



SilverOak

WEALTH MANAGEMENT LLC

Quarterly Webinar
April 21, 2023



Introduction

- Shannon King, CPA, CFP[®], PFS, CIMA[®], CPWA[®], MBT
President, Partner and Chief Compliance Officer
- Jonathan Scharlau, CFA, CFP[®], AEP[®], CAIA
Partner and Lead Analyst



Agenda

- Economy and SilverOak Dashboard
- Market performance
- SilverOak's outlook
- SilverOak updates
- Review of bank and credit union deposit protection
- Questions



Economy and SilverOak Dashboard

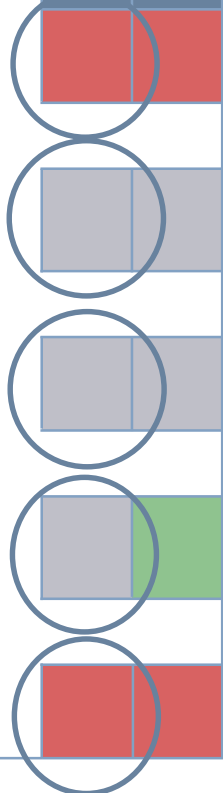


SilverOak Dashboard

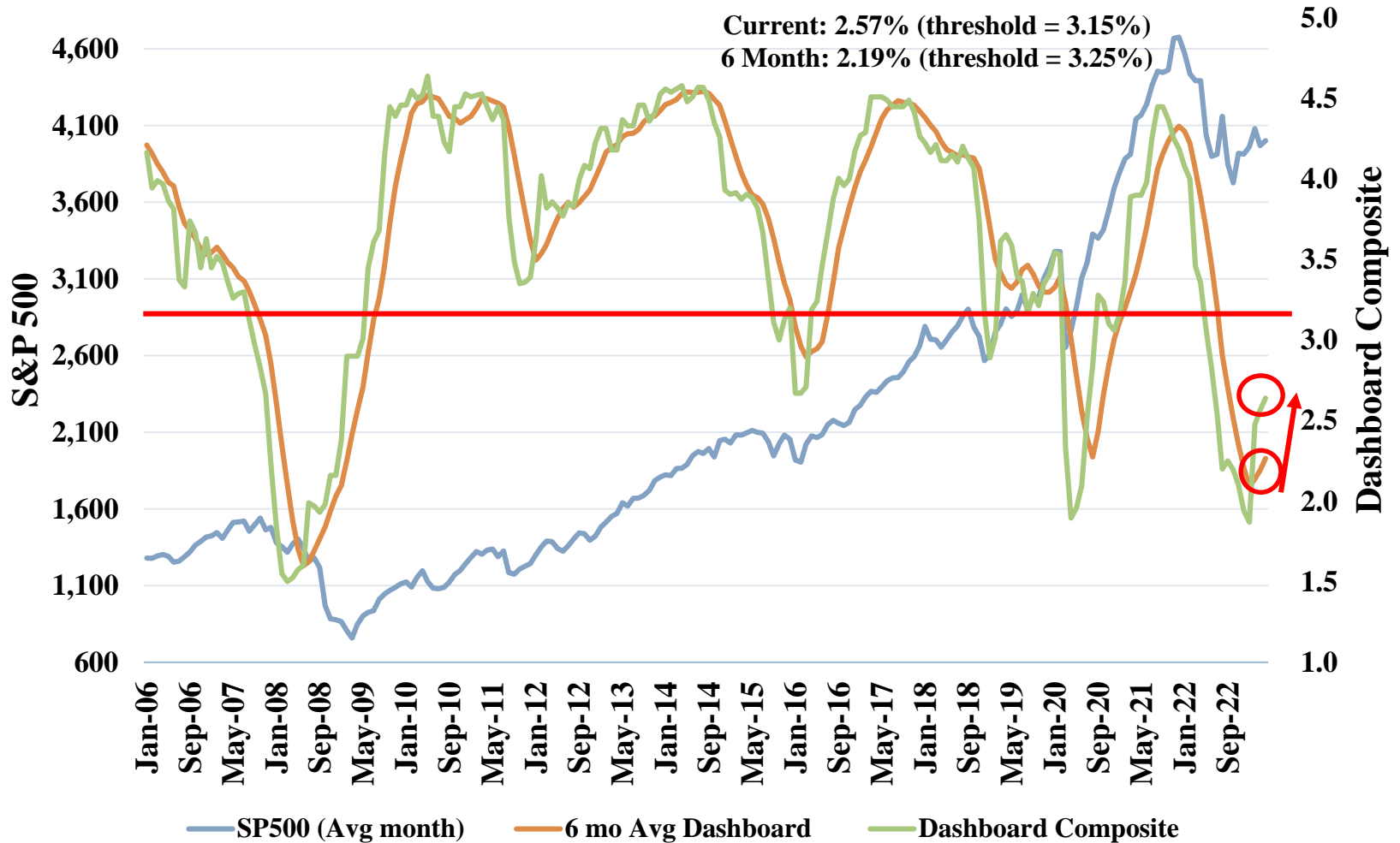
Projected



	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	1Q 2023	2Q 2023
Economy			Red	Red	Red	Grey	Green	Green	Green	Green	Green	Green	Red	Red	Red	Red
Credit Markets			Red	Red	Grey	Grey	Green	Green	Green	Green	Green	Green	Green	Grey	Grey	Grey
Valuations			Grey	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Grey	Grey
Market Sentiment	Green	Green	Grey	Red	Green	Green	Green	Green	Green	Green	Green	Green	Red	Red	Red	Green
Composite 6mo. Avg.			Red	Red	Red	Red	Grey	Grey	Green	Green	Green	Grey	Red	Red	Red	Red

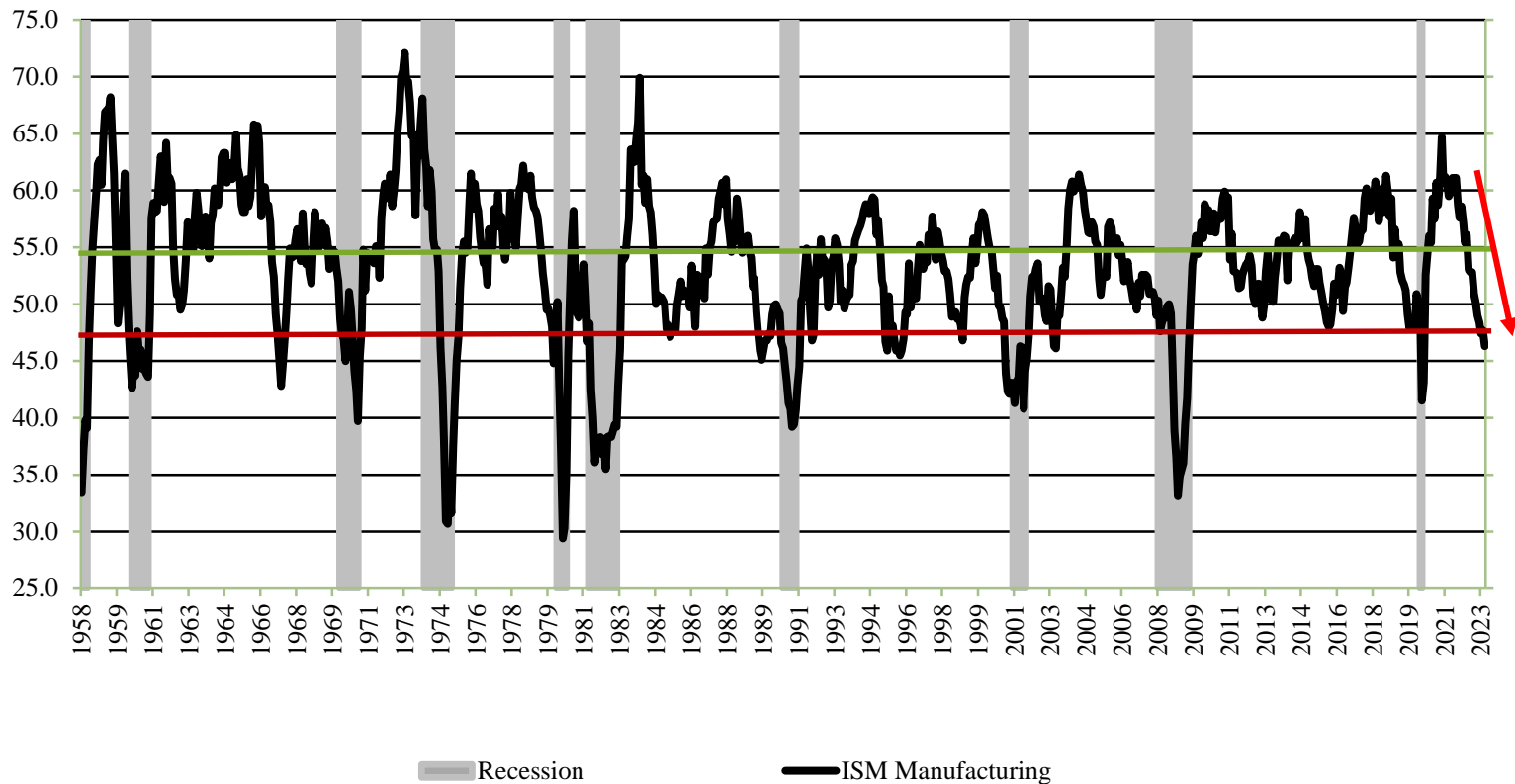


SilverOak Dashboard



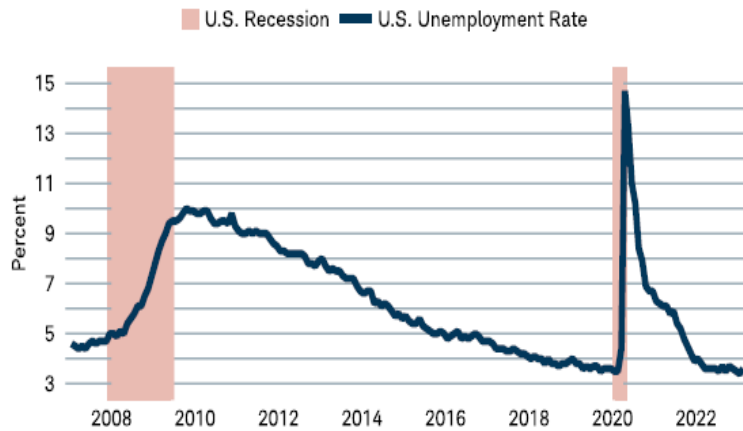
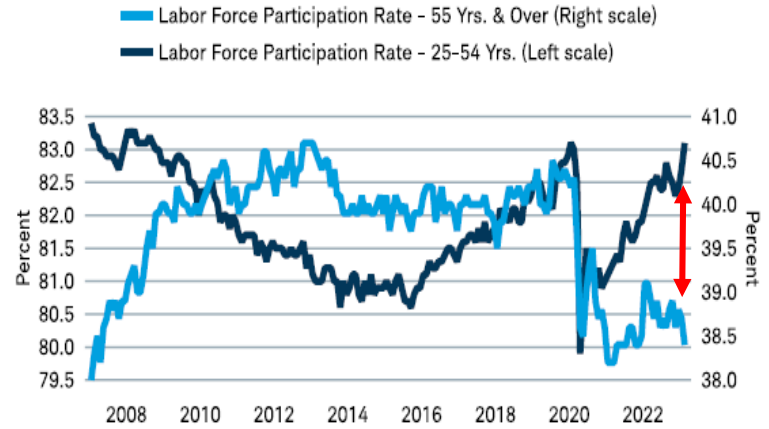
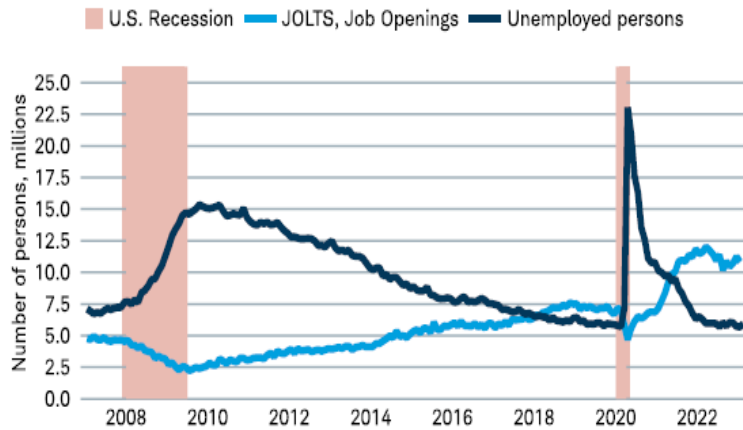
Economy (ISM Manufacturing Index)

ISM Manufacturing Index



Source: Institute for Supply Management. Data as of 4/1/2023

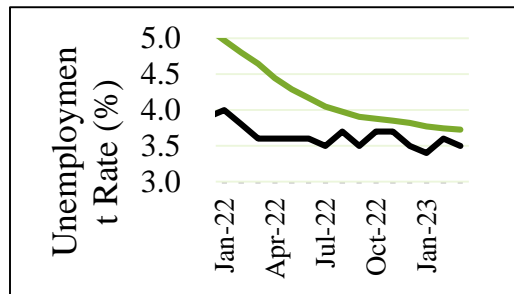
Economy (Labor Market)



Bars represent National Bureau of Economic Research defined recession periods.
 Source: Charles Schwab, Macrobond as of 3/31/2023.

