SilverOak

WEALTH MANAGEMENT LLC

First Quarter 2023 Market Summary

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First Quarter 2023 Market Summary

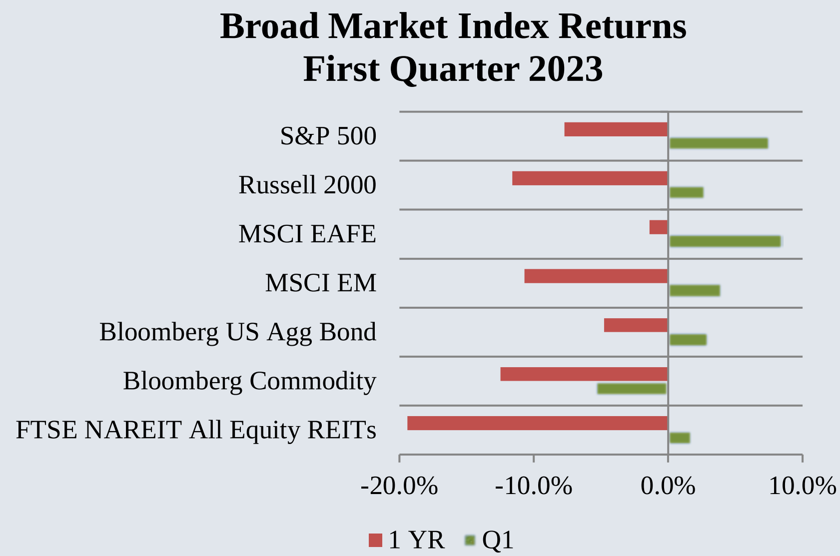
Markets were relatively resilient during the first quarter, as equities and credit markets globally performed well. This was in spite of continued rhetoric from the Federal Reserve regarding tightening monetary policy as well as unrest in the banking system. As a result, economists and market forecasters continue to oscillate between the economy having a “soft landing” (a slowdown in economic growth with no recession) and a “hard landing” (a more significant decline in economic growth ending in a recession).

Unforeseen consequences of the tightening monetary policy over the past year are beginning to show up in the economy, with Silicon Valley Bank and Signature Bank becoming the second and third largest bank failures in U.S. history. While today may not be analogous to 2008’s Great Financial Crisis, it is nonetheless unsettling. However, markets seem to have shrugged off any concerns, likely due to the Fed and FDICs decisive actions in guaranteeing deposits above the FDIC limits at these two institutions and creating the Bank Term Funding Program, a short-term lending facility to foster liquidity in the market. These issues weren’t just a U.S. phenomenon. Europe also experienced banking unrest, with the Swiss National Bank having to quickly coordinate and broker the acquisition of the beleaguered Credit Suisse by UBS.

Despite the banking turmoil, the Federal Open Market Committee (FOMC) raised the federal funds rate 25bps in March. Going forward, the Fed will likely need to balance a stable financial system with ongoing concerns over inflation. This could mean the Fed is near the end of the rate hiking cycle as they monitor the impact prior rate increases have had on the economy. The market looks to be expecting rate cuts in the second half of the year, even though Fed Chairman Powell has declared that is not the Fed’s base case forecast.

As noted above, markets were generally positive during the quarter. U.S. large company stocks (i.e. S&P 500 Index) were up 7.5% and U.S. small company stocks (i.e. Russell 2000 Index) were up 2.7%. Despite an overall positive trend higher, equity markets endured a 7-15% drawdown intra-quarter. U.S. markets were driven by a few large Technology companies; including, Apple, Amazon, Netflix, Alphabet, Microsoft, Nvidia, Tesla, and Meta. The rest of the companies in the S&P 500 were largely flat in aggregate. The banking stress hurt performance of the Financials sector, while lower commodity prices were a drag on the Energy sector.

International stocks, represented by the MSCI ACWI ex US Index, were up 6.9% during the quarter. The U.S. dollar depreciated, helping international returns. Growth is rebounding in Europe and Asia, leading to better than expected earnings and a brighter outlook for the second half of the year.



Fixed income markets had a solid quarter. The Bloomberg Barclays U.S. Aggregate Bond Index, which represents a broad basket of bonds, was up 2.96% during the quarter. Interest rates were volatile, with 50-100bps swings, but intermediate to long-term rates finished lower. Credit spreads widened towards the end of the quarter due to banking tensions. The healthy yields on fixed income securities are flowing to the bottom line. With the Fed near the end of the hiking cycle and inflation receding, fixed income bonds are attractive.

First Quarter 2023 Market Summary (continued)

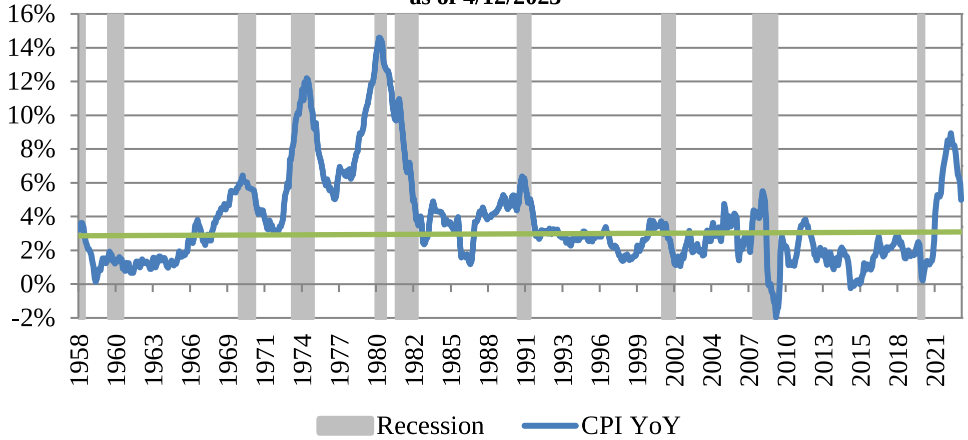
The popular consensus, based on many current economic indicators, is that we are heading for a near-term recession. Bear in mind, though, that an accurate assessment is challenging, as economic slowdowns have rolled through different sectors/regions (Tech, Housing, Financials, China, Europe, U.S.) at different points over the past year, rather than all at once. It may seem irrational that the market could be “up” while simultaneously exhibiting so many signs of stress, potentially leading one to conclude that market action is not making sense. However, markets are forward-looking and tend to incorporate changing events and data into prices on a daily basis. Thus, price movement is an important factor to consider and currently markets are trending up. Maintaining realistic expectations is a critical part of an investment process; therefore, it is important not to anchor to any one predicted path. When circumstance change, expectations should change as well.

