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## 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.



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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.*

*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.*

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