Economy (Unemployment Rate)

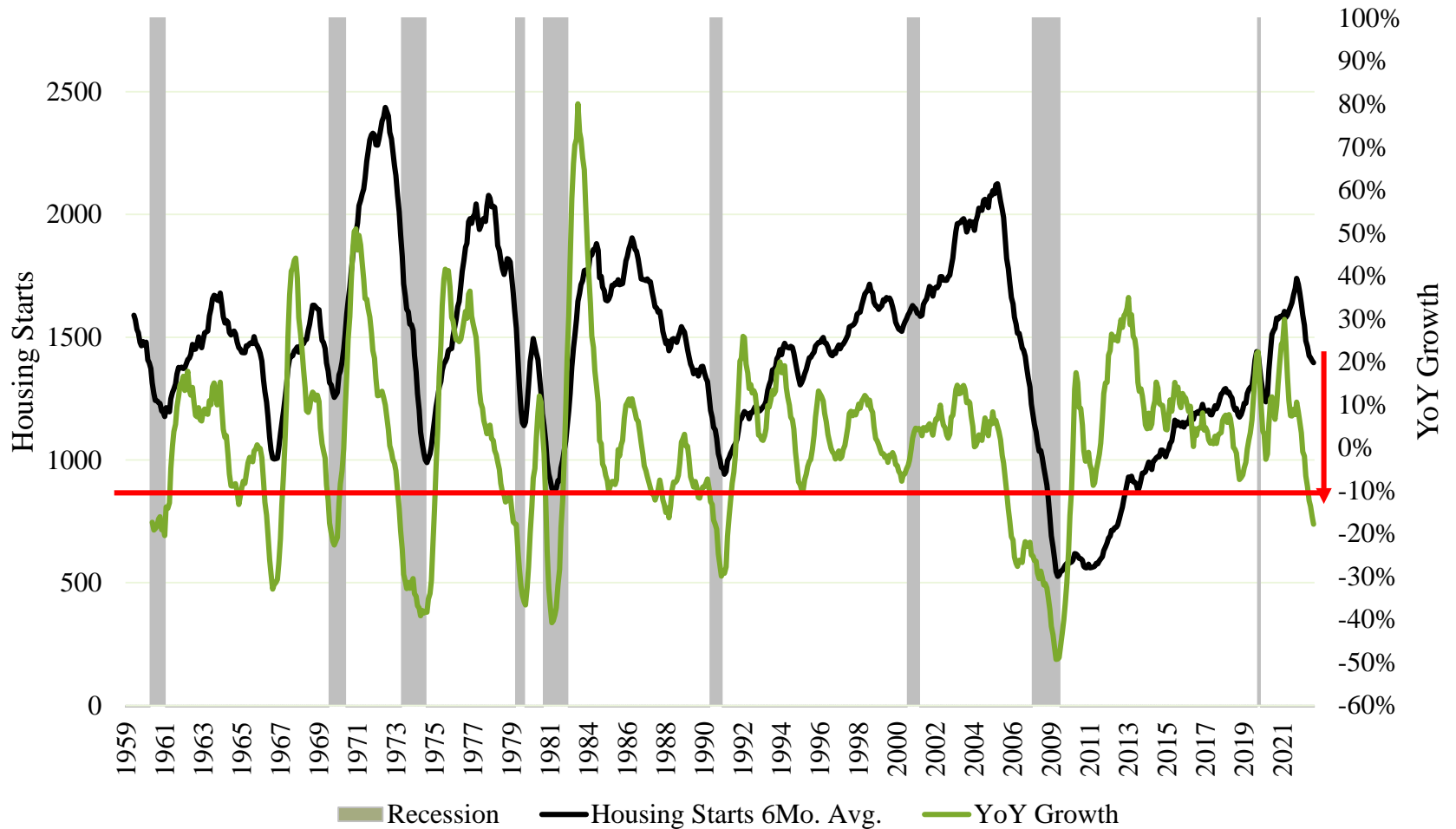
Unemployment Rate



Source: St. Louis Fed. Data as of 4/1/23

Economy (Housing Starts)

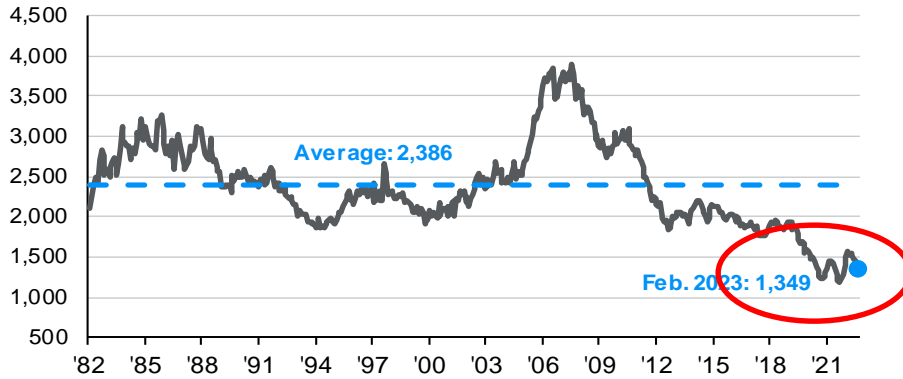
Housing Starts



Economy (Housing Starts)

