



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 to the news. Fortunately, these efforts proved successful at mitigating the damage done and in calming nervous markets.

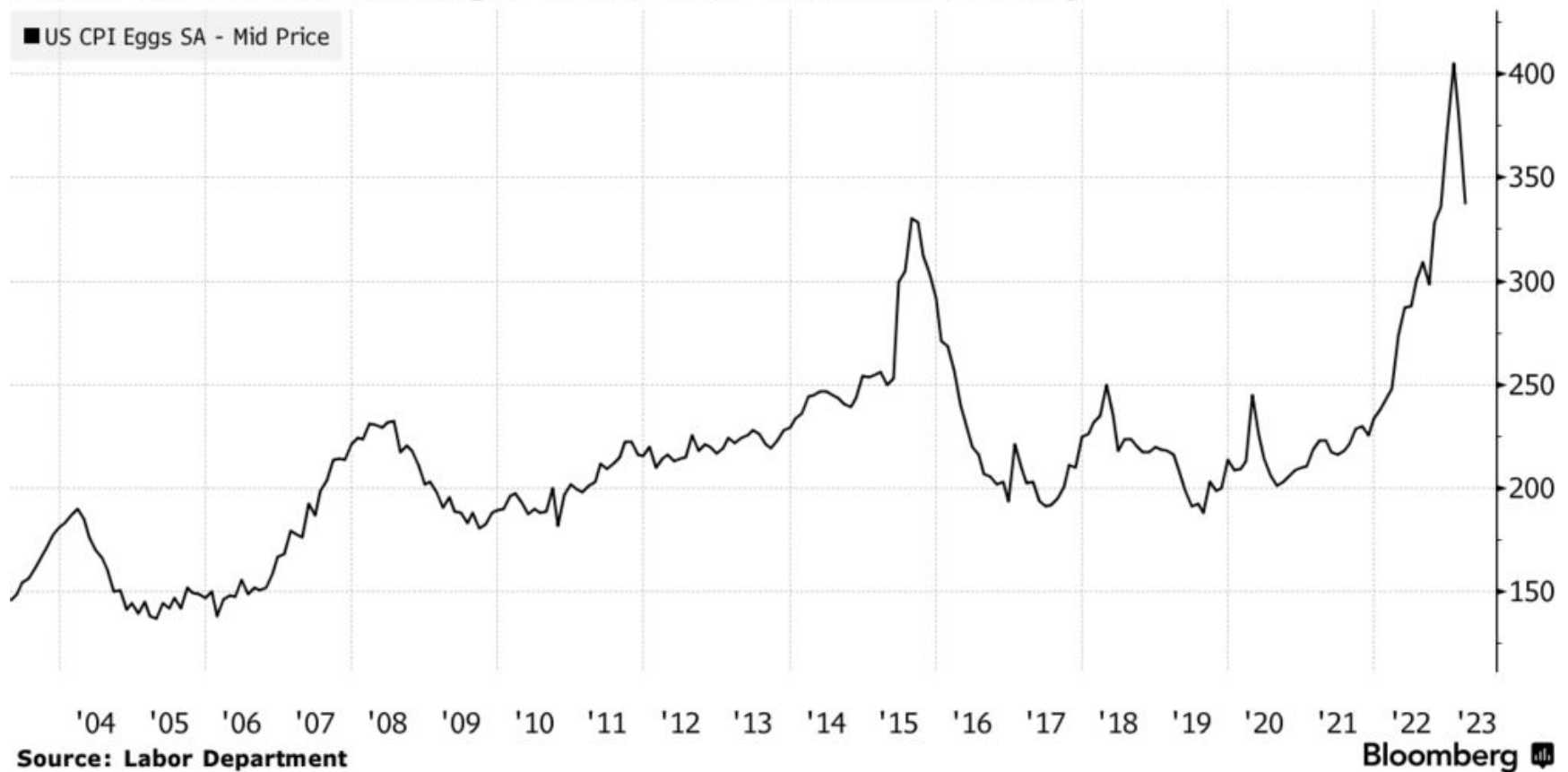
Other highlights from the first quarter include:

- 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.

Eggs Are Falling

Prices eased second straight month after record in January



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.

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. 4/13/2023