-performing subsector but still improved by 0.8% in January.

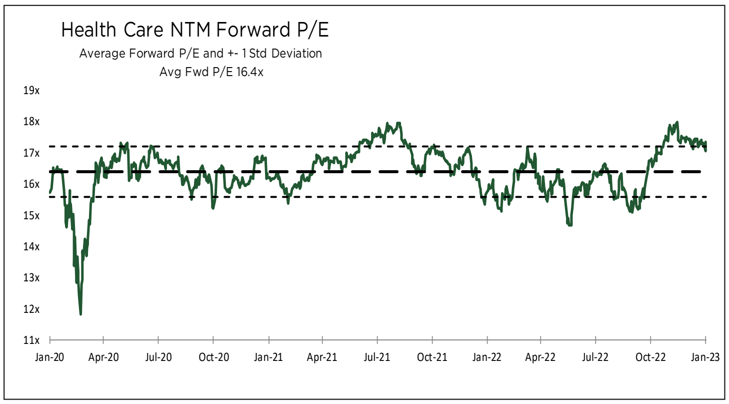
While lenders reported solid year-end results in January, forward guidance implies interest income growth has likely peaked in 4Q22, and fee incomes remain weak on lower mortgage and investment banking revenues. Credit costs appear likely to remain a stiff headwind in 2023, and deposit costs are clearly inflecting higher as depositors search for yield against a higher interest rate backdrop. Loan growth expectations are softer than prior-year levels, partly reflecting lower nominal spending growth and tighter lending standards. While consumer delinquencies are now approaching pre-pandemic levels, we note student loan forbearance slated to end in 2023 may add further strain on consumer spending levels and credit quality.

We expect early 2023 outperformance in the Consumer Finance group may provide opportunities to reduce exposure to the space facing fundamental headwinds near-term. Although the Fed has slowed its pace of rate hikes with a 25bps increase in early February, we are wary of the 'Fed pivot rally' and are more focused on earnings trajectory than the often cited 'soft' vs. 'hard' landing debate. Against a backdrop of relatively tight credit spreads, subdued current volatility, deeper yield curve inversion than 2007 levels, and above-average forward earnings multiples — we are cautious about new investment in consumer credit and high beta shares.

Given recessionary concerns, accelerating delinquencies, and the Fed's stated objective of weakening the labor market to quell inflation, it is difficult to project a catalyst for shares in this cyclically sensitive sector. Valuations appear fair to full at this juncture and may be more rich than apparent given expectations of softening economic activity, lower loan demand, and rising credit costs likely to pressure profitability.

HEALTH CARE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.03%	0.44%	-2.03%	1.50%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
6.18%	5.28%	6.18%	-9.72%

	Company Performance	1 Month
Leader	Align Technology	27.9%
	Catalent	19.0%
	IDEXX Laboratories	17.8%
	DENTSPLY SIRONA	15.7%
	Zoetis	12.9%
Laggards	Pfizer	-13.8%
	Baxter International	-10.4%
	AbbVie	-8.6%
	Johnson & Johnson	-7.5%
	Intuitive Surgical	-7.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$81.36	$88.58	$96.68
19.1x	17.5x	16.1x

Sector Update

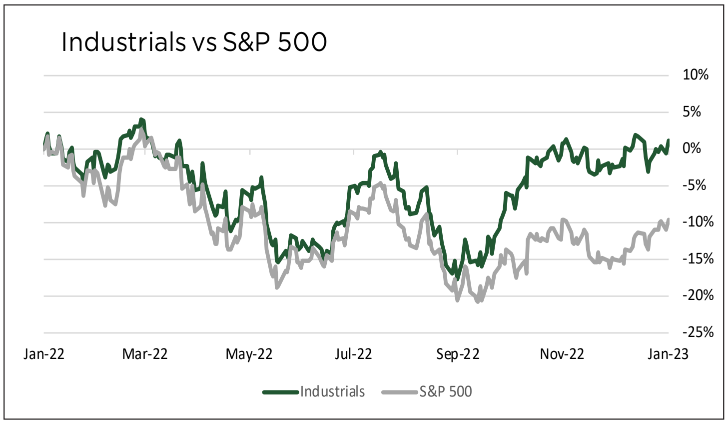
The broad-based market rallied soundly, ahead of our expectations, in January with the S&P 500 rising by 6.18% with subsectors/stocks that had lagged in 2022 experiencing stronger gains. The defensive sectors including Health Care, Consumer Staples, and Utilities lagged as investors shifted toward ‘risk on’ in anticipation that the FOMC would reach the peak on Fed funds into this spring followed by easing later in the 2H2023. Thus, it is not surprising that the Health Care subsector underperformed in January experiencing a 2.03% decline as outlined in the adjacent table especially as China along with the rest of the world appears to be exiting the global COVID pandemic. That is, leading biopharma firms helped tremendously via accelerated R&D efforts that delivered COVID vaccines and antivirals, while Medtech firms supplied diagnostics and technologies to help manage the pandemic that drove outsized returns in 2022. Looking into 2023, revenue trends for many leaders are poised to slow (and in some cases fall measurably), while wage and commodity inflation pressures profit margins. As such, investors need to be highly selective at this juncture - focused on quality, larger cap stocks among companies offering value-added products/services that provide enhanced pricing power helping to sustain margins, earnings gains, and cash flow. We view the overall Health Care sector trading at approximately 17.5x 2023 forecasted earnings as being pretty fairly valued selling at a premium to the historical 16.4 times multiple.