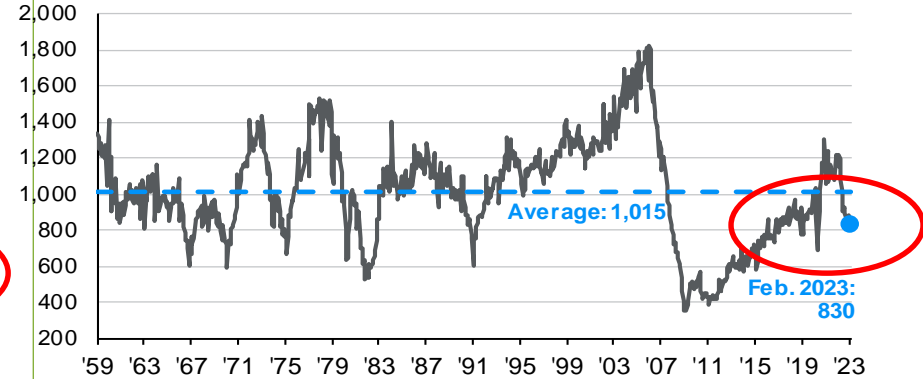
Housing inventories

Inventory of new and existing single family homes for sale, thous, SA*



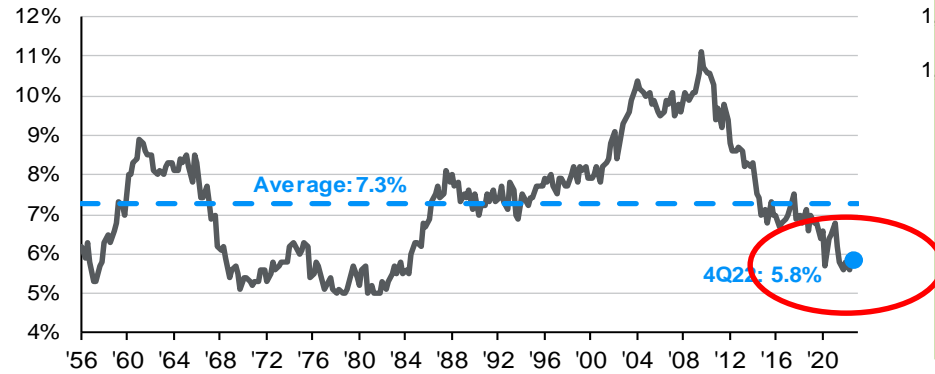
Single-family housing starts

Seasonally adjusted annual rate (SAAR), thous houses



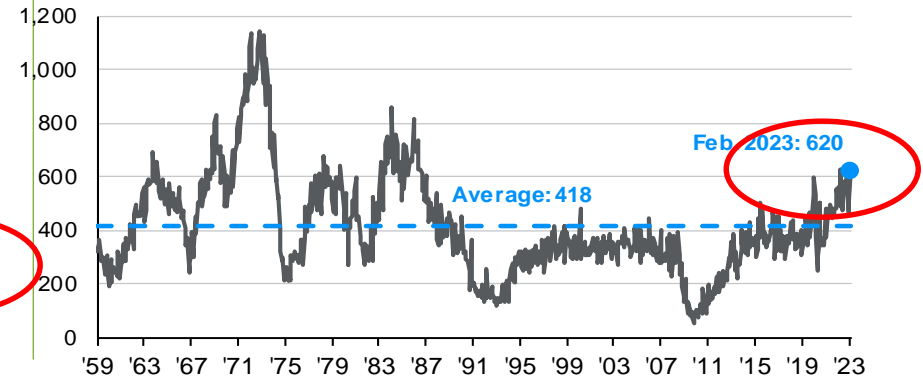
Rental vacancy rate

Percent



Multi-family housing starts

Total multi-family, SAAR, thous houses

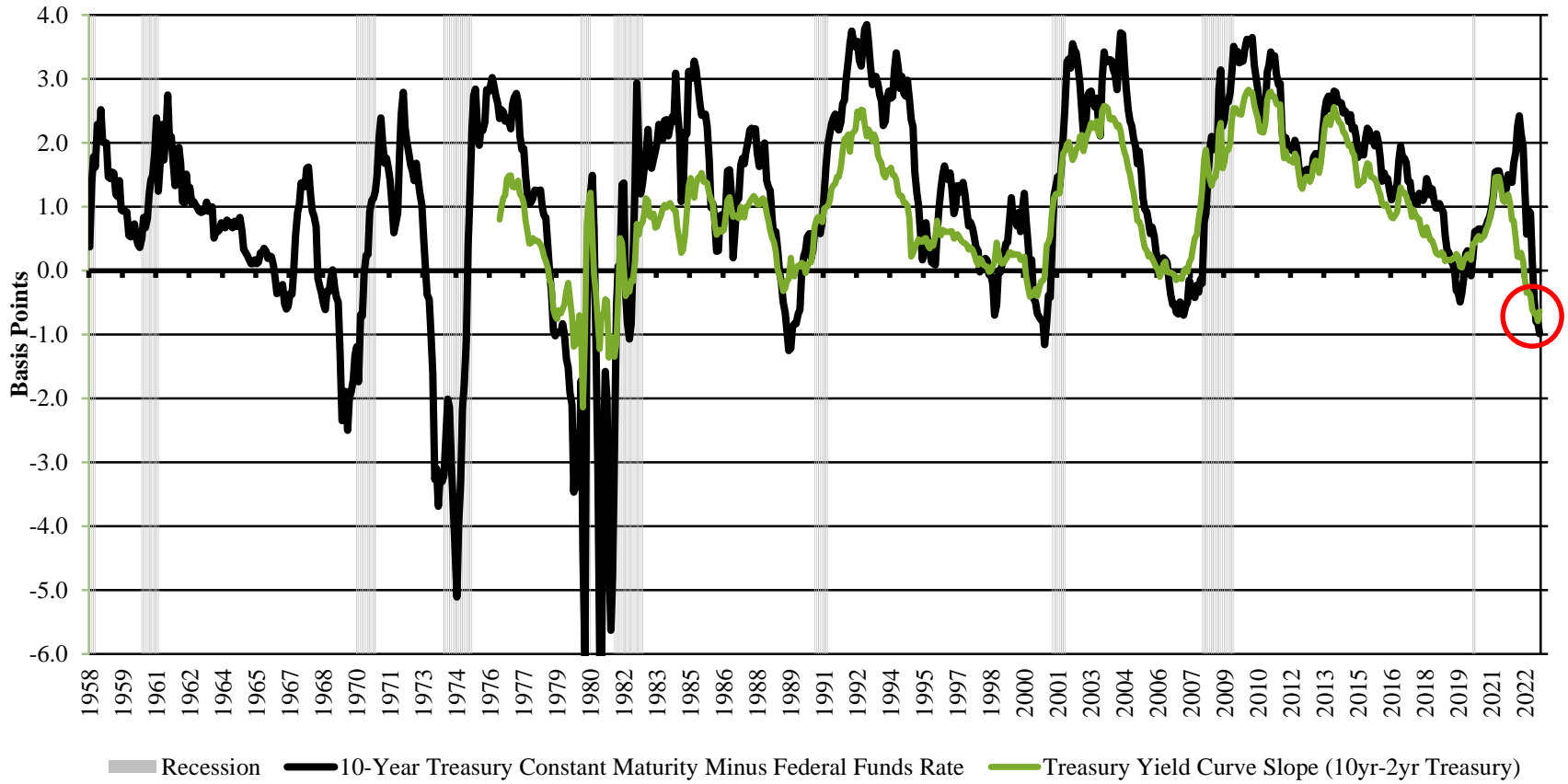


Source: U.S. Census Bureau, U.S. National Association of Realtors, J.P. Morgan Asset Management. *Inventory of new and existing single family homes for sale is seasonally adjusted by J.P. Morgan Asset Management.
 Guide to the Markets – U.S. Data are as of March 31, 2023.



Credit Markets (Yield Curve)

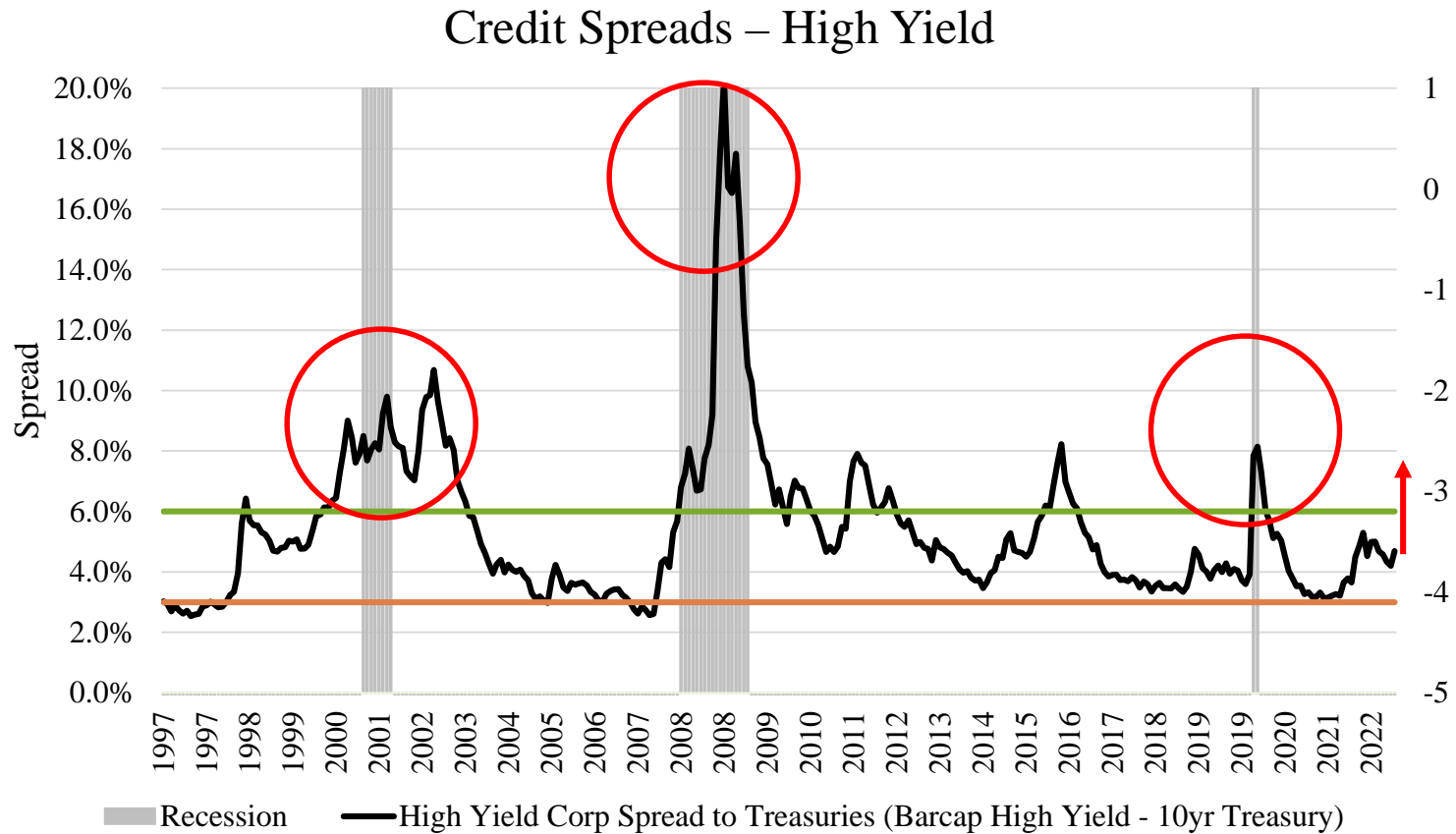
Treasury Yield Curve Spread



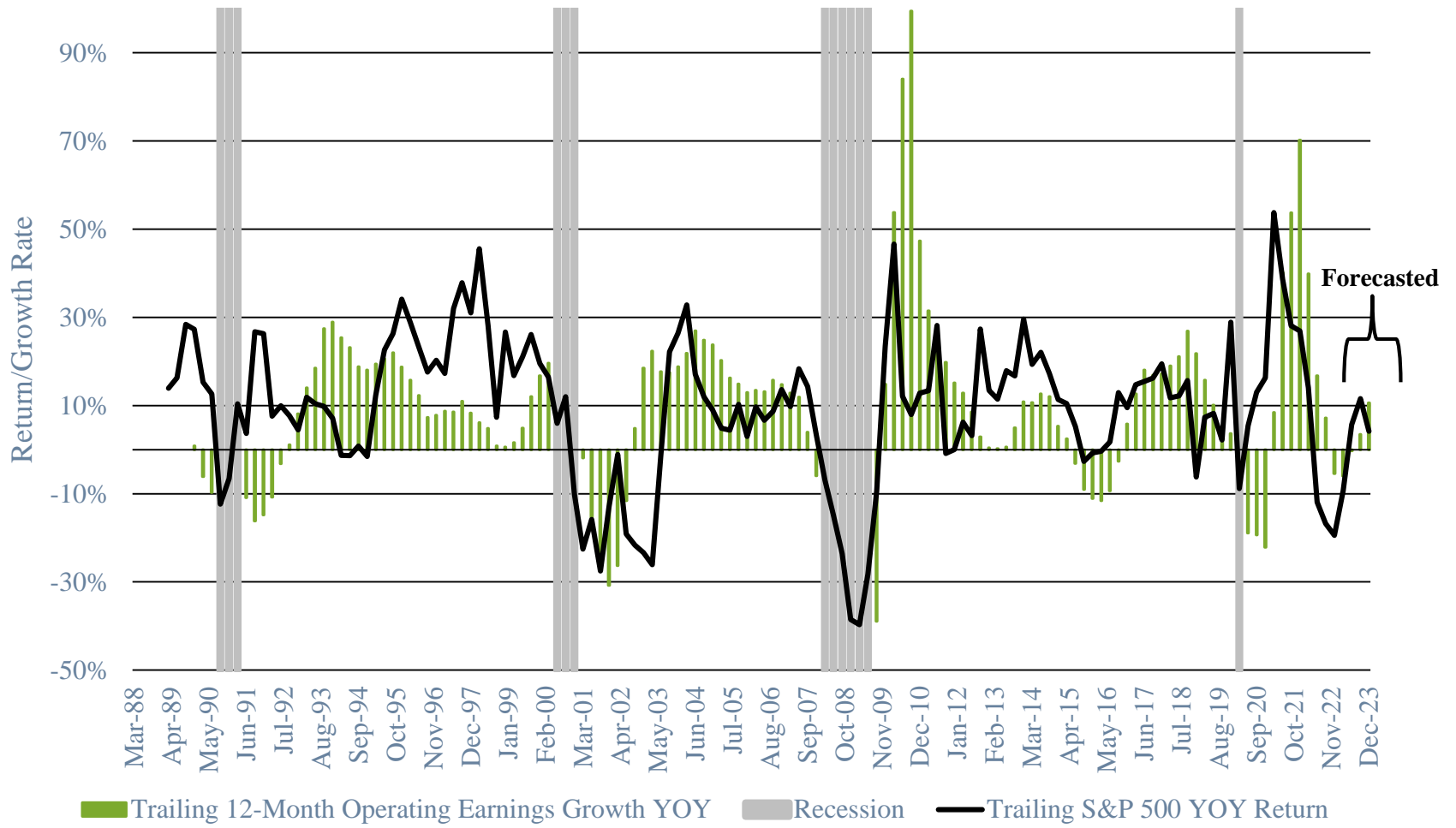
Recession 10-Year Treasury Constant Maturity Minus Federal Funds Rate Treasury Yield Curve Slope (10yr-2yr Treasury)



Credit Markets (High Yield Spread)



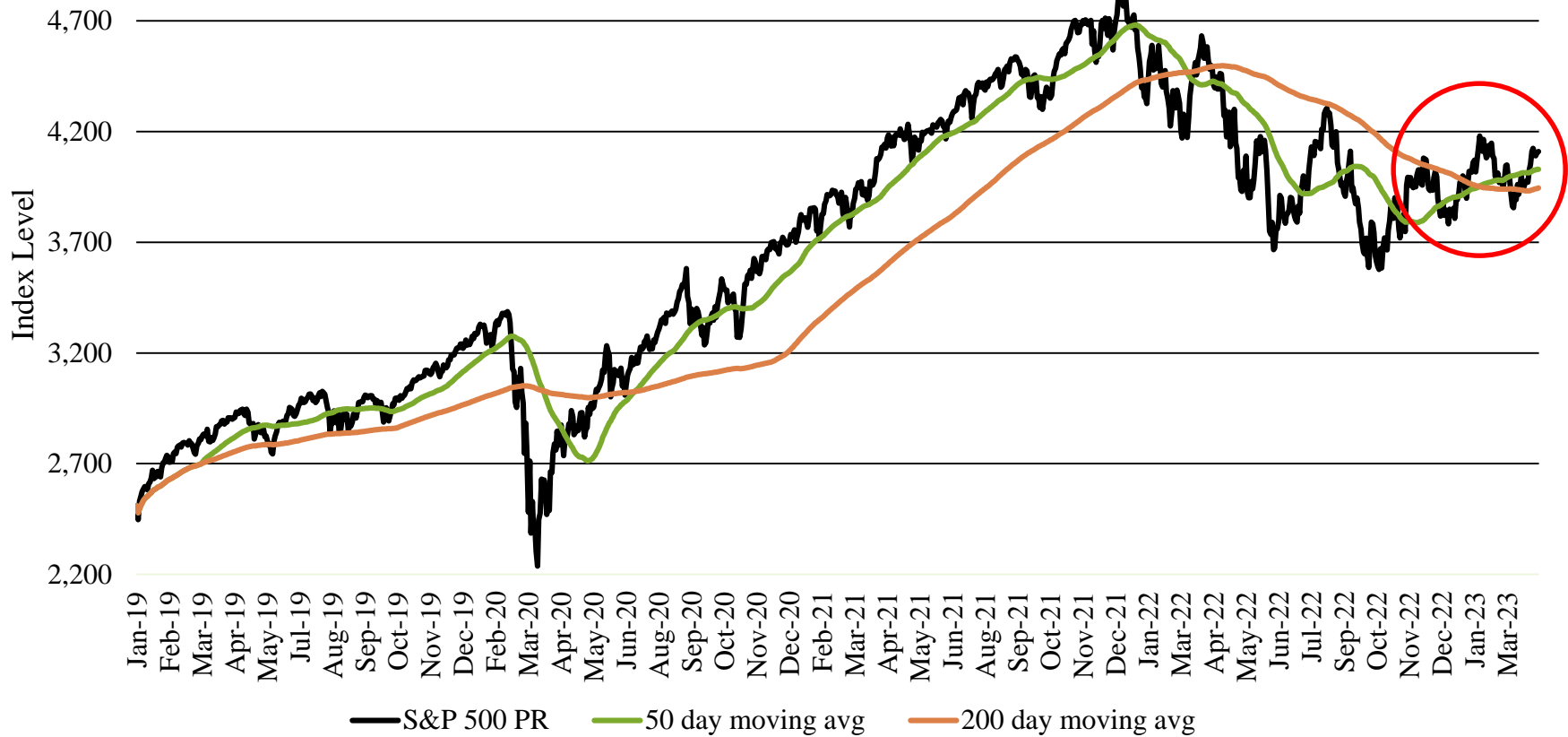
Valuations (Corporate Earnings)



