Entrust Financial®

Entrust Financial® LLC Market Commentary—1st Quarter, 2025

NEWS WITHOUT NOISE

As investors review their portfolio results for the first quarter of 2025, many will feel a lack of enthusiasm because the numbers are not much changed since year-end 2024. The second quarter of 2025 is scarcely underway; however, the tide has surely turned. Rather than a ho-hum feeling about their portfolios, even seasoned investors are now surrounded by an unprecedented level of uncertainty based on ever-changing governmental news. Not only are investors reporting to us that it is hard to keep up, they want to know where to focus their attention as they aim to preserve their financial security.

To help you make sense of the current environment, we would like to answer three key questions on our clients' minds:

1. **What Happened? It's Hard to Keep Up!**
2. **How Might Tariffs Impact the Stock Market and the Economy?**
3. **I Want to Stay the Course, But Feel I Need to *Do* Something. What Are Some Actions I Can Take That Won't Upend My Long-Term Plan?**

1. What Happened? It's Hard to Keep Up!

The first quarter of 2025 was marked by significant volatility in the markets, driven by several key elements:

- **Trade Tensions**
  Global trade tensions have flared, especially between the U.S. and China. Both countries have reintroduced or increased tariffs on certain goods, which has disrupted global supply chains. Tariffs increase the cost of imports, creating pressure on businesses and consumers alike.

- **Geopolitical Instability**
  Political uncertainties, particularly in Europe and parts of Asia, have contributed to a cautious sentiment in the market. Investors are reacting to instability in the form of stock sell-offs, seeking safer investments like bonds and gold in the face of rising geopolitical risks. These uncertainties can create short-term market dips but often do not change the longer-term economic trajectory.

- **Tech Sector Pullback**
  The technology sector, which has been a major driver of market growth in recent years, saw a meaningful pullback in Q1 due to weaker-than-expected earnings and the uncertainty surrounding tariffs. Indices like the Nasdaq, which is heavily weighted toward technology stocks, were particularly affected.

2. How Might Tariffs Impact the Stock Market and the Economy?

Tariffs—taxes on imported goods—can have a significant impact on both the stock market and the broader economy. If kept in place for a substantial period of time, tarriffs can result in higher costs for companies and consumers, as well as slower economic growth. However, just a week after new tarriffs were introduced at the start of the second quarter the news broke that most would be paused. In this case, it is the uncertainty caused by tariffs and trade negotiations that is the most significant contributor to market volatility rather than the tarriffs themselves. Investors don't like uncertainty, and when conflicting messaging is received, it can cause the abrupt shifts in market sentiment that we are seeing now.

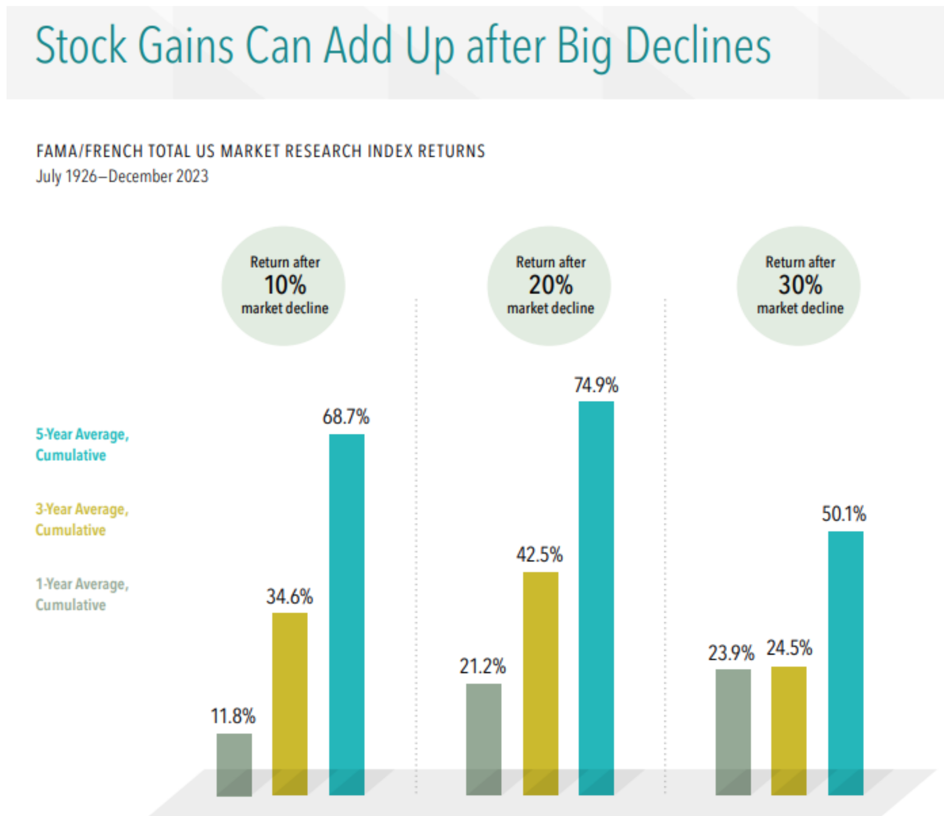
3. I Want to Stay the Course, But Feel I Need to *Do* Something. What Are Some Actions I Can Take That Won't Upend My Long-Term Plan?

