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Entrust Financial LLC® Market Commentary—Second Quarter, 2023

Sweet Summertime

The second quarter of 2023 brought welcome rays of sunshine for investors around the world, as the capital markets continued to move in a positive direction.

Good news abounded during the quarter, with many factors contributing to the overall positive results. The Information Technology sector continued to dominate the equity markets in the U.S., helped in large part by exciting advances in artificial intelligence. Encouraging economic data also contributed to positive performance across sectors. Though still above the Federal Reserve's target level of 2 percent, inflation continues to recede and unemployment remains historically low.

The Federal Reserve decision to pause their rate hiking campaign during their June meeting added to investor enthusiasm in the second quarter. While this was widely expected by analysts, the move was a welcome break from the monthly raises that have been implemented continuously since March 2022. Federal Reserve Chair Jerome Powell was clear in his remarks announcing the move that we may still be in for further hikes later this year. However, the fact that the board had enough confidence in the economic data to test a pause was enough to encourage investors and aid in the capital markets moving upwards.

Other highlights from the second quarter include:

- U.S. equities continued to strengthen across most sectors, with the S&P 500 index ending the quarter up by 9%
- Inflation continued to slow, down from 5% in March to 3% in June, as measured by the Consumer Price Index
- The Federal Reserve paused their rate hiking activity in June, following ten consecutive increases
- Shares of pharmaceutical giant Eli Lilly climbed an impressive 37% due to optimism for its drug pipeline, which includes unprecedented treatments for early-stage Alzheimer's and obesity
- U.S. bond markets fell overall, with the U.S. Aggregate Index returning -0.8% for the quarter

As we look ahead to the second half of the year, the Entrust Investment Committee believes the Federal Reserve will continue its battle against inflation with at least one more rate increase following the current pause. If inflation is successfully tamed to more palatable long-term levels, investors will likely be pleased with their portfolio results—even though economic headlines may be less than favorable. This typically occurs because the stock market is a future-focused machine, while economic data looks backwards.

Fortunately, as the chart that follows illustrates, there tends to be great cause for optimism as the end of a rising interest rate environment draws near.

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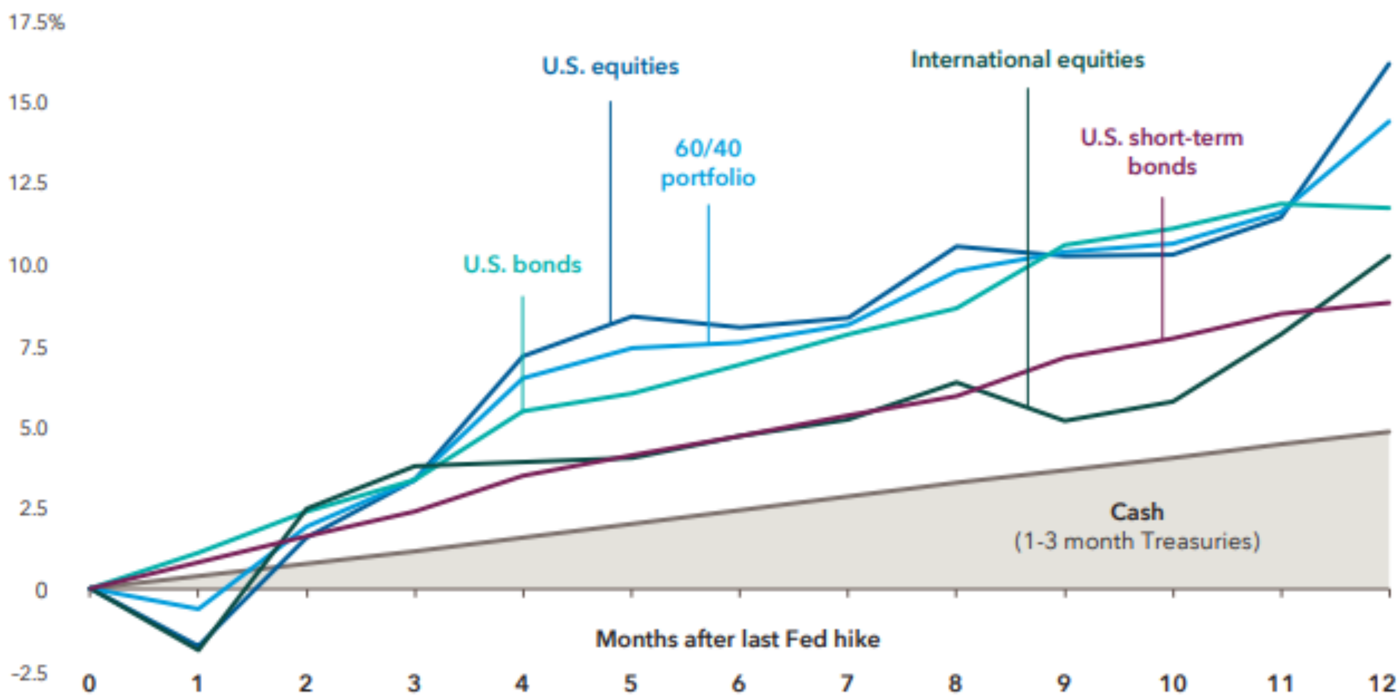
Stocks and bonds have outpaced cash after a Fed hiking cycle

Average returns following the last Fed hike – Prior four hiking cycles



SOURCES: Capital Group, Bloomberg Index Services Ltd., MSCI, Refinitiv Datastream, Standard & Poor's. Returns reflect the average cumulative return over each of the first 12 months immediately following the last increase in the target U.S. federal funds rate ("last Fed hike") over the prior four hiking cycles. The specific start months for the periods included in the average calculations are: February 1995, May 2000, June 2006, and December 2018. U.S. bonds are represented by the total return of the Bloomberg U.S. Aggregate Index; U.S. equities are represented by the total return for the S&P 500 Index; the 60/40 portfolio is represented as the weighted average return using 60% of the total return for the S&P 500 Index and 40% of the total return in U.S. dollars for the Bloomberg U.S. Aggregate Index, with no rebalancing for the first 12 months. International equities are represented by the total return in U.S. dollars for the MSCI EAFE Index; U.S. short-term bonds are represented by the total return for the Bloomberg 1–3 Year U.S. Government/Credit Index; cash is represented by change in the Bloomberg U.S. Treasury Bill 1–3 Months Index. As of May 31, 2023. Past results are not predictive of results in future periods.

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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

	Q2 2023	2023 Year to Date	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing
US Large Cap Equity	8.58%	16.68%	19.36%	14.09%	11.92%	12.64%
US Small Cap Equity	5.21%	8.09%	12.31%	10.82%	4.21%	8.26%
International Equity	2.95%	11.67%	18.77%	8.93%	4.39%	5.41%
Emerging Market Equity	0.90%	4.89%	1.75%	2.32%	0.93%	2.95%
Global Real Estate	1.03%	2.70%	-1.92%	6.38%	2.41%	4.90%
US Corporate Bond	-0.29%	3.21%	1.55%	-3.44%	1.76%	2.63%
US Government Bond	-1.38%	1.59%	-2.13%	-4.80%	0.44%	0.96%
International Bond	-2.16%	0.83%	-1.83%	-5.87%	-2.65%	-0.90%

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 6/30/2023.