Source: S&P, as of 4/6/22

Sentiment (Market Trend)

S&P 500



Source: S&P, as of 4/10/23

*Market Performance:
Broad-Based Recovery
Continues Despite Volatility*



Market Summary

■ Equity market performance

	<u>Q1 2023</u>	<u>Q1 Intra-Q Drawdown</u>	<u>Q4 '22 & Q1 '23</u>	<u>2019-2022 Total Return</u>
– US large cap				
• S&P 500	+7.5%	-7.5%	+15.6%	+64.1%
– US mid cap				
• Russell Midcap	+4.1%	-11.5%	+13.6%	+54.9%
– US small cap				
• Russell 2000	+2.7%	-13.8%	+9.1%	+37.6%
– International equities				
• MSCI ACWI ex US	+6.9%	-8.1%	+21.3%	+21.8%
– Emerging markets				
• MSCI Emerging Markets	+4.0%	-10.4%	+14.0%	+9.1%

Source: Morningstar

Market Summary

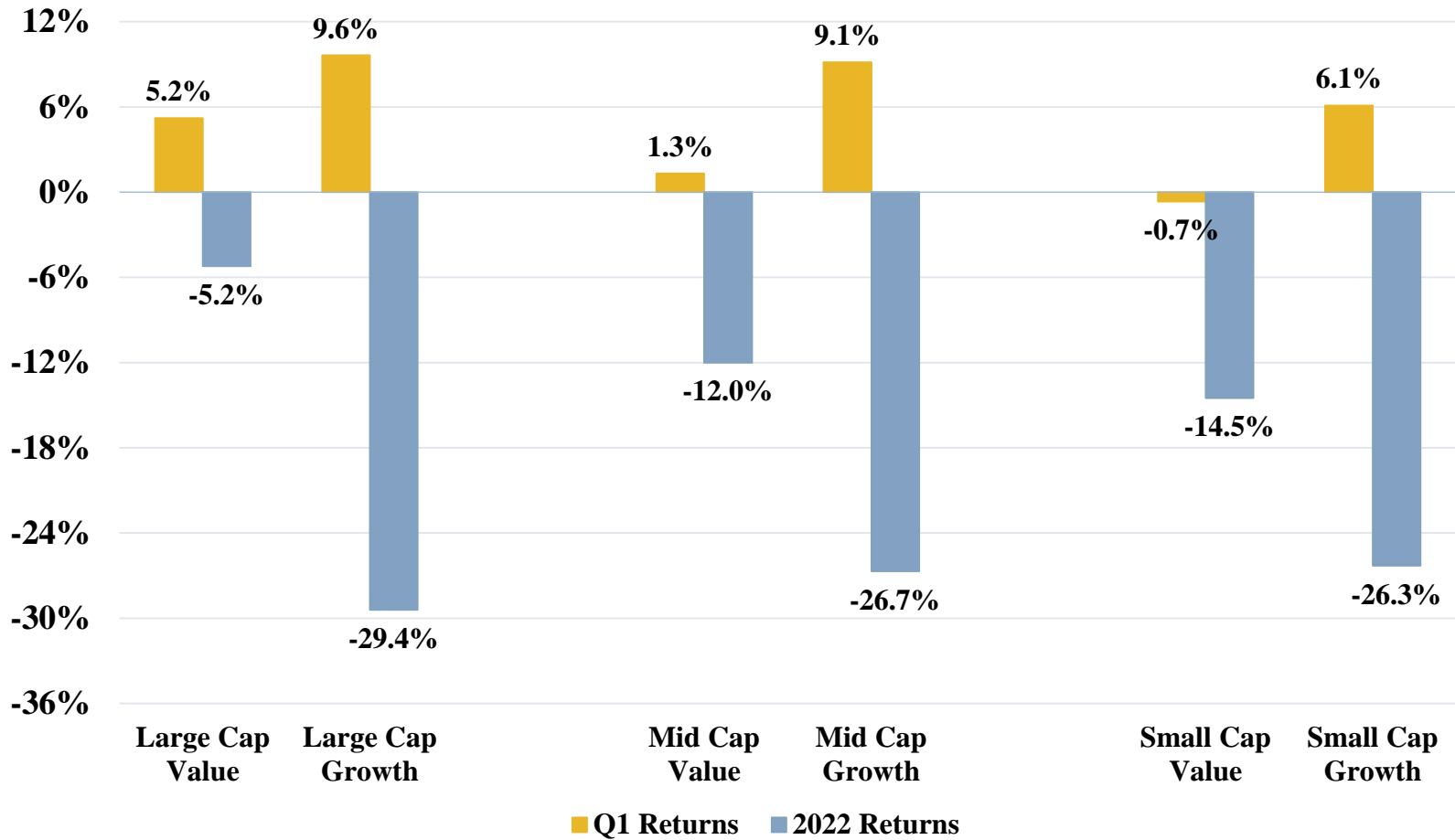
■ Bonds and other asset class performance

	<u>Q1 2023</u>	<u>Q1 Intra-Q Drawdown</u>	<u>Q4 '22 & Q1 '23</u>	<u>2019-2022 Total Return</u>
– US fixed income				
• Bloomberg U.S. Aggregate	+3.0%	-4.2%	+4.9%	+0.1%
– Global fixed income				
• Bloomberg Barclay's Global ex US	+3.1%	-6.2%	+10.1%	-12.6%
– Commodities				
• Bloomberg Commodity TR	-5.4%	-8.6%	-3.3%	+54.0%
– REITS				
• MSCI US REIT NR	+2.4%	-17.0%	+7.4%	+20.1%

Source: Morningstar



Growth Rebounds in Q1

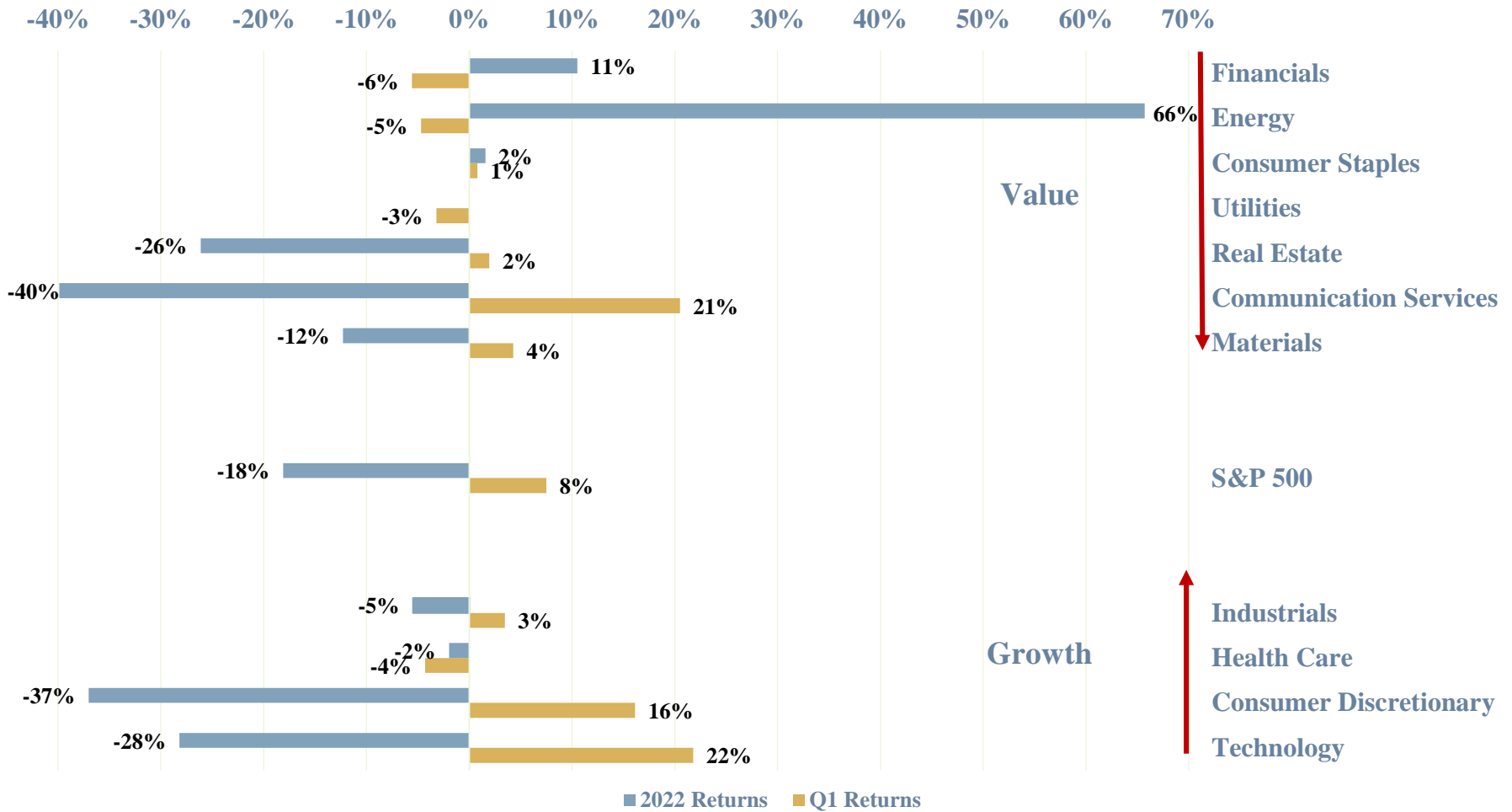


Past performance is no guarantee of future success. As of 3/31/2023

Returns in US dollars.



