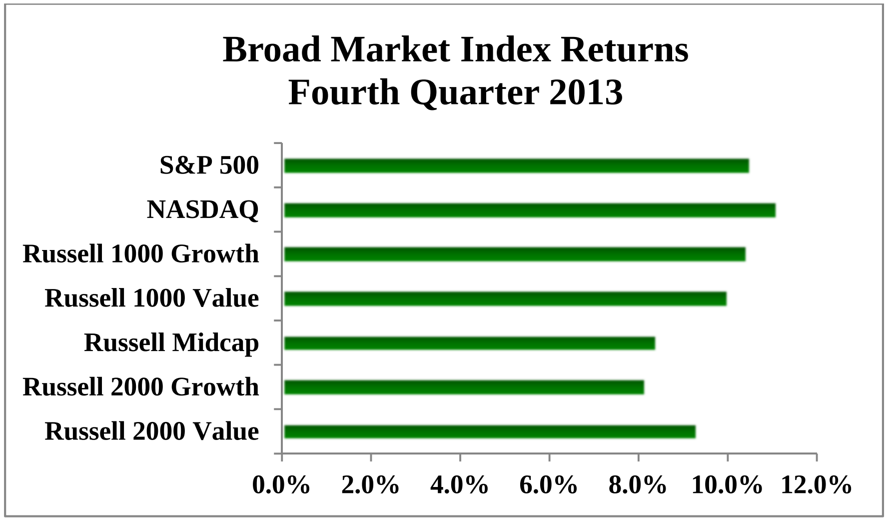
SilverOak
WEALTH MANAGEMENT LLC

Fourth Quarter 2013 Market Summary

Fourth quarter equity performance was strong, continuing the powerful trend seen throughout 2013. Shrugging off the government shut-down in early October, the U.S. equity markets advanced unabated through the quarter as the S&P 500 Index closed at an all-time high on December 31st. Investor optimism appears to have been fueled by the continuation of stable growth, declining global economic risks and a continuation of favorable Federal Reserve monetary policies. This translated into net new money inflows into equity mutual funds in 2013, the first year of positive money flows since 2006.



U.S. large cap stocks were up 10.5% during the fourth quarter and finished the year up more than 32%, the strongest annual performance since 1997. U.S. small cap and mid cap stocks each returned more than 8% during the quarter while advancing 39% and 35%, respectively, for the year. International stocks continued their recovery, posting a 5.7% return during the fourth quarter and almost 23% for the year.

Bond performance was slightly negative during the fourth quarter, following a modest recovery during the third quarter. Bonds suffered during the year as a result of the Federal Reserve beginning to “taper” its quantitative easing program. The yield on the ten year Treasury bond increased throughout the year causing the Barcap Aggregate Bond Index, a proxy for the U.S. bond market, to decline 2% for the year.

Highlights

GDP

- The Bureau of Economic Analysis released the third estimate of third quarter 2013 GDP, an increase of 4.1% versus second quarter 2013, revised up from the second estimate.
- The University of Michigan Consumer Sentiment Index final reading for December was 82.5, which was an increase from November. November was 75.1 down from 75.2 in October. Consumer sentiment has been trending up since late 2011, despite lower readings the past few months.
- ISM Manufacturing Index increased slightly over the quarter to 57.0 in December from 56.2 in September. Typically, when the ISM Index is above 55 it is bullish and when it is below 45 it is bearish.
- In November, Conference Board Leading Economic Index increased 0.82% month-over-month to 98.3. The Index has been increasing steadily over the past year showing slow growth in the economy.
- The price of WTI Crude Oil was $98.17 at the end of December, which is 4.1% lower than $102.36 at the end of September. The price of Brent Crude Oil increased 1.9% in the quarter to $109.95.
- Headline CPI was has been stable over the past few months. In November, the CPI came in at 1.2% year-over-year, down from 2% in July. Core CPI, which does not include food and energy, remained at 1.7%. Inflation levels have remained low over the past year and are less than historical averages and the Fed's inflation target of 2%

HOUSING

- Preliminary existing home sales decreased in November with an annualized rate of 4.90 million units from 5.12 million units in October. The November annualized rate is 1.2% below the 4.96 million units in November 2012. November was the first month with a negative year over year sales rate since June 2011.
- Median existing home sale prices remained flat during the quarter. Prices have risen since the beginning of 2012 and in November; preliminary prices were 9.4% higher from the levels of one year ago.
- New home sales increased this quarter with a seasonally adjusted annual rate of 464k homes sold in November versus 373k in July. Home sales have been trending up since August 2011, when 292k new homes were sold. However, new home sales growth has stalled since the beginning of 2013.
- S&P Case-Shiller 20-City Home Price Index (seasonally adjusted) showed home prices rose 13.6% year-over-year in October. The index has risen every month since the beginning of 2012.