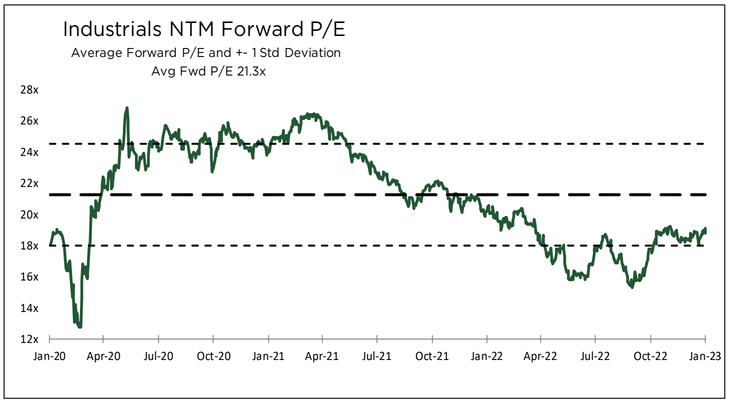
Stocks within the healthcare realm that lagged measurably in 2022 that have subsequently rebounded include Align Technology – up strongly in January despite the outlook pointing to near-term declining demand for the firm’s Invisalign product; Catalent – a contract manufacturer for the biopharma sector that announced new substantive contracts with Avantor and Sarenta after Johnson & Johnson terminated COVID vaccine production; and DENTSPLY that offered preliminary 4Q2022 revenues detail pointing to a rebound after a sustained slowdown. In a similar fashion, both IDEXX and Zoetis have lagged as availability of vet tech staff had impeded the ability for veterinarians to deliver services – with an apparent shift in this situation emerging at yearend 2022.

In contrast, company-specific issues arose among other sector leaders resulting in their underperformance in January. Pfizer delivered strong 2022 earnings driven by its COVID portfolio – but offered 2023 guidance pointing to a steeper-than-anticipated decline expected in 2023 as demand wanes. Baxter announced plans to spin off its Renal Care and Acute Therapies business units, while studies are underway on divesting its biopharma assets – with the firm’s debt being placed on credit watch for possible downgrade – leading to pressure on the shares. AbbVie is now poised to experience the long-awaited patent expiration on its flagship product Humira expected to see soft revenue trends persisting through 2025, while Johnson & Johnson shares came under pressure after the firm’s plan to segregate legal exposure to baby powder lawsuits was overturned by the Third U.S. Court of Appeals.

Although a range of headwinds persists for the Health Care sector, related to supply chains, raw material and labor/wage costs, and company-specific issues, we continue to recommend selective investment in the Health Care sector as overall demand should remain sound during a volatile economic period expected in 2023.

INDUSTRIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
3.68%	8.05%	3.68%	1.13%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
6.18%	5.28%	6.18%	-9.72%

	Company Performance	1 Month
Leader	United Airlines	29.9%
	American Airlines	26.9%
	United Rentals	24.1%
	Pentair PLC	23.1%
	General Electric	23.1%
Laggards	Northrop Grumman	-17.9%
	Emerson Electric	-6.1%
	General Dynamics	-6.1%
	Leidos Holdings	-6.0%
	Xylem Inc/NY	-5.9%

Consensus FY EPS / P/E

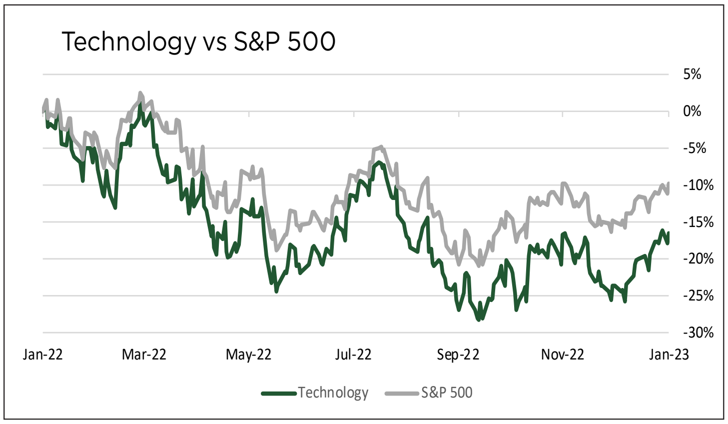
Last Year	Current Year	Next Year
$39.22	$44.71	$50.81
22.0x	19.3x	17.0x

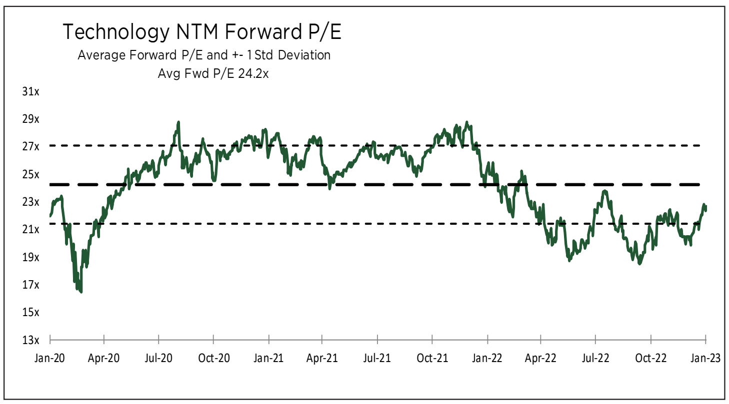
Sector Update

Optimism surrounding the monetary policy backdrop fared well for the Industrial sector in January, although the sector underperformed the broader market as the rebound from the rest of the market was more pronounced than it was for the Industrial sector, after recent outperformance over the last 3 months. The Industrial sector registered an overall 3.68% gain for the month, lagging the S&P 500's 6.18%. Each subsector except for Aerospace & Defense avoided negative territory in January, as Northrop Grumman (NYSE-NOC) declined -17.9%. Northrop Grumman experienced downgrades from the street along with falling EPS estimates projected for 2023 following their earnings call in the month, driving shares lower. Despite the Industrial sector underperforming the S&P 500 this month, concerns that the Federal Reserve may push the economy into a recession by employing overly tight monetary policy cooled in recent months, supporting investor expectations of a recovery in the cyclical-natured Industrial sector, although earnings remain under threat going into the remainder of 2023.

Airlines emerged as the best-performing subsector in January with an 18.2% gain, led by a 29.9% gain from United Airlines (NYSE-UA) and a 26.9% gain from American Airlines (NYSE-AAL). Airlines stocks have benefited from China's decision to lift quarantining requirements for incoming travelers for the first time since the start of the pandemic and expanding regional air travel demand seen over the last few weeks. For the month of January, U.S. manufacturing activity contracted for the second consecutive month after a 30 months of expansion – representing the lowest PMI print since May 2020. A silver lining remained in place in December as lowering PMIs indicate that inflation is continuing to abate, which therefore indicates a higher possibility of an easing of monetary policy, although PMIs also represent a macro lens into earnings revisions, suggesting that global earnings estimates may be poised to fall.