S&P 500 Sector Performance

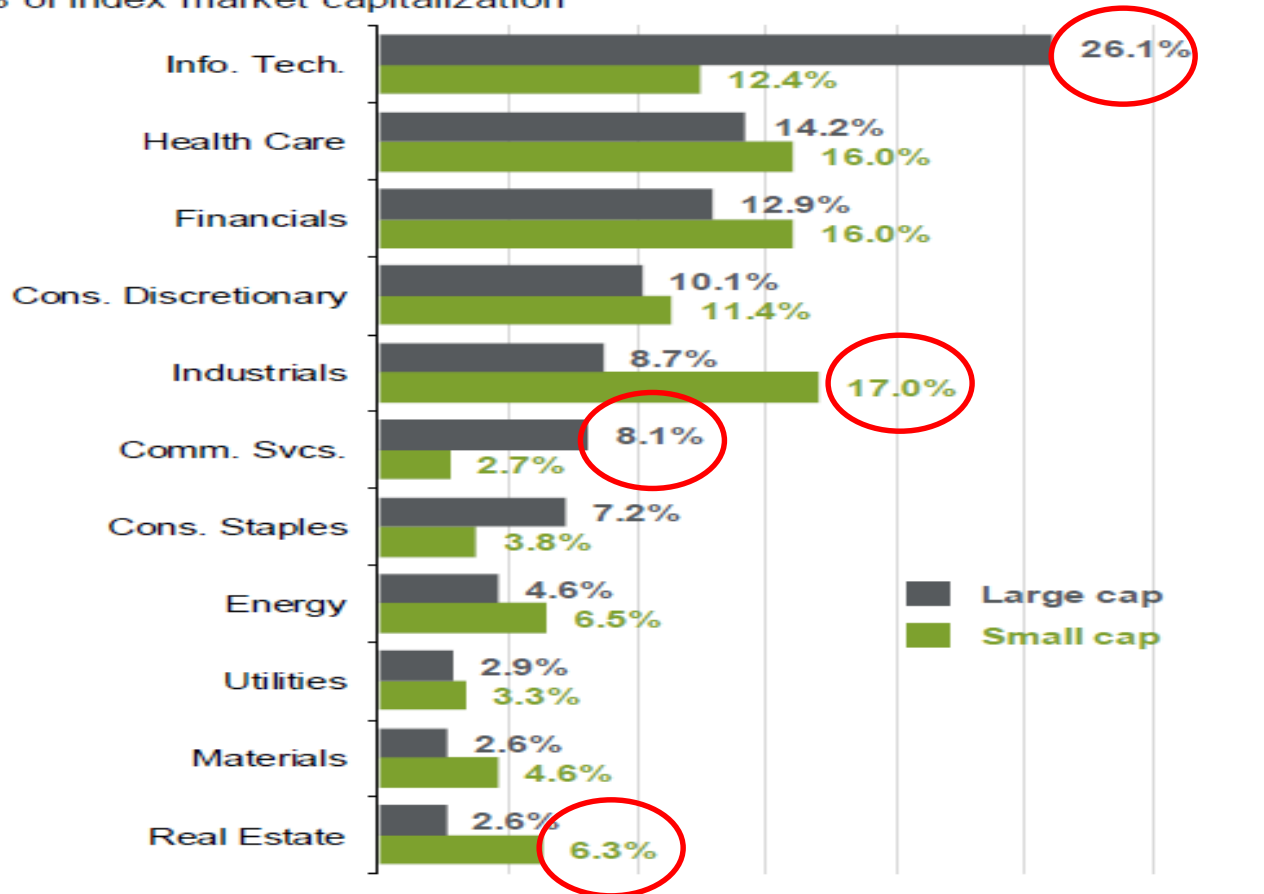


Past performance is no guarantee of future success.

Small Cap vs. Large Cap

Sector composition

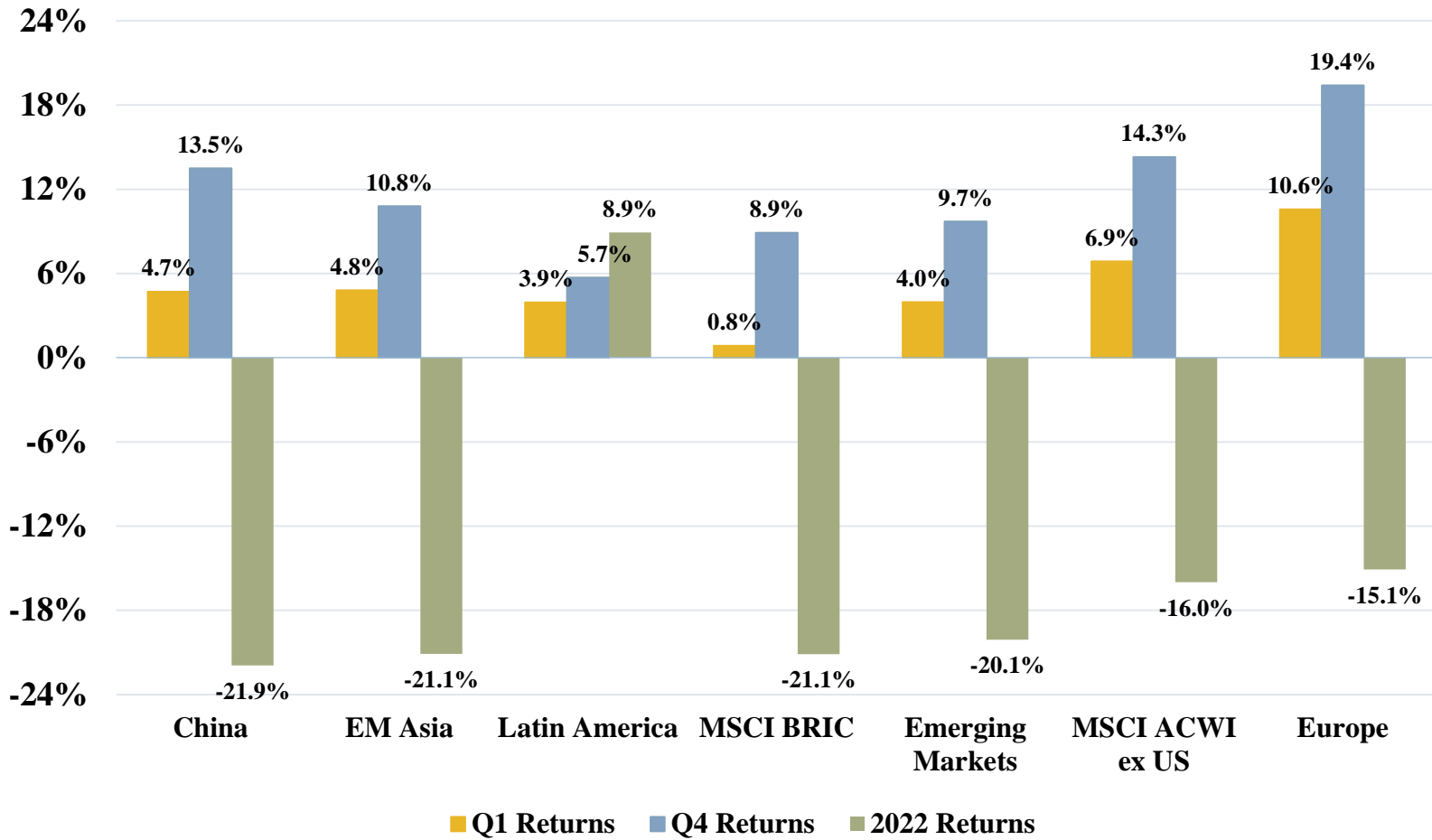
% of index market capitalization



Source: Compustat, FactSet, JP Morgan Asset Mgmt. The S&P 500 is used for large cap and the Russell 2000 is used for small cap



International Recovery Continues

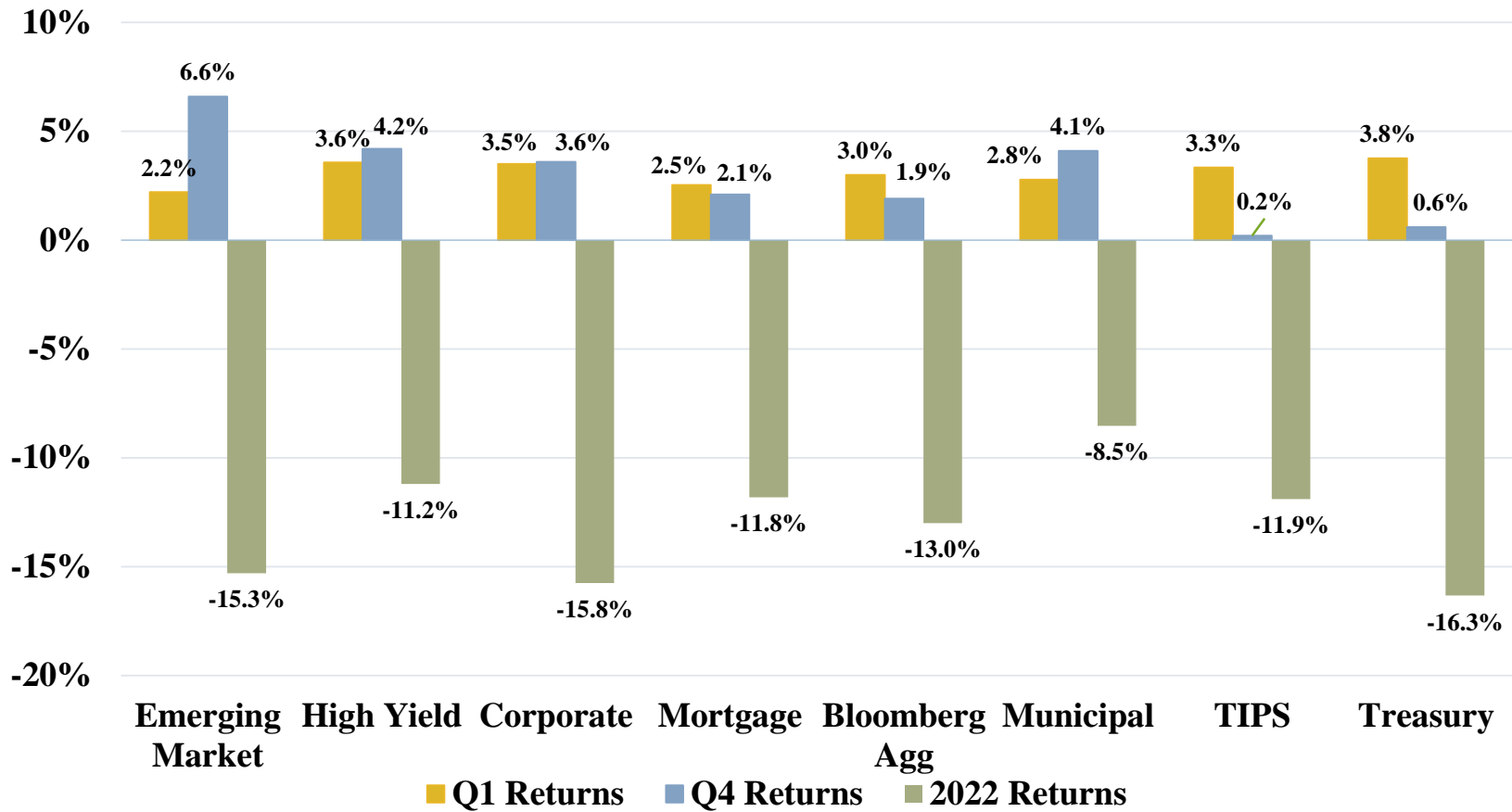


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Returns in US dollars.



Positive Fixed Income Returns in Q1



Past performance is no guarantee of future success. As of 3/31/2023.

Source: Morningstar. Returns in US dollars.

SilverOak's Outlook



SilverOak's Economic Outlook

■ U.S. Economy

- Inflation continues to moderate but will likely remain elevated during 2023 and 2024
- Fed will likely hike at least one more time in May
- Increasing probability of a mild recession
 - Consumer spending trends weakening
 - Earnings growth and job growth trends likely to weaken
 - Banking stress could lead to greater credit tightening

■ International Economy

- Further global central bank interest rate hikes to tame inflation likely to hit growth and liquidity
- Europe has been surprisingly resilient
- Magnitude and length of China's stimulus support and post-Covid reopening uncertain but likely a positive



Recession Odds Increasing

Variables used by the NBER in making recession determination*

% change month-over-month



Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, Citigroup, NBER, J.P. Morgan Asset Management. Heatmap shading reflects 10 years of data, with green and red reflecting a range of +/- 0.5 standard deviations from a baseline of 0% monthly growth. *The NBER's definition of a recession involves a significant decline in economic activity that is spread across the economy and lasts more than a few months. Specifically, they consider real personal income less transfers, nonfarm payroll employment, employment as measured by the household survey, real personal consumption expenditures, wholesale-retail sales adjusted for price changes and industrial production. There is no fixed rule about which measures contribute to the process or how they are weighted, but the committee notes that "in recent decades, the two measures we have put the most weight on are real personal income less transfers and nonfarm payroll employment." The Citi Economic Surprise Index is a 90-day weighted moving average of surprises in economic indicators relative to consensus. A positive reading means that the data releases have been stronger than expected and a negative reading means that the data releases have been worse than expected.