It's natural to want to take action when the market feels unstable, but remember that staying the course is often the best strategy for long-term success. Here are a few steps you can take to help navigate market volatility without jeopardizing your financial goals:

- **Review Your Portfolio (But Don't Panic)**
  Now is a good time to take a step back and ensure your portfolio still aligns with your long-term goals. If certain investments have dropped in value, there may be an opportunity to rebalance your portfolio or implement strategies like tax-loss harvesting. If you find yourself feeling anxious, it may help to consult with your financial advisor to review your plan. This way, you can stay calm and focused on your long-term objectives rather than reacting to short-term market fluctuations.

- **Dollar-Cost Averaging**
  If you have cash to invest, consider dollar-cost averaging. This means investing a set amount at regular intervals, regardless of market conditions. By doing this, you're not trying to time the market. Instead, you're spreading out your investments over time, which can reduce the impact of short-term market volatility and help you buy at different price points.

- **Focus on What You Can Control**
  While you can't control market movements, you can control your investment strategy. Stick to your plan, remain diversified, and continue contributing to your retirement accounts or other long-term investments. Staying disciplined during times of market volatility will allow you to take advantage of opportunities when the market recovers, as shown in the helpful illustration below from our partners at Dimensional Fund Advisors. This chart shows that even just **one year** after a market drop—whether it's 10%, 20%, or 30%—the market has historically bounced back with positive returns. Investors who stayed the course were often rewarded, while those who pulled out during the downturn risked missing some of the strongest gains when the market turned around.



In USD. Market declines or downturns are defined as periods in which the cumulative return from a peak is −10%, −20%, or −30%, or lower[1].

While the volatility present in 2025 is challenging, remember that regardless of the cause market volatility is a natural part of investing. In our opinion, the fluctuations we are seeing now are driven primarily by short-term uncertainties, rather than broader systemic issues. As always, any change in market conditions should be viewed within the context of your overall financial plan. By staying informed, focusing on the long-term, and making strategic decisions, you'll be better prepared to navigate through these turbulent times.

Your feedback is always welcomed by our Entrust advisors and we are looking forward to our next discussion with you.

The following are results for indices of asset classes commonly used to build our Entrust Financial globally diversified portfolios[2]:

Asset Class Review	Q1 2025	2025 Year to Date	1 Year Trailing	3 Year Trailing	5 Year Trailing	10 Year Trailing
US Large Cap Equity	-4.49%	-4.49%	8.11%	8.51%	19.56%	12.03%
US Small Cap Equity	-9.48%	-9.48%	-3.02%	0.18%	14.93%	6.57%
International Equity	6.86%	6.86%	5.79%	6.22%	12.37%	5.75%
Emerging Market Equity	2.93%	2.93%	8.23%	1.32%	8.49%	3.84%
Global Real Estate	3.04%	3.04%	8.48%	-3.55%	8.83%	4.36%
US Corporate Bond	2.31%	2.31%	5.80%	1.18%	1.55%	2.60%
US Government Bond	2.92%	2.92%	5.31%	0.05%	-1.75%	1.09%
International Bond	2.53%	2.53%	1.90%	-3.21%	-2.38%	-0.64%

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 in an index.

[1]Returns are calculated for the one-, three-, and five-year look-ahead periods beginning the day after the respective downturn thresholds of −10%, −20%, or −30% are exceeded. The bar chart shows the average returns for the one-, three-, and five-year periods following the 10%, 20%, and 30% thresholds. For the 10% threshold, there are 30 observations for one-year look-ahead, 29 observations for three-year look-ahead, and 28 observations for five-year look-ahead. For the 20% threshold, there are 16 observations for one-year look-ahead, 15 observations for three-year look-ahead, and 14 observations for five-year look-ahead. For the 30% threshold, there are seven observations for one-year look-ahead, seven observations for three-year look-ahead, and six observations for five-year look-ahead. Peak is a new all-time high prior to a downturn. Data provided by Fama/French and available at mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP. The average annualized returns for the five-year period after 10% declines were 9.59%; after 20% declines, 10.15%; and after 30% declines, 7.18%. Fama/French Total US Market Research Index: July 1926–present: Fama/French Total US Market Research Factor + One-Month US Treasury Bills. Source: Ken French website.

[2]Source: YCharts - 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 MSCI World Equity REITs Net Total Return; 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 3/31/2025.

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. 4/11/2025