The January manufacturing PMI registered 47.4%, 1% lower than the December reading of 48.4%. A reading under 50% represents a contraction in the manufacturing sector of the economy, a number that the PMI reading has fallen beneath. Demand eased for the month, with the New Orders Index remaining in contraction territory at 42.5% - 2.6% lower than the December reading. The Production Index reading of 48% decreased by 0.6%, while the Prices Index registered 44.5%, up 5.1% higher than in December. The Industrial sector is trading at a Forward P/E of 19.3x, flat vs. last month's Forward P/E of 19.3x – supported primarily by improved expectations seen throughout the month.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
9.26%	5.90%	9.26%	-16.55%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
6.18%	5.28%	6.18%	-9.72%

	Company Performance	1 Month
Leader	DXC Technology	292.1%
	Western Digital	39.3%
	NVIDIA	33.7%
	Seagate Technology	28.8%
	Salesforce Inc	26.7%
Laggards	Enphase Energy Inc	-16.4%
	ADP	-5.5%
	IBM	-4.4%
	Roper Technologies	-1.2%
	Motorola Solutions	-0.3%

Consensus FY EPS / P/E

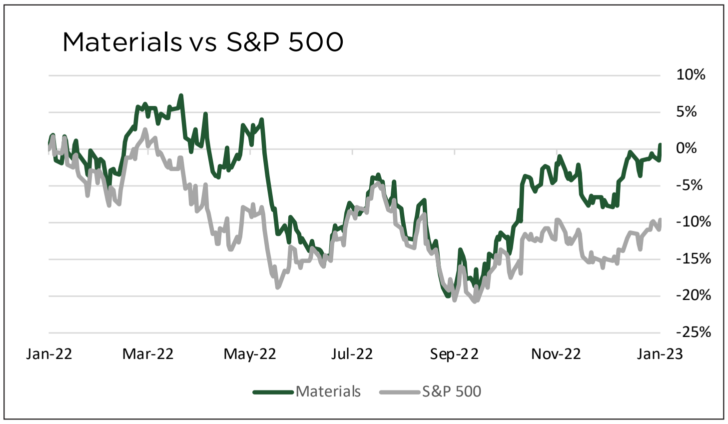
Last Year	Current Year	Next Year
$90.23	$100.98	$116.77
26.3x	23.5x	20.3x

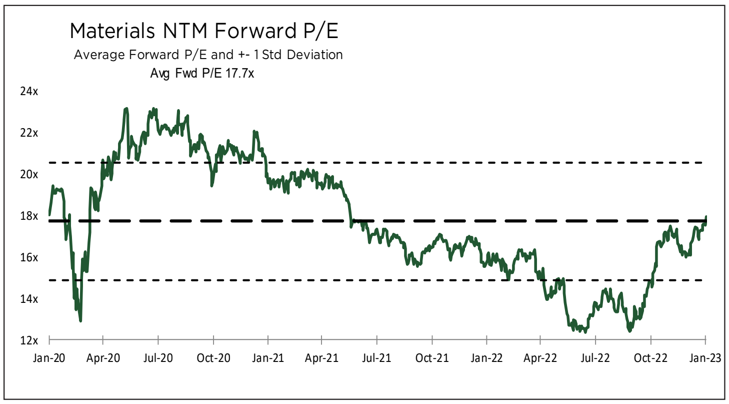
Sector Update

The Technology sector (+9.26%) outperformed the market (+6.18%) in January as investors expected the Federal Reserve to stop raising interest rates over the next few months in response to the recent moderation of inflation. However, there is a potential risk that the potential recovery in China's economy over the next few months contributes to increased energy demand and higher oil and gas prices, which could reignite inflation. In response to this potential scenario, the Federal Reserve may continue to increase interest rates, which may contribute to a pullback in the Technology sector. We consider the Technology sector close to fairly valued, with a P/E of 23.5x, compared to its average forward P/E multiple of 24.2x.

The Semiconductor & Semiconductor Capital Equipment (+15.8%) and the Technology Hardware, Storage and Peripherals (+11.1%) sectors significantly outperformed the market in January. However, China's suspension of its zero Covid policy in early December contributed to widespread Covid infections, which impacted consumer demand for computing devices, smartphones, and TVs, while also impacting corporate IT demand. This development appears to have contributed to lower demand for semiconductor components across a wider range of industries. Given that many Chinese traveled during the Chinese New Year in late January, there is a potential risk that China may not recover from the Covid pandemic for a few months. If excess channel and OEM inventory of electronic devices, IT products and semiconductor components return to normal levels by June, then demand could improve in the second half of 2023.