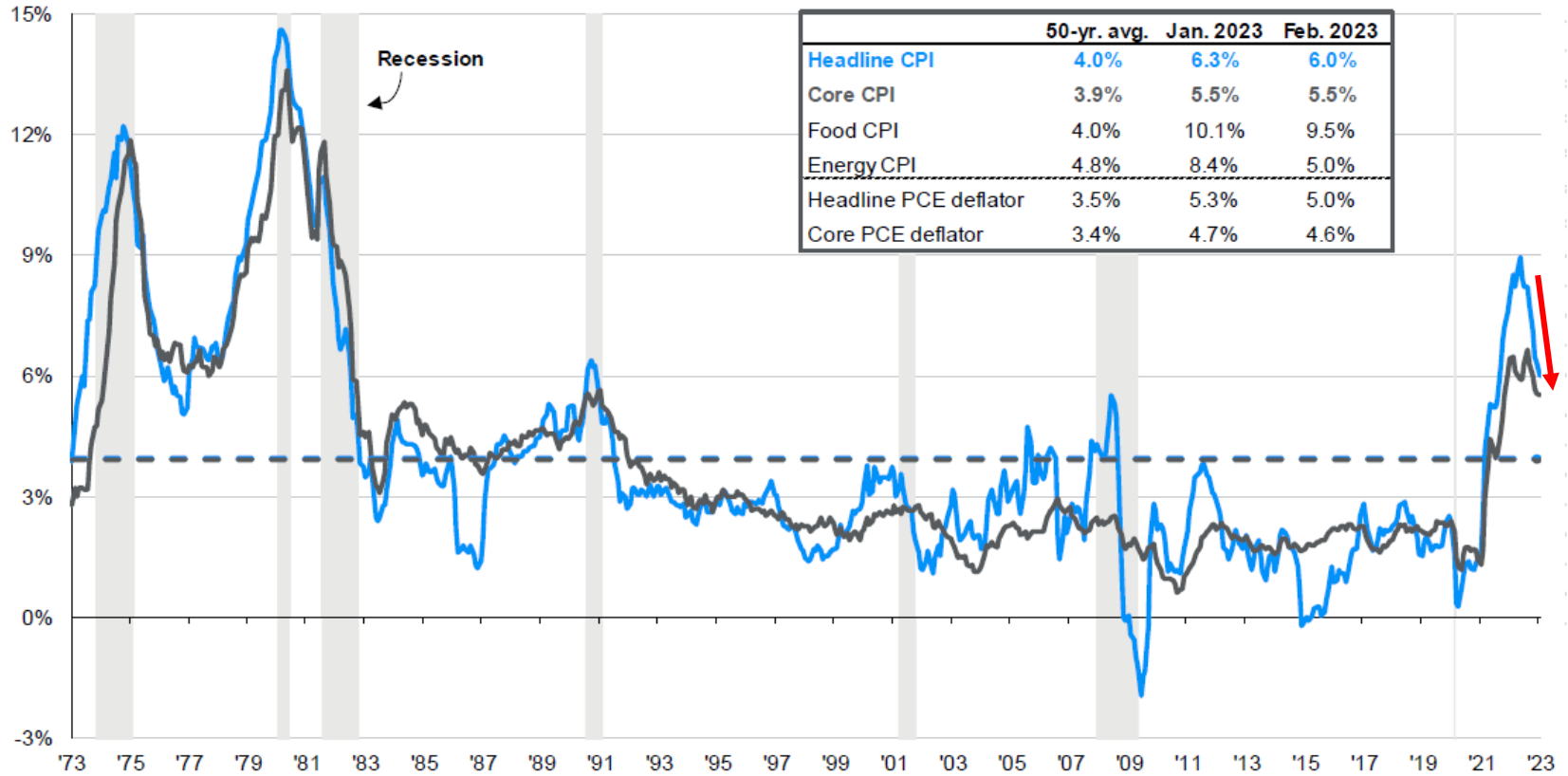
Guide to the Markets – U.S. Data are as of March 31, 2023.



Inflation Update

CPI and core CPI

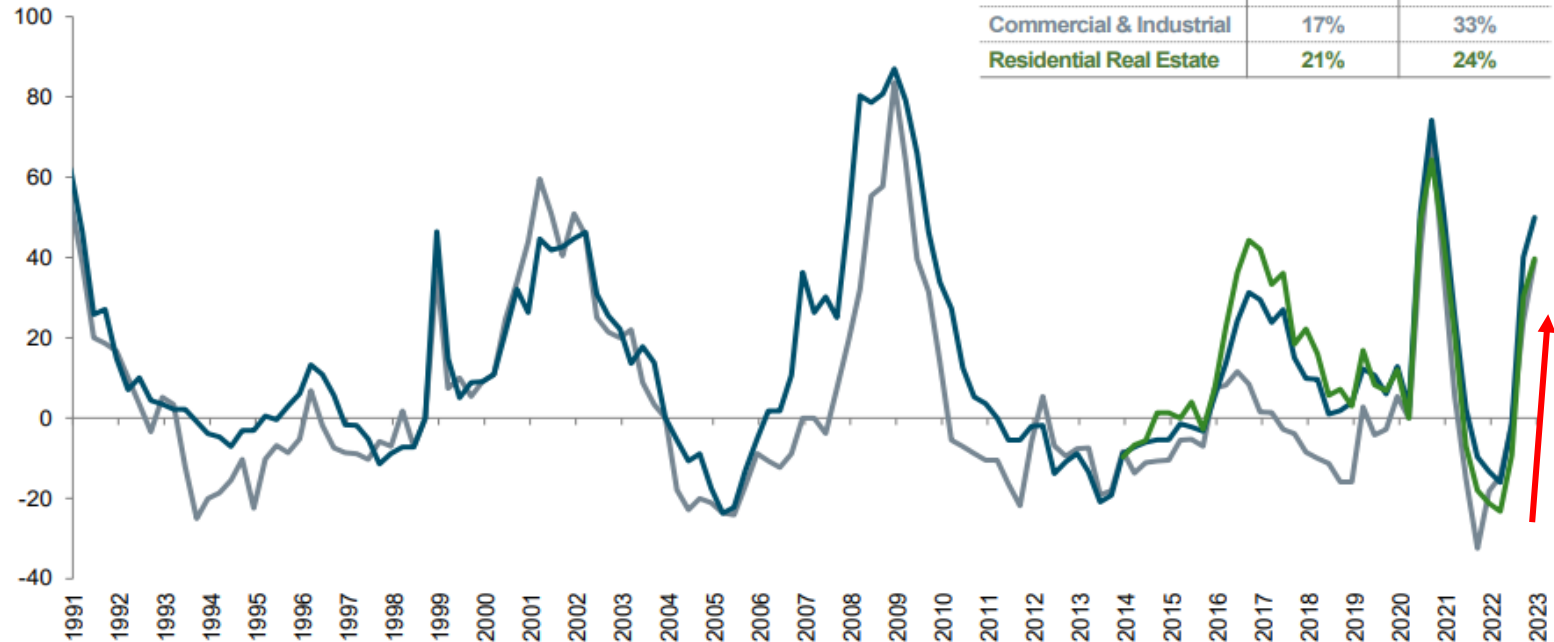
% change vs. prior year, seasonally adjusted



Bank Lending Is Tightening

U.S. Banks Lending Standards by Loan Type

— Commercial & Industrial — Commercial Real Estate — Multi-Family Residential
Share of Banks Tightening



Source: Federal Reserve Board, Haver Analytics, Fidelity. Data as of 3/31/23



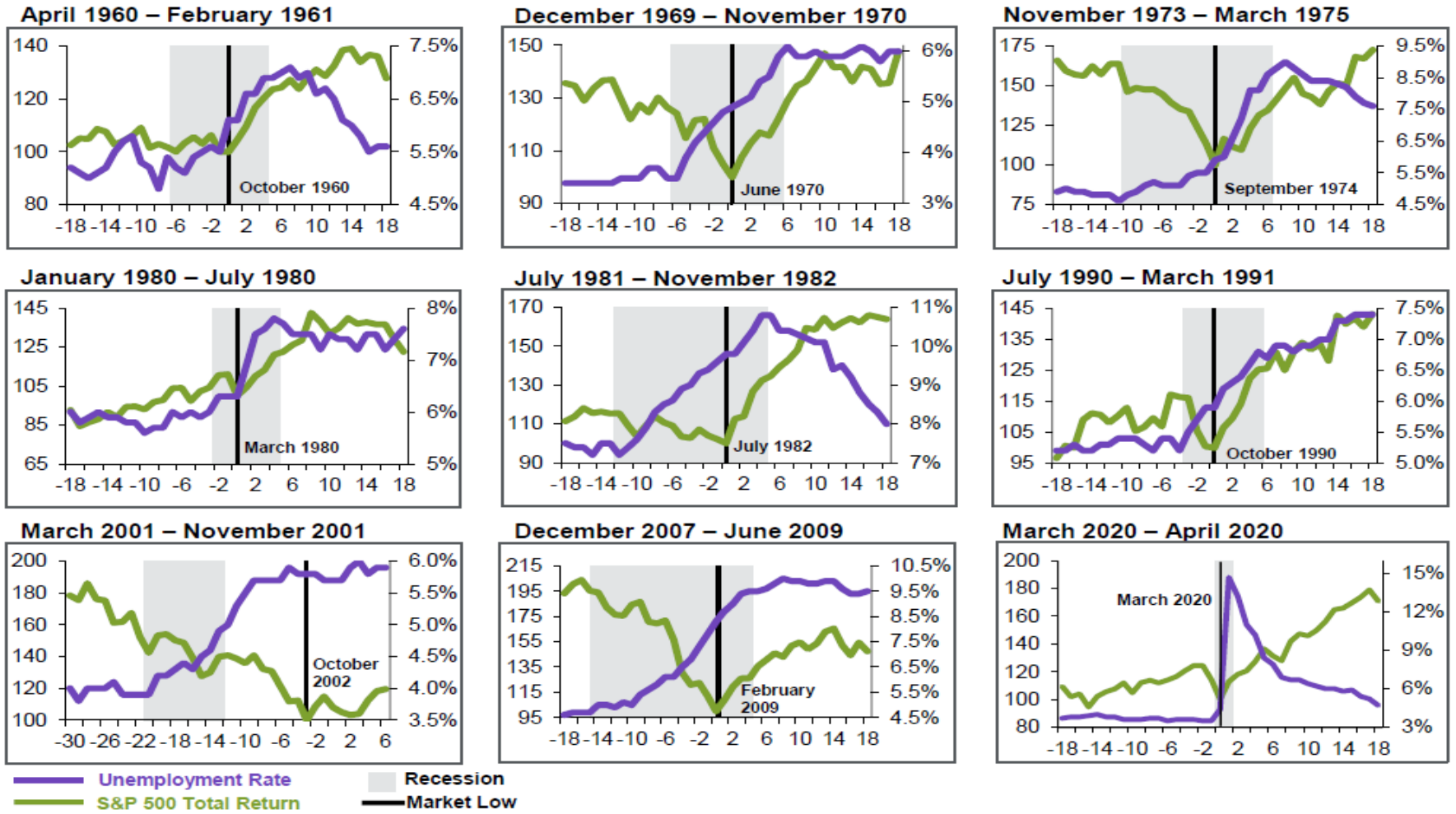
SilverOak's Market Outlook

■ Equities

- Contracting liquidity, persistent inflation risk, slowing growth and monetary policy uncertainty raises the odds that market volatility will remain elevated
- US markets seem to be pricing in a faster Fed pivot to easing rates later in the second half
- Earnings growth will likely continue to moderate over the next two quarters
- Valuations more reasonable
- Opportunities likely more widespread
 - International equities
- Markets are forward looking and may have priced in many of these challenges



