



FOR A BETTER
EXPERIENCE.

Entrust Financial LLC® Market Commentary – First Quarter, 2020

Patience Leads The Way

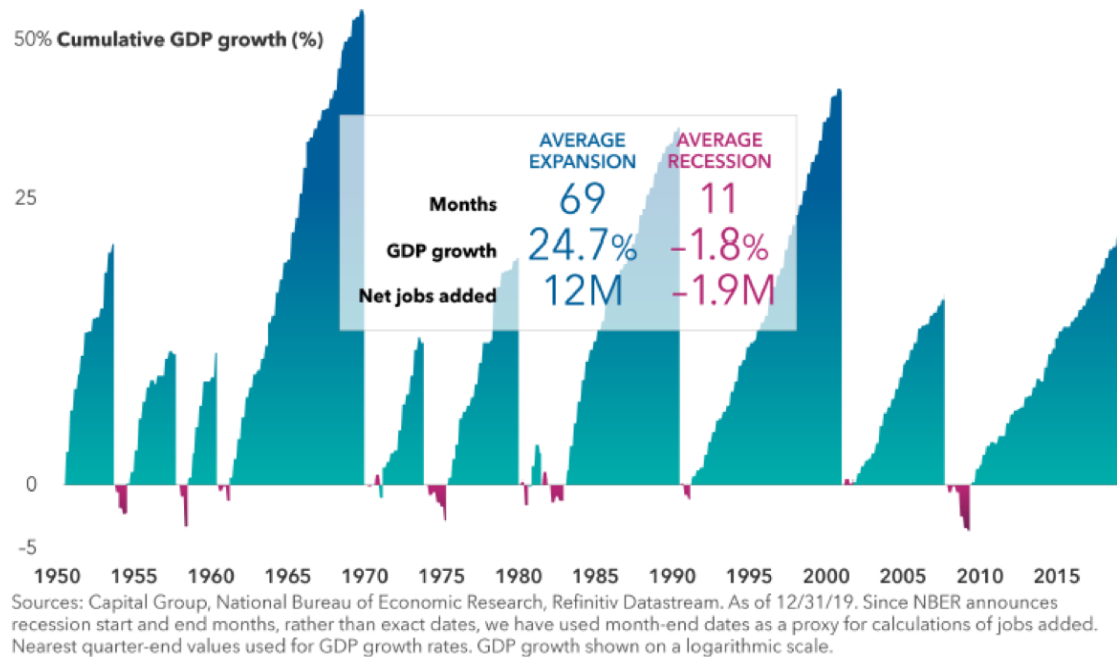
The first quarter of the new decade brought the spread of a global pandemic, and with it an end to the historic bull market enjoyed by investors for the past eleven years. Though 2020 began as strongly as 2019 ended, the economic consequences of the COVID-19 crisis were felt swiftly amid shutdowns and stay-at-home orders around the globe. The U.S. government passed the largest stimulus bill in our nation's history just prior to the quarter's close, with the aim of assisting businesses and individuals alike. News of this unprecedented legislation delivered a dose of optimism to the capital markets, and a measured, but welcome, reprieve for investors.

Here are some highlights from the first quarter:

- The Federal Reserve cut the federal funds rate to near zero, among other emergency stimulus measures
- Domestic equities experienced their worst quarter since 2008
- U.S. unemployment claims surged as businesses came to a virtual standstill
- The energy sector suffered the steepest losses, made worse by an oil-price war between Saudi Arabia and Russia
- Several health care companies were among the best returning stocks, lifted by the optimism of a possible coronavirus treatment

In times of stress, whether financial or otherwise, it can be helpful to look to the bigger picture for perspective. Given the extraordinary circumstances of the current crises, it is almost certain that the U.S. will officially enter a recession in 2020. Though almost no Americans have experienced a pandemic of this nature before, long-term investors have certainly endured recessions. While the "r-word" may strike fear in the hearts of some investors, it can be instructive to put recessions into context. The slide below, from our trusted partners at American Funds, demonstrates the powerful nature of recoveries in the capital markets that have followed recessions for the past seventy years. For instance, you may note that the blue-colored peaks—illustrating recoveries, dominate the slide. On the other hand, the purple markings showing downturns become blips on the radar as time passes.

Recessions are painful, but expansions have been powerful



The length and depth of the current financial crisis remains to be seen, but we do know that however painful in the moment, historically capital market rewards lead our investment experience. This quote from investment guru Warren Buffet may help you to sustain your perspective in the weeks and months ahead: “The stock market is designed to transfer money from the impatient to the patient.” As always, the Entrust team welcomes your feedback, and looks forward to our next conversation.