EMPLOYMENT

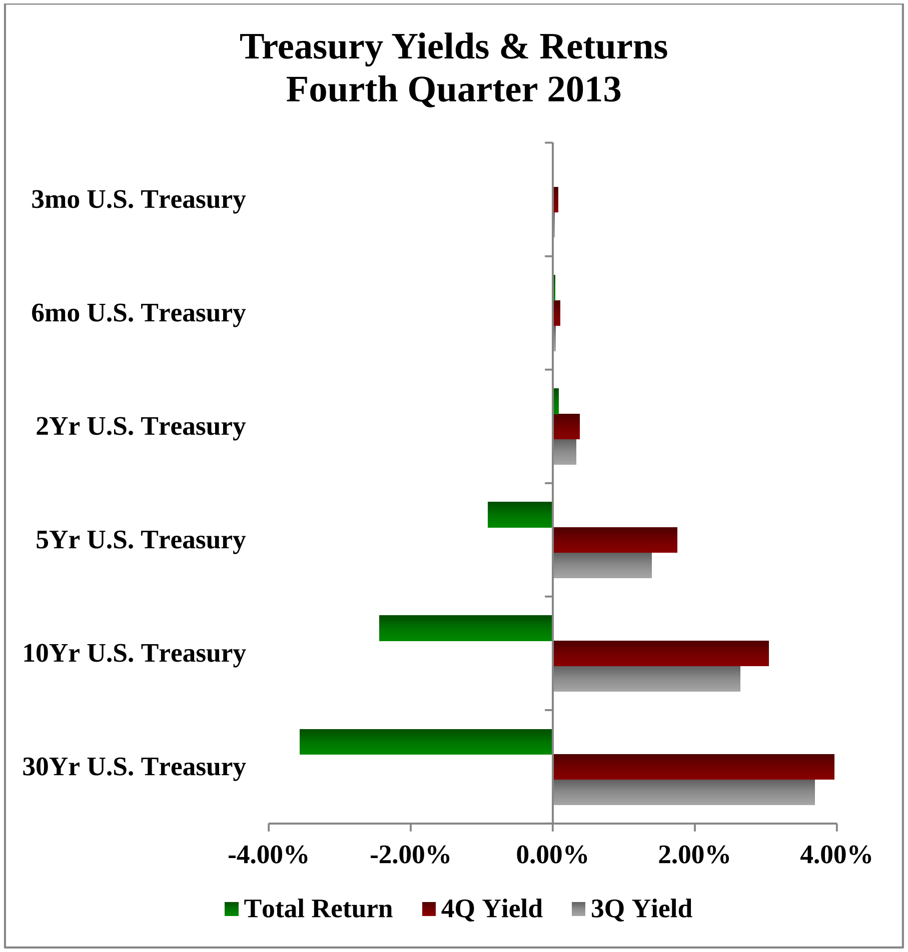
- The labor market was mixed in the fourth quarter as the October and November nonfarm payrolls increased by 200,000 and 241,000 respectively. In December, nonfarm payrolls increased by only 74,000, which was significantly lower than consensus expectation of 197,000. The increase in jobs during December was the smallest since January 2011.
- Hourly earnings have been increasing since the end of 2012.
- The unemployment rate decreased during the quarter to 6.7%, in large part because of the decrease in labor participation rate.
- Initial Jobless Claims continue to decrease to levels last seen in 2007.

DOMESTIC CORPORATIONS

- Corporate operating earnings have re-accelerated over the past 3 quarters after taking a pause from mid 2011 through the end of 2012.
- Forward and trailing P/E multiples have been expanding since 3Q 2011 and are now at or slightly above historical averages.

