



SilverOak

WEALTH MANAGEMENT LLC

Quarterly Webinar
July 21, 2023



SilverOak
WEALTH MANAGEMENT LLC

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 Identity Theft Best Practices
- Questions





Economy and SilverOak Dashboard

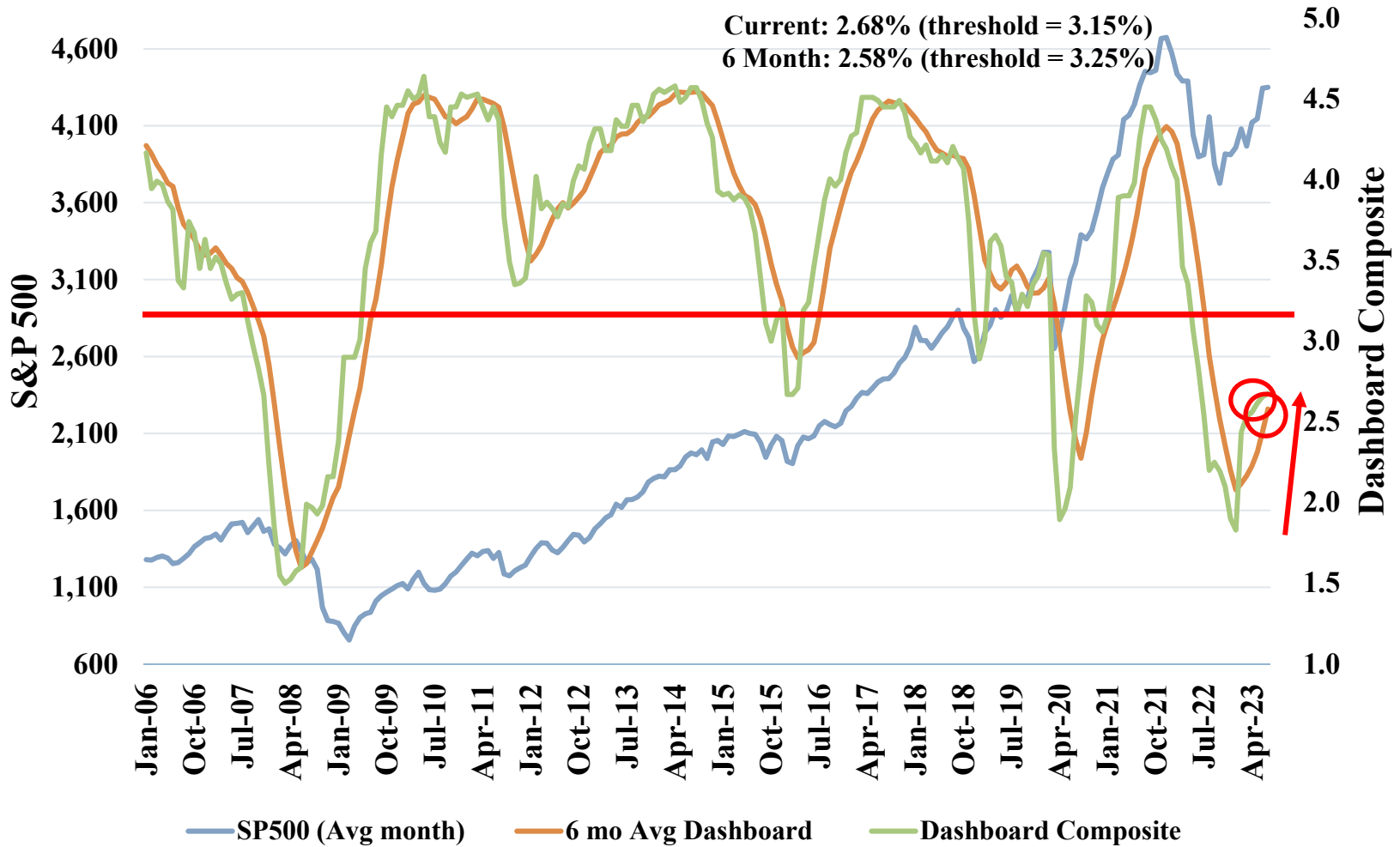
Market Dashboard

Projected

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

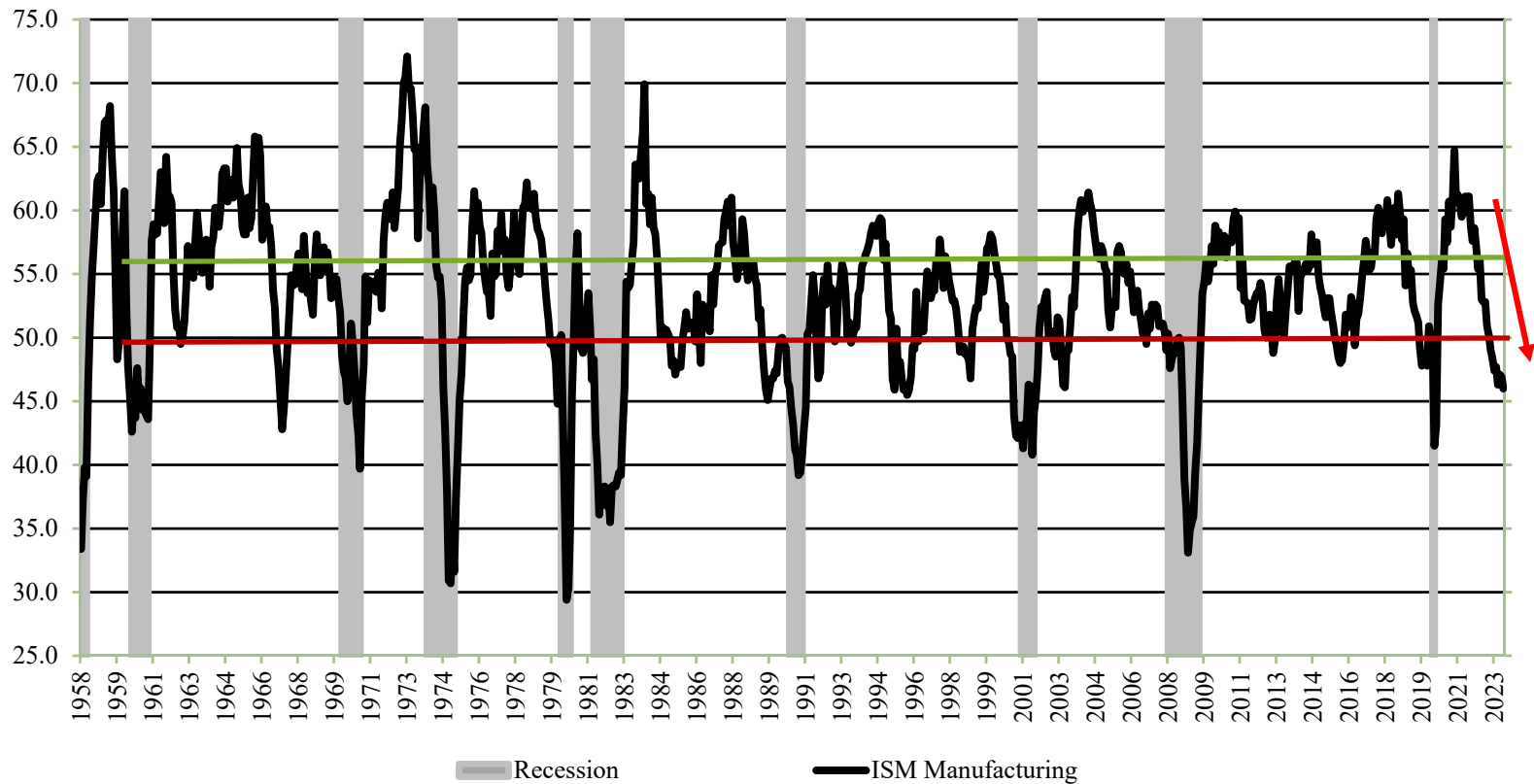


SilverOak Dashboard



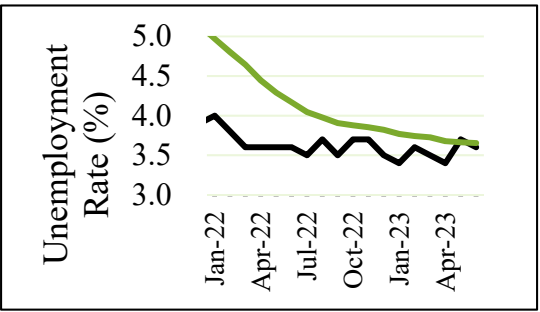
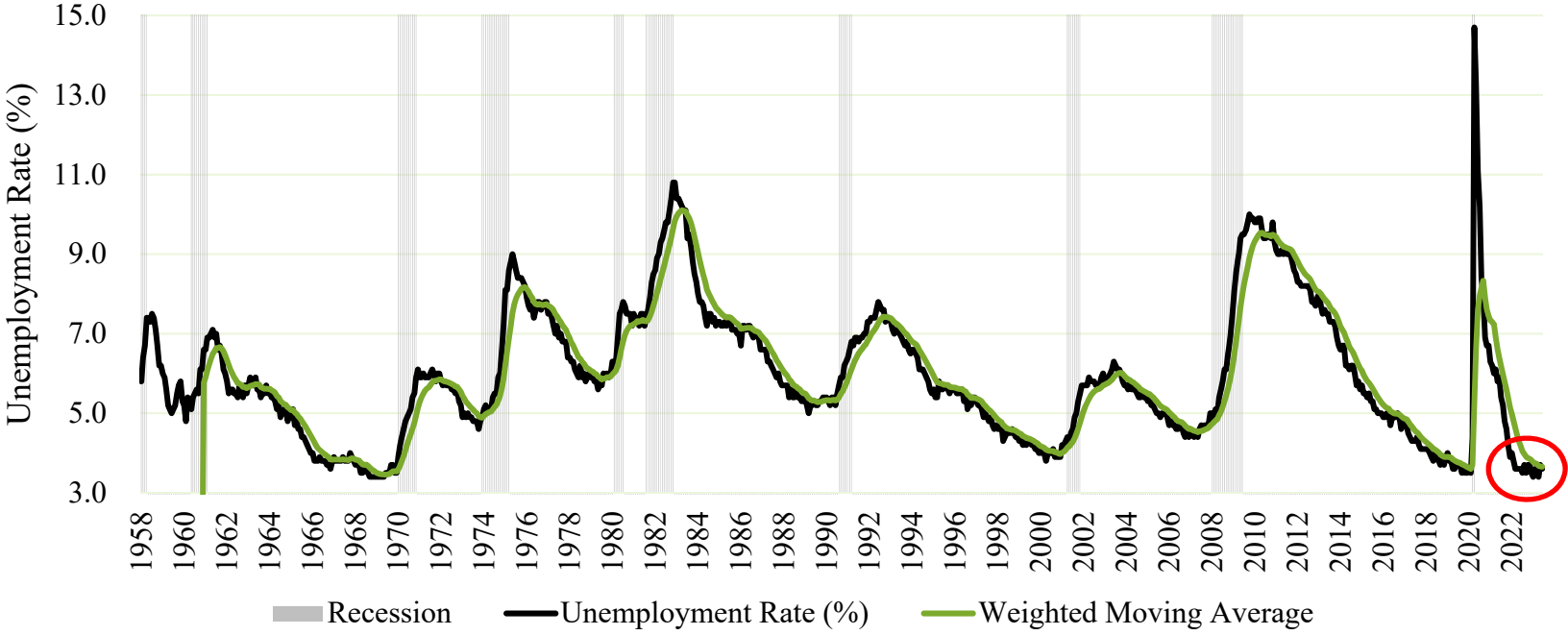
Economy (ISM Manufacturing Index)