As we mentioned last quarter, the disappointing returns from 2022 have reset long-term expected returns. While markets are not the cheapest they have ever been, they are not at unreasonable levels. Now is a good time for investors to reassess their asset allocation, time-horizon, long-term goals and liquidity needs. After a decade of near zero interest rates on cash, yields are now attractive on assets used for short-term liquidity needs. Fixed income yields are also appealing and can offer potential price appreciation. For long-term investors, it is important to look past potential short-term weaknesses and align the portfolio with the appropriate time-horizon. Don’t get caught off-sides skewing too much toward certain asset classes. It is important to stay diversified and rebalance. As we have seen, macro factors can have a big influence on the dispersion of asset class returns.

MACROECONOMICS

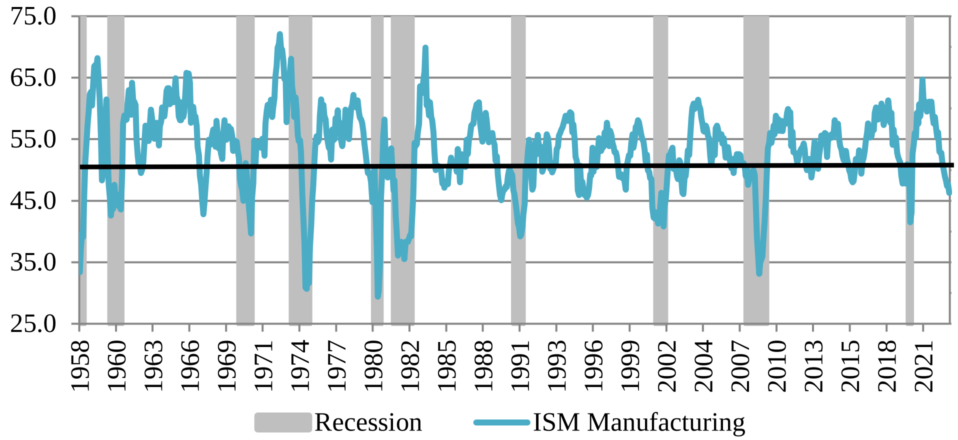
- The Bureau of Economic Analysis released the advanced estimate of first quarter 2023 real GDP, an annual rate increase of 1.1% from the preceding quarter.
- Inflation is trending lower after last July’s peak. In March, headline CPI increased 5.0% year-over-year. Core CPI, which excludes food and energy, had a 5.6% increase.

Inflation - CPI
as of 4/12/2023



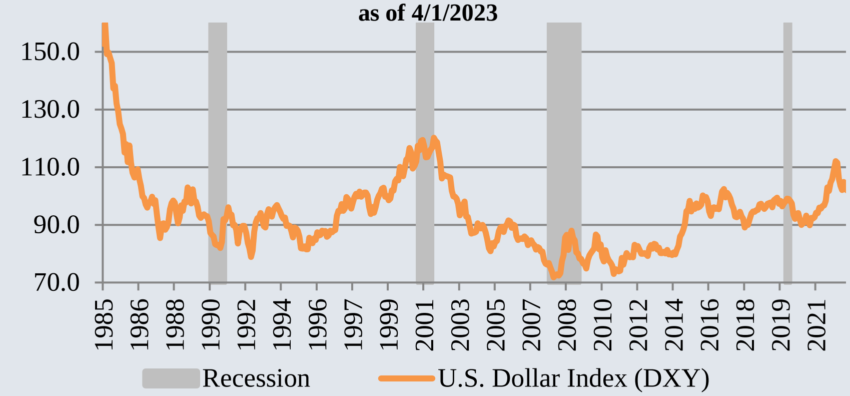
- The ISM Manufacturing Index declined during the quarter, finishing at 46.3 versus 48.4 in December. Typically, when the ISM Index is above 55 it is bullish and when it is below 45 it is bearish. The ISM Non-Manufacturing Index remained relatively weak during the quarter and finished at 51.2 in March.

ISM Manufacturing Index
as of 4/1/2023



- In March, the Conference Board Leading Economic Index decreased 1.2% month-over-month to 108.4. The index, which is a composite of leading employment, housing, manufacturing, and market indicators, has declined significantly over the past year.
- The U.S. dollar depreciated over the past two quarters.

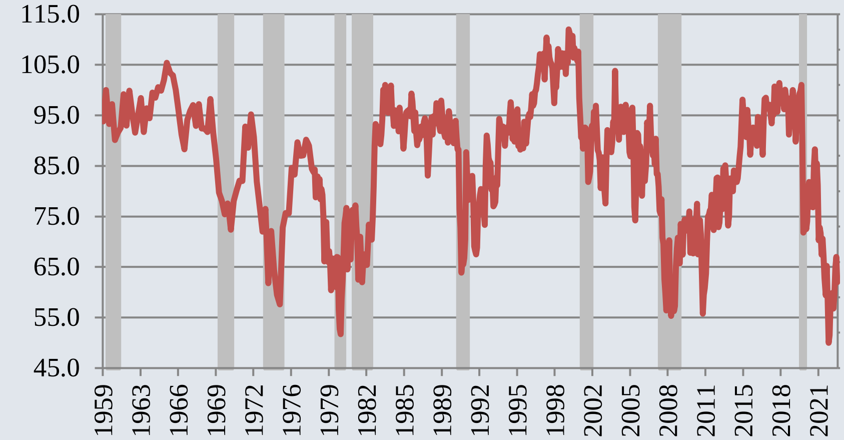
U.S. Dollar Index (DXY)
as of 4/1/2023



CONFIDENCE METRICS

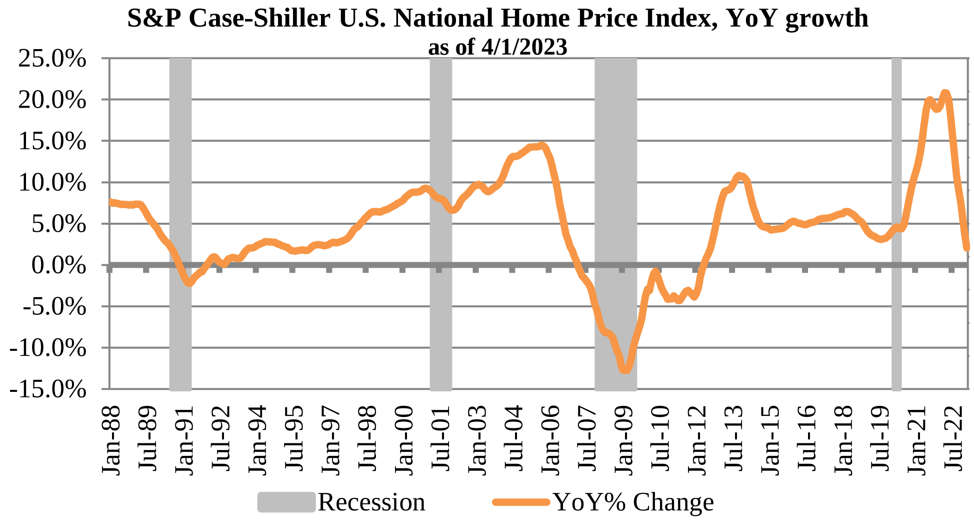
- The Conference Board’s Consumer Confidence Index March reading was 104.0, down from 109 in December as the economic outlook weakened.
- The University of Michigan Consumer Sentiment Index final reading for March was 62.0, up from the lows in mid-2022.

