



## Entrust Financial LLC® Market Commentary –Second Quarter, 2022

### No Silver Bullet

Investment results in the second quarter of the year reinforced the general decline in the capital markets across the globe. Economically, the perfect storm of events that we wrote about earlier this year remained, serving to exacerbate an already challenging economic environment. For instance: the pent-up demand from the worst of the pandemic, the continued lockdowns in China, and Russia's war in Ukraine all contributed to crippling the global supply chain and preventing any meaningful relief from high inflation. Due to the complex and unique nature of each of these contributing factors, there is unfortunately no silver bullet. We believe it will take time for the situation to resolve.

Highlights from the second quarter include:

- U.S. equities declined across all sectors, with the S&P 500 index losing 16%
- Inflation remained high, rising to 8.6% in May as measured by the Consumer Price Index
- The U.S. dollar continued to rise against nearly all foreign currencies, inching closer to parity with the euro
- The Federal Reserve raised interest rates by 75 basis points and signaled this more aggressive pace would continue through the year
- Global bond prices continued to suffer under the pressure of rising interest rates and sustained levels of inflation

### Steps to Sustain Market Shocks

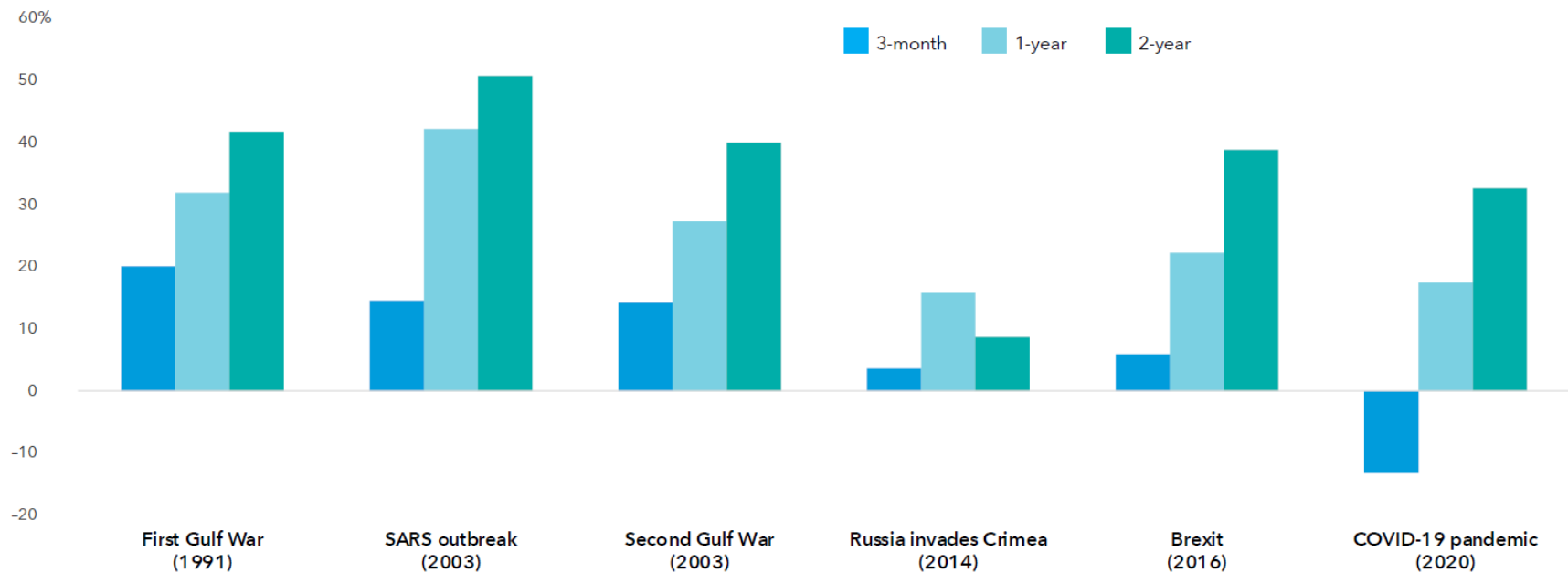
Circumstances leading up to the current market disruption may be unparalleled. However, the steps we take to help our recommended asset allocation portfolios sustain market shocks are not. We steadfastly focus on long-term investor goals and support clients' aims by formulating diversified and well-balanced portfolios. We encourage the mantra to stay the course in turbulent times and to combine this mindset with a big dose of patience. As investment guru Warren Buffet quipped: "The stock market is a device which transfers money from the impatient to the patient."

For our investors who prefer images to text, the chart below from our trusted partners at Capital Group illustrates the long-term benefits to investors who adopt the foregoing steps to help weather the toughest investment climates. We hope you will find it helpful.

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

## Market shocks have often been followed by market gains

S&P 500 returns following select market-moving events



Sources: Capital Group, Refinitiv Datastream, Standard & Poor's. Values reflect total return in the S&P 500 Index following the closest trading day to the listed event. Starting dates used for each event are: 1/17/91 (First Gulf War), 2/11/03 (SARS outbreak), 3/20/03 (Second Gulf War), 2/27/14 (Russia invades Crimea), 6/24/16 (Brexit) and 2/19/20 (COVID-19 pandemic).

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

### Asset Class Review



	Q2 2022	2022 Year to Date	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing
US Large Cap Equity	-16.67%	-20.94%	-13.04%	10.17%	11.00%	11.75%
US Small Cap Equity	-17.20%	-23.43%	-25.20%	4.21%	5.17%	9.35%
International Equity	-14.51%	-19.57%	-17.77%	1.07%	2.20%	5.40%
Emerging Market Equity	-11.45%	-17.63%	-25.28%	0.57%	2.18%	3.06%
Global Real Estate	-17.00%	-20.00%	-9.83%	1.43%	3.87%	6.26%
	-7.26%	-14.39%	-14.19%	-0.99%	1.28%	2.62%
US Government Bond	-3.78%	-9.14%	-8.90%	-0.88%	0.74%	1.01%
International Bond	-11.01%	-16.49%	-18.78%	-5.07%	-1.75%	-1.06%

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 6/30/2022.

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 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. 7/12/2022