ISM Manufacturing Index

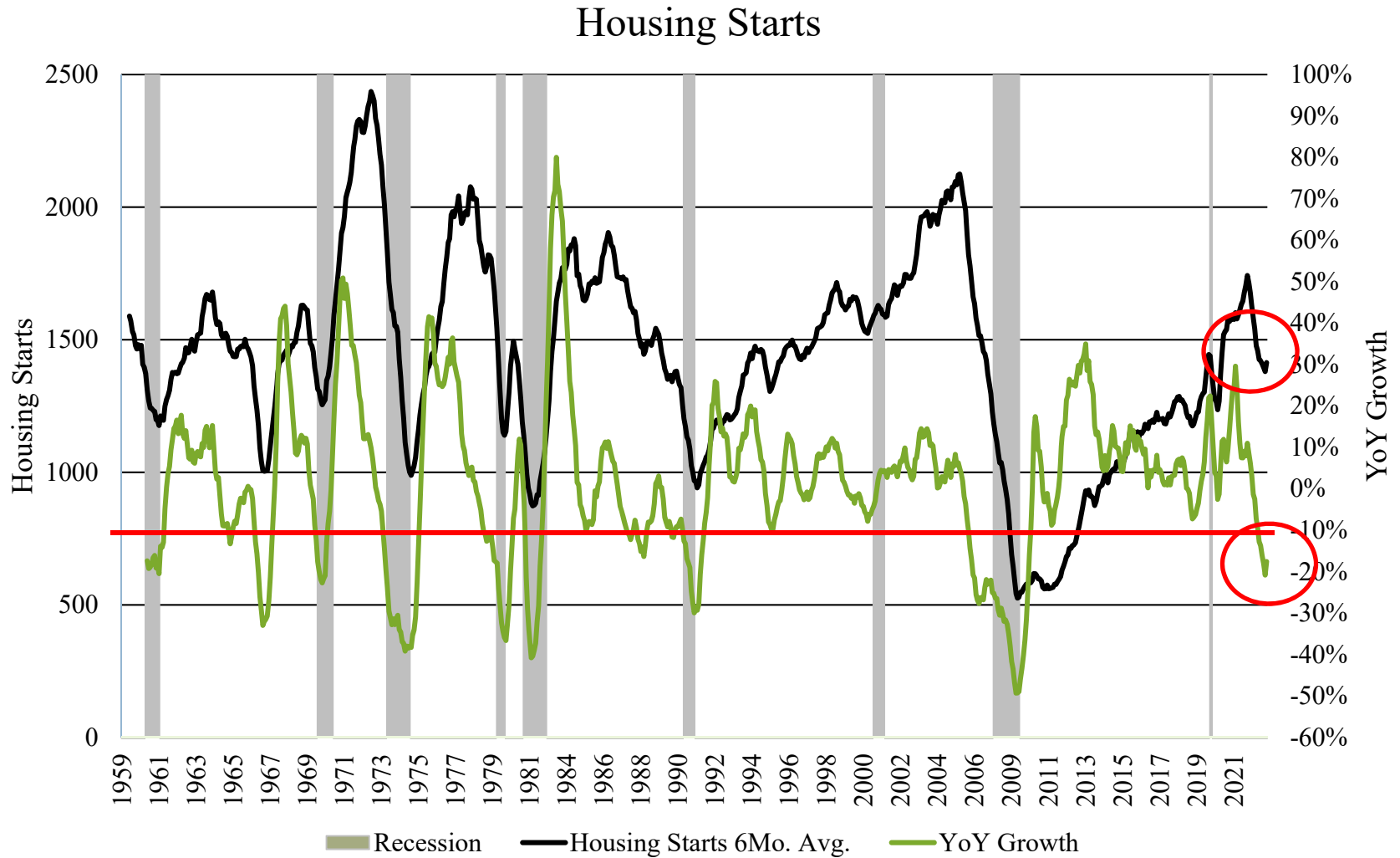


Economy (Unemployment Rate)

Unemployment Rate

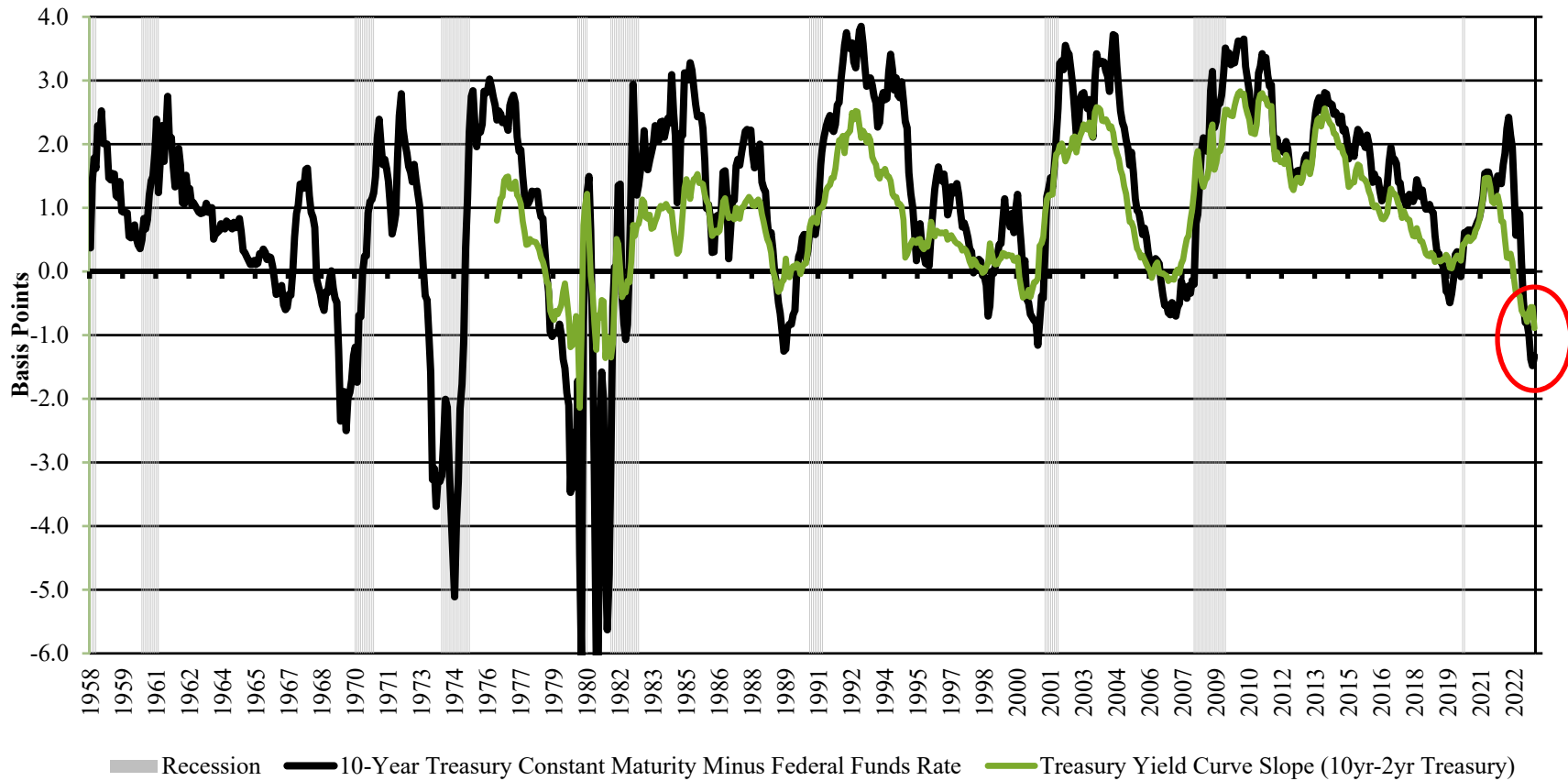


Economy (Housing Starts)



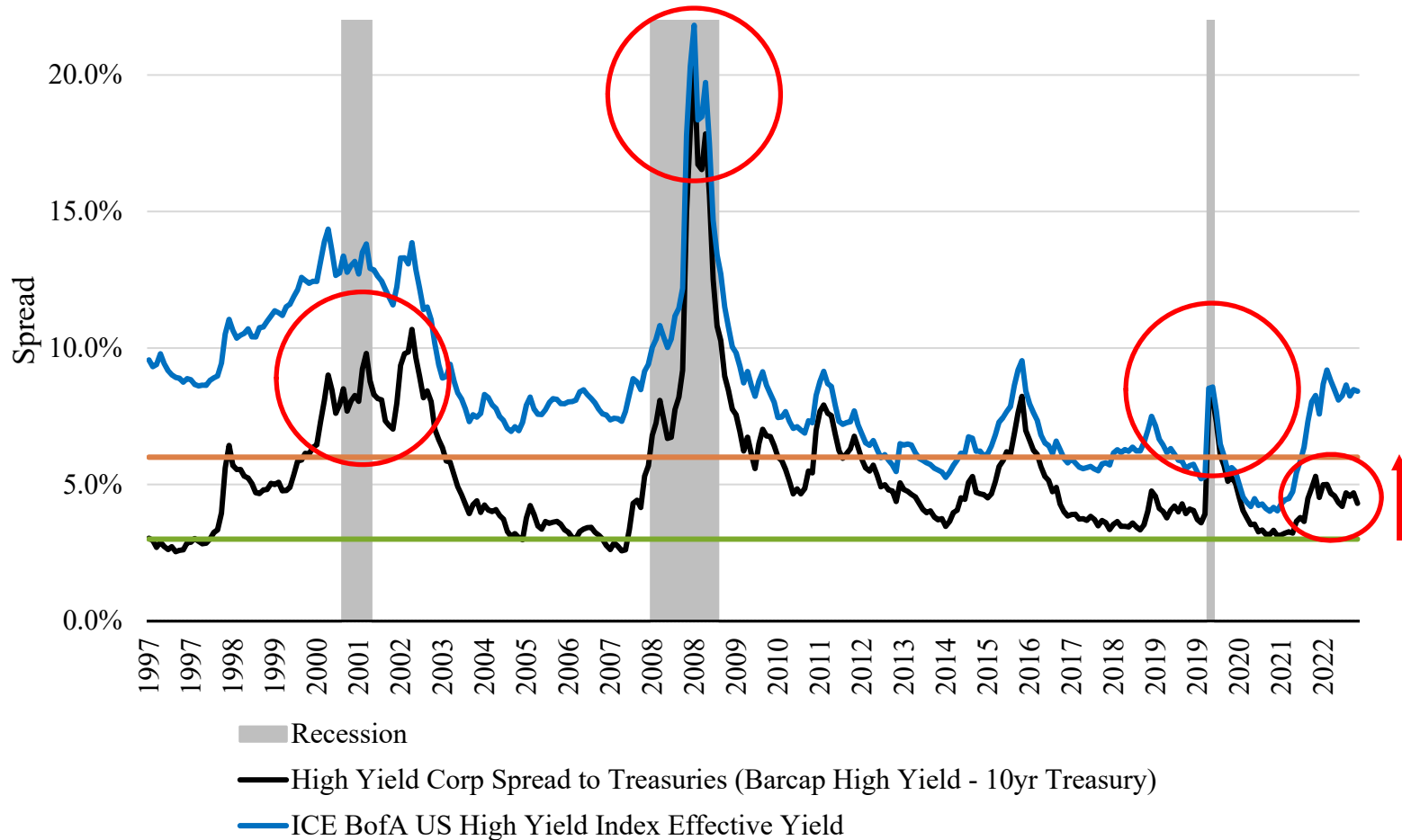
Credit Markets (Yield Curve)

