



SilverOak

WEALTH MANAGEMENT LLC

Quarterly Webinar
April 15, 2020



Introduction

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



Agenda

- Economic Data
- Market Data
- SilverOak's Outlook
- Past Pandemics and Making History
- CARES Act Overview
- Questions



Economy:

COVID-19



Market Dashboard

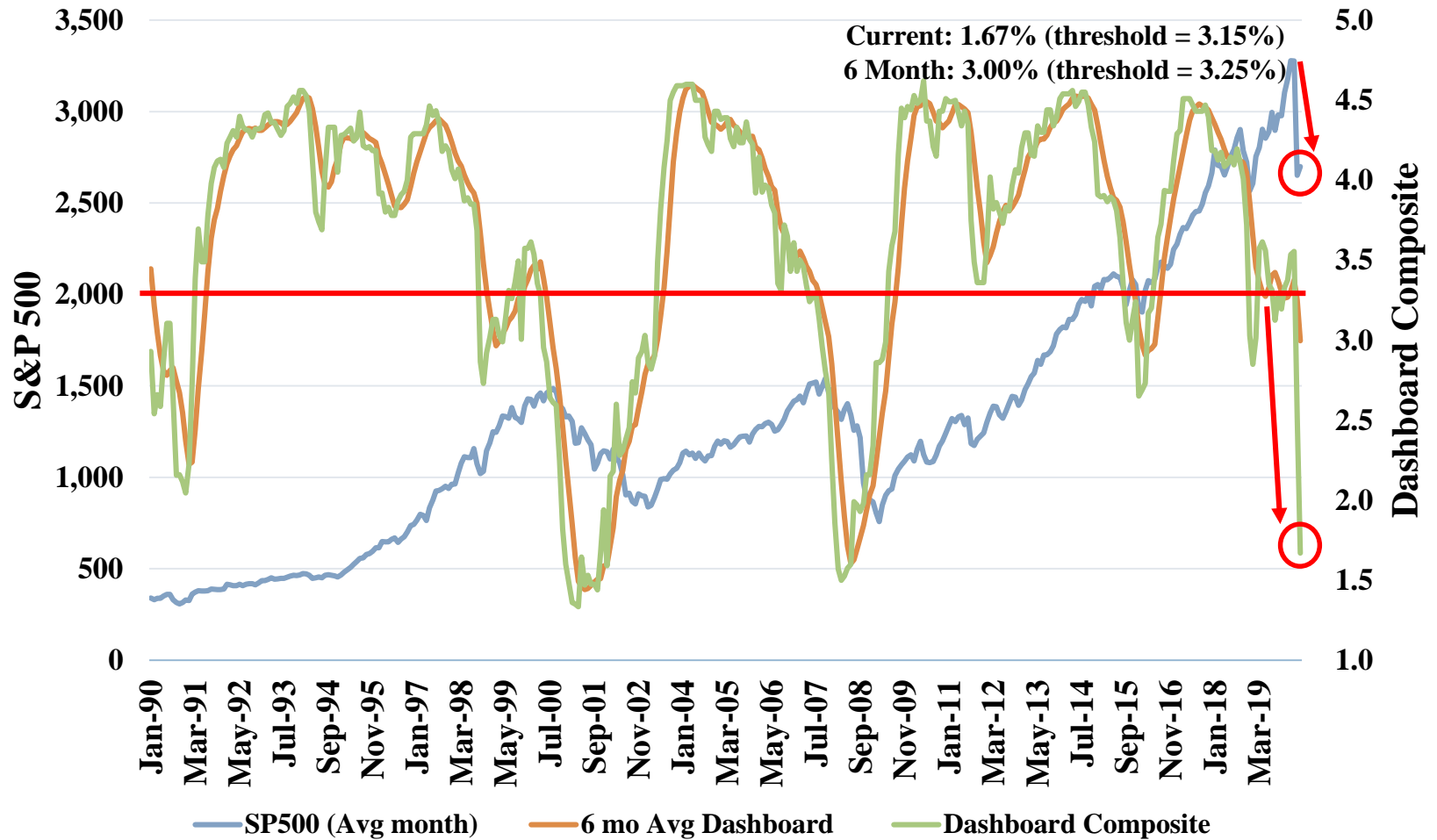
Projected



	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020
Economy	Grey	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Grey	Grey	Grey	Red	Red
Credit Markets	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Grey	Green	Grey	Grey	Red	Red
Valuations	Red	Red	Red	Red	Red	Red	Red	Red	Red	Grey	Grey	Grey	Grey	Grey	Grey	Grey
Market Sentiment	Green	Green	Green	Green	Green	Green	Green	Green	Green	Grey	Grey	Green	Green	Green	Grey	Red
Composite 6mo. Avg.	Grey	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Grey	Grey	Grey	Red	Red



