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Entrust Financial LLC® Market Commentary – Third Quarter, 2020

A Random Non-Partisan Walk

The third quarter results surprised many investors who presumed that the "happy days are here again" capital market recovery of the second quarter could not keep going. What a stellar illustration of the fact that "the markets take a random walk." In other words, we cannot predict when the capital markets—and therefore our portfolios—will increase and when they will not. Perhaps random walk, simply defined as *the inability to predict the future*, might be applied as descriptive of two other primary current events that have caused much consternation to investors this year—the pandemic and politics.

Portfolios, the pandemic, and politics have loomed large in client conversations since March of this year. The dynamic nature of each can cause investors to underestimate or overestimate the long-term impact of what they are experiencing. A Bill Gates comment might offer just the dose of perspective we need, before we take a look at some highlights from the third quarter. Gates stated, "We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten."

Highlights from the third quarter include:

- **U.S. equities continued to rally,** fueled by optimism about the path of the economic recovery. Activity picked up as businesses reopened and consumers adapted to new guidelines affecting work, commerce and recreation.
- **Led by technology stocks,** the market completed a full reversal of the bear market's steep losses earlier in the year. Generally speaking, large caps topped small caps, and growth stocks outpaced value.
- **The unemployment rate fell to 8.4% in August,** its fourth consecutive monthly decline, but remained far above pre-recession lows.
- **Low mortgage rates and a desire for more living space** while working from home during the pandemic propelled buyers back to the real estate market.
- **Retail sales rose in August but at a slower rate** than the previous two months, which was partially attributed to the July expiration of the federal unemployment subsidy.
- **Bond markets turned in another quarter of gains** as some economic data showed the U.S. economic recovery grinding on, despite challenges tied to the pandemic.

At Entrust, we remain committed to broadly diversified asset allocation portfolios as we aim to manage our investor's risk while avoiding predictions of what might be ahead in the random walk of the capital markets. In the interest of helping our clients avoid overestimation of the impact of November election results, the following image may be reassuring.

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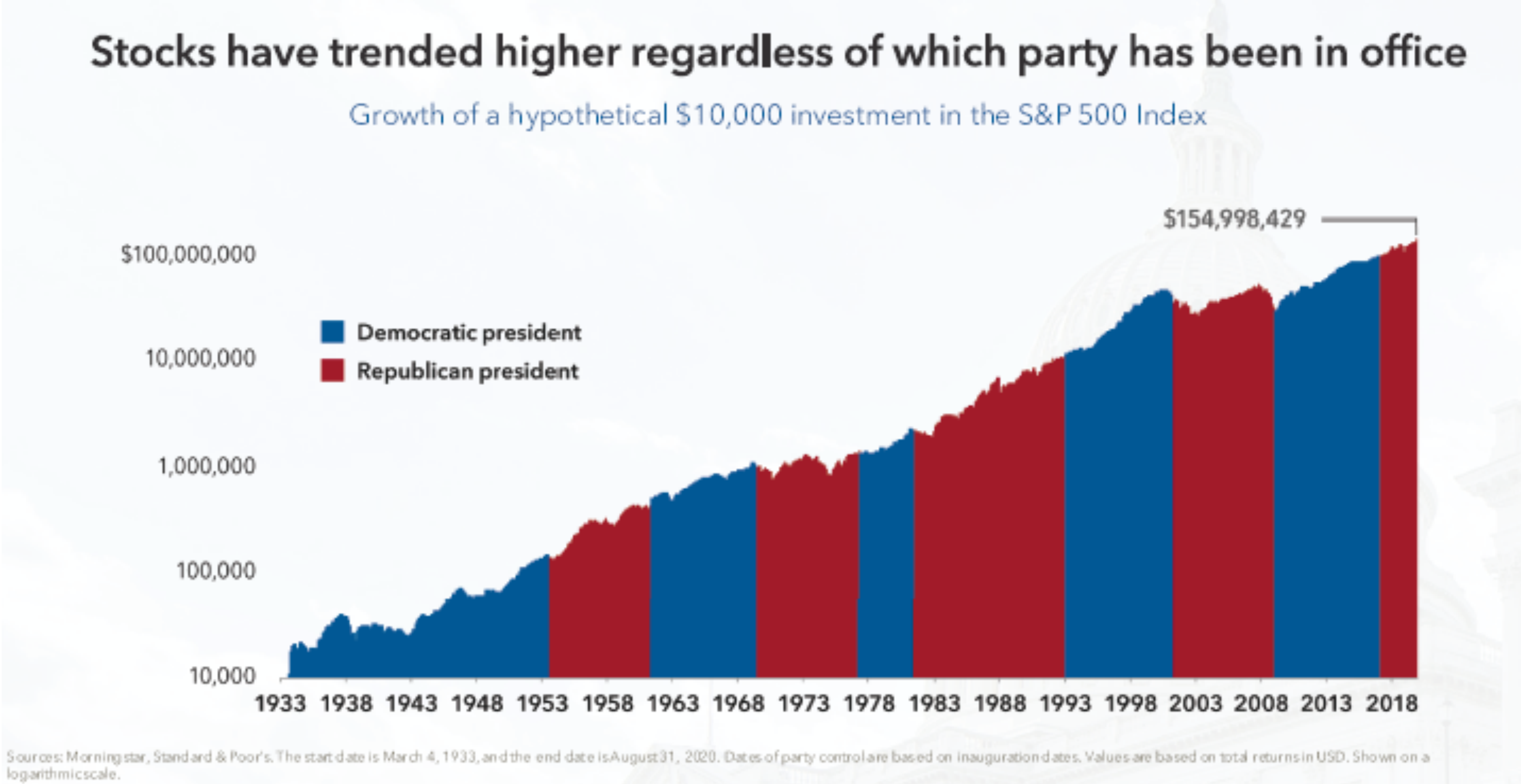

Chart courtesy of our partners at Capital Group

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

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

Asset Class Review

	Q3 2020	2020 Year to Date	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing
US Large Cap Equity	9.47%	6.40%	16.01%	12.38%	14.09%	13.76%
US Small Cap Equity	4.93%	-8.69%	0.39%	1.77%	8.00%	9.85%
International Equity	4.80%	-7.09%	0.49%	0.62%	5.26%	8.17%
Emerging Market Equity	9.56%	-1.16%	10.54%	2.42%	8.97%	2.50%
Global Real Estate	2.63%	-18.56%	-17.69%	-0.10%	3.35%	6.73%
US Corporate Bond	1.54%	6.64%	7.90%	6.41%	5.98%	5.14%
US Government Bond	0.17%	8.90%	8.04%	5.50%	3.75%	3.15%
International Bond	4.14%	4.77%	5.48%	3.07%	3.60%	1.35%

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 09/30/2020.

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