University of Michigan Consumer Sentiment Index
as of 4/1/2023

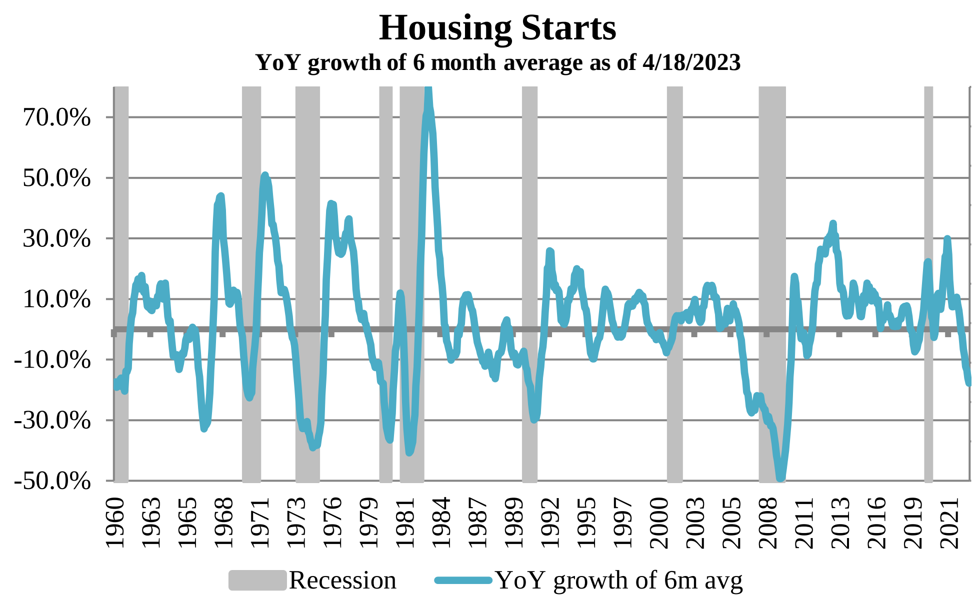


HOUSING

- S&P Case-Shiller U.S. National Home Price Index (seasonally adjusted) showed home prices rose 2.0% year/year in February. Price growth has slowed in recent months.

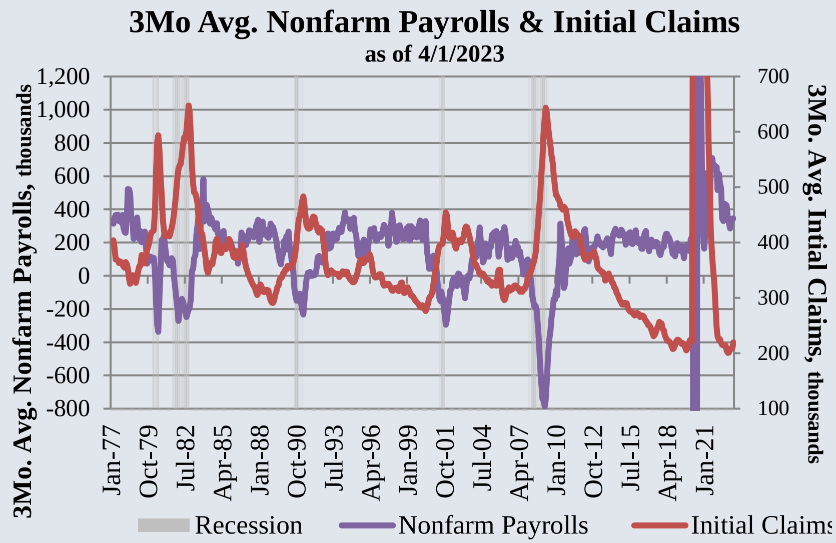


- Housing starts have declined over the past few quarters, in part, due to weaker demand as mortgage rates have increased significantly over the past year.

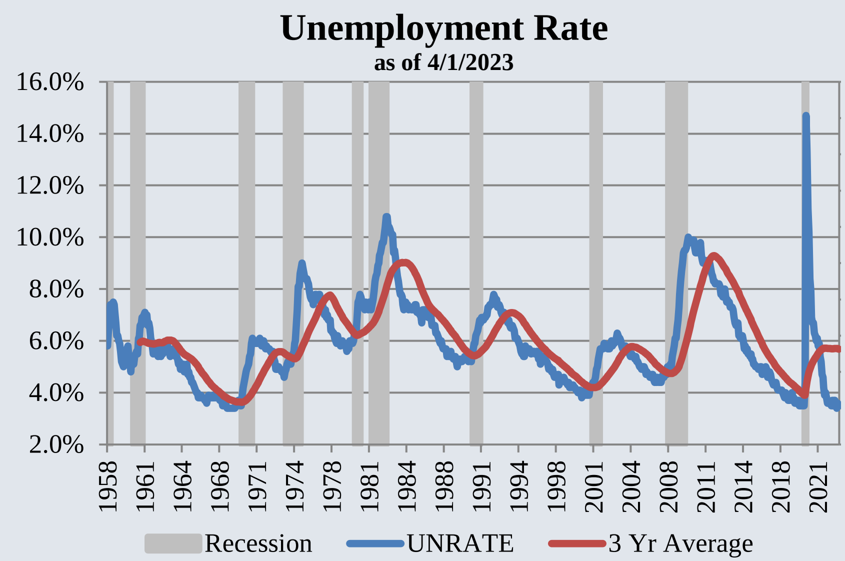


EMPLOYMENT

- During the quarter, nonfarm payrolls averaged 344,667 jobs added per month, while initial claims remain low.