Software (+6.3%) performed in line with the market in January and lagged the Technology sector. Over the past two years, software companies benefited from higher consumer and corporate demand for cloud-based productivity-enhancing software that facilitated learning and working from home. However, corporate and consumer demand for cloud-based productivity software abated as people returned to their schools and work offices. Leading software companies reported that corporations are becoming more cautious and are optimizing their IT spending. Nonetheless, Gartner estimated that corporate IT spending could increase 5% year-over-year in 2023, with the software and software-as-a-service sectors growing an estimated 8% and 15% year-over-year.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
8.96%	14.43%	8.96%	0.53%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
6.18%	5.28%	6.18%	-9.72%

	Company Performance	1 Month
Leader	Albemarle	29.8%
	Nucor	28.2%
	Steel Dynamics	23.5%
	International Paper	20.8%
	Celanese	20.5%
Laggards	CF Industries Holdings	-0.6%
	Sherwin-Williams Co	-0.3%
	Amcor	1.3%
	Linde	1.5%
	PPG Industries	3.7%

Consensus FY EPS / P/E

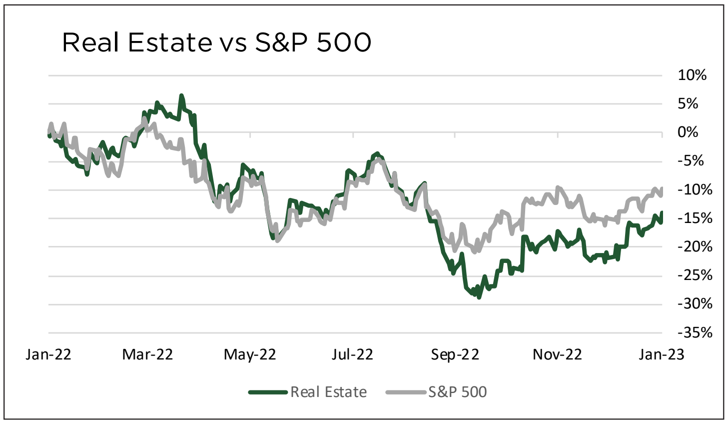
Last Year	Current Year	Next Year
$33.85	$29.95	$31.69
15.8x	17.8x	16.8x

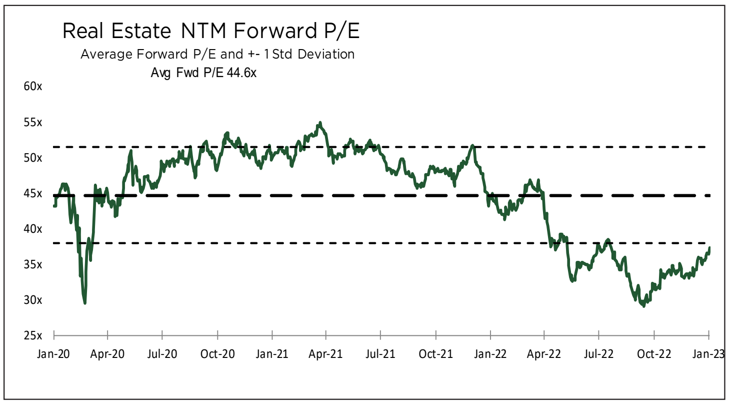
Sector Update

The Materials segment increased by 8.96% in January and outperformed the S&P 500 Index which increased by 6.18%. All segments increased in January with the greatest contribution from Metals & Mining which rose 19.3%. Lithium and steel stocks contributed to the strong start to the year. In addition, the potential for the Chinese market reopening should offer a tailwind for the year while the global economies and markets remain volatile. The global macro-economic environment outlook impacts the groups and companies serving such end markets as chemicals, packaging, glass, fertilizer, cement, and metals. Material stocks are very cyclical and historically underperform in periods of economic weakness or recessions. The Materials segment continues to trade with a current forward P/E that is in line with its average forward P/E of about 17.7x. Selective investment among the group remains a key factor and remains an attractive opportunity for long-term investors. Preferred areas for potential investment include coatings, lithium, and hydrocarbon.