Treasury Yield Curve Spread



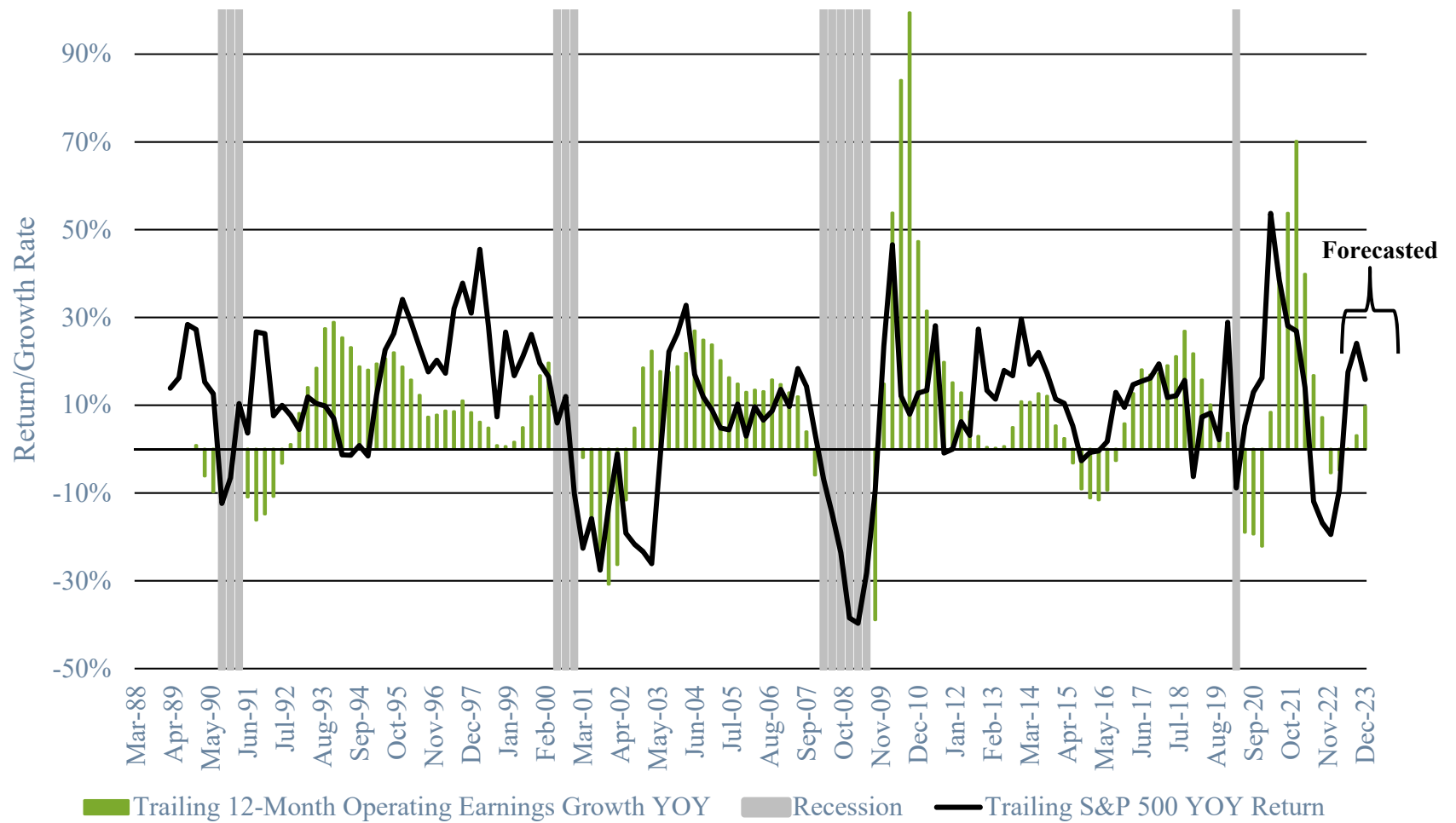
Credit Markets (High Yield Spread)

Credit Spreads – High Yield



Source: St. Louis Fed. Data as of 7/1/23

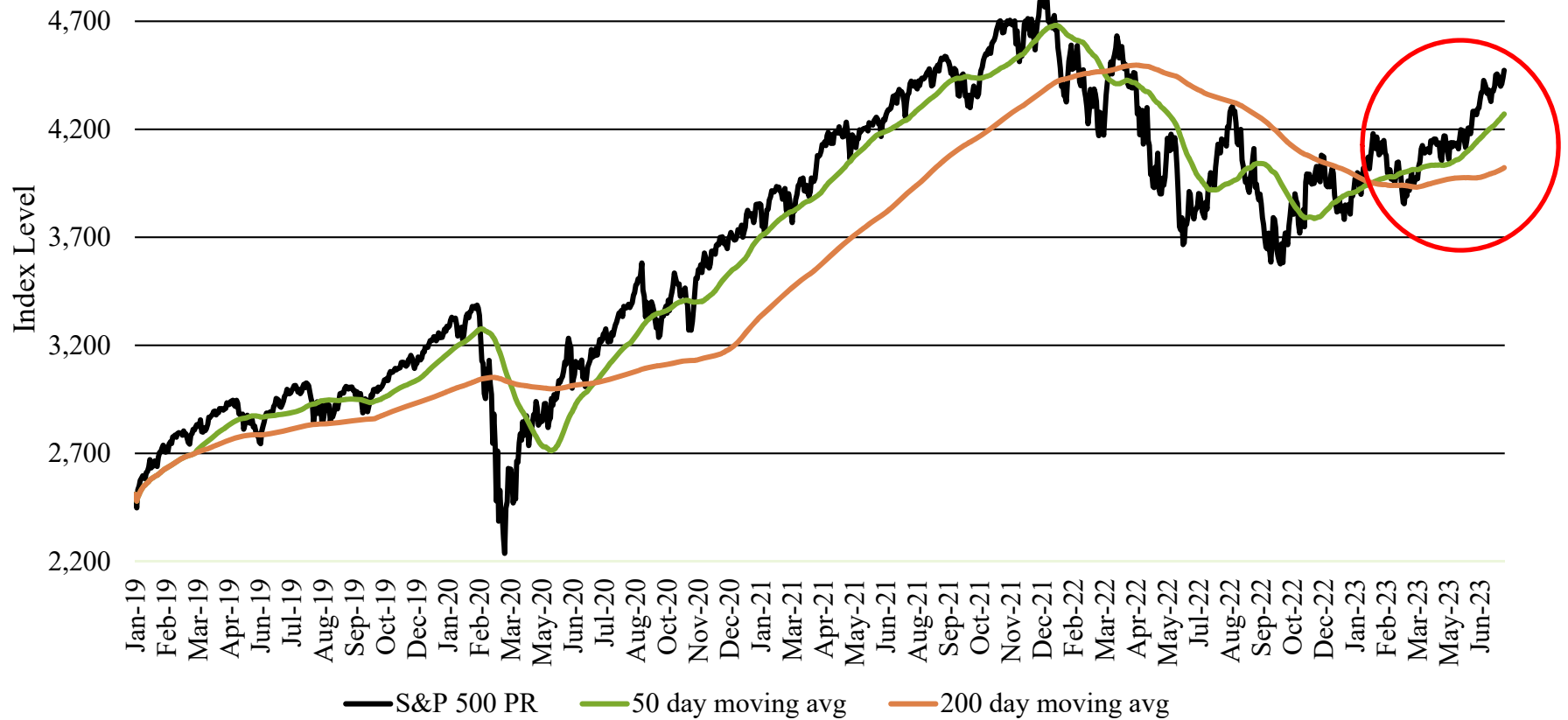
Valuations (Corporate Earnings)



Source: S&P, as of 7/12/22

Sentiment (Market Trend)

S&P 500



Source: S&P, as of 7/12/23



Market Performance



Market Summary

■ Equity market performance

	<u>Q2 2023</u>	<u>YTD</u>
– US large cap		
• S&P 500	+8.7%	+16.9%
– US mid cap		
• Russell Midcap	+4.8%	+9.0%
– US small cap		
• Russell 2000	+5.2%	+8.1%
– International equities		
• MSCI ACWI ex US	+9.5%	+9.5%
– Emerging markets		
• MSCI Emerging Markets	+0.9%	+4.9%

Source: Morningstar

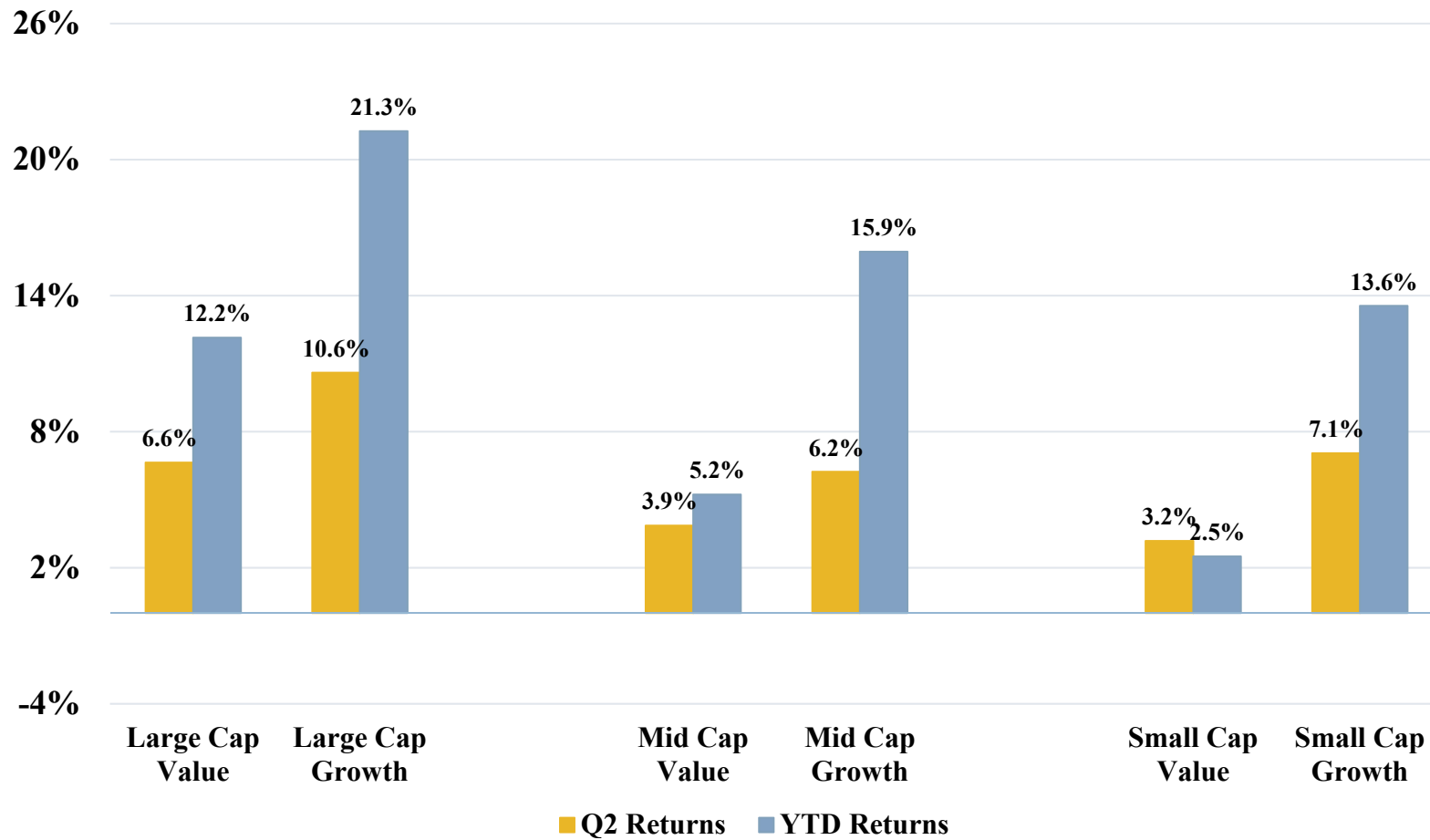
Market Summary

■ Bonds and other asset class performance

	<u>Q2 2023</u>	<u>YTD</u>
– US fixed income		
• Bloomberg U.S. Aggregate	-0.8%	+2.1%
– Global fixed income		
• Bloomberg Barclay's Global ex US	-2.2%	+0.8%
– Commodities		
• Bloomberg Commodity TR	-5.4%	-7.8%
– REITS		
• MSCI US REIT NR	+2.3%	+4.8%

