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Entrust Financial LLC® Market Commentary –Third Quarter, 2022

Silver Linings Playbook

Despite ongoing capital market volatility, economic data in the third quarter was largely positive and points to the resiliency of the U.S. economy. The most striking of this data may be the unemployment rate, which remains at a historically low 3.7%. Similarly positive is the outlook for corporate earnings; the current consensus among analysts is an expectation for growth through 2023, though at a slower pace than in recent years.

As is often the case in times of stress, positive economic news did not translate to positive investment returns in the third quarter. Much of the negative sentiment in recent months can be attributed to the U.S. Federal Reserve, and many central banks around the world, as they reiterated their commitment to fighting inflation rather than to supporting growth.

Other highlights from the third quarter include:

- U.S. equities continued to decline across most sectors, with the S&P 500 index losing 5%
- Inflation slowed somewhat but remained high, rising 8.3% in August as measured by the Consumer Price Index
- The Federal Reserve raised interest rates by 75 basis points two times in the quarter, for a total of five increases this year
- Consumer Discretionary was a bright spot in U.S. equities, boosted by solid gains from Tesla and Starbucks
- Global bond prices continued to suffer under the pressure of rising interest rates by central banks and sustained levels of inflation

The complex nature of the current economic situation will take some time to resolve. While counseling patience to weary investors, there are reasons for optimism if one looks past the major headlines to “silver linings,” if you will. One such silver lining comes to us from the labor market, with a significant 10% average increase in household income over the last year. Another silver lining will certainly delight savers, in the form of the highest interest rates on bank deposits in over a decade. However, it is history that may provide the third, and perhaps most meaningful, silver lining to investors. While one never can predict the random walk of the capital markets, history shows us that the stock market typically begins to recover prior to the economy improving during periods of turmoil.

The more volatile the capital markets are, the more difficult it can be to remember that stock prices do not always reflect the true strength or value of a company, in both good times and bad. It is a sentiment worth keeping in mind as we look towards the new year ahead.

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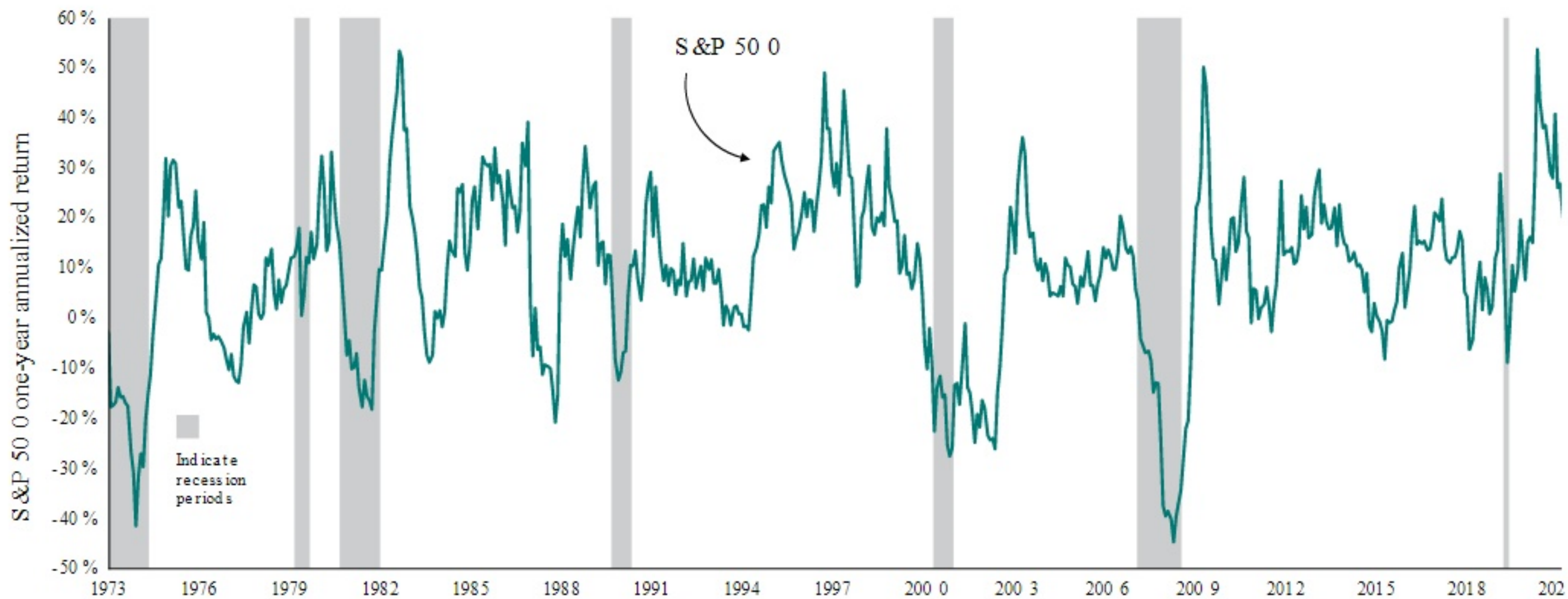
For our investors who prefer images to text, the chart below from our trusted partners at Vanguard illustrates the relationship between the capital markets and the economy throughout modern history in more detail. We hope you will find it helpful.

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

Stocks start to recover before recessions end



Sources: Vanguard calculations as of December 31, 2021, using data from Refinitiv.

Notes: This chart shows the one-year annualized returns for the S&P 500 Index from 1973 through 2021. The shaded areas represent months where the U.S. economy was in recession as defined by the National Bureau of Economic Research.

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

Asset Class Review

	Q3 2022	2022 Year to Date	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing
US Large Cap Equity	-4.61%	-24.59%	-17.22%	7.95%	9.00%	11.60%
US Small Cap Equity	-2.19%	-25.10%	-23.50%	4.29%	3.55%	8.55%
International Equity	-9.36%	-27.09%	-25.13%	-1.83%	-0.84%	3.67%
Emerging Market Equity	-11.57%	-27.16%	-28.11%	-2.07%	-1.81%	1.05%
Global Real Estate	-17.00%	-20.00%	-9.83%	1.43%	3.87%	6.26%
US Corporate Bond	-5.06%	-18.72%	-18.53%	-3.65%	-0.03%	1.70%
US Government Bond	-4.35%	-13.09%	-12.94%	-3.11%	-0.23%	0.50%
International Bond	-8.85%	-23.88%	-24.77%	-7.78%	-4.03%	-2.39%

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 9/30/2022.