Growth opportunities remain favorable for investment in clean energy including lithium and hydrogen. Within the lithium segment, the outlook for global lithium demand has been increased to 3.7 MMt by 2030 from an estimated 1.8 MMt in 2025. Higher demand is supported by rapid growth for lithium ion batteries and the transition to clean energy. It is estimated that about 50% of EV growth in 2023 is driven by the markets in Europe and North America and 50% by China. Industry position and well-diversified lithium assets remain key advantages along with the security of supply. Lithium companies are adding lithium conversion capacity to meet expected demand. Key factors remain the security of lithium supply and achieving the end market demand. Key risks include a change in lithium prices or supply/demand forecast, China reopening, and the timing of costs. For 2023, the outlook for the chemical segment centers on results for such end markets as construction, autos, and consumers (resin-derived products and agriculture). The timing of China’s reopening remains a key factor to monitor as well as inventory levels. The Materials companies could begin to realize strengthening margins as input costs moderate. Execution remains critical in an ongoing volatile global environment. Key variables across the segments include supply and demand, pricing, consumer demand, supply chains, and labor. There is growing confidence that packaging companies are reaching an inflection point in consumer demand, inventories are stabilizing and margins appear to be stabilizing.

REAL ESTATE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
9.85%	10.86%	9.85%	-14.06%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
6.18%	5.28%	6.18%	-9.72%

	Company Performance	1 Month
Leader	Host Hotels & Resorts	17.4%
	Vornado Realty Trust	17.2%
	Ventas	15.0%
	Prologis	14.7%
	Welltower	14.5%
Laggards	American Tower	5.4%
	VICI Properties	5.5%
	Kimco Realty	6.0%
	SBA Communications	6.1%
	Mid-America Apartment	6.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$7.16	$6.89	$7.55
35.7x	37.0x	33.8x

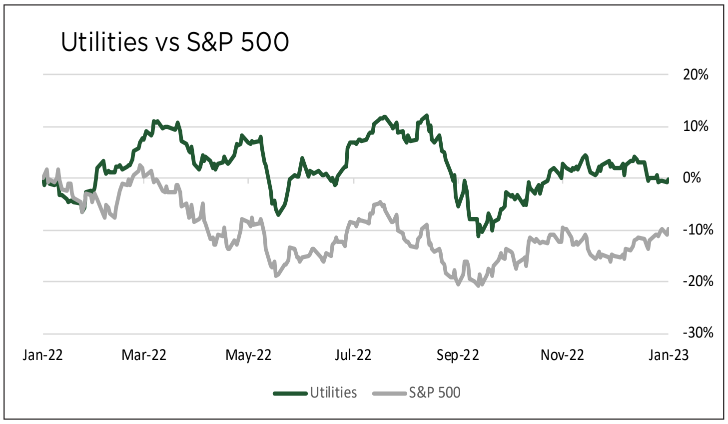
Sector Update

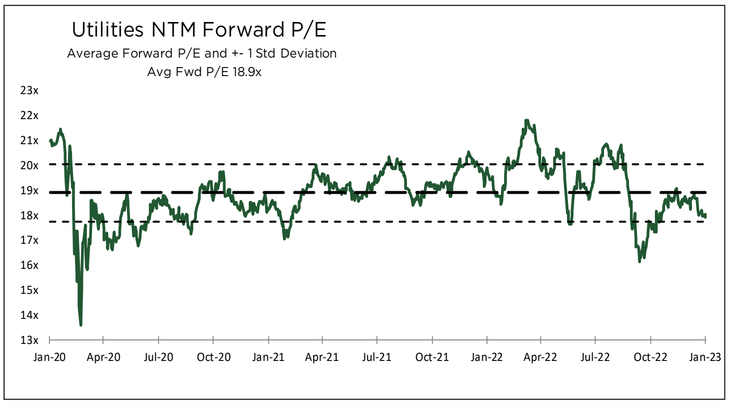
January saw markets rebound soundly – quite frankly ahead of our expectations – with sectors that had lagged in 2022 being among the best performers to start the year. The Real Estate sector was among this group of better-performing S&P sectors, advancing by 9.85% for the month of January - extending momentum forthcoming last November and December after an extended period of underperformance. The improved trendline can be attributed to both the bounce from a challenged 2022, in addition to expectations in place that the FOMC was nearing the conclusion of this rate hiking cycle (expected into spring of 2023 at the start of the year). Given Real Estate's sensitivity to interest rate trends, the improved sentiment was forthcoming. In contrast, the S&P 500 delivered solid, but somewhat slimmer gains, rising by 6.18% last month. Still, the economic outlook into 2023 and 2024 remains uncertain with analysts shifting views on subsectors within the Real Estate sector of late. American consumers have continued to focus on experiences and services that have positioned lodging providers with the ability to raise RevPAR rates at a double-digit pace – setting the stage for strong growth in 2023. Health care REITs involved in the senior housing subsector have experienced measurably stronger occupancy rates with the abatement of the COVID pandemic – with leasing spreads also poised to rise double digits into 1Q2023. And, warehouse demand remains stout and positioned for steady growth in 2023. Thus, we see that in January companies including lodging play Host Hotels, health care REITs Ventas and Welltower, and warehouse firm Prologis all experienced solid double-digit appreciation. Office REIT Vornado ended the month on the upside after completing a lease out of their 350 Park Avenues New York building, despite offering a challenged outlook for 2023 along with a 29% cut to the firm's dividend (as well as exit from the S&P 500).