Market Dashboard



Current Economic Factors Scorecard

Positive

Fiscal Policy (+)
Monetary Policy (+)
Interest Rates (+)
Commodity Prices (+)

Neutral

Housing
Corporate Sector ↓
U.S. Politics ↑
U.S. Dollar
U.S. Inflation

Negative

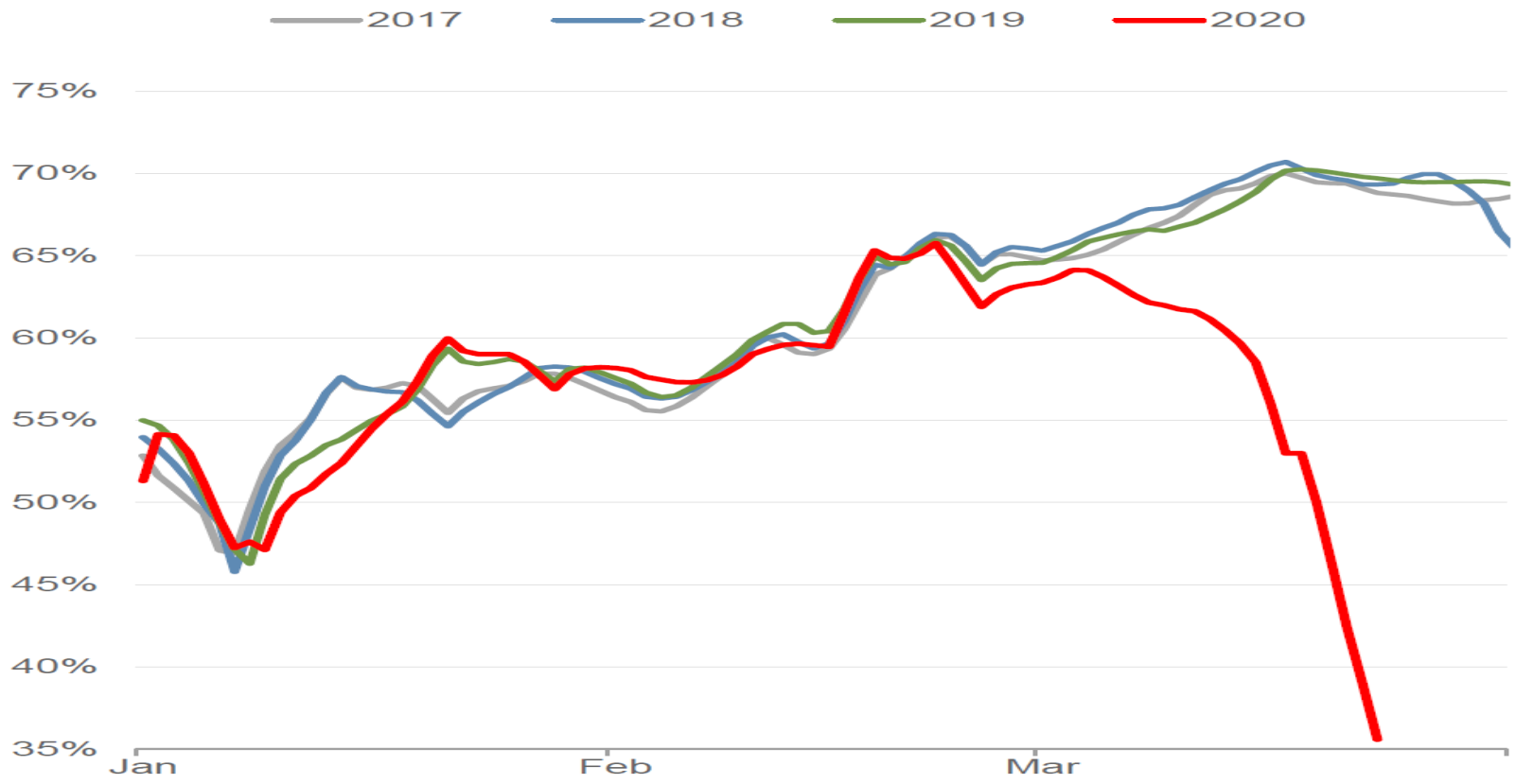
Employment (-)
Consumer Confidence (-)
Credit Conditions (-)
Global Growth ↓
Eurozone ↓
China (-)
Tariffs
Geopolitics

(+)/(-) signifies upgrades/downgrades in categories
↑ ↓ signifies sentiment shifts within a category



