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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.

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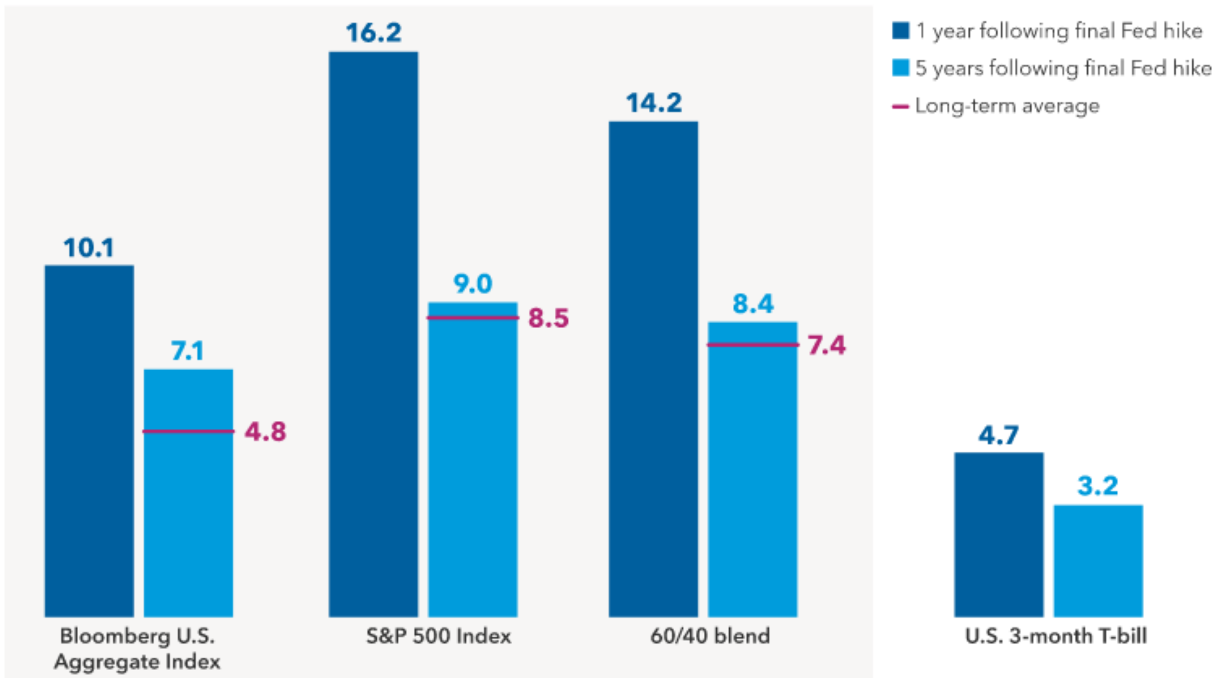
After Fed hikes ended, long-term results outpaced cash, with the first year contributing most

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.