FOR A BETTER EXPERIENCE.

Entrust Financial LLC® Market Commentary – Second Quarter, 2020

Making Sense of a World Upside Down

The second quarter brought a welcome respite from the capital market volatility experienced earlier in the year. Globally, investors showed optimism for an economic comeback as reopening efforts gained traction around the world—following widespread flat-lining of the spread of COVID. In the U.S., this investor optimism manifested in the reversal of nearly all the equity market losses observed during the initial wave of pandemic panic.

Though hope for a better tomorrow is simple human nature, and a sentiment we applaud. it is important to keep all stock market rallies in perspective. For instance, results in the last weeks of the second quarter were less exuberant and may reflect investor concerns about what a second wave of pandemic panic could mean for their portfolios.

Here are some highlights from the second quarter:

- The Federal Reserve continued to announce emergency stimulus measures
- Domestic equities experienced a massive rally as the economy showed early signs of recovery
- In April, U.S. unemployment claims hit their highest level since the Great Depression
- Bond markets rebounded sharply, driven by unprecedented support from the Federal Reserve
- Several large technology stocks hit all-time highs due to increased work-from-home volume and an increase in online gaming

The positive results indicated above are certainly good news for weary investors; however, the cycle of investor emotions is a continuum. Loss aversion makes us feel negative emotions strongly during periods of market downturns. Fortunately, as the graphic below shows, investors can have confidence that positive emotions will return as the market recovers.

Cycle of investor emotions

Chart courtesy of our partners at Capital Group.

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

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

Asset Class Review

	Q2 2020	2020 Year to Date	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing
US Large Cap Equity	21.82%	-2.81%	7.48%	10.64%	10.47%	13.97%
US Small Cap Equity	25.42%	-12.98%	-6.63%	2.01%	4.29%	10.50%
International Equity	14.88%	-11.34%	-5.13%	0.81%	2.05%	5.73%
Emerging Market Equity	18.08%	-9.78%	-3.39%	1.90%	2.86%	3.27%
Global Real Estate	11.46%	-20.64%	-14.98%	-0.50%	2.76%	8.14%
US Corporate Bond	8.98%	5.02%	9.50%	6.34%	5.83%	5.47%
US Government Bond	0.48%	8.71%	10.45%	5.57%	4.07%	3.41%
International Bond	3.38%	0.61%	0.71%	2.52%	2.89%	1.98%

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 06/30/2020.

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.