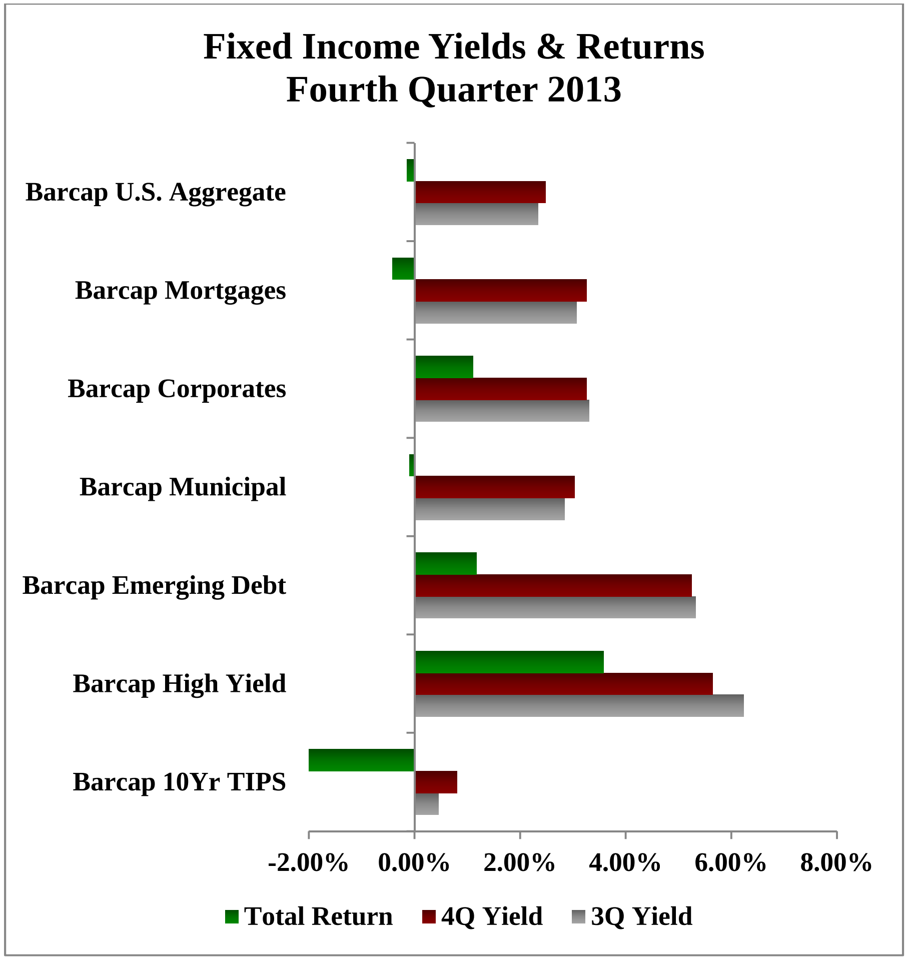
FIXED INCOME

- The yields on all Treasury securities increased on a quarter-over-quarter basis. Yields on longer-term Treasuries increased more causing the yield curve to steepen. A steep curve indicates market participants are not concerned about a recession over the next year.
- Yields for many fixed income sectors increased during the quarter; while higher yielding sectors like High Yield, Emerging Market Debt and Corporates decreased. Fixed income returns were mixed this quarter. High Yield, Emerging Market Debt and Corporates all had positive returns. TIPS were the worst performing sector.