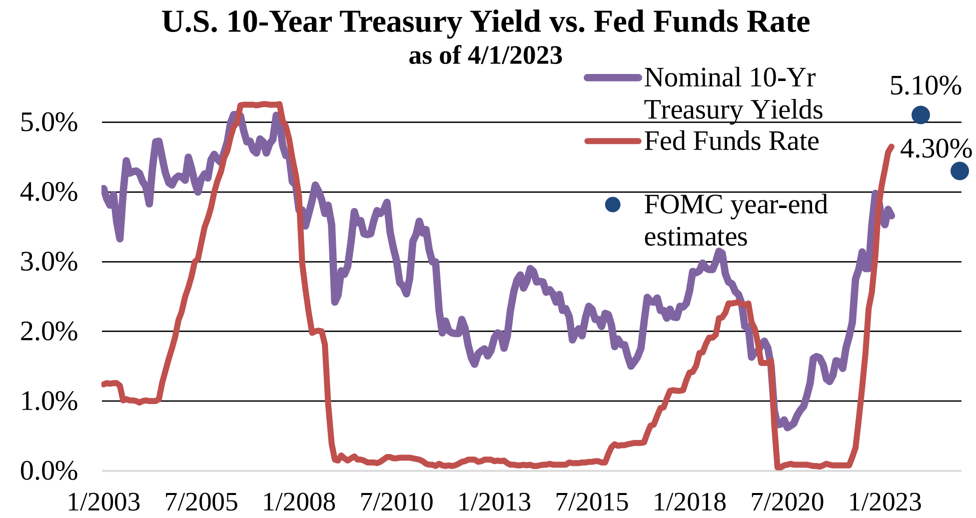


- The unemployment rate was roughly flat during the quarter at 3.5%.

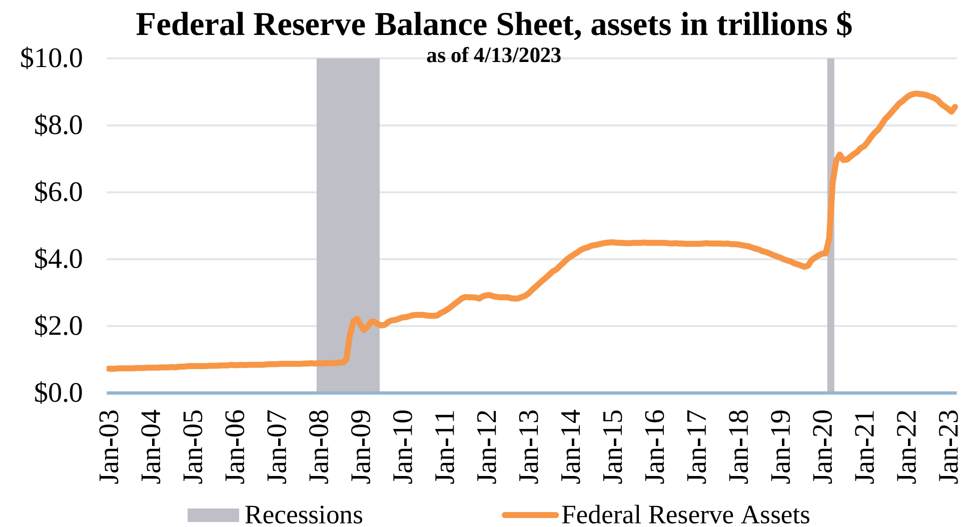


FED POLICY

- The Federal Open Market Committee (FOMC) raised the federal funds rate 0.25% in January and another 0.25% in March. The Fed expects to keep rates high throughout 2023; however, the market currently expects the Fed to cut rates in the second half.

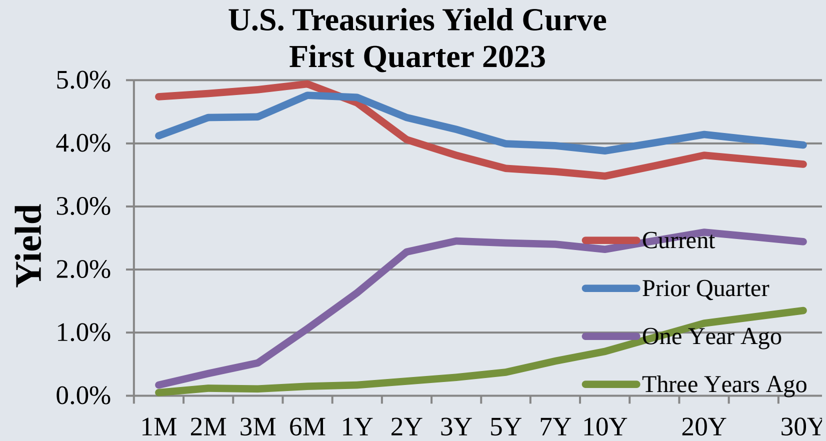


- In 2022, the Fed started to reduce its holdings of Treasuries and agency MBS. However, in March, banks increased their borrowing via the discount window, expanding the Fed's balance sheet.

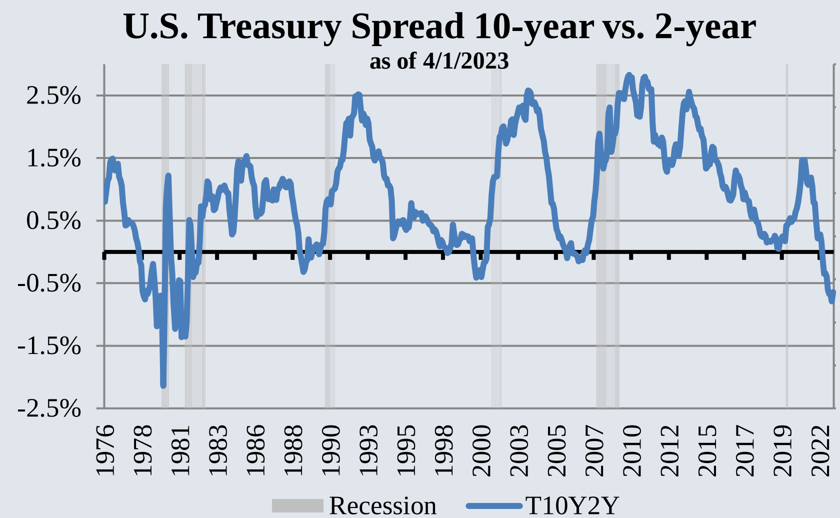


FIXED INCOME

- Very short-term U.S. Treasury yields increased during the quarter, while rates beyond a year fell. Short-term interest rates are controlled or heavily influenced by central banks, whereas long-term interest rates are affected by market forces and economic growth.



- The spread between short and intermediate-term Treasuries has remained inverted since July 2022, and finished at negative 64bps in March. Historically, the 10-year to 2-year Treasury curve has "inverted" 6-20 months before recessions.