Source: Morningstar

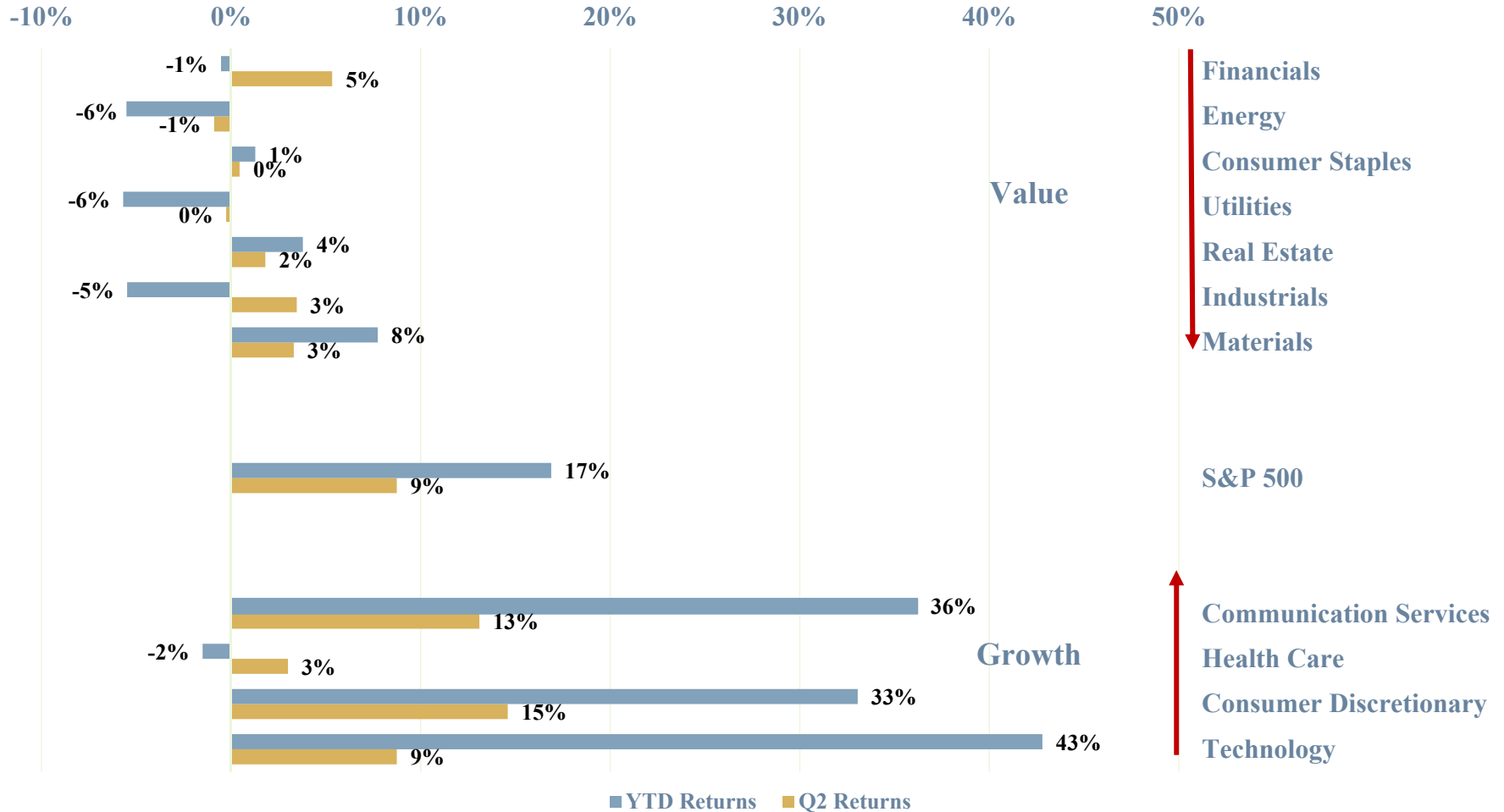
Growth Leads Again in Q2



Past performance is no guarantee of future success. As of 6/30/2023

Returns in US dollars.

S&P 500 Sector Performance

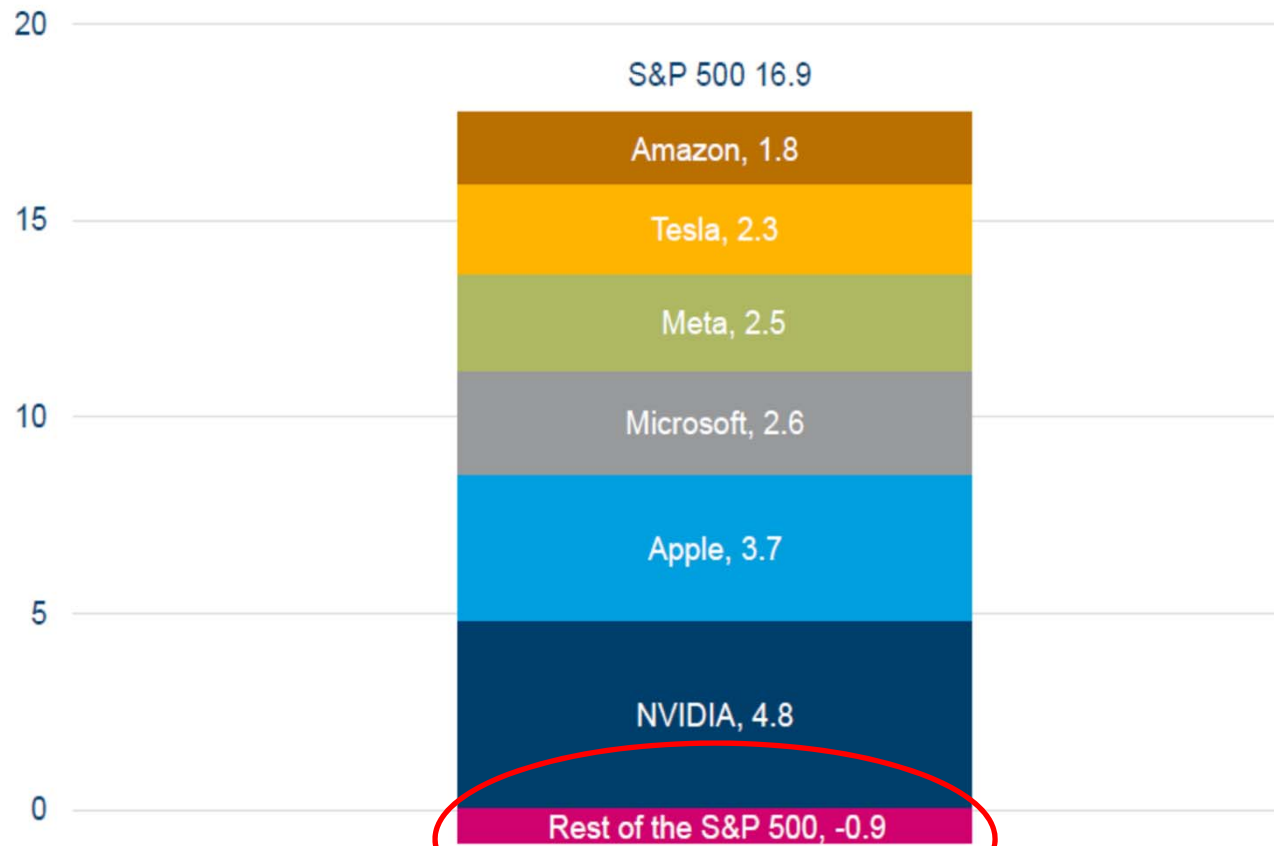


Past performance is no guarantee of future success.

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Tech Stocks Dominate Large Cap Performance

► Six stocks contributed 105% of the S&P 500 Index gains year-to-date (%)