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Following are results for indices of asset classes commonly used to build our Entrust globally diversified portfolios:

Asset Class Review

	Q1 2020	2020 Year to Date	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing
US Large Cap Equity	-20.22%	-20.22%	-8.03%	4.64%	6.22%	10.39%
US Small Cap Equity	-30.61%	-30.61%	-23.99%	-4.64%	-0.25%	6.90%
International Equity	-22.83%	-22.83%	-14.83%	-1.82%	-0.62%	2.72%
Emerging Market Equity	-23.60%	-23.60%	-17.69%	-1.62%	-0.37%	0.68%
Global Real Estate	-28.80%	-28.80%	-22.51%	-3.40%	-1.03%	6.27%
US Corporate Bond	-3.63%	-3.63%	4.98%	4.20%	3.36%	4.92%
US Government Bond	8.20%	8.20%	13.23%	5.82%	3.64%	3.83%
International Bond	-2.68%	-2.68%	0.74	2.57%	2.04%	1.39%

The above chart is for illustrative purposes only and does not attempt to predict actual results of any particular investment. Past performance is no guarantee of future results. It is not possible to invest directly into an index.

Source: Morningstar Direct- US Large Cap is represented by the Russell 1000 Index; US Small Cap is represented by the Russell 2000 Index; International is represented by MSCI EAFE Index; Emerging Markets are represented by the MSCI Emerging Markets Index; Global Real Estate is represented by the S&P Global REIT Index; US Corporate Bonds is represented by the Bloomberg Barclays US Corp Bond Index; US Government Bonds is represented by the Bloomberg Barclays Aggregate Bond Treasury Index; International Bonds are represented by the Barclays Global Aggregate Bond ex USD Index. Returns as of 03/31/2020.

Past performance is no guarantee of future results. International investing involves special risks, including but not limited to, the possibility of substantial volatility due to currency fluctuation and political uncertainties. Diversification does not guarantee a profit nor protect against a loss. Large Cap refers to companies with a market capitalization value of more than \$10 billion. Large cap is an abbreviation of the term "large market capitalization." Market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share. International investing involves special risks, including, but not limited to, the possibility of substantial volatility due to currency fluctuation and political uncertainties. Emerging markets are sought by investors for the prospect of high returns, as they often experience faster economic growth as measured by GDP. Investments in emerging markets come with much greater risk due to political instability, domestic infrastructure problems, currency volatility and limited equity opportunities (many large companies may still be "state-run" or private). Also, local stock exchanges may not offer liquid markets for outside investors. Small cap stocks may be subject to a higher degree of risk than larger, more established companies' securities, including higher risk of failure and higher volatility. The illiquidity of the small-cap market may adversely affect the value of these investments so those shares, when redeemed, may be worth more or less than their original cost. Government bonds are guaranteed by the U.S. Government and if held to maturity, offer a fixed rate of return and fixed principal amount. Guarantee only applies to the timely payment of principal and interest and does not pertain to the portfolio or mutual fund, holding such securities. Values will fluctuate, and upon redemption, share values may be worth more or less than the original investment. Investments in high yield bonds entail higher risks, including greater credit risks. Their NAVs are sensitive to interest rate movements (a rise in interest rates can result in a decline in value of the investment). Upon redemption, share values may be worth more or less than the original investment. Corporate bonds are debt securities issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. In some cases, the company's physical assets may be used as collateral for bonds. Corporate bonds are considered higher risk than government bonds. As a result, interest rates are almost always higher. Treasury Inflation Protected Securities (TIPS) are a treasury security that is indexed to inflation in order to protect investors from the negative effects of inflation. TIPS are considered an extremely low-risk investment since they are backed by the U.S. government and since their par value rises with inflation, as measured by the Consumer Price Index, while their interest rate remains fixed. The value of the shares of a REIT fund will fluctuate with the value of the underlying assets (real estate properties.) There are special risk factors associated with REITs, such as interest rate risk and the illiquidity of the real estate market. A commodity is a basic good used in commerce that is interchangeable with other commodities of the same type. Commodities are most often used as inputs in the production of other goods or services. The quality of a given commodity may differ slightly, but it is essentially uniform across producers. When they are traded on an exchange, commodities must also meet specified minimum standards, also known as a basis grade.