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Entrust Financial LLC® Market Commentary—First Quarter, 2023

Dull, But Some Delights

Much to the delight of investors around the world, capital markets in the first quarter of 2023 continued to move in a positive direction. Even some of the most hard-hit sectors in last year's volatility turned the corner, becoming the best performers to start the new year.

Of course, in the midst of this first quarter rally came headlines about the stability of the U.S. banking system. The unexpected collapse of Silicon Valley Bank (SVB) and Signature Bank (SBNY) that followed, in early March, left many investors feeling unsettled. However, it may bring comfort to look a bit more closely into the situation. From the analysis done thus far, it appears that both banks suffered from poor risk management, most evident in the lack of diversification of their loan books.

It is reasonable to believe that these issues are unique to these particular institutions rather than systemic, meaning that the effects of their demise will likely remain relatively isolated within the banking system as a whole. Though any bank failure can cause fear, the Federal Reserve and other regulatory agencies took swift and effective action immediately in response the news. Fortunately, these efforts proved successful at mitigating the damage done and in calming nervous markets.

Other highlights from the first quarter include:

- U.S. equities strengthened across most sectors, with the S&P 500 index ending the quarter up by 8%
- Inflation continued to slow, down from 6.5% in December to 5% in March as measured by the Consumer Price Index
- The Federal Reserve raised interest rates by a total of 75 basis points in the quarter
- Information Technology and Communication Services were the best performing sectors, led by Meta Platforms, up 76%
- U.S. bond markets continued to recover, following a difficult year in 2022

At the beginning of the year, we wrote about Entrust's focus on the possibility of a "dull" year ahead. We continue to believe that this sentiment will be the theme for 2023. However, a source of delight is the progress being made on economic matters—signaled by the steady and meaningful retreat of inflation. Americans are witnessing the easing of pricing pressure in many ways. The chart below offers one illustration of this price easing. It reflects price fluctuations for the purchase of the humble egg, a useful first quarter example of progress in the fight against inflation. Egg prices dropped 11% in March alone. Incredible (and edible), indeed.

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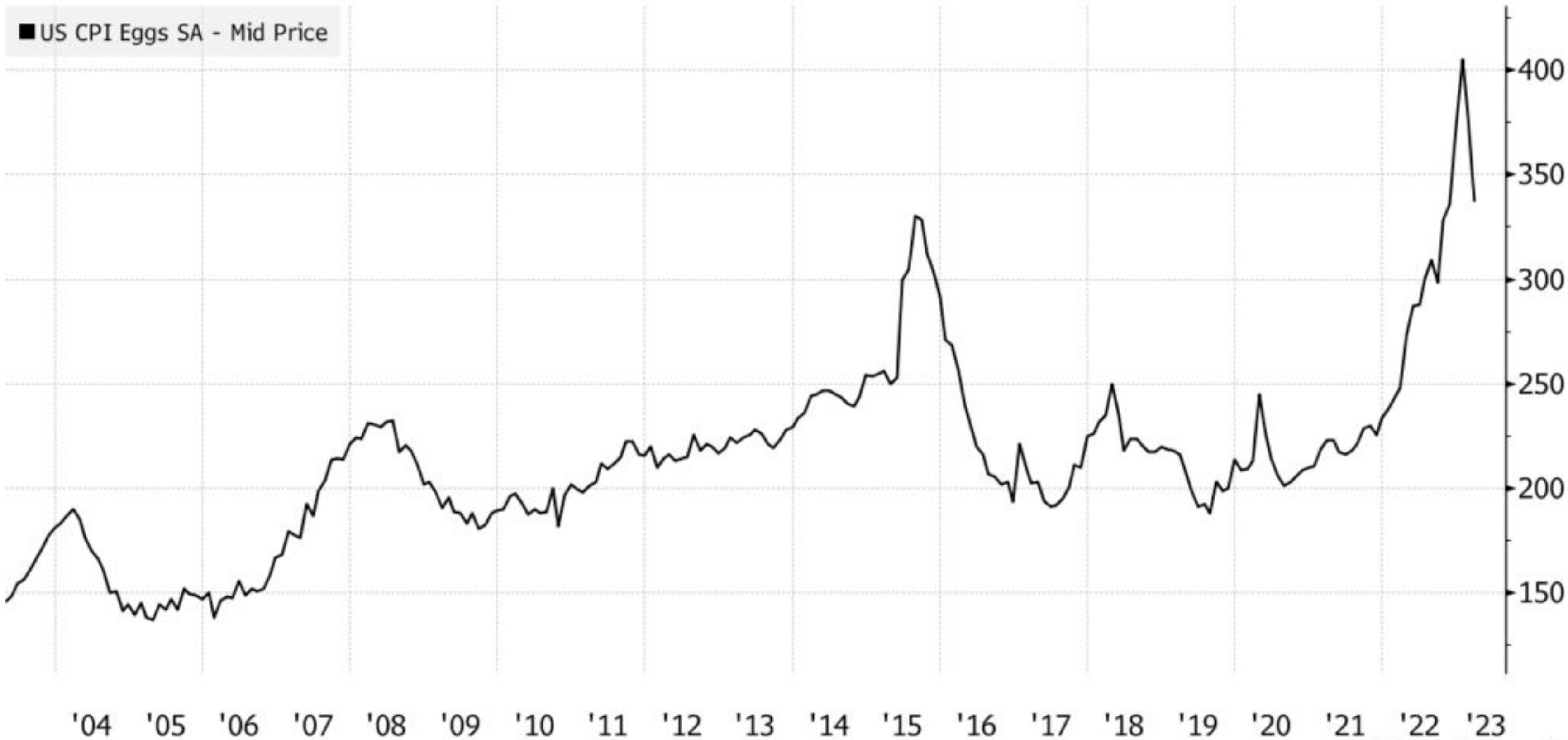
Eggs Are Falling

Prices eased second straight month after record in January



Source: Labor Department Bloomberg

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

	Q1 2023	2023 Year to Date	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing
US Large Cap Equity	7.46%	7.46%	-8.39%	18.55%	10.87%	12.01%
US Small Cap Equity	2.74%	2.74%	-11.61%	17.51%	4.71%	8.04%
International Equity	8.47%	8.47%	-1.38%	12.99%	3.52%	5.00%
Emerging Market Equity	3.96%	3.96%	-10.70%	7.38%	-0.91%	2.00%
Global Real Estate	1.65%	1.65%	-19.42%	9.92%	3.48%	4.36%
US Corporate Bond	3.50%	3.50%	-5.55%	-0.54%	1.62%	2.32%
US Government Bond	3.01%	3.01%	-4.51%	-4.20%	0.74%	0.90%
International Bond	3.06%	3.06%	-10.72%	-4.13%	-3.17%	-0.99%

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 3/31/2022.

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