Recessions & Market Inflection Points

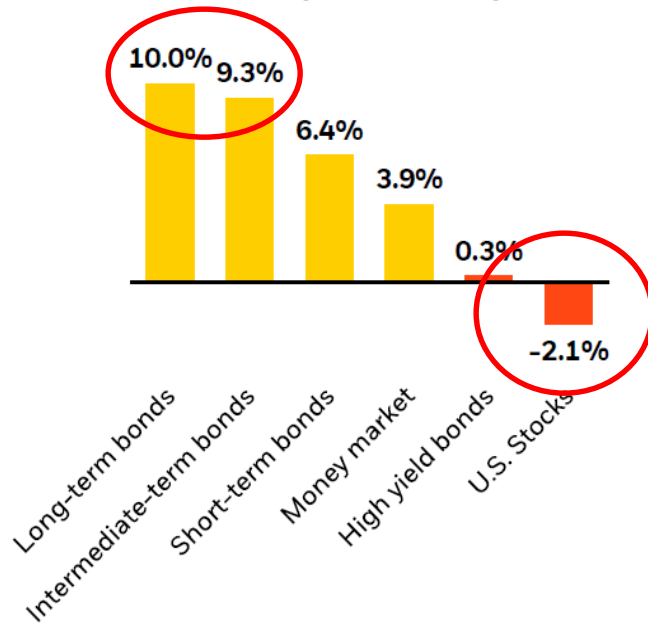


Source: BLS, Ibbotson, JP Morgan Asset Management. Past Performance does not guarantee future results

Performance During Recessions

Average recession performance since 1972

Cumulative average return percentage



Performance during recessions since 1972

	Dec '73 to Mar '75	Feb '80 to July '80	Aug '81 to Aug '82	Jul '90 to Mar '91	Mar '01 to Nov '01	Jan '08 to Jun '09	Mar '20 to Apr '20	Average
Long-term bonds	3.3	9.4	34.2	6.3	4.4	5.7	7.1	10.0
Intermediate-term bonds	5.7	9.5	29.2	6.5	5.5	5.4	3.1	9.3
Short-term bonds	3.6	8.8	26.0	3.5	4.6	-0.4	-1.6	6.4
Money market funds	3.7	5.1	11.0	3.7	2.2	1.4	0.1	3.9
High yield bond	-3.3	7.9	25.6	-10.7	-1.4	-7.5	-8.3	0.3
U.S. stocks	-5.9	9.6	10.5	-1.6	-0.9	-25.0	-1.1	-2.1

Source: Morningstar and BlackRock as of 3/31/23. U.S. stocks represented by the Ibbotson SBBBI U.S. Large Cap TR Index and the S&P 500 Index, U.S. intermediate term bonds by the IA SBBBI U.S. IT Bond Index, Long term bonds by the the IA SBBBI U.S. LT Bond Index, High yield by the Morningstar high yield category, short-term bonds by the Morningstar short-term bond category, and money markets represented by the Morningstar money market category. Index performance is for illustrative purposes only. Past performance does not guarantee or indicate future results. It is not possible to invest in an index.



Don't Get Too Bearish in Your Market Outlook

S&P 500: Down Prior Year, Up in Q1

Year	Prior Calendar		April %	Q2 %	Rest of Year
	Year % Chg	Q1 % Chg	Chg	Chg	% Chg
Apr-54	-6.62	8.59	4.90	8.43	33.56
Apr-58	-14.31	5.28	3.18	7.46	31.14
Apr-61	-2.97	11.96	0.38	-0.65	9.98
Apr-63	-11.81	5.50	4.85	4.21	12.69
Apr-67	-13.09	12.29	4.22	0.49	6.95
Apr-75	-29.72	21.59	4.73	14.19	8.19
Apr-91	-6.56	13.63	0.03	-1.08	11.16
Apr-95	-1.54	9.02	2.80	8.80	23.01
Apr-16	-0.73	0.77	0.27	1.90	8.69
Apr-19	-6.24	13.07	3.93	3.79	13.98
Apr-23	-19.44	3.43	?	?	?

Past performance is no guarantee of future results.



The US Dollar and Int'l Equity Relationship

U.S. dollar and relative international equity returns

Real broad effective exchange rate, MSCI World ex-U.S. vs. S&P 500*



Source: J.P. Morgan Asset Management; (Left) J.P. Morgan Global Economic Research, MSC; (Right) MSCI

*U.S. dollar is the J.P. Morgan Global Economic Research real broad effective exchange rate (CPI) indexed to 100 in 1974. Relative international equity returns are cumulative, total returns in U.S. dollars and are calculated as MSCI World ex-U.S. minus S&P 500 for each period of U.S. dollar peak/trough. **Data since Oct. 2022 represents the relative outperformance to the latest month end. Past performance is not a reliable indicator of current and future results.

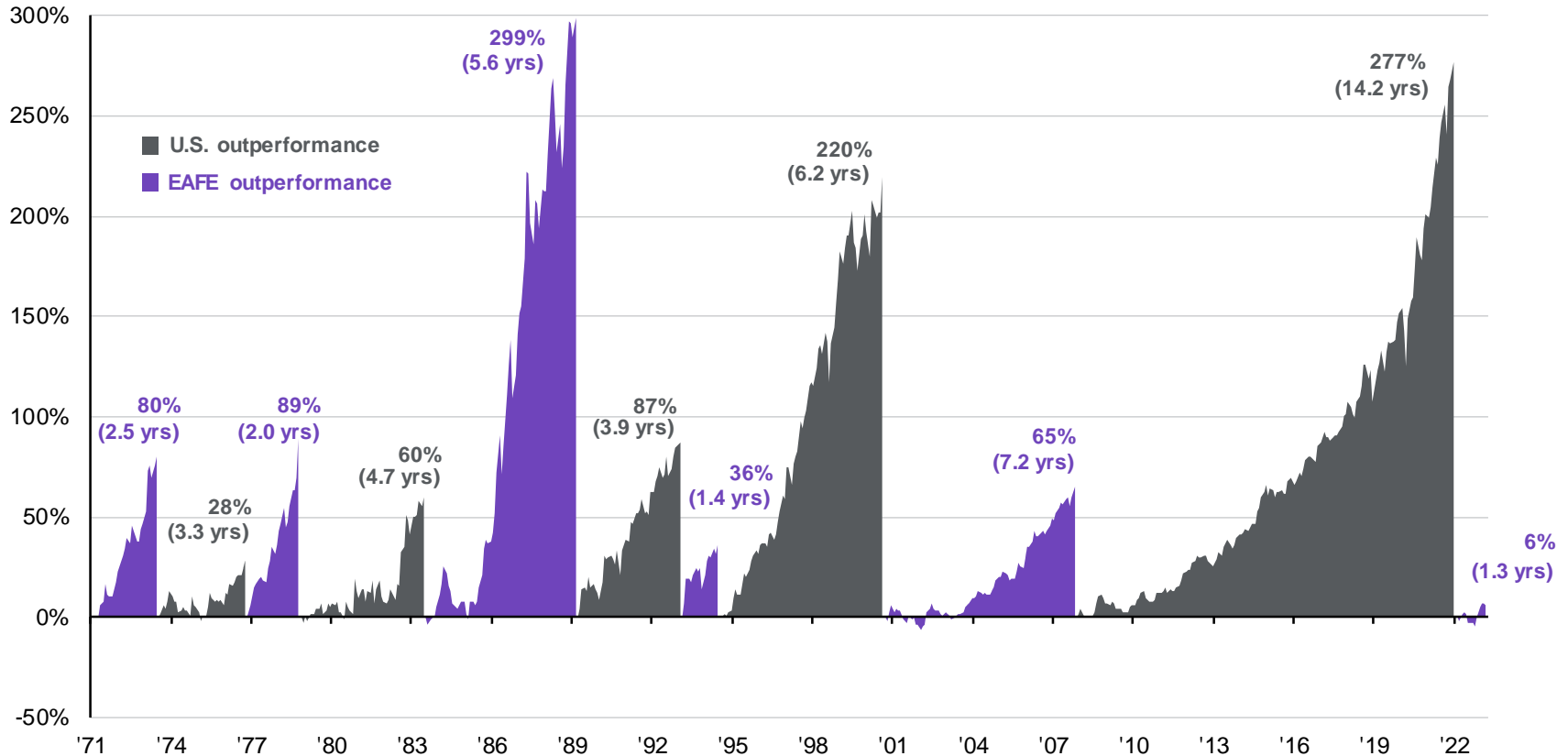
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International Cycles

MSCI EAFE and MSCI USA relative performance

U.S. dollar, total return, cumulative outperformance



Source: FactSet, MSCI, J.P. Morgan Asset Management.

Regime change determined when cumulative outperformance peaks and is not reached again in the subsequent 12-month period.

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SilverOak's Market Outlook

■ Bonds

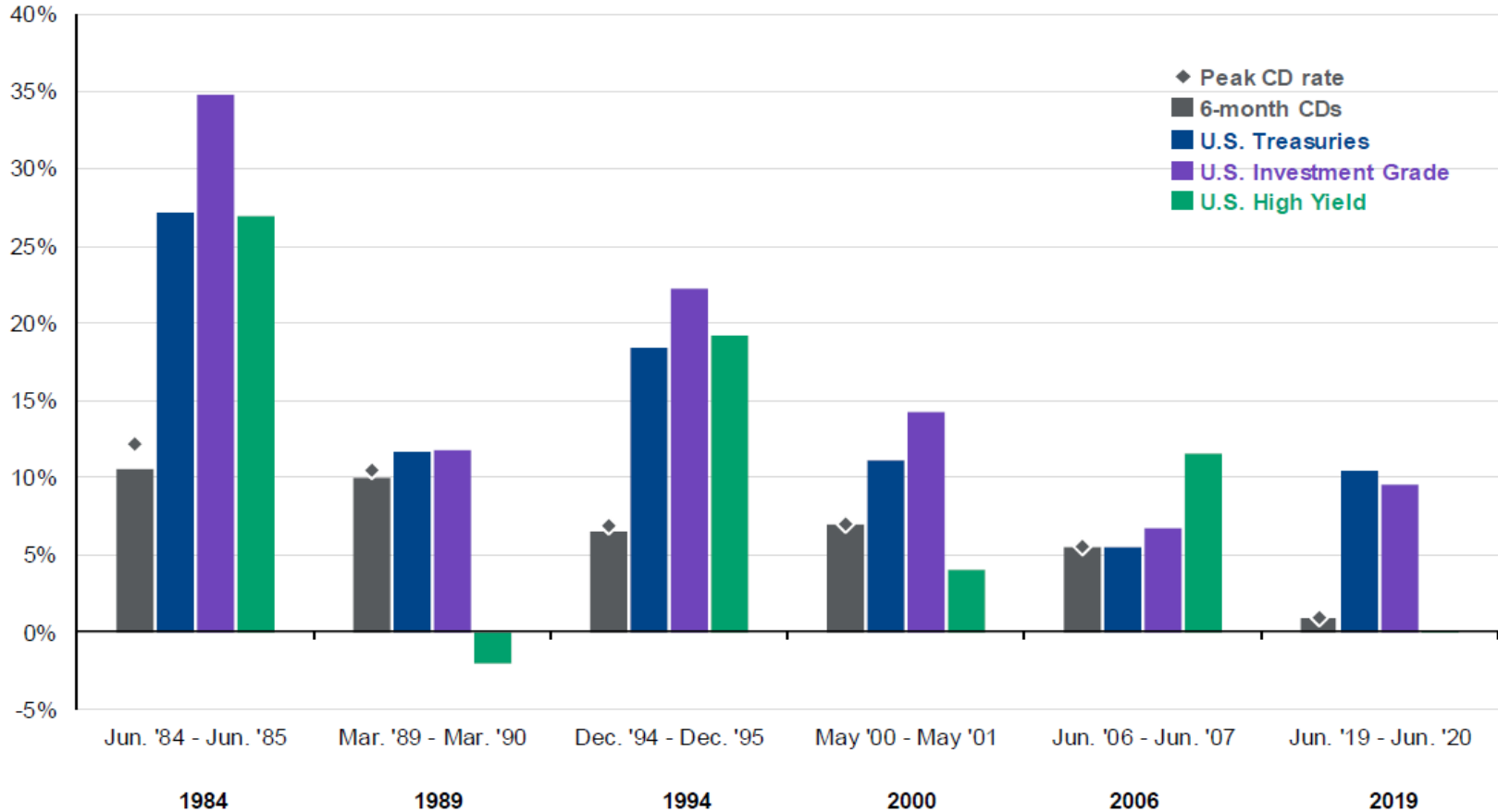
- Yields have become much more attractive
- Bond valuations provide favorable risk-reward and future returns are expected to improve once yields begin to fall
- Don't be too short in duration
- Biggest risk is that the Fed may not ease policy as quickly as reflected in the fixed-income markets
- With growth slowing, stick with high quality bonds
 - Spreads likely to widen in high yield, private credit and bank loans
 - High quality municipal bonds provide favorable tax-equivalent yields



