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Entrust Financial LLC® Market Commentary – First Quarter, 2022

Unsettled: Around the Globe and in the Markets

Following a year of historic performance in the capital markets, the first quarter of 2022 was full of headline-making events that concern investors: 1) the Russian invasion of Ukraine; 2) continued inflation at historic levels; 3) the Federal Reserve raising interest rates for the first time in four years. Before we begin to explore those concerns, let us take a look at some technical highlights.

Highlights from the first quarter include:

- U.S. equities declined modestly, with the S&P 500 index losing 5%
- Inflation hit its highest level in 40 years, rising to 8.5% in March as measured by the Consumer Price Index
- The war in Ukraine sent gas prices soaring, leading to a 39% gain in the energy sector
- The Federal Reserve raised interest rates by 25 basis points and signaled a more aggressive pace for further hikes this year
- Bond prices suffered under the pressure of rising interest rates and sustained levels of inflation

The Russian invasion of Ukraine

While the human toll of war may be immeasurable, the long-term impact on the capital markets has historically been minimal. Shorter-term, in the current conflict, energy prices are a driving force for much of the volatility we are experiencing. As the world's largest producer of both oil and natural gas, U.S. investors may be able to weather this particular storm somewhat more easily than our international peers.

Continued inflation at historic levels

Inflation has been steadily increasing throughout the pandemic recovery, and as referenced above, this upward trend has continued into 2022. In addition to energy resources, Russia and Ukraine are both large producers of wheat. As such, the current conflict has pushed food costs higher for many countries around the world. Despite these new pressures brought on by the Russian invasion, supply chains impacted by the pandemic are slowly recovering in many industries. We are optimistic that this progress will continue as the rest of the year unfolds.

Federal Reserve interest rate increases

Turning our attention to the Federal Reserve, we are often asked how interest rate movements influence the capital markets. Higher interest rates mean higher costs for borrowers, which tends to slow down economic activities such as home buying and business expansion. This slowing down is intended to bring down prices (reduce inflation!) as supply catches up with demand. The Federal Reserve began this process in March, and with several more rate increases expected this year, it is reasonable to expect inflation to normalize as a result. The capital markets, and our wallets, prefer lower inflation.

With so many unsettled matters in the world today, perhaps the following image will bring comfort to the minds of nervous investors. From our trusted partners at Capital Group, the chart below shows how the equity markets have performed following several conflicts in modern history. As always, our Entrust advisors welcome your feedback and we look forward to our next conversation together.

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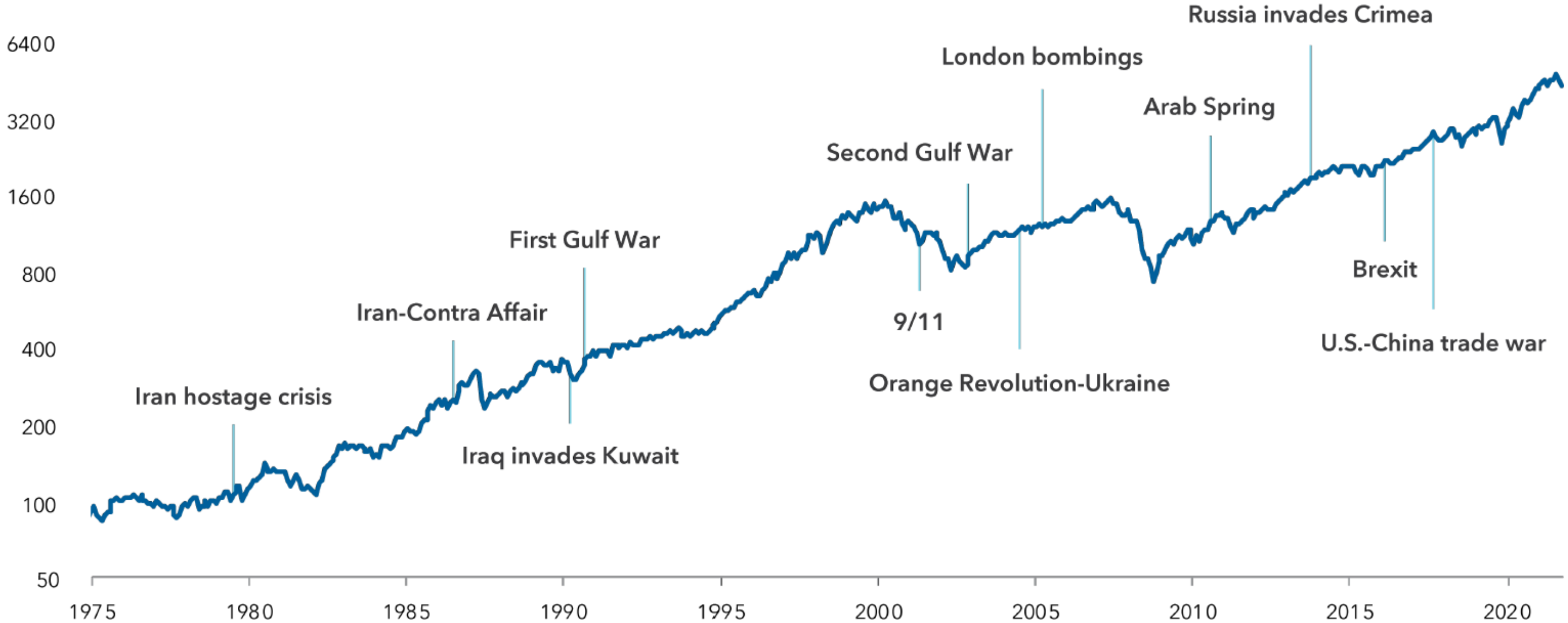
Equity markets have historically powered through geopolitical events

S&P 500 Index levels



Sources: Capital Group, Refinitiv Datastream, Standard & Poor's. Chart shown on a logarithmic scale. Index levels reflect price returns, and do not include the impact of dividends. As of 3/14/22.

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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 2022	2022 Year to Date	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing
US Large Cap Equity	-5.13%	-5.13%	13.27%	18.71%	15.82%	14.53%
US Small Cap Equity	-7.53%	-7.53%	-5.79%	11.74%	9.74%	11.04%
International Equity	-5.91%	-5.91%	1.16%	7.78%	6.72%	6.27%
Emerging Market Equity	-6.97%	-6.97%	-11.37%	4.94%	5.98%	3.36%
Global Real Estate	-3.61%	-3.61%	19.97%	8.50%	8.24%	8.63%
US Corporate Bond	-7.69%	-7.69%	-4.20%	3.02%	3.34%	3.65%
US Government Bond	-5.58%	-5.58%	-3.67%	1.39%	1.76%	1.68%
International Bond	-6.15%	-6.15%	-7.89%	-0.19%	1.27%	0.06%

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 3/31/2022..

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 politic al 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. 4/12/2022