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Entrust Financial LLC® Market Commentary – First Quarter, 2021

Up, Up and Away

Following a record-breaking year, capital markets continued their rally through the first quarter of 2021. Factors such as increased vaccine distribution combined with additional government stimulus measures boosted consumer confidence in the U.S. to its highest levels since the pandemic began.

A massive \$1.9 trillion of fiscal stimulus was approved by the U.S. government in March, to build on the historic measures already taken to bolster the economy in response to the global pandemic. Traditionally governments step in with fiscal stimulus measures when economic indicators are trending downwards. Interestingly, the current stimulus package is being rolled out while economic indicators and private sector demand are *improving*. This timing signals a strong commitment by the current administration to not only support, but accelerate, the pace of economic recovery in the U.S.

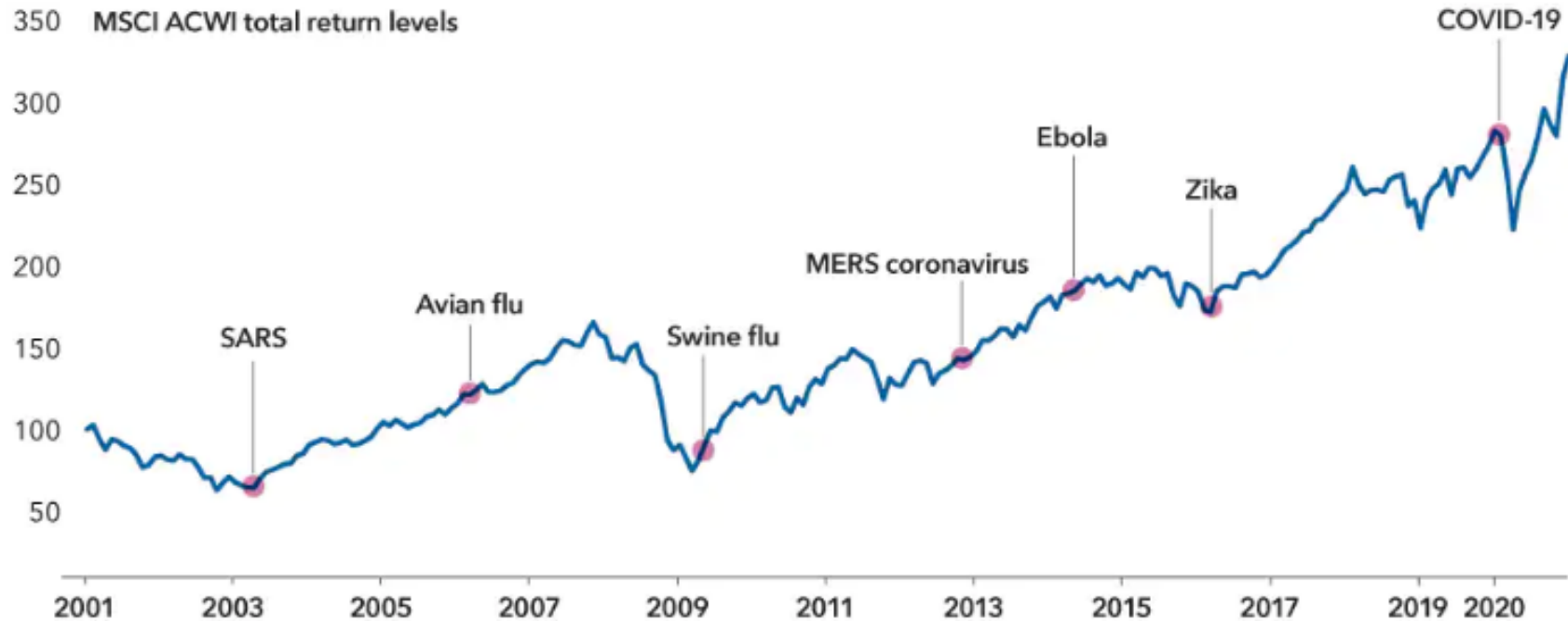
The rally in the capital markets resulted in dramatic global investment in equity funds. In fact, total investment over the last 6 months exceeded that of the prior decade. One notable aspect of the current enthusiasm for stocks is a shift towards value-oriented companies; it remains to be seen whether this trend will continue through the rest of 2021. If it does, this will mark the first year that value stocks will outperform their growth peers since 2007.

Highlights from the first quarter include:

- **President Joe Biden signed a \$1.9 trillion relief package**, to provide a third round of direct payments to Americans, to extend unemployment insurance and with notable expansion of the child tax credit.
- **U.S. equities continued to soar**, bolstered by accelerating COVID-19 vaccine rollouts and the additional stimulus measures.
- **Growth stocks underperformed value stocks** for the second consecutive quarter. Several mega-cap tech companies like Apple, Amazon and Tesla experienced share price declines while rising interest rates helped fuel value stocks.
- **Energy stocks soared 31%**, marking an almost complete recovery from their decline in early 2020. Shares of Exxon Mobil led the sector, rising 38%.
- **Bond market demand dipped**, primarily due to the expectation that stimulus measures and vaccines would lead to continued rapid growth for stocks.

For those needing reassurance during these extraordinary times, the graphic below illustrates how global capital markets have rebounded following public health crises in the past.

Markets have powered through past viral outbreaks



Sources: Centers for Disease Control and Prevention, MSCI, RIMES. As of 12/31/20. Total return index levels in USD, indexed to 100 on 12/31/2000. Disease labels are estimates of when the outbreak was first reported.

As always, our Entrust advisors welcome your feedback and look forward to our next conversation together.

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

Asset Class Review

	Q1 2021	2021 Year to Date	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing
US Large Cap Equity	5.91%	5.91%	60.59%	17.31%	16.66%	13.97%
US Small Cap Equity	12.70%	12.70%	94.85%	14.76%	16.35%	11.68%
International Equity	3.48%	3.48%	44.57%	6.02%	8.85%	5.52%
Emerging Market Equity	2.29%	2.29%	58.39%	6.48%	12.07%	3.65%
Global Real Estate	6.45%	6.45%	37.39%	7.07%	4.66%	7.38%
US Corporate Bond	-4.65%	-4.65%	8.73%	6.20%	4.91%	5.04%
US Government Bond	-4.25%	-4.25%	-4.43%	4.09%	2.23%	2.90%
International Bond	-5.29%	-5.29%	7.15%	1.15%	2.13%	1.26%

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 3/31/2021.

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.

4/15/2021