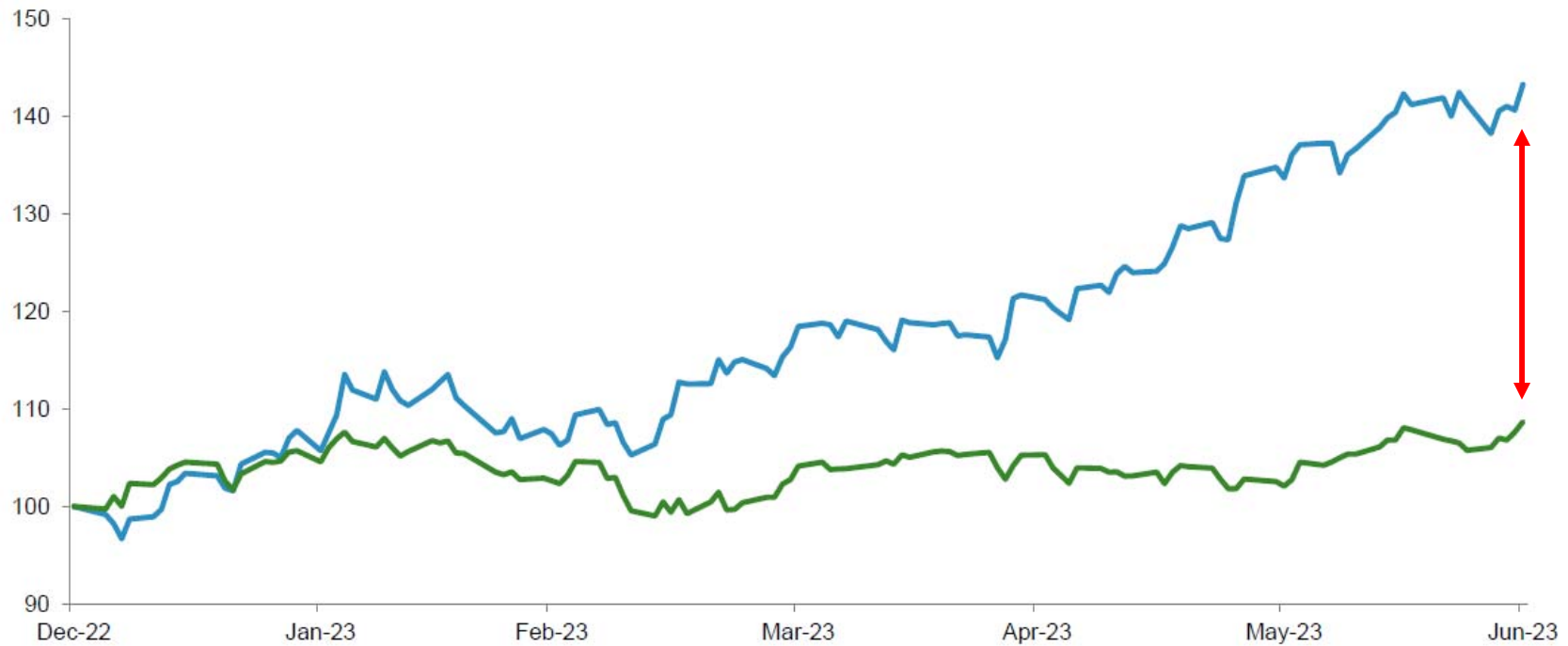


Narrow Market Performance

S&P 500 Stock Performance

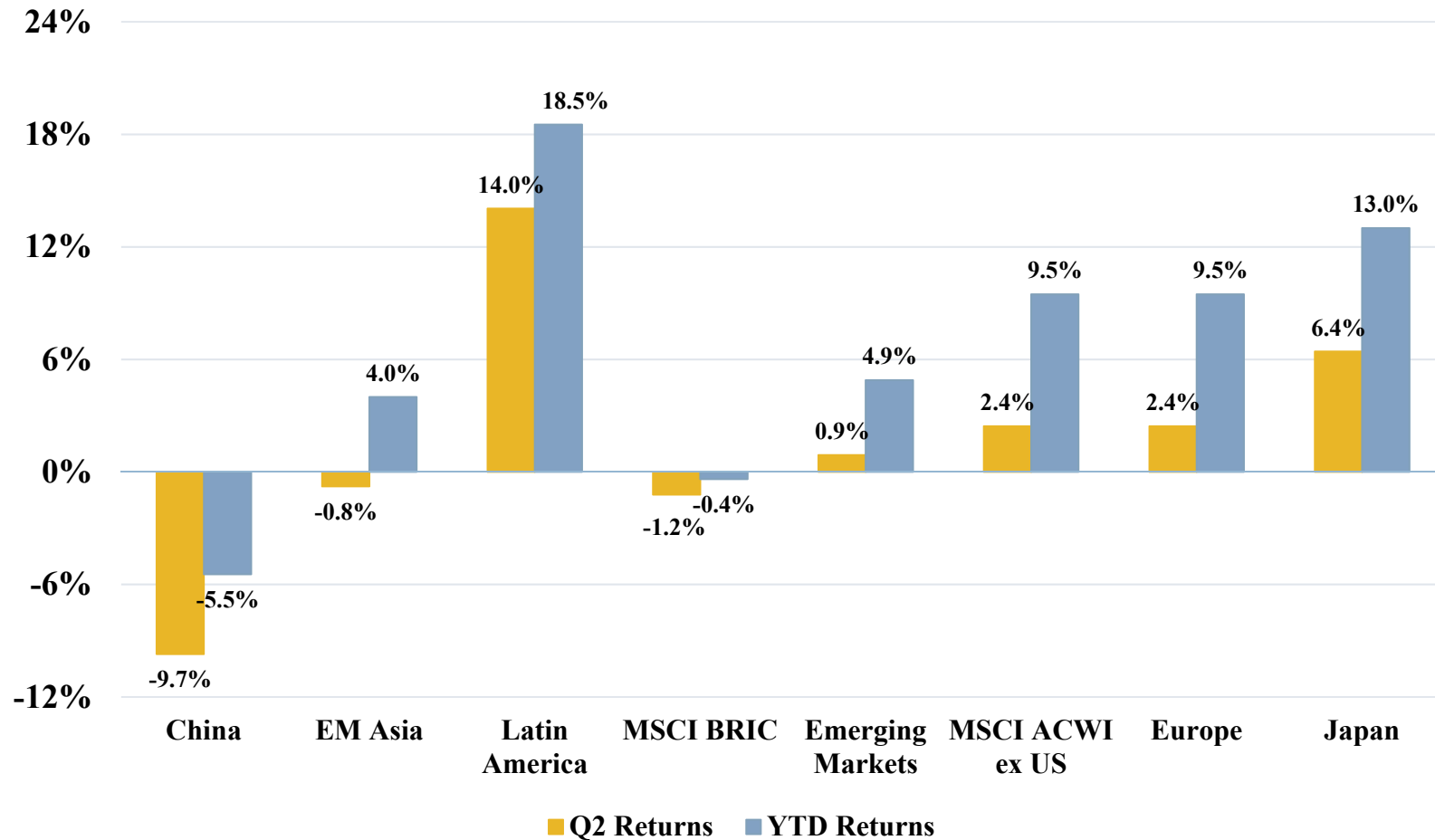
— Top 10 — Bottom 490

YTD Total Returns (Index: 12/31/22 = 100)



Source: Factset, Fidelity Investments, as of 6/30/23.

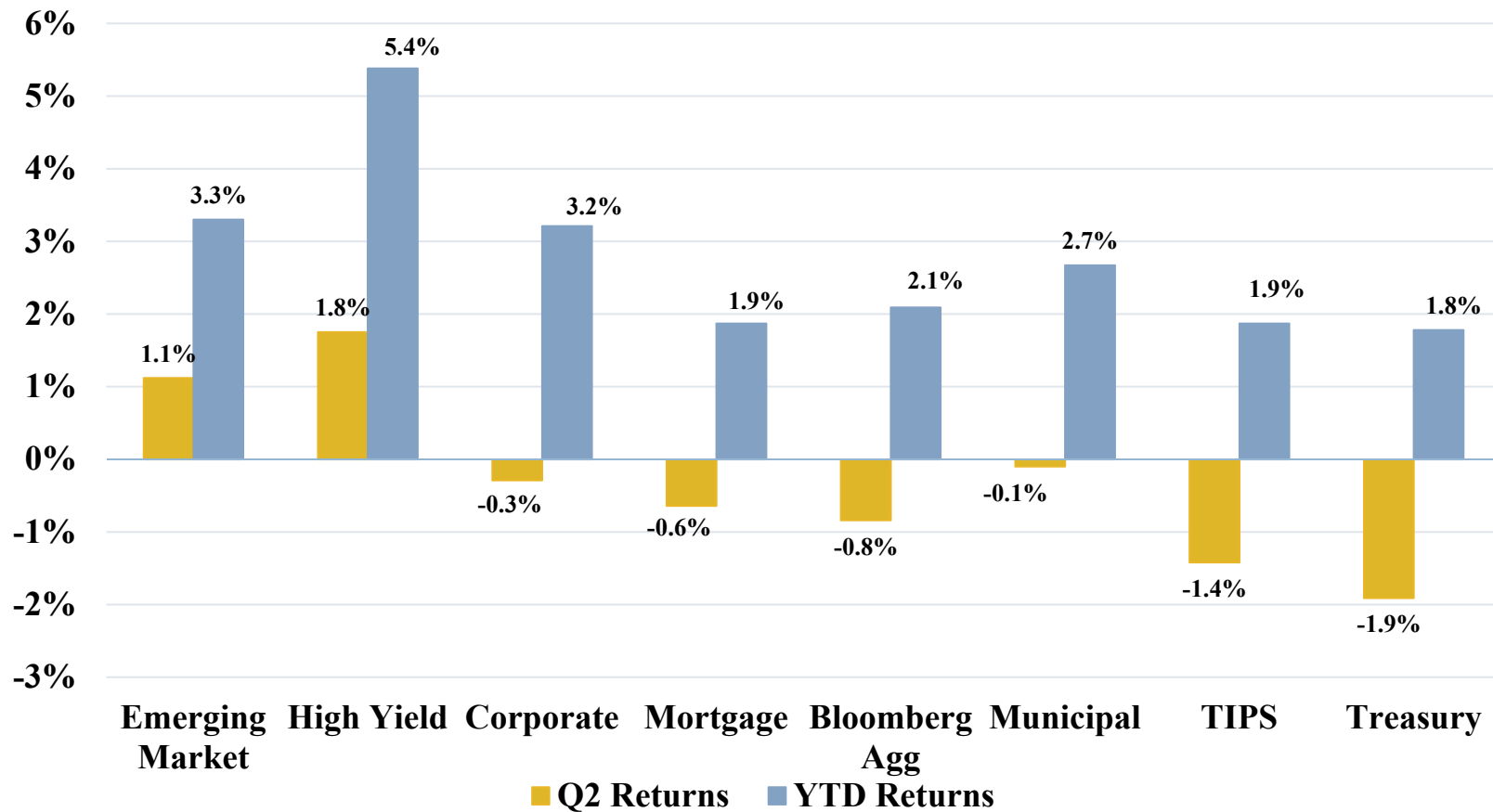
Mixed International Performance in Q2



Past performance is no guarantee of future success. As of 6/30/2023

Returns in US dollars.

Rise in Interest Rates Hurt Bonds in Q2



Past performance is no guarantee of future success. As of 6/30/2023.

Source: Morningstar. Returns in US dollars.



SilverOak's Outlook

SilverOak's Economic Outlook

■ U.S. Economy

- Inflation continues to moderate but will likely remain above the Fed's 2% target through 2023 and 2024
- Fed will likely hike rates two more times this year
 - July rate hike almost a certainty
- Equal odds of a soft-landing or a mild recession
 - Consumer spending will be the key
 - Earnings growth and job growth trends likely to weaken

■ International Economy

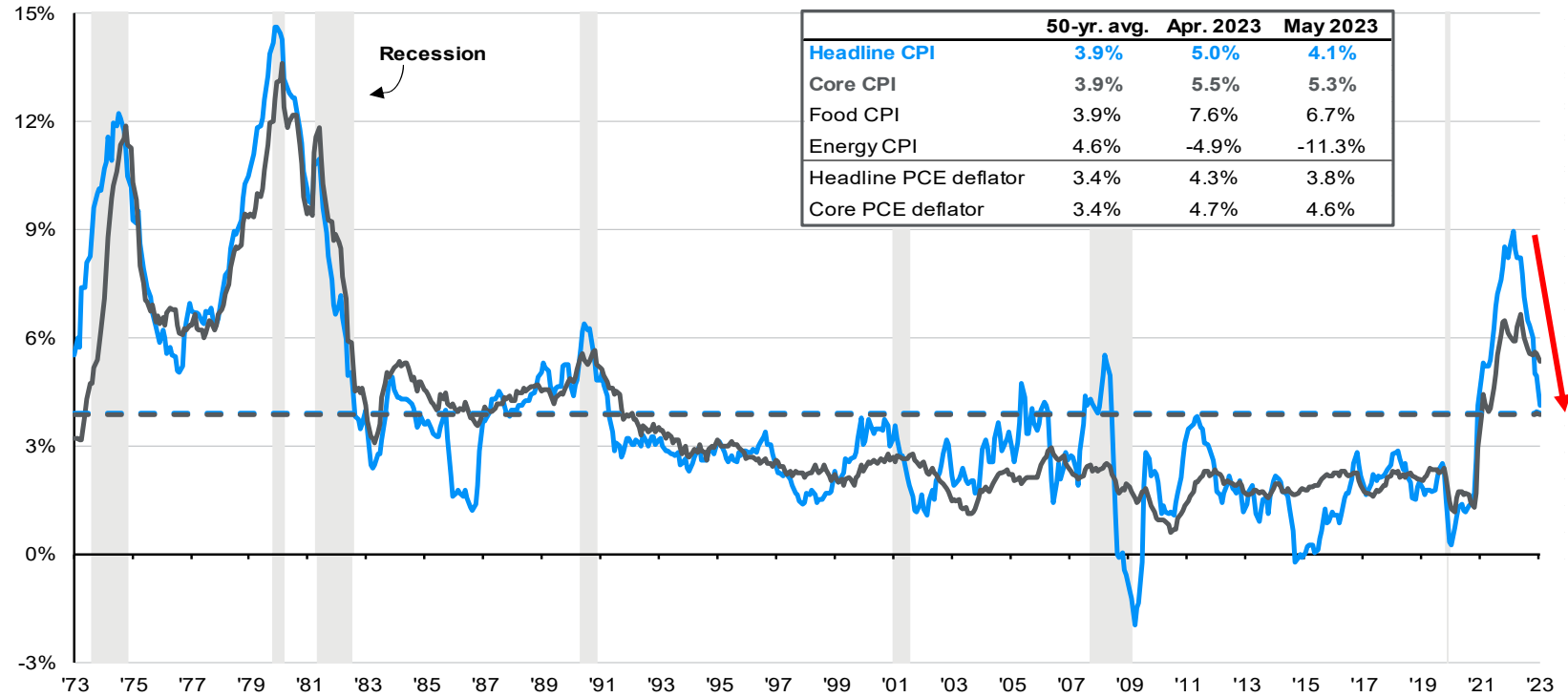
- Further global central bank interest rate hikes to tame inflation likely to continue to hit growth and liquidity
- Europe has slowed but deep recession unlikely
- Slowing China growth likely to spur stimulus



Inflation Update

CPI and core CPI

% change vs. prior year, seasonally adjusted



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Source: BLS, Factset, JP Morgan Asset Mgmt. Data as of 6/30/2023.