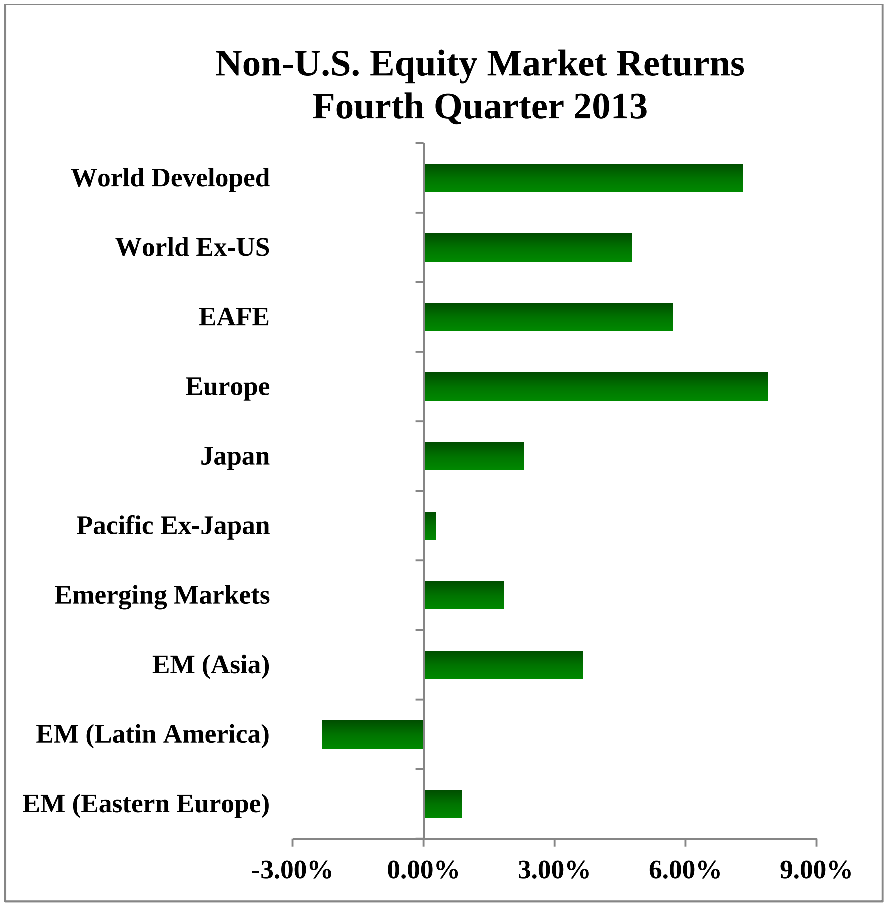
FED POLICY

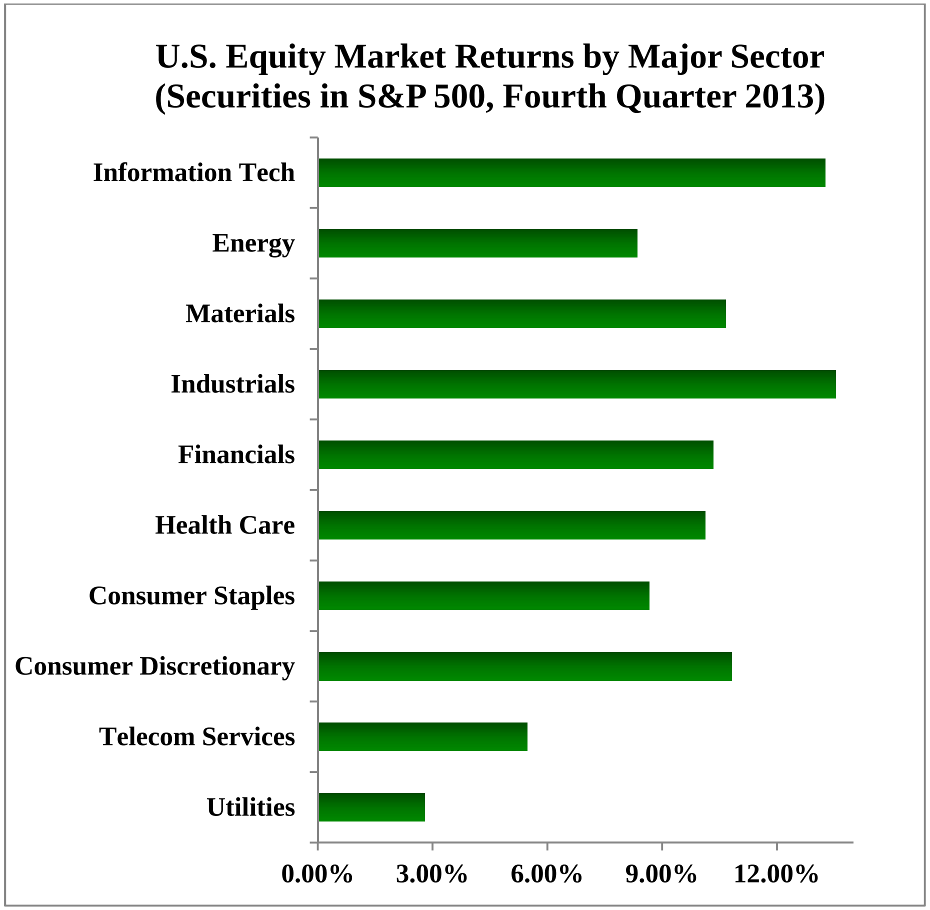
- In December, the Federal Open Market Committee (FOMC) announced they will leave the federal funds rate at 0% to 0.25% percent. In their statement, the Fed expressed that the fed funds rate will remain at exceptionally low levels even if the unemployment rate falls below 6.5% as long as inflation remains low.
- The Fed believes there are signs of economic growth and decided to begin tapering of their agency mortgage-backed securities and longer-term Treasury securities purchases. They will reduce total purchases from $85B per month to $75B per month.



EQUITIES

- For the quarter, domestic stock prices ended higher. Performance in the U.S. was positive across the board; however, large capitalization stocks were the best performing. Value stocks performed better on a relative basis than growth stocks during the quarter, except in large caps.
- The Russell 1000 Index of large capitalization stocks posted a total return of 10.23% during the quarter. On a year-over-year basis, the Russell 1000 Index has advanced 33.11%.
- Small capitalization stocks, as represented by the Russell 2000 Index, posted a gain of 8.72% during the quarter. On a year-over-year basis, the index has increased 38.82%.
- Developed international stocks performed worse than U.S. domestic equities. The MSCI EAFE index of international markets stocks increased 5.71% during the quarter. On a year-over-year, the EAFE is up 22.78%.
- During the quarter, emerging market stocks performed worse relative the developed markets. The MSCI Emerging Markets Index increased 1.83% in the quarter and is down 2.6% on a year-over-year basis.
- CBOE Volatility Index (VIX) decreased in the quarter from 16.6 at the end of September to 13.72 at the end of December. The VIX has remained low throughout the year. Low levels on the VIX are generally positive for the equity markets.





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