Question marks have arisen concerning other segments of the Real estate sector as we enter 2023. Has the pace of the 5G rollout peaked? After the latest, January Jobs report, expectations concerning prospects for easing by the FOMC later this year have come into question, while the economic picture shows a consumer under pressure likely to as a minimum to produce an economic slowdown and or move into recession this year. After experiencing strong leasing rate increases in 2022, a slowing is expected to arrive with renewals in the housing/apartment sector this year, while an economic downturn could lead to pressures impacting those operating strip shopping. In January, we see that tower REITs American Tower and SBA Communications lagged, along with Kimco (strip shopping centers) and Mid-America Apartment. Vici Properties – moving aggressively in experiential REITs – closed on the acquisition and leaseback of four Canadian gaming properties in addition to completing the purchase of minority interest in the MGM and Mandalay Bay casinos from Blackstone Real Estate Trust that was then followed up with an $870 million secondary stock offering that pressured the shares at month end.

Beyond the specific subsector issues discussed above, we note that with rising interest rates, investors can generate positive real returns via fixed income - representing a competing alternative for those seeking yield. As such, we anticipate that given economic uncertainties forecast to persist through 2023, along with the aforementioned positive returns available from alternative fixed-income products, the Real Estate sector will remain challenged at least through 1H2023.

UTILITIES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.04%	3.53%	-2.04%	-0.14%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
6.18%	5.28%	6.18%	-9.72%

	Company Performance	1 Month
Leader	Edison International	8.3%
	NRG Energy Inc	7.5%
	Atmos Energy Corp	4.9%
	Dominion Energy	3.8%
	Sempra Energy	3.7%
Laggards	NextEra Energy	-10.7%
	Southern Co	-5.2%
	AES Corp	-4.7%
	Entergy	-3.8%
	Exelon	-2.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$16.79	$18.99	$20.44
20.9x	18.5x	17.2x

Sector Update

The Utilities sector declined 2.04% in January, lagging the 6.18% improvement in the S&P 500 as the broader market moved to a 'Fed-pause' induced risk-on stance. The Utilities sector lagged the S&P in the past three months but outpaced the market on a trailing-twelve-month basis by a fairly wide margin. Given its historically defensive characteristics, the sector failed to rally alongside early cycle and high beta names as the market cheered decelerating Fed rate hikes and lower inflation reads in early 2023, likely bolstered by seasonality and defensive positioning in the prior year. Although the probability of a 'soft landing' appears to have improved in recent weeks, consensus S&P earnings estimates continue to look optimistic including ~10% Y/Y growth embedded in 4Q23. Should broader earnings momentum weaken, the resilient and predictable earnings characteristics of the Utilities sector may drive relative outperformance into the back half of 2023.

Water and Multi-Utilities posted 2.7% and 1.2% gains in January, while the Electric and Independent Utility sub-sectors declined 3.7% and 4.7%, respectively. The top-performing Utilities in January were centered in the laggards of the prior month in rebound trades. We note the five best performers were among the six worst-performing companies in December, including Edison (NYSE-EIX), NRG Energy (NYSE-NRG), Atmos Energy (NYSE-ATO), Dominion (NYSE-D), and Sempra (NYSE-SRE) which were down in a range of 4.5% to 25% in the last month of 2022.

The notable sector laggard in January was NextEra (NYSE-NEE) as Q4 revenues and EBITDA fell short of expectations and the company announced the retirement of Florida Power and Light Chairman & CEO Eric Silagy, following allegations that the company violated campaign finance laws seeking to impact rooftop solar policies in the state. While the company expects no significant financial impact from these complaints and affirmed its EPS guide through 2026, prior valuation lent little room for error relative to expectations and increased regulatory scrutiny is particularly unfavorable in the Utilities space.