FIXED INCOME (continued)

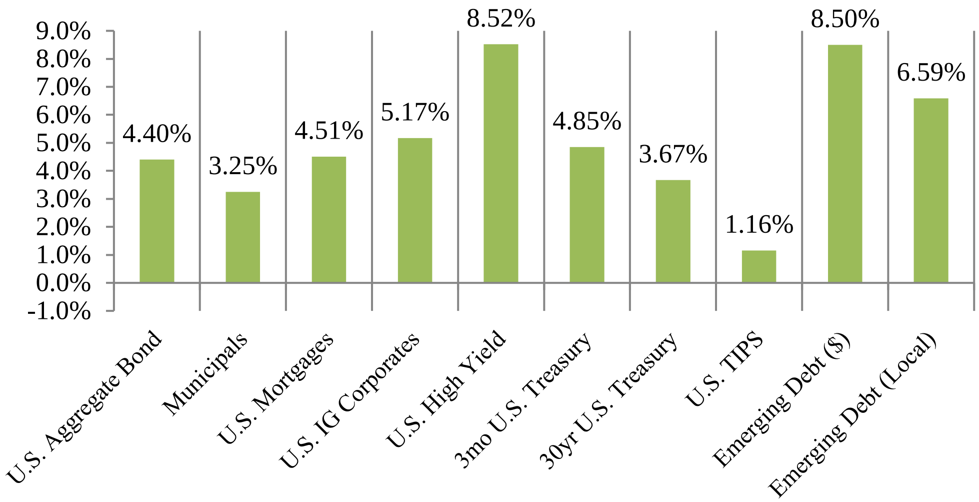
- During the quarter, the Bloomberg Barclays U.S. Aggregate was up 2.96%. Bonds with more interest rate and credit risk, generally, performed better.

	1Q 23 Return	1-Yr Return	5-Yr Return	10-Yr Return
U.S. Aggregate Bond	2.96%	-4.78%	0.91%	1.36%
Municipals	2.78%	0.26%	2.03%	2.38%
U.S. Mortgages	2.53%	-4.85%	0.20%	1.00%
U.S IG Corporates	3.50%	-5.55%	1.62%	2.32%
U.S. High Yield	3.57%	-3.34%	3.21%	4.10%
3mo U.S. Treasury	1.12%	2.60%	1.43%	0.89%
30yr U.S. Treasury	5.99%	-20.19%	-1.15%	0.93%
U.S. TIPS	3.34%	-6.06%	2.94%	1.49%
Emerging Debt ($)	1.86%	-6.92%	-0.60%	2.01%
Emerging Debt (LCL)	5.16%	-0.72%	-2.37%	-1.52%

Bloomberg and JPMorgan Indices

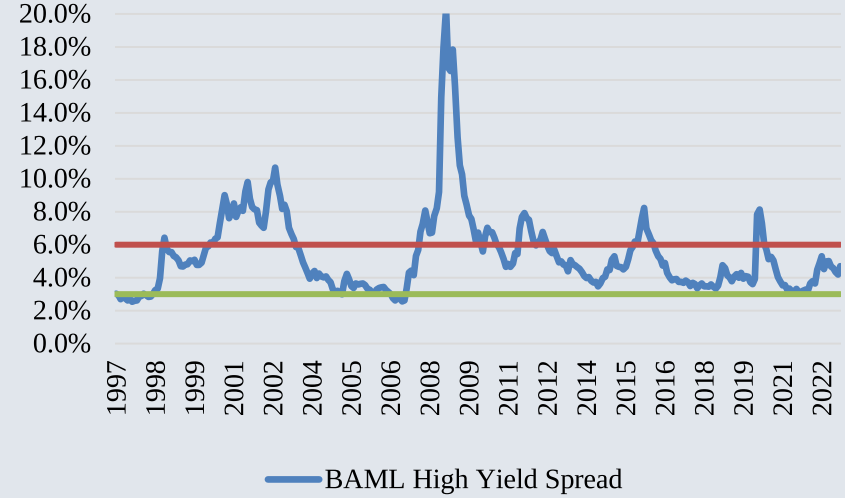
- Yields declined slightly during the first quarter but remain at attractive levels.

Fixed Income Yields
First Quarter 2023



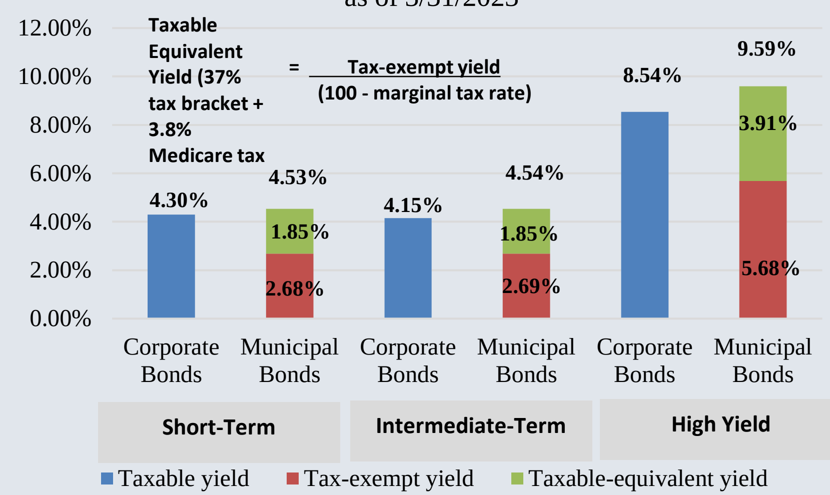
- Credit spreads remained near historical averages during the quarter.

Credit Spreads - High Yield
as of 4/1/2023



- Municipals are currently more attractive relative to taxable bonds on an after-tax basis for investors in the highest marginal tax bracket.

Taxable and tax-equivalent yields
as of 3/31/2023



DOMESTIC EQUITIES

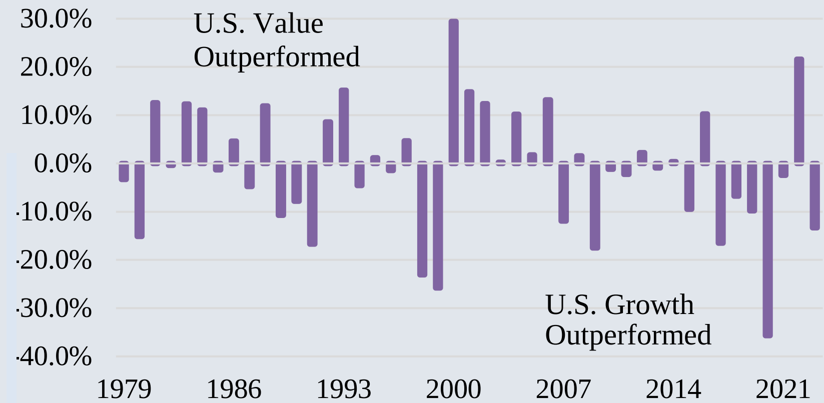
First Quarter 2023 Returns			
	Value	**Core**	**Growth**
Mega Cap		12.9%	
Large Cap	1.0%	7.5%	14.4%
Mid Cap	1.3%	4.1%	9.1%
Small Cap	-0.7%	2.7%	6.1%
Micro Cap	-5.2%	-2.8%	0.8%

- The Russell 1000 Index, comprised of large and mid-capitalization stocks, posted a positive total return of 7.5% during the first quarter. However, on a year-over-year basis, the Russell 1000 Index has decreased 8.4%.
- Small capitalization stocks, as represented by the Russell 2000 Index, increased 2.7% during the first quarter. On a year-over-year basis, the index has decreased 11.6%.

