



Entrust Financial® LLC Market Commentary – Fourth Quarter, 2021

Resilient Once Again

Another quarter, another “variant of concern”; however, the capital markets were resilient once again! For example, the U.S. equity markets (large capitalization as represented by the S&P 500 index) rose a staggering 28% in 2021. This may have surprised investors who expected a less robust result in the face of the pandemic challenges encountered during the year.

Perhaps the data on the latest COVID-19 iteration, suggesting the impact of the variant was more mild than previous strains on both individuals and the economy, help to explain this surprising result. Other contributing factors to positive investment results in 2021 were: 1) unemployment continued to fall towards pre-pandemic levels; 2) the recent uptick in inflation did not significantly impact consumer spending habits; 3) corporate earnings remained strong. All that said, we are now in a new year and we will see how the dynamic capital market and economic conditions unfold.

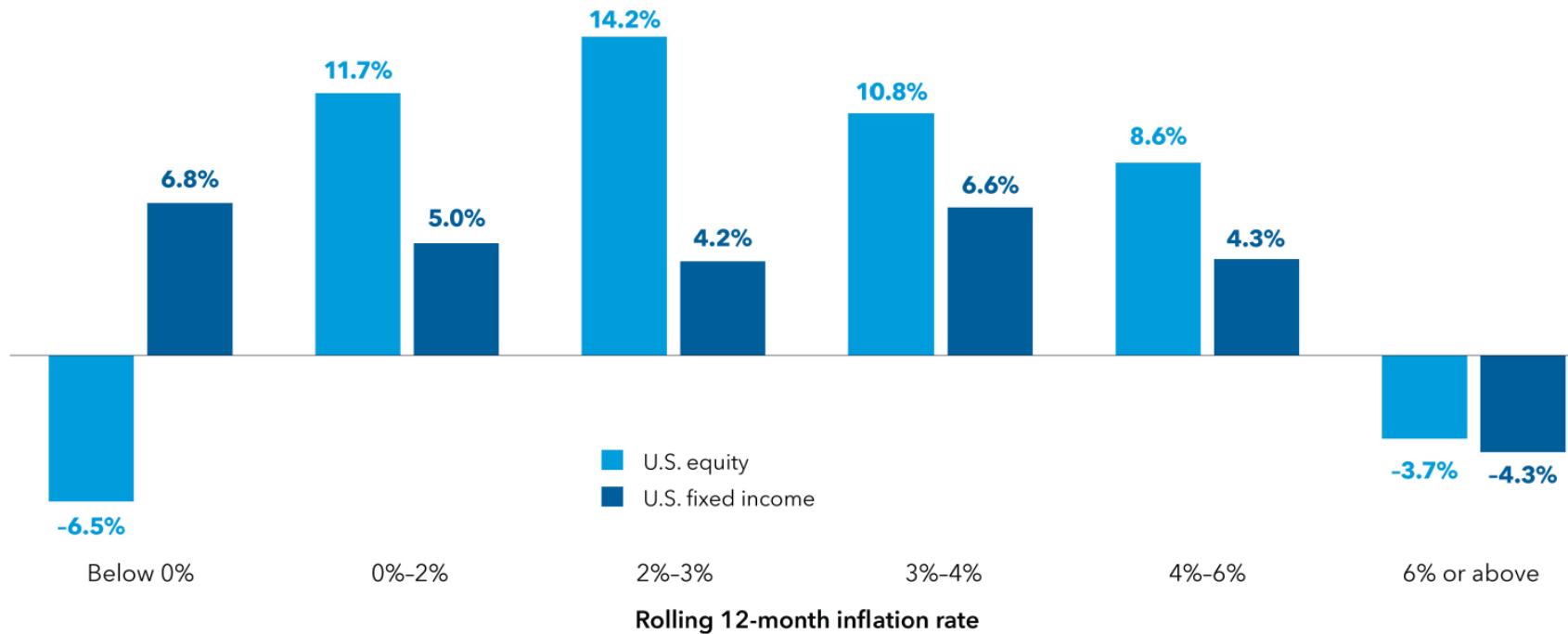
Highlights from the fourth quarter include:

- **U.S. equities hit new record highs**, outperforming nearly all other developed markets despite the sharp uptick in COVID-19 cases.
- **The unemployment rate fell** to 4.2% in November, the lowest level recorded since before the pandemic.
- **Inflation rose faster than expected**, leading to the indication by the Federal Reserve that plans to combat rising prices through interest rate hikes would likely occur sooner than previously announced.
- **Energy stocks surged**, propelling the sector to handily outperform all other sectors for the year. Shares of Exxon Mobil continued their reign as a top energy performer, rising 58% in 2021.
- **Bond market demand continued to be lackluster**, primarily due to the continued rapid growth of stocks.

As we begin 2022, our Entrust focus remains steadfastly on the ways in which the world has moved forward and on what this forward momentum means for investors. Continuing with our theme of resilience and tying it to the potential obstacle of inflation concerns, you might find the graphic below illuminating. The chart, provided by our trusted partners at Capital Group, illustrates the resilience of both stock and bond markets through the ever-changing levels of inflation we have experienced since the 1970’s.



Stocks and bonds have done well in various inflation environments



Sources: Capital Group, Bloomberg Index Services Ltd., Morningstar, Standard & Poor's. As of 11/30/21. All returns are inflation-adjusted real returns. U.S. equity returns represented by the S&P 500 Index. U.S. fixed income represented by Ibbotson Associates SBBI U.S. Intermediate-Term Government Bond Index from 1/1/70-12/31/75, and Bloomberg U.S. Aggregate Bond Index from 1/1/76-11/30/21. Inflation rates are defined by the rolling 12-month returns of the Ibbotson Associates SBBI U.S. Inflation Index.

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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

	Q4 2021	2021 Year to Date	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing
US Large Cap Equity	9.78%	26.45%	26.45%	26.21%	18.43%	16.54%
US Small Cap Equity	2.14%	14.82%	14.82%	20.02%	12.02%	13.23%
International Equity	2.69%	11.26%	11.26%	13.54%	9.55%	8.03%
Emerging Market Equity	-1.31%	-2.54%	-2.54%	10.94%	9.87%	5.49%
Global Real Estate	12.58%	32.50%	32.50%	14.87%	9.41%	10.17%
US Corporate Bond	0.23%	-1.04%	-1.04%	7.59%	5.26%	4.70%
US Government Bond	0.18%	-2.32%	-2.32%	4.07%	3.07%	2.13%
International Bond	-1.18%	-7.05%	-7.05%	2.46%	3.07%	0.82%

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 12/31/2021.

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.

1/12/2022