Entrust

FINANCIAL LLC®

FOR A BETTER EXPERIENCE.

Entrust Financial LLC® Market Commentary – Fourth Quarter, 2020

A Tale of Two Recoveries

Capital markets received plenty of good news in the fourth quarter and continued to rise, building on the recovery that began earlier in the year. The approval of multiple vaccines came as a welcome "shot in the arm" to keen first recipients and to investor portfolios. Additional stimulus measures at the federal level and the conclusion of the U.S. election cycle also influenced the strong finish to the year.

On the other hand, the economic recovery has not been quite as exciting. An uptick in COVID-19 cases led to expanded restrictions around the country and fears of a "double dip" recession. These restrictions have impacted almost all parts of our economy, from manufacturing to retail sales, leaving many businesses struggling to survive. A return to pre-pandemic levels of employment will be needed before the economic recovery can gain real momentum.

When attempting to reconcile the soaring stock market headlines with the realities of a struggling economy, it is important to remember that while they often influence one another, the capital markets and the economy are different entities. Accordingly, their recoveries can look quite different as well.

Highlights from the fourth quarter include:

- **U.S. equities soared,** rising on the news of multiple vaccine approvals, additional federal stimulus measures and some clarity around the Presidential election.
- **Small-cap stocks had their best quarter on record,** as seen in the 31% rise in the Russell 2000 index.
- **Congress passed a $900 billion relief package,** with provisions for small business protection, expanded unemployment benefits and a second round of direct payments to Americans.
- **U.S. Retail sales were supported** through the holiday season by online shopping, which rose a staggering 49% from the previous year.
- **Bond markets continued to rise,** boosted in part by the decision to keep interest rates near zero by the Federal Reserve in December.

In the end, 2020 was a year of extremes. The U.S. stock market experienced the fastest decline in history followed by the swiftest recovery since 1933, all happening amidst a global pandemic that has impacted nearly every human being on our planet. There may be no greater proof of the unpredictable nature of the capital markets and the need for a long-term perspective than the events of the year 2020. Entrust remains committed to keeping that perspective in everything we do.

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

Entrust FINANCIAL LLC® | FOR A BETTER EXPERIENCE.

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

Asset Class Review

	Q4 2020	2020 Year to Date	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing
US Large Cap Equity	13.69%	20.96%	20.96%	14.82%	15.60%	14.01%
US Small Cap Equity	31.37%	19.96%	10.25%	10.25%	13.26%	11.20%
International Equity	16.05%	7.82%	7.82%	4.28%	7.45%	5.51%
Emerging Market Equity	19.70%	18.31%	18.31%	6.17%	12.81%	3.63%
Global Real Estate	12.83%	-8.11%	-8.11%	2.89%	4.81%	7.29%
US Corporate Bond	3.05%	9.89%	9.89%	7.06%	6.74%	5.63%
US Government Bond	-0.83%	8.00%	8.00%	5.19%	3.77%	3.34%
International Bond	5.09%	10.11%	10.11%	4.23%	4.89%	1.99%

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 12/31/2020.

940 West Valley Rd, Suite 1902, Wayne, PA 19087 | 610-687-3515 | www.entrustfinancial.com