	S&P 500 Weight	**Russell 1000 Value Weight**	**Russell 1000 Growth Weight**	**1Q 23 Return**	**1-Yr Return**	**10-Yr Return**
Energy	4.6%	7.9%	1.4%	-4.7%	13.6%	4.4%
Materials	2.6%	4.5%	1.3%	4.3%	-6.3%	9.7%
Financials	12.9%	20.1%	6.7%	-5.6%	-14.2%	10.3%
Industrials	8.7%	10.9%	8.2%	3.5%	0.2%	11.2%
Cons. Disc.	10.1%	5.9%	14.3%	16.1%	-19.6%	12.1%
Technology	26.1%	8.0%	41.8%	21.8%	-4.6%	20.1%
Comm. Services	8.1%	8.6%	7.1%	20.5%	-17.8%	5.3%
Real Estate	2.6%	4.5%	1.5%	1.9%	-19.7%	7.4%
Health Care	14.2%	16.4%	11.7%	-4.3%	-3.7%	12.9%
Cons. Staples	7.2%	7.6%	6.0%	0.8%	1.2%	9.6%
Utilities	2.9%	5.6%	0.0%	-3.2%	-6.2%	9.4%
S&P 500 Index	100.0%	100.0%	100.0%	7.5%	-7.7%	12.2%

- During the quarter, the Technology, Communication Services and Consumer Discretionary sectors outperformed. There continues to be wide dispersion of returns amongst sectors.

U.S. Value vs. Growth Relative Equity Performance (as of 3/31/23)



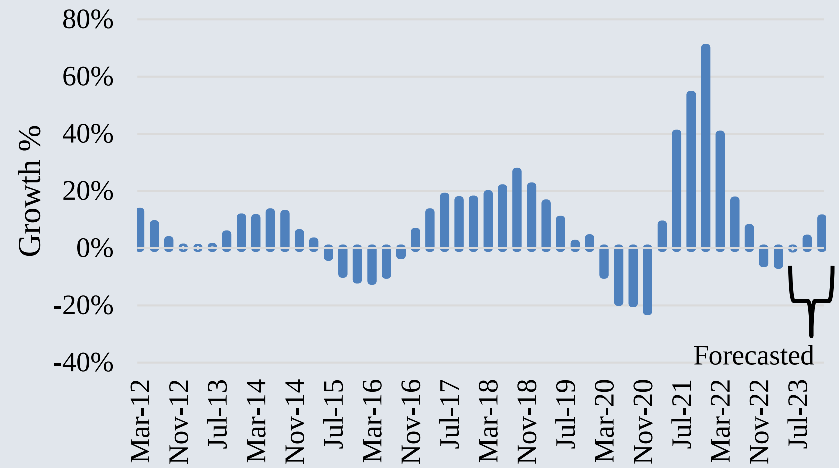
Russell 1000 Value TR vs. Russell 1000 Growth TR

- Growth outperformed Value during the quarter, which is a reversal from last year. Growth has outperformed for eleven out of the past sixteen years, during which interest rates and inflation were generally low.

S&P 500 Earnings Growth

Trailing 12-Month Operating Earnings Growth YoY

(as of 4/6/2023)



- Corporate earnings growth has slowed over the past year and analysts continue to lower 2023 growth expectations.

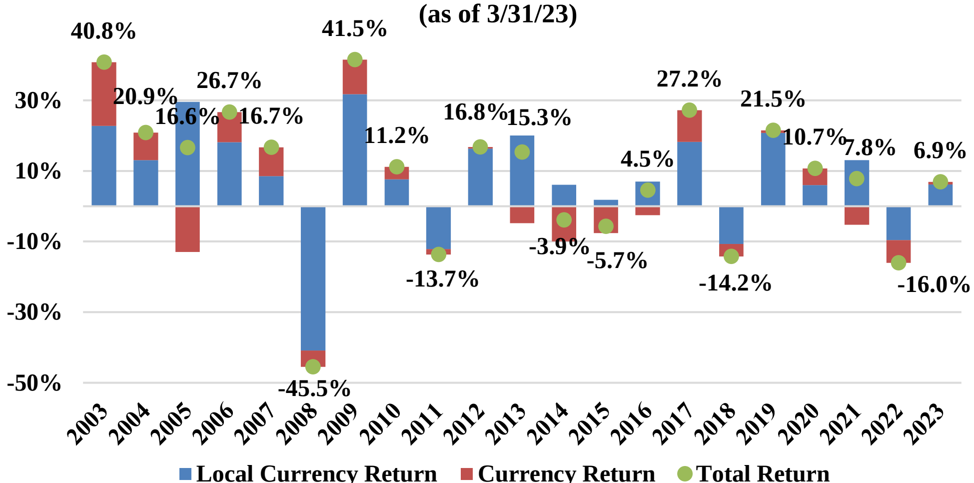
INTERNATIONAL EQUITIES

- Developed international stocks, as represented by the MSCI EAFE, were up 8.5% during the quarter, but remain down 1.4% on a year-over-year basis.
- Emerging market stocks underperformed developed markets during the fourth quarter as the MSCI Emerging Markets Index was up 4.0%. On a year-over-year basis, emerging market stocks are trailing developed markets with a return of negative 10.7%.

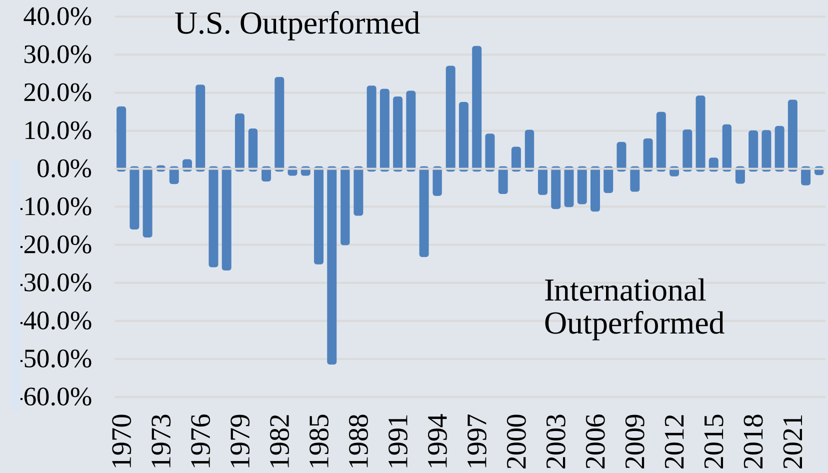
	1Q 23 Return	1-Yr Return	5-Yr Return	10-Yr Return
World	7.3%	-7.4%	6.9%	8.1%
World Ex-US	6.9%	-5.1%	2.5%	4.2%
EAFE	8.5%	-1.4%	3.5%	5.0%
Europe	10.6%	1.4%	4.4%	5.4%
Japan	6.2%	-5.2%	1.3%	5.0%
Pacific Ex-Japan	2.2%	-7.4%	3.4%	3.3%
Emerging Markets	4.0%	-10.7%	-0.9%	2.0%
EM (Asia)	4.8%	-9.4%	0.1%	4.2%
EM (Latin America)	3.9%	-11.1%	-1.8%	-1.9%
EM (Eastern Europe)	4.2%	-14.5%	-25.0%	-12.9%