Inflation Heatmap

Consumer Price Index, components

m/m % change, seasonally adjusted

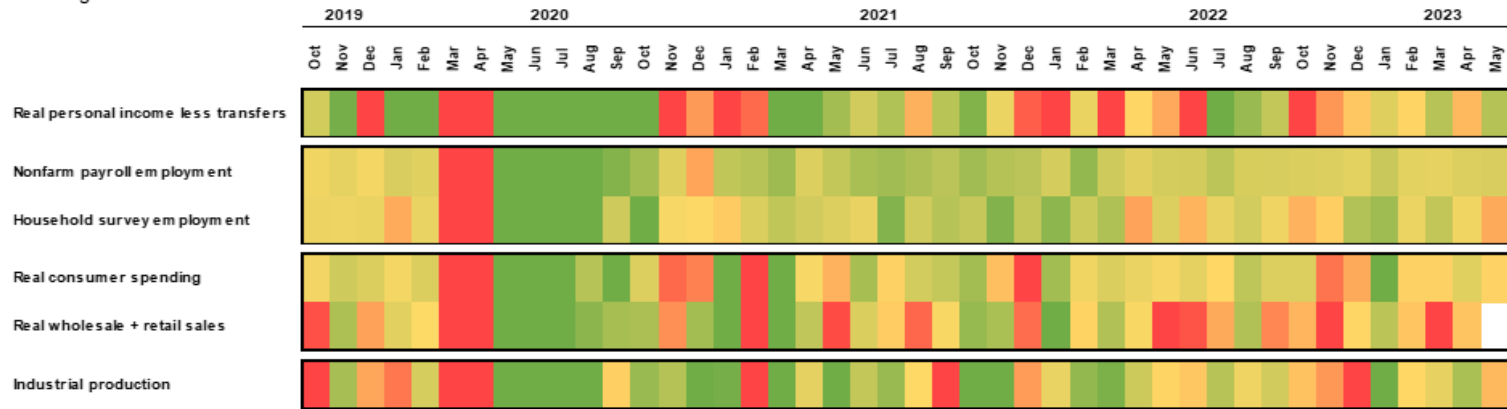
	Weight	2021												2022												2023	
		Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May		
Headline CPI, y/y	100.0	5.3%	5.2%	5.2%	5.4%	6.2%	6.9%	7.2%	7.6%	8.0%	8.5%	8.2%	8.5%	8.9%	8.4%	8.2%	8.2%	7.8%	7.1%	6.4%	6.3%	6.0%	5.0%	5.0%	4.1%		
Core CPI, y/y	79.6	4.4%	4.2%	3.9%	4.0%	4.6%	5.0%	5.5%	6.1%	6.4%	6.5%	6.1%	6.0%	5.9%	5.9%	6.3%	6.6%	6.3%	6.0%	5.7%	5.5%	5.5%	5.6%	5.5%	5.3%		
Core svcs. ex-housing PCE, y/y*	-	4.2%	4.4%	4.4%	4.3%	4.4%	5.0%	5.0%	4.9%	4.8%	4.7%	4.5%	4.5%	4.6%	4.0%	4.2%	4.5%	4.7%	4.4%	4.3%	4.7%	4.8%	4.6%	1.7%	4.6%		
Headline CPI, m/m	100.0	0.8%	0.4%	0.4%	0.4%	0.9%	0.8%	0.8%	0.6%	0.7%	1.0%	0.4%	0.9%	1.2%	0.0%	0.2%	0.4%	0.5%	0.2%	0.1%	0.5%	0.4%	0.1%	0.4%	0.1%		
Core CPI, m/m	79.6	0.7%	0.3%	0.2%	0.3%	0.7%	0.6%	0.7%	0.6%	0.5%	0.3%	0.5%	0.6%	0.6%	0.3%	0.6%	0.6%	0.3%	0.3%	0.4%	0.4%	0.5%	0.4%	0.4%	0.4%		
Core svcs. ex-housing PCE, m/m*	-	0.4%	0.5%	0.3%	0.2%	0.2%	0.6%	0.5%	0.2%	0.3%	0.5%	0.3%	0.3%	0.6%	-0.1%	0.5%	0.5%	0.4%	0.3%	0.4%	0.6%	0.3%	0.3%	0.4%	0.2%		
Energy	6.9	1.5%	1.7%	2.8%	1.5%	3.6%	2.6%	2.4%	0.8%	2.7%	8.2%	-1.0%	3.4%	6.9%	-4.7%	-3.9%	-1.7%	1.7%	-1.4%	-3.1%	2.0%	-0.6%	-3.5%	0.6%	-3.6%		
Gasoline	3.3	2.5%	2.5%	4.5%	1.5%	4.1%	4.2%	3.8%	-0.3%	4.7%	13.2%	-3.1%	3.2%	10.3%	-8.1%	-8.4%	-4.2%	3.4%	-2.3%	-7.0%	2.4%	1.0%	-4.6%	3.0%	-5.6%		
Electricity	2.5	0.0%	0.2%	0.7%	1.0%	1.6%	0.7%	0.9%	2.7%	-0.3%	1.7%	0.9%	1.3%	1.5%	1.5%	1.2%	0.8%	0.5%	0.5%	1.3%	0.5%	0.5%	-0.7%	-0.7%	-1.0%		
Utility Gas	0.8	1.2%	2.0%	1.6%	2.2%	6.7%	0.5%	0.1%	0.5%	2.0%	0.6%	2.5%	7.2%	7.5%	-3.8%	3.5%	2.2%	-3.7%	-3.4%	3.5%	6.7%	-8.0%	-7.1%	-4.9%	-2.6%		
Food	13.5	0.7%	0.6%	0.4%	0.9%	0.9%	0.8%	0.6%	0.8%	1.0%	0.9%	0.8%	1.1%	1.0%	1.1%	0.8%	0.8%	0.7%	0.6%	0.4%	0.5%	0.4%	0.0%	0.0%	0.2%		
Food at home	8.7	0.8%	0.5%	0.4%	1.2%	1.0%	1.0%	0.6%	0.9%	1.3%	1.3%	0.9%	1.3%	1.0%	1.3%	0.8%	0.7%	0.5%	0.6%	0.5%	0.4%	0.3%	-0.3%	-0.2%	0.1%		
Food away from home	4.8	0.7%	0.8%	0.4%	0.5%	0.8%	0.6%	0.6%	0.7%	0.4%	0.3%	0.6%	0.7%	0.9%	0.7%	0.9%	0.9%	0.9%	0.5%	0.4%	0.6%	0.6%	0.6%	0.4%	0.5%		
Core goods	21.3	1.9%	0.3%	0.3%	0.3%	1.3%	1.1%	1.4%	0.9%	0.3%	-0.4%	0.1%	0.6%	0.6%	0.1%	0.4%	0.0%	-0.1%	-0.2%	-0.1%	0.1%	0.0%	0.2%	0.6%	0.6%		
Apparel	2.6	0.6%	0.0%	0.3%	-0.5%	1.0%	0.7%	0.9%	0.7%	0.6%	0.3%	-0.1%	0.4%	0.7%	-0.1%	0.3%	0.0%	-0.2%	0.1%	0.2%	0.8%	0.8%	0.3%	0.3%	0.3%		
New vehicles	4.3	1.6%	1.4%	1.2%	1.3%	1.5%	1.6%	1.8%	0.3%	0.1%	0.1%	0.4%	0.6%	0.5%	0.5%	0.8%	0.7%	0.6%	0.5%	0.6%	0.2%	0.2%	0.4%	-0.2%	-0.1%		
Used cars	2.6	9.1%	-0.4%	-1.3%	-0.5%	3.1%	3.2%	3.9%	1.4%	-0.6%	-3.6%	-0.7%	1.9%	0.5%	-0.8%	-0.2%	-1.1%	-1.7%	-2.0%	-2.0%	-1.9%	-2.8%	-0.9%	4.4%	4.4%		
Medical care commod	1.5	-0.4%	0.2%	-0.2%	0.3%	0.6%	0.1%	0.0%	0.9%	0.3%	0.2%	0.1%	0.3%	0.4%	0.6%	0.2%	-0.1%	0.0%	0.2%	0.1%	1.1%	0.1%	0.6%	0.5%	0.6%		
Core services	58.3	0.3%	0.3%	0.1%	0.2%	0.4%	0.4%	0.4%	0.4%	0.5%	0.6%	0.6%	0.6%	0.6%	0.4%	0.6%	0.8%	0.5%	0.5%	0.6%	0.5%	0.6%	0.4%	0.4%	0.4%		
Shelter	34.6	0.4%	0.5%	0.2%	0.4%	0.4%	0.5%	0.4%	0.3%	0.6%	0.5%	0.5%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.6%	0.8%	0.7%	0.8%	0.6%	0.4%	0.6%		
Rent of primary res.	7.5	0.2%	0.2%	0.3%	0.4%	0.4%	0.4%	0.4%	0.5%	0.6%	0.4%	0.6%	0.6%	0.6%	0.7%	0.8%	0.7%	0.8%	0.7%	0.8%	0.8%	0.7%	0.8%	0.5%	0.6%	0.5%	
OER	25.4	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.6%	0.7%	0.6%	0.7%	0.8%	0.6%	0.7%	0.8%	0.7%	0.7%	0.5%	0.5%	0.5%		
Medical care services	6.5	-0.1%	0.1%	0.2%	0.0%	0.6%	0.5%	0.5%	0.5%	0.1%	0.6%	0.5%	0.4%	0.7%	0.6%	0.7%	0.8%	-0.4%	-0.5%	0.3%	-0.7%	-0.7%	-0.5%	-0.1%	-0.1%		
Transportation services	5.9	0.9%	-0.8%	-0.7%	-0.9%	0.0%	1.2%	0.5%	0.7%	1.1%	2.1%	2.2%	1.6%	1.8%	-0.4%	1.0%	1.9%	0.6%	0.3%	0.6%	0.9%	1.1%	1.4%	-0.2%	0.8%		



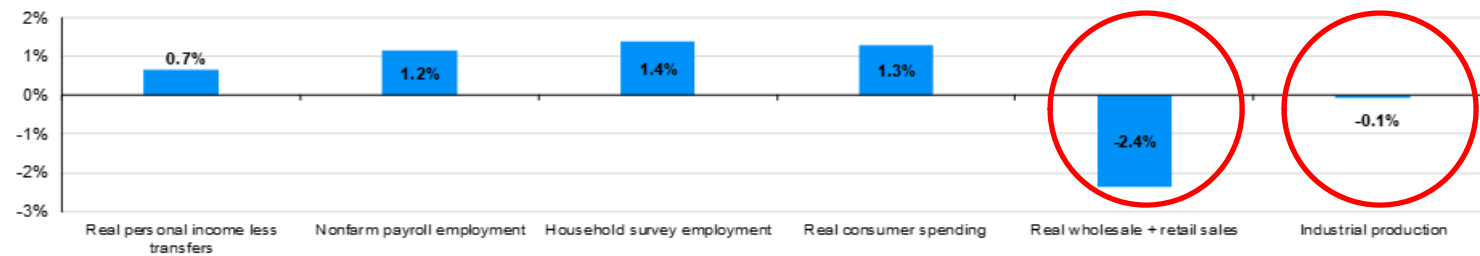
Recession Heatmap

Variables used by the NBER in making recession determination*

% change month-over-month



% change, last six months



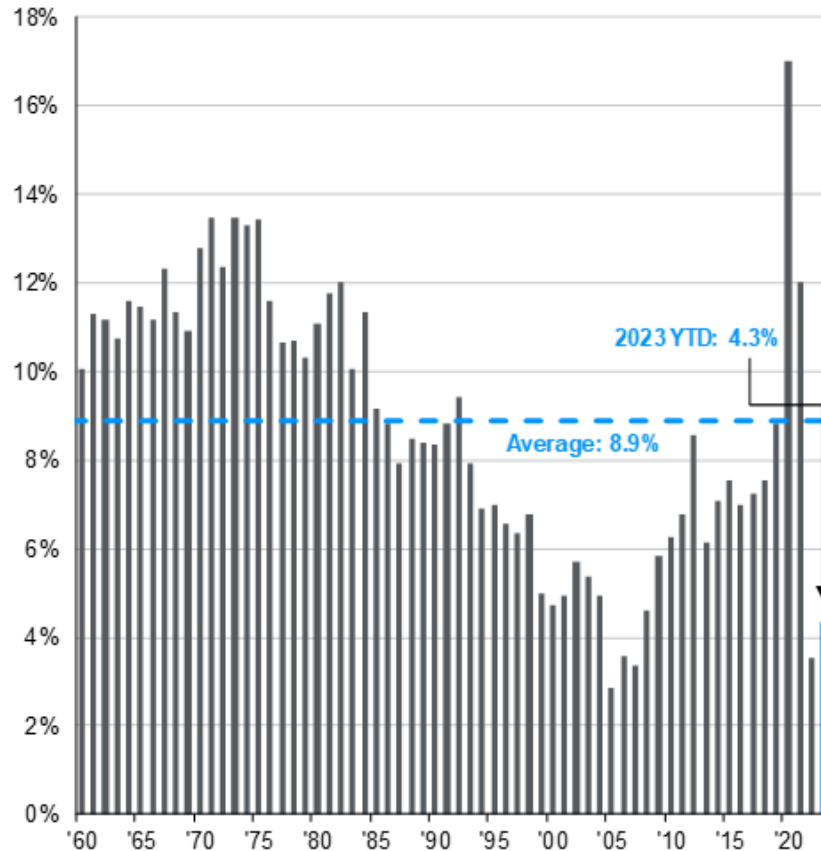
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Source: BLS, Factset, JP Morgan Asset Mgmt. Data as of 6/30/2023.

