



Entrust Financial LLC® Market Commentary –Fourth Quarter, 2022

Better Dull Than Down

Despite a volatile December, the fourth quarter of 2022 was overwhelmingly positive for the capital markets around the globe. For many investors, results from the quarter helped to mitigate some of the damage done to portfolios earlier in the year as most sectors posted strong gains. The major stories of the year were largely unchanged, with focus remaining on two key issues impacting economies around the globe: Russia's continuing war in Ukraine, and inflation. While the future of the situation in Ukraine remains unknown, recent economic reports indicate that inflation has been decelerating in the U.S. Though not with the speed many would prefer, this progress is an indication that the Federal Reserve's continued commitment to fighting inflation is having a positive impact.

Other highlights from the fourth quarter include:

- U.S. equities strengthened across most sectors, with the S&P 500 index gaining 8% overall
- Inflation decelerated for the sixth straight month, down from 7.1% in November to 6.5% in December as measured by the Consumer Price Index
- The Federal Reserve raised interest rates by a total of 125 basis points in the quarter, for a total of seven increases in 2022
- Energy was the best performing sector, climbing 23% in the quarter led by ExxonMobil and Chevron
- U.S. bond markets recovered following a difficult year, bringing much-anticipated relief to more conservative investors

At the risk of sounding pedantic, as we turn our attention to 2023, Entrust is focused on the possibility of a rather dull year ahead. While in our everyday lives the term "dull" is typically not enticing, it is important to remember that in the world of investing, dull may be a synonym for stability. And isn't a bit of respite from the wild ride that was 2022 what we have been longing for? With slow, but steady, progress being made on economic matters, we believe the year ahead will be primarily a period of the capital markets adjusting to these improved conditions.

As always, our Entrust advisors welcome your feedback and we 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 2022	2022 Year to Date	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing
US Large Cap Equity	7.24%	-19.13%	-19.13%	7.35%	9.13%	12.37%
US Small Cap Equity	6.23%	-20.44%	-20.44%	3.10%	4.13%	9.01%
International Equity	17.34%	-14.43%	-14.43%	0.87%	1.54%	4.67%
Emerging Market Equity	9.70%	-20.09%	-20.09%	-2.69%	-1.40%	1.44%
Global Real Estate	-17.00%	-20.00%	-20.00%	1.43%	3.87%	6.26%
US Corporate Bond	3.63%	-15.76%	-15.76%	-2.88%	0.45%	1.96%
US Government Bond	0.72%	-12.46%	-12.46%	-2.62%	-0.10%	0.58%
International Bond	6.81%	-18.70%	-18.70%	-5.94%	-3.07%	-1.64%

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 12/31/2022.

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. 1/17/2022