- The U.S. dollar depreciated during the quarter, adding to international equity returns. The dollar has been very strong the past ten years but currency trends tend to be cyclical.

MSCI ACWI ex US Index, total return and currency impact (as of 3/31/23)



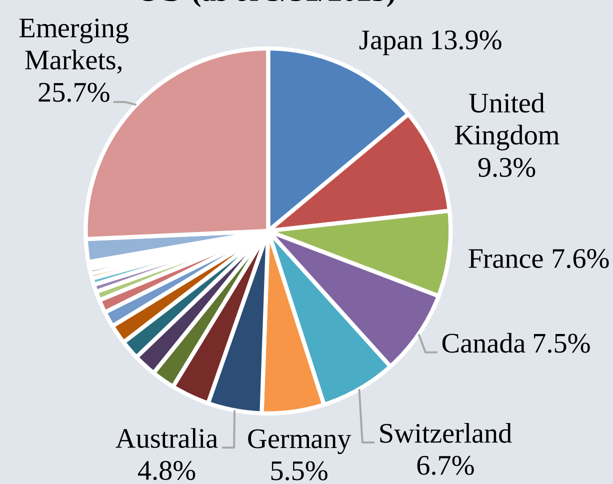
U.S. vs. International Equity Performance (as of 3/31/23)

