



Entrust Financial LLC® Market Commentary—Third Quarter, 2023

After a triumphant run of three consecutive quarters, both in domestic and global equity markets, the third quarter of 2023 ushered in our first dip in performance since the same period a year ago. While this negative third quarter history repeated the dip most investors experienced in the third quarter of 2022, its starring positive sector also repeated: the Energy Sector.

Energy Sector

The energy sector's performance was predominantly fueled by a substantial surge in oil prices which you likely noticed at the gas pumps unless you now drive an electric vehicle. While energy was yielding double-digit positive returns during the most recent quarter, results driven by an ambiguous Federal Reserve (Fed) meeting, coupled with the recent rise in inflation, were generally negative. For instance, inflation had bottomed out at 3.00% in June, but started climbing by September. Added to this, the Fed's decision in September to maintain the status quo on interest rates—but to leave the possibility of future hikes on the table—immediately prompted an uptick in volatility.

Trendy Treasuries?

Remarkably, the third quarter of this year brought positive news that had been absent from the financial landscape for decades: Treasuries became the hottest topic on financial news and social media, marking a resurgence in interest not seen in ages. When rates on short term Treasury yields increased to 5% in September, investors poured into Treasury bonds seeking to take advantage of this relatively high yield and safety.

Where to Focus Now

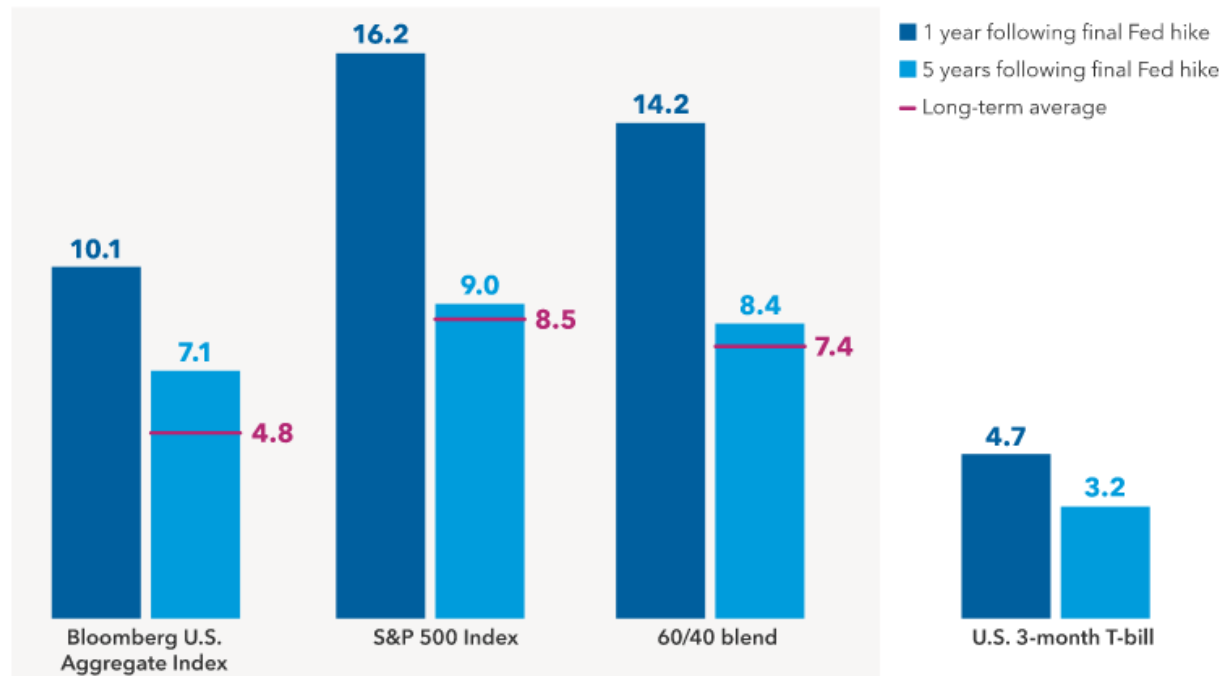
The third quarter of 2023 was a diverse period in the capital markets: a dip in overall investment performance, an uptick in the energy sector, continued uncertainty from Federal Reserve comments and trendy Treasuries. For readers hoping for light at the end of the tunnel, you may be wondering where to focus now. The following Capital Group illustration can help. Please note the blue bars on the graph: Based upon the type of investment, the darker ones show the annual historical results and the lighter blue color bars show five-year historical results—depicting positive performance when the last four cycles of Federal Reserve rate hikes came to a close.

Your feedback is always welcomed by our Entrust advisors and we eagerly anticipate our next discussion with you.



After Fed hikes ended, long-term results outpaced cash, with the first year contributing most

Results have been front-loaded following the final Federal Reserve hike in the last four cycles (%)



Sources: Capital Group, Morningstar. Chart represents the average returns across respective sector proxies in a forward extending window starting in the month of the last Fed hike in the last four transition cycles from 1995 to 2018 with data through 6/30/23. The 60/40 blend represents 60% S&P 500 Index and 40% Bloomberg U.S. Aggregate Index, rebalanced monthly. Long-term averages represented by the average five-year annualized rolling returns from 1995. Past results are not predictive of results in future periods.



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

Asset Class Review

| | Q3 2023 | 2023 Year to Date | 1 Year Trailing | 3 Year Trailing | 5 Year Trailing | 10 Year Trailing |
|------------------------|---------|-------------------|-----------------|-----------------|-----------------|------------------|
| US Large Cap Equity | -3.15% | 13.01% | 21.19% | 9.53% | 9.63% | 11.63% |
| US Small Cap Equity | -5.13% | 2.54% | 8.93% | 7.16% | 2.40% | 6.65% |
| International Equity | -4.11% | 7.08% | 25.65% | 5.75% | 3.24% | 3.82% |
| Emerging Market Equity | -2.93% | 1.82% | 11.70% | -1.73% | 0.55% | 2.07% |
| Global Real Estate | -6.22% | -3.69% | 3.22% | 3.23% | 1.06% | 4.22% |
| US Corporate Bond | -3.09% | 0.02% | 3.65% | -4.93% | 0.93% | 2.23% |
| US Government Bond | -3.06% | -1.52% | -0.81% | -5.83% | -0.07% | 0.63% |
| International Bond | -4.00% | -3.2% | 3.39% | -8.39% | -3.10% | -1.73% |

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 9/30/2023.

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. 10/05/2023