State of the Consumer

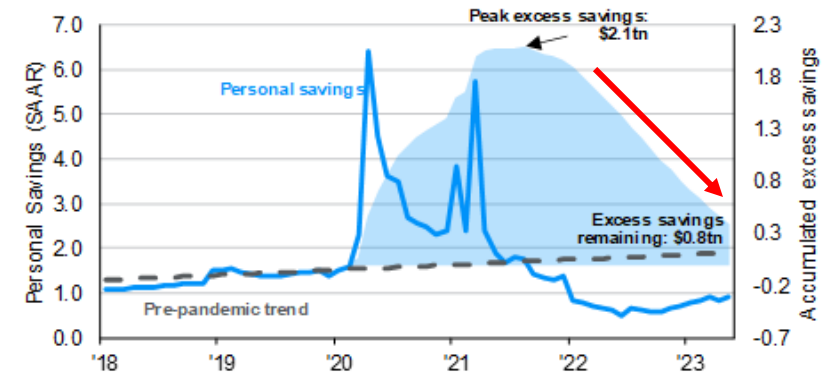
Personal saving rate

Personal savings as a % of disposable personal income, annual



Household excess savings

Trillions of USD



Revolving consumer credit outstanding

% of disposable income, SAAR



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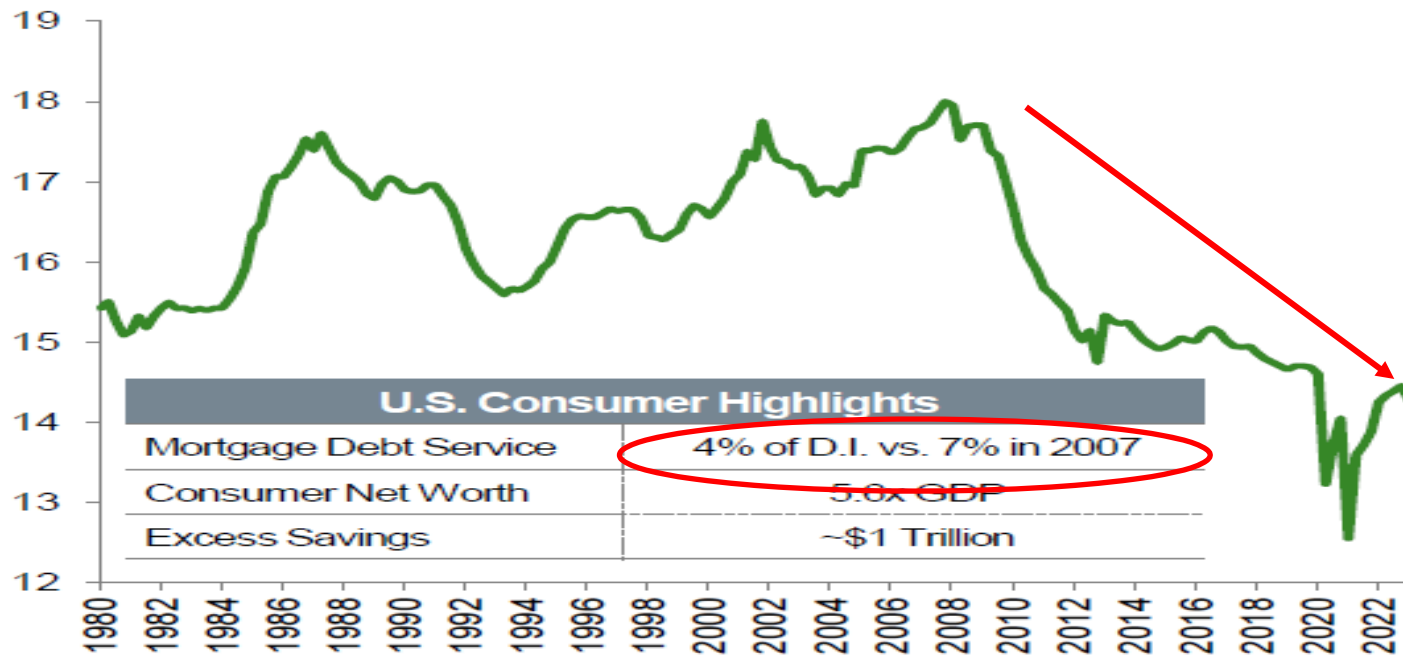
Source: BLS, Factset, JP Morgan Asset Mgmt. Data as of 6/30/2023.

State of the Consumer

Household Financial Burden

— Financial Obligations Ratio

Percent of Disposable Income (DI)

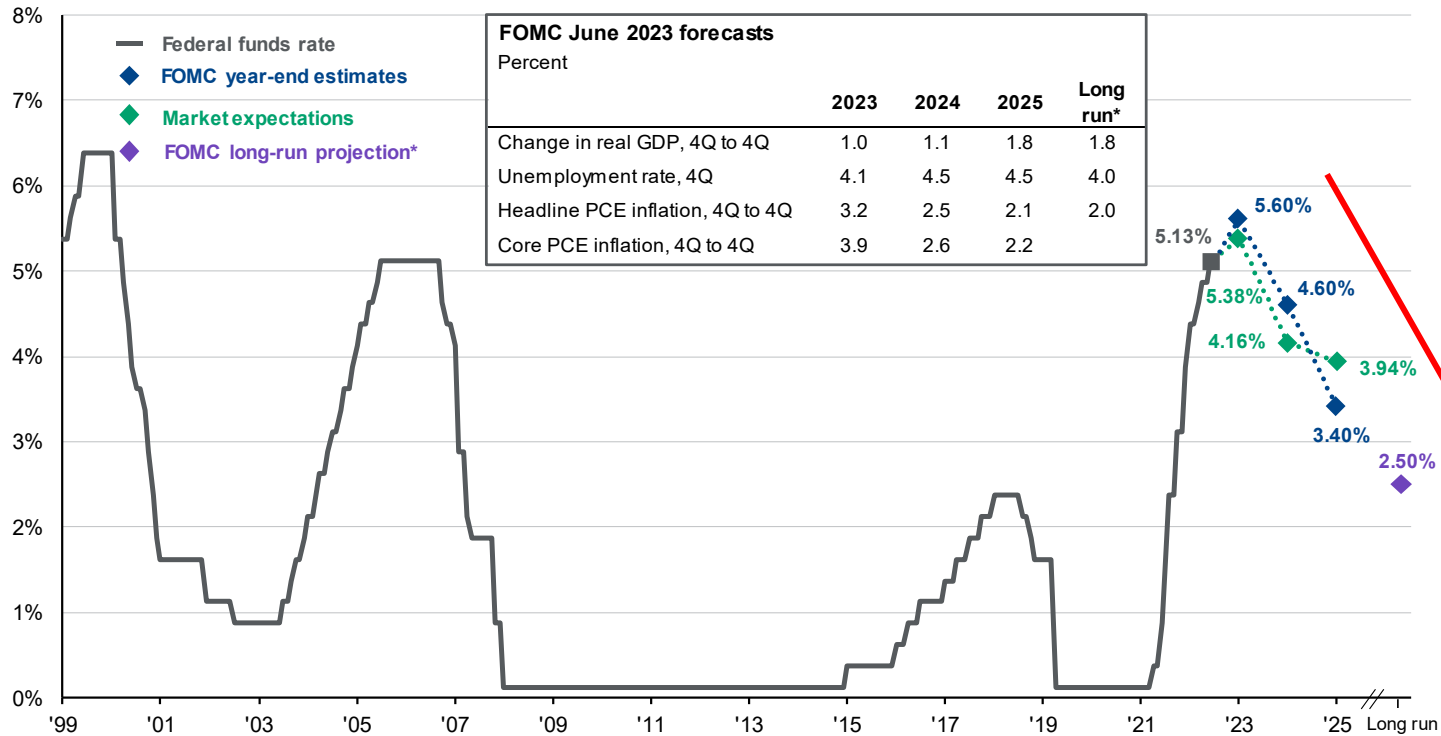


Source: Federal Reserve, Fidelity Investments. Data as of 6/30/2023.

The Fed and Interest Rate Outlook

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



SilverOak's Market Outlook

■ Equities

- Volatility could increase due to conflicting economic signals
- Earnings growth likely to slow over next two quarters but market is expecting a rebound in 2024
- US markets seem to be pricing in continued decline in inflation and an eventual Fed pivot
- Valuation is more mixed
- Opportunities likely outside of Large Cap US stocks
 - International equities
 - Small caps
- Despite improving market conditions, a pullback is possible and is “normal” in any given year
- Diversification is more important than ever!

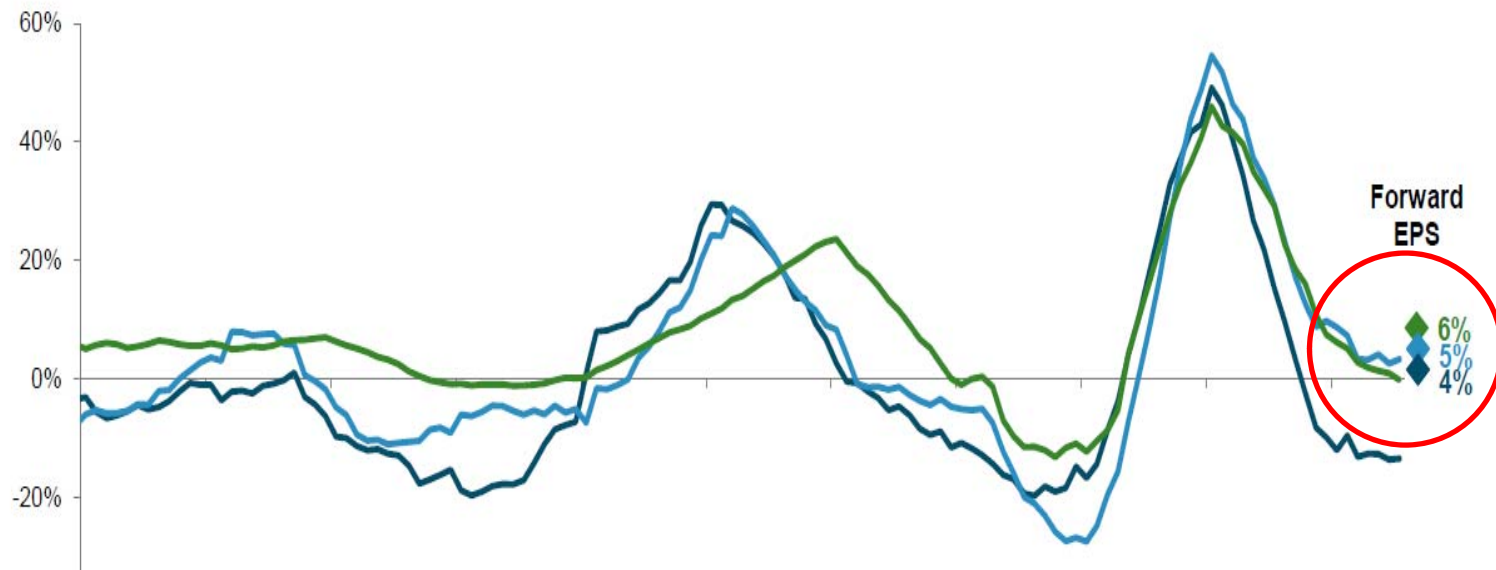


Earnings Decline Nearing an End?