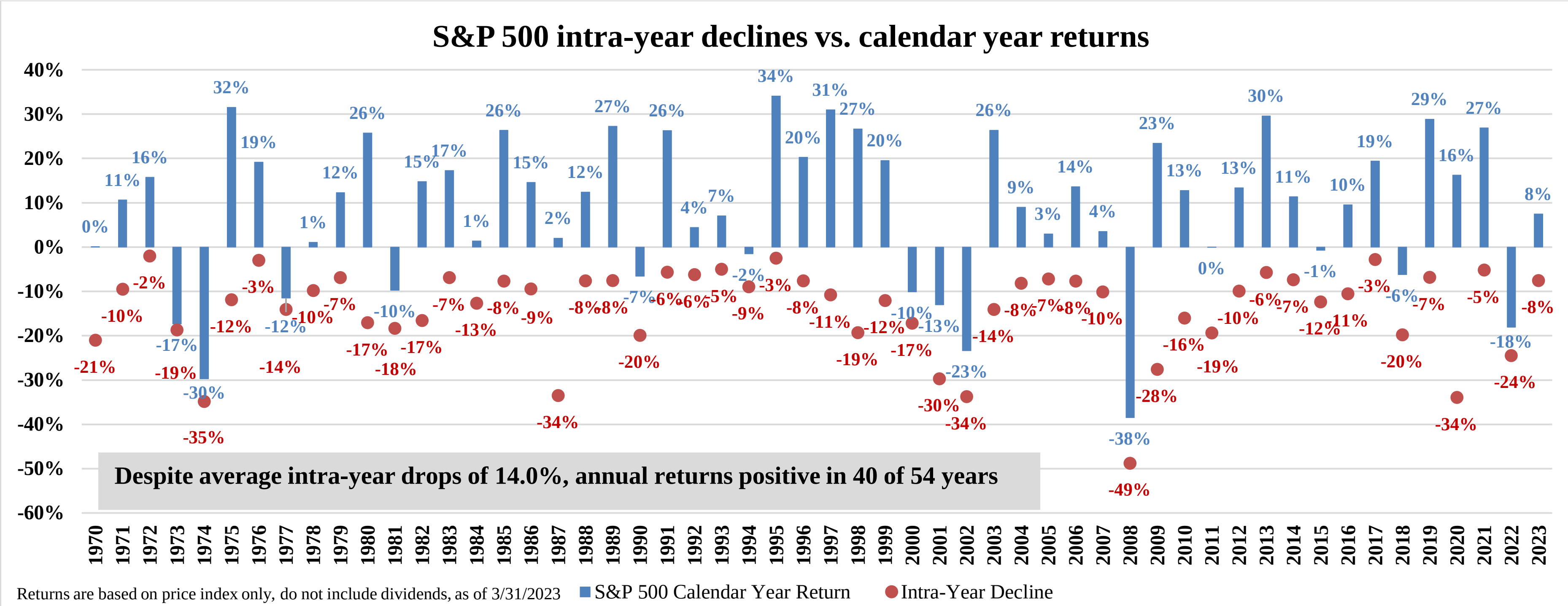


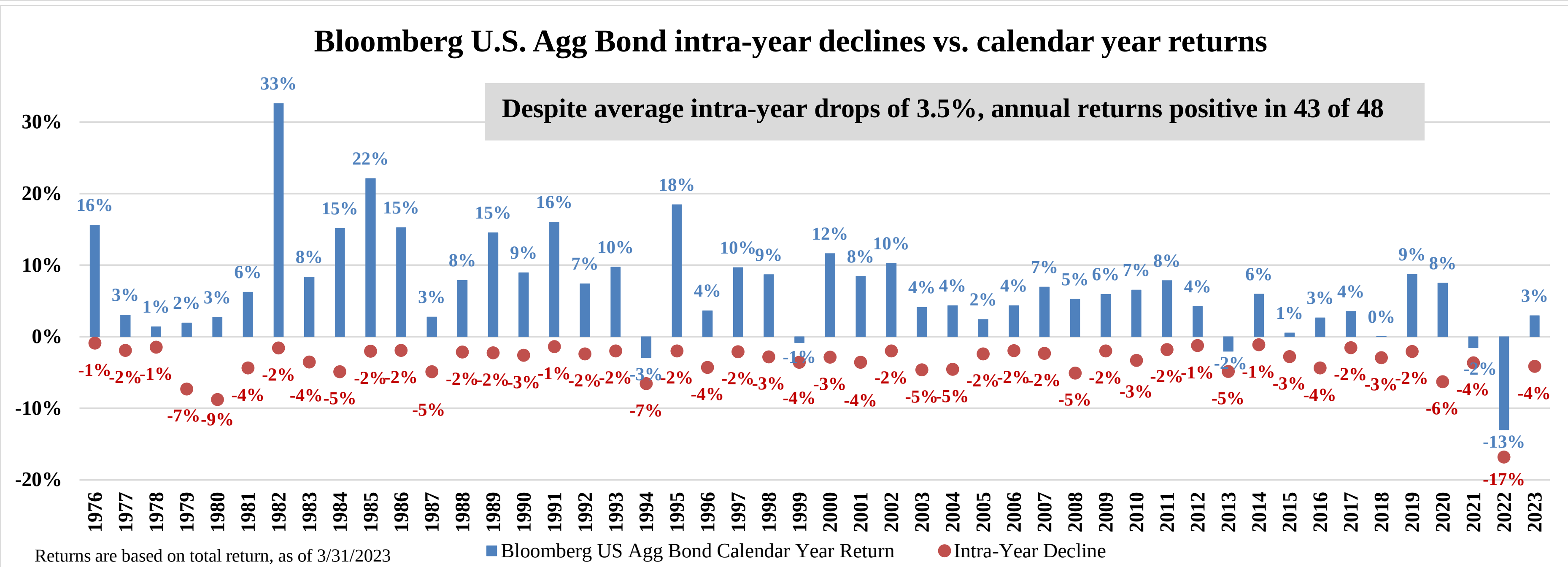
S&P 500 TR vs. MSCI EAFE NR

- International equities performed better than U.S. equities during the quarter and over the past year. International equities have underperformed U.S. equities in ten out of the last thirteen years; however, performance is cyclical as evidenced by the chart above.

Country Weighting in MSCI ACWI ex US (as of 3/31/2023)




S&P 500 intra-year declines vs. calendar year returns
Despite average intra-year drops of 14.0%, annual returns positive in 40 of 54 years
Returns are based on price index only, do not include dividends, as of 3/31/2023
S&P 500 Calendar Year Return
Intra-Year Decline


Bloomberg U.S. Agg Bond intra-year declines vs. calendar year returns
Despite average intra-year drops of 3.5%, annual returns positive in 43 of 48
Returns are based on total return, as of 3/31/2023
Bloomberg US Agg Bond Calendar Year Return
Intra-Year Decline

Market leadership changes. Focus on asset allocation and diversification.

Best

Asset Class Performance

Worst

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 YTD	10-yrs '13-'22 Return	10-yrs '13-'22 Volatility
Real Estate 19.7%	Small Cap 38.8%	Real Estate 28.0%	Real Estate 2.8%	Small Cap 21.3%	Emerging Markets 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	Real Estate 41.3%	Commodities 16.1%	International 8.6%	Large Cap 12.6%	Small Cap 19.3%
High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	International 25.6%	Fixed Income 0.0%	Real Estate 28.7%	Emerging Markets 18.7%	Large Cap 28.7%	Cash 1.5%	Large Cap 7.5%	Small Cap 9.0%	Emerging Markets 16.7%
Emerging Markets 18.6%	International 23.3%	Fixed Income 6.0%	Fixed Income 0.6%	Large Cap 12.0%	Large Cap 21.83%	Real Estate -4.0%	Small Cap 25.5%	Large Cap 18.4%	Commodities 27.1%	High Yield -12.7%	Asset Allocation 4.5%	Real Estate 7.1%	Real Estate 16.5%
International 17.9%	Asset Allocation 14.9%	Asset Allocation 5.3%	Cash 0.0%	Commodities 11.8%	Small Cap 14.7%	High Yield -4.1%	International 22.7%	Asset Allocation 10.5%	Small Cap 14.8%	Fixed Income -13.0%	Emerging Markets 4.0%	Asset Allocation 6.0%	International 14.8%
Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	International -0.4%	Emerging Markets 11.6%	Asset Allocation 14.5%	Large Cap -4.4%	Asset Allocation 19.4%	International 8.3%	Asset Allocation 13.5%	Asset Allocation -13.9%	High Yield 3.2%	International 5.2%	Large Cap 14.8%
Large Cap 16.0%	Real Estate 2.9%	Cash 0.0%	Asset Allocation -2.0%	Real Estate 8.6%	High Yield 10.4%	Asset Allocation -5.8%	Emerging Markets 18.9%	Fixed Income 7.5%	International 11.8%	International -14.0%	Fixed Income 3.0%	High Yield 3.0%	Commodities 14.1%
Asset Allocation 12.1%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Allocation 8.3%	Real Estate 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	Small Cap 2.7%	Emerging Markets 1.8%	Asset Allocation 9.3%
Fixed Income 4.2%	Fixed Income -2.0%	Emerging Markets -1.8%	Small Cap -4.4%	Fixed Income 2.7%	Fixed Income 3.5%	Commodities -11.3%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	Emerging Markets -19.7%	Real Estate 1.7%	Fixed Income 1.1%	High Yield 8.4%
Cash 0.1%	Emerging Markets -2.3%	International -4.5%	Emerging Markets -14.6%	International 1.5%	Commodities 1.7%	International -13.4%	Commodities 7.7%	Commodities -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 1.1%	Cash 0.7%	Fixed Income 4.1%
Commodities -1.1%	Commodities -9.5%	Commodities -17.0%	Commodities -24.7%	Cash 0.3%	Cash 0.8%	Emerging Markets -14.3%	Cash 2.2%	Real Estate -5.1%	Emerging Markets -2.2%	Real Estate -25.0%	Commodities -5.4%	Commodities -1.3%	Cash 0.3%

Performance of all sited indices is calculated on a total return basis and includes dividend reimbursement. Indices are not available for direct investment. Past performance is not indicative of future results. It is important to remember that there are risks inherent in any investment and there is no assurance that any asset class or index will provide positive performance over time.

* Large Cap – S&P 500 Index
* Small Cap – Russell 2000 Index
* International – MSCI EAFE GR Index
* Emerging Markets – MSCI EM GR Index
* Fixed Income – Barclays Capital Aggregate Bond Index
* Real Estate – FTSE NAREIT All Equity REIT Index
* Commodities – Bloomberg Commodity Index
* High Yield – Barclays Global High Yield Index
*Cash – Barclays 1-3m Treasury Index

The "Asset Allocation" portfolio assumes the following weights: 25% S&P 500, 10% Russell 2000, 15% MSCI EAFE, 5% MSCI EM, 25% Barclays Agg, 5% Barclays 1-3m Treasury, 5% Barclays Global High Yield Index, 5% Bloomberg Commodity Index, 5% FTSE NAREIT All Equity REIT Index

Source: Morningstar, through 3/31/2023

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