While we continue to think many Utilities are somewhat 'caught in the middle' between historical defensiveness and inflationary pressures against long-term capital expenditure backlogs and increased borrowing costs—the sector appears reasonably valued relative to its historical earnings multiple. Investors are no longer pinned to bond proxy equities in a search for income; however, compression in yields or relative weakening in broader market earnings trends could drive incremental demand for Utility shares. Although we see limited upside in regulated Utilities, relative performance may be attractive if recent risk-on and high beta momentum reverses.

ECONOMIC CALENDAR

Date	Release	For	Prior
7-Feb	Trade Balance	Dec	-$61.0B
7-Feb	Consumer Credit	Dec	$27.9B
8-Feb	MBA Mortgage Applications Index	2/4	-9.0%
8-Feb	Wholsale Inventories	Dec	1.00%
8-Feb	EIA Crude Oil Inventories	2/4	4.14M
9-Feb	Initial Claims	2/4	183K
9-Feb	Continuing Claims	1/28	1655K
9-Feb	EIA Natural Gas Inventories	1/28	-151 bcf
10-Feb	Univ. of Michigan Consumer Sentiment - Prelim	Feb	64.9
10-Feb	Treasury Budget	Jan	-$85.0B
14-Feb	Core CPI	Jan	0.30%
14-Feb	CPI	Jan	-0.1%
15-Feb	MBA Mortgage Applications Index	2/11	NA
15-Feb	Retail Sales	Jan	-1.1%
15-Feb	Retail Sales ex-auto	Jan	-1.1%
15-Feb	Empire State Manufacturing	Feb	-32.9
15-Feb	Capacity Utilization	Jan	78.80%
15-Feb	Industrial Production	Jan	-0.7%
15-Feb	Business Inventories	Dec	0.40%
15-Feb	NAHB Housing Market Index	Feb	35
15-Feb	EIA Crude Oil Inventories	2/11	NA
15-Feb	Net Long-Term TIC Flows	Dec	$171.5B
16-Feb	Housing Starts	Jan	1382K
16-Feb	Building Permits	Jan	1330K
16-Feb	PPI	Jan	-0.5%
16-Feb	Core PPI	Jan	0.10%
16-Feb	Initial Claims	2/11	NA
16-Feb	Continuing Claims	2/4	NA
16-Feb	Philadelphia Fed Index	Feb	-8.9
16-Feb	EIA Natural Gas Inventories	2/11	NA
17-Feb	Import Prices	Jan	0.40%
17-Feb	Import Prices ex-oil	Jan	0.40%
17-Feb	Export Prices	Jan	-2.6%
17-Feb	Export Prices ex-ag.	Jan	-2.7%
17-Feb	Leading Indicators	Jan	-1.0%
21-Feb	Existing Home Sales	Jan	4.02M
22-Feb	MBA Mortgage Applications Index	2/18	NA
22-Feb	EIA Crude Oil Inventories	2/18	NA
23-Feb	Initial Claims	2/18	NA
23-Feb	Continuing Claims	2/11	NA
23-Feb	GDP-Second Estimate	Q4	2.90%
23-Feb	GDP Deflator - Second Estimate	Q4	3.50%

ECONOMIC CALENDAR

23-Feb	EIA Natural Gas Inventories	2/18	NA
24-Feb	Personal Income	Jan	0.20%
24-Feb	Personal Spending	Jan	-0.2%
24-Feb	PCE Prices	Jan	0.10%
24-Feb	PCE Prices - Core	Jan	0.30%
24-Feb	New Home Sales	Jan	616K
24-Feb	Univ. of Michigan Consumer Sentiment - Final	Feb	NA
27-Feb	Durable Orders	Jan	5.60%
27-Feb	Durable Goods - ex transportation	Jan	-0.1%
27-Feb	Pending Home Sales	Jan	2.50%
28-Feb	Adv. Intl. Trade in Goods	Jan	-$90.3B
28-Feb	Adv. Retail Inventories	Jan	0.50%
28-Feb	Adv. Wholesale Inventories	Jan	0.10%
28-Feb	Chicago PMI	Feb	44.3
28-Feb	FHFA Housing Price Index	Dec	-0.1%
28-Feb	S&P Case-Shiller Home Price Index	Dec	6.80%
28-Feb	Consumer Confidence	Feb	107.1

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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