Global EPS Growth (Trailing 12 Months)

EM DM U.S. ◆ Forward

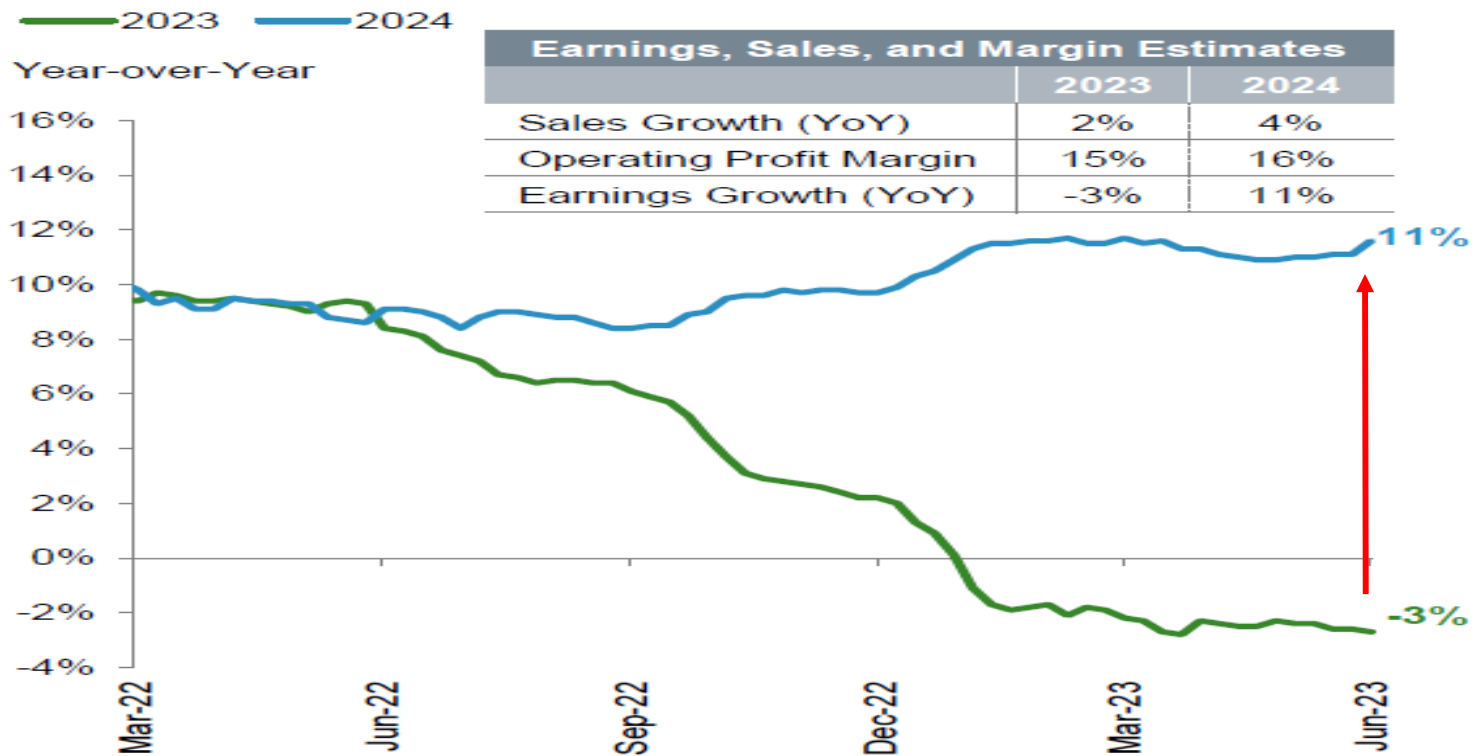
Year-over-Year



Source: MSCI, Bloomberg, Fidelity Investments. Data as of 6/30/2023.

Earnings Growth Expected to Resume in 2024

S&P 500 Earnings Growth Expectations



Source: Bloomberg, Fidelity Estimates. Data as of 6/30/2023.

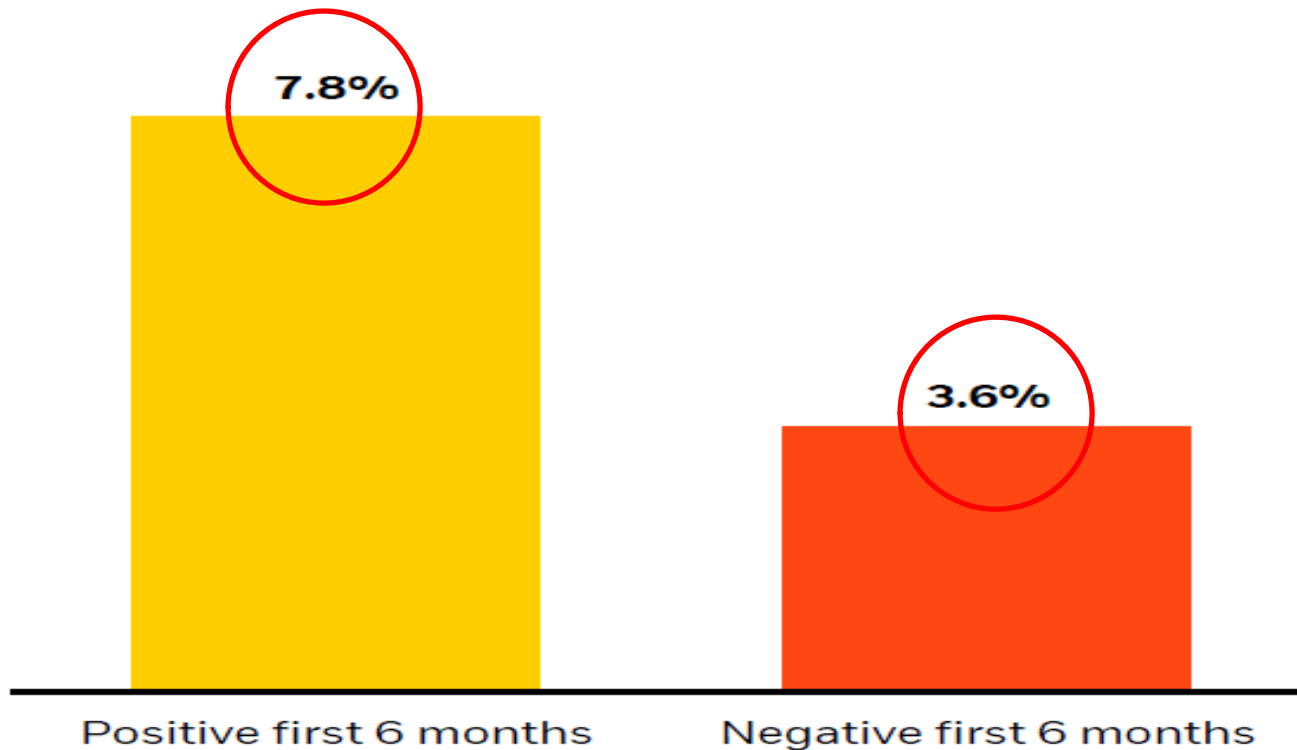
Valuation

P/E ratio of the top 10 and remaining stocks in the S&P 500
Next 12 months, 1996 - present



Positive First Half for Stocks Bodes Well

Stocks tend to outperform following a positive start
Average return for July – December, every year since 1926



Source: Factset, S&P, JP Morgan Asset Mgmt. Data as of 6/30/2023.

Past performance does not guarantee future results.

International Cycle May Be Turning

International v. U.S. return cycles
(cumulative returns, since 1971)

Date range	International stocks	U.S. stocks
1971 to 1978	151.1	43.6
1979 to 1982	23.2	81.6
1983 to 1988	461.9	149.9
1989 to 2001	46.8	461.9
2002 to 2007	123.4	42.5
2008 to 2021	52.9	333.0
2022 to 5/31/23	-4.6	-10.6

Source: Morningstar. Data as of 5/31/2023.

Past performance does not guarantee future results.

SilverOak's Market Outlook

■ Bonds

- Short-term yields likely peaking
- Valuations provide favorable risk-reward and future returns are expected to improve once interest rates begin to fall
- Allocate to longer-duration bonds
- Bond markets seem to be pricing in an eventual pause but not an immediate pivot by the Fed
- With growth slowing, stick with high quality bonds
 - Spreads could widen in high yield, private credit and bank loans
 - High quality municipal bonds provide favorable tax-equivalent yields

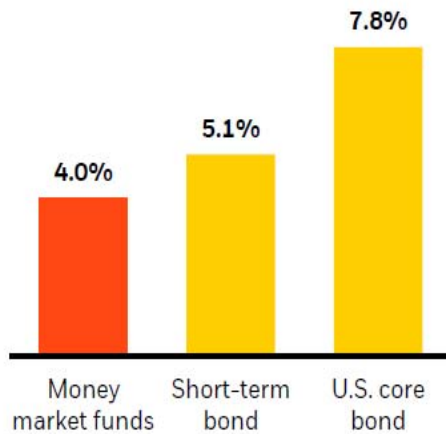


Fixed Income Opportunities

Three reasons to look beyond cash

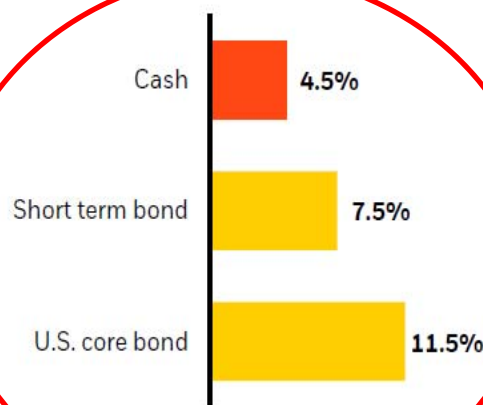
1 Shorter-term interest rates are higher than longer-term rates
(known as an inverted yield curve)

Average 12 month after the yield curve inverts (10 year U.S. Try – 3 mo. U.S. Try)



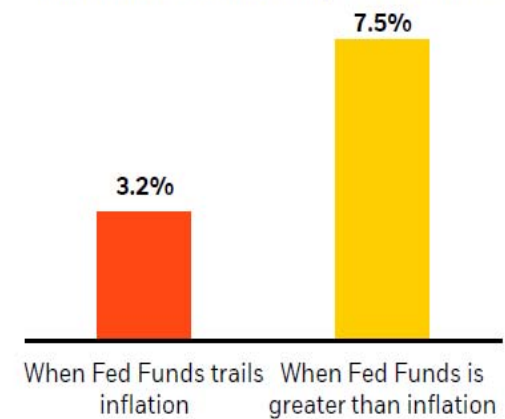
2 Cash underperforms following a Fed pause

Average 12-month performance following the last Fed rate hike (5 different cycle from 2/4/94 – 6/30/23)



3 Core bond performance is best when the Fed funds rate is greater than inflation
(Fed funds is 5.1% vs. 4% Inflation)

Core bonds following periods Fed funds is above/below inflation (avg 12 mo return)



SilverOak Updates



SilverOak Updates

- IQSS[™] (Investment Quality Scoring System[™])
 - Performance update
- SilverOak personnel update
 - Two new team members have been hired!
 - Some transitions in roles
- New whitepapers to be issued shortly
 - Identity theft (refresh)
 - Minnesota tax updates
 - Inflation
 - Role of cash
 - International investing



Review of Identity Theft Best Practices

Common Threats

- Phone scams
 - Tech support
 - IRS or Social Security representative
 - Impersonating family members
- Cyber scams
 - Malware/Spyware/Ransomware
 - Phishing
- Mail scams
 - Check washing
- Wire scams
 - Home closings
 - Email requests to financial institutions

Best Practices

- Phone scams
 - Don't give personal data to anyone calling you
 - Verify identity of loved ones calling for money
- Cyber scams
 - Use up-to-date firewall and antivirus software
 - Use strong passwords and change them often
 - Utilize multi-factor authentication
 - Possibly setup separate emails for different purposes
 - Use VPN/Encrypted service when on the internet
 - Never click on an attachment or link you have not verified



Best Practices

- Mail scams
 - Hold your mail when out of town
 - Consider enrolling in USPS Informed Delivery services
- Wire scams
 - Independently verify wiring instructions
 - Ensure your financial institution has policies in place to mitigate fraudulent wires



Other Best Practices

- Limit personally identifiable information online
- Social Media
 - Review and enable privacy settings
 - Limit postings while out of town
 - Consider what you post relative to your online passwords or security questions
- Review credit reports annually
- Opt out of pre-approved credit cards, junk mail, online marketing and telemarketing
- Do not store passwords on your web browser or in your phone
- Shred unwanted documents that contain personal information
- Do not send sensitive outgoing mail in an unsecured mailbox or via standard USPS



If You Are a Victim

- Place fraud alert with credit reporting agencies
- Ensure your credit is frozen
- Place stop payments on stolen checks
- Possibly setup new bank accounts
- Contact financial institutions
- Create an Identity Theft Report with the FTC
- File a police report
- Consider requesting an IRS IP PIN
- Review your homeowner's insurance policy
- Create file to maintain records related to incident



Communication Guidelines

- IRS and Social Security Administration will always communicate via written notice first
- Government agencies will NEVER do any of the following:
 - Demand immediate payment
 - Threaten arrest for unpaid bills
 - Ask for credit or debit cards over the phone
 - Ask for payment via gift cards, prepaid debit cards, or wire-transfers
 - Require payments be made to non-government parties
 - Leave pre-recorded, urgent or threatening emails
 - Text, email or contact you via social media to ask for personal or financial information, payment or log-in information



*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
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