Fixed Income Opportunities

Fixed income opportunities outside of CDs

Peak 6-month certificate of deposit (CD) rate during previous rate hiking cycles and subsequent 12-month total returns

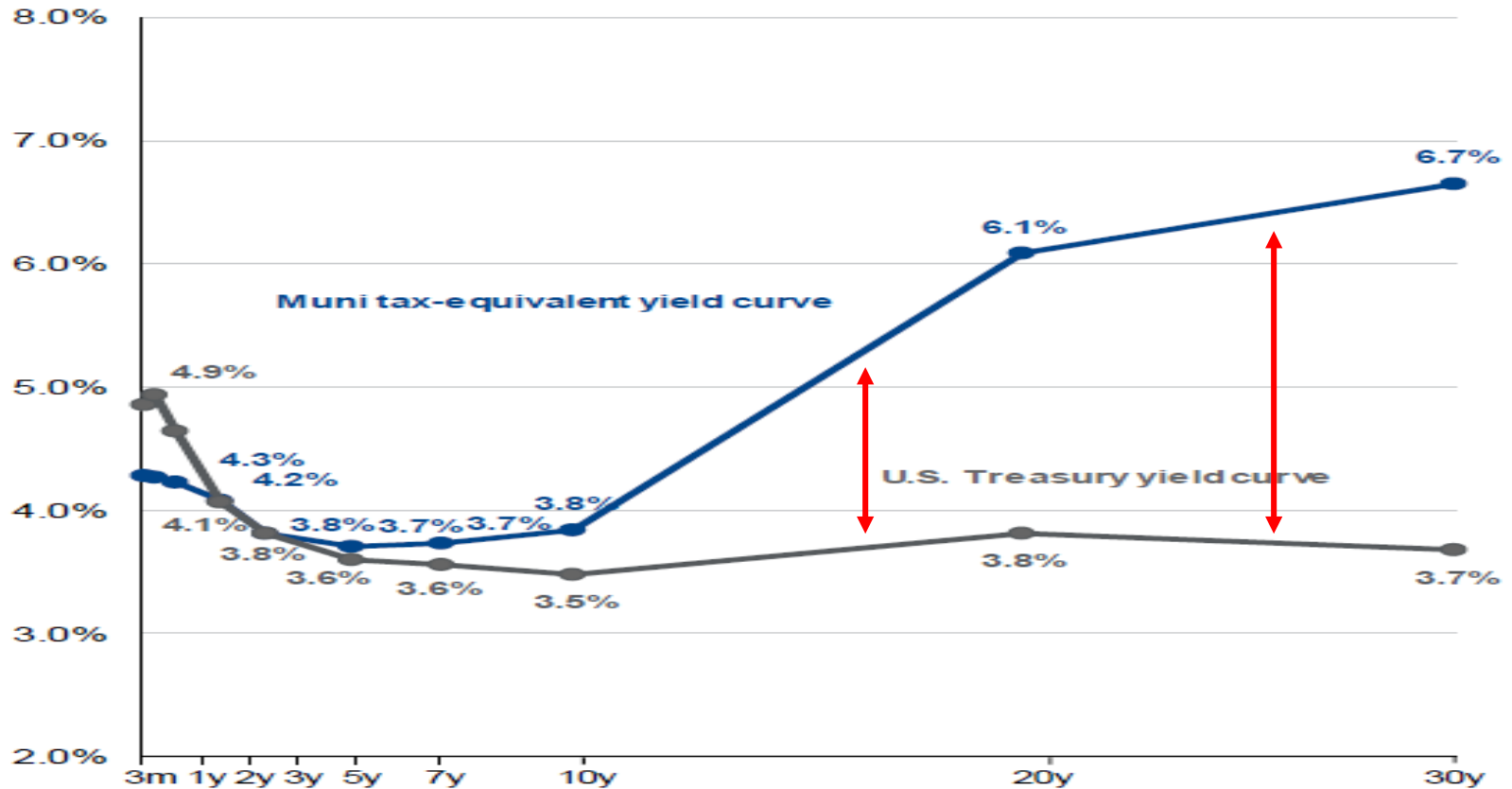


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Source: Bankrate, Bloomberg, Factset, Federal Reserve, JP Morgan Asset Mgmt.



Municipal Bond Opportunity



Source: J.P. Morgan Asset Management; (Left) Bloomberg, FactSet, Federal Reserve; (Top right) Census Bureau, Congressional Budget Office (CBO); (Bottom right) Moody's U.S. Public Finance: U.S. municipal bond defaults and recoveries, 1970 to 2021. State and local debt are based on the Census Bureau's Annual Survey of State and Local Government Finances. Municipal tax-equivalent yield assumes a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8% for a total tax rate of 40.8%. Municipal and corporate default rates are the average cumulative default rate over a 10-year horizon as calculated by Moody's.

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SilverOak's Market Outlook

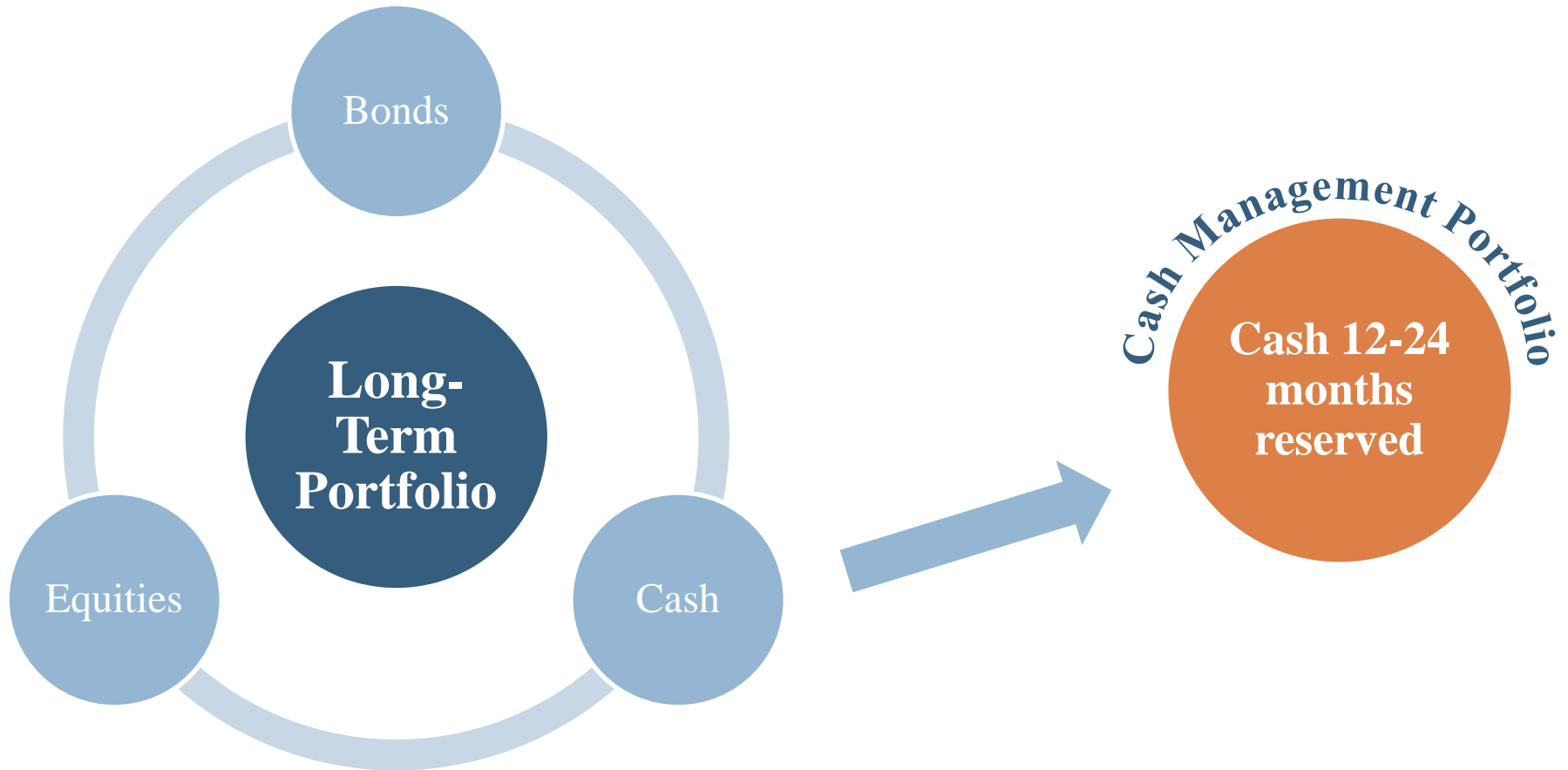
■ 60/40 Portfolios

- Return in 2022 was the third worst year since 1952
- Diversification continues to be important
- Nice rebound in Q1 with positive returns in both equity and fixed income

Cash is not a long-term solution for continued volatility!



Cash Flow Management



SilverOak Updates



SilverOak Updates

- 2022 tax season is over for most people!
- IQSStm (Investment Quality Scoring Systemtm)
 - Performance update
- SilverOak personnel update
 - Looking to fill an executive assistant and administrative assistant role
- Technology enhancements
 - CRM software
 - Trading software



Deposit Protection



FDIC Deposit Insurance

- **What it covers:**
 - Checking and savings accounts
 - Money Market Deposit accounts
 - CDs
 - Cashier's checks and money orders
- **What it doesn't cover:**
 - Stocks, bonds, mutual funds and ETF investments
 - Life insurance policies
 - Annuities
 - Municipal bond securities
 - Treasury bills, bonds and notes
 - Safe deposit boxes and their contents



FDIC - Coverage Limits

Type of Account

Coverage Limit

Single Account

\$250,000 per owner

Joint Account

\$250,000 per owner

Retirement Account

\$250,000 per owner

Employee Benefit Plan Account

\$250,000 per participant

Revocable Trust Account

\$250,000 per owner and unique beneficiary

Irrevocable Trust Account

\$250,000 per owner and unique beneficiary

Corporate/Partnership Account

\$250,000 per company/partnership

FDIC Coverage Calculator: <https://edie.fdic.gov/calculator.html>



FDIC - Individual Account Example

Account Title	Deposit Type	Account Balance
Marci Jones	MMDA	\$15,000
Marci Jones	Savings	\$20,000
Marci Jones	CD	\$200,000
Marci's Memories (A Sole Proprietorship)	Checking	\$25,000
Total		\$260,000
Amount Insured		\$250,000
Amount Uninsured		\$10,000

Source: FDIC



FDIC - Trust Example

Account Title	Owner	Beneficiaries	Deposit Type	Account Balance
John Jones POD	John	Jack, Janet	MMDA	\$10,000
John Jones POD	John	Jack, Janet	Savings	\$20,000
John Jones POD	John	Jack, Janet	CD	\$470,000
Total				\$500,000
Amount Insured				\$500,000
Amount Uninsured				\$0

Source: FDIC



Brokerage Account Protections

- **Client assets are segregated from the assets of brokerage firm**
 - Required under the SEC's Customer Protection Rule
- **SIPC (Securities Investor Protection Corporation)**
 - What it protects:
 - The loss of cash and securities held by a customer at a financially trouble SIPC member brokerage firm
 - Protects the custody function of the broker dealer
 - What are the limits
 - \$500,000, including \$250,000 for cash
- **What it doesn't protect:**
 - The decline in value of your securities
 - Bad investment decisions
 - Commodity and currency investments



*Additional
Questions
and/or Topics?*



End of Quarterly Webinar

Please contact your SilverOak Advisor
to discuss any questions and/or concerns.

If you are not currently working with SilverOak, feel free
to contact us at 952-896-5701 to learn more about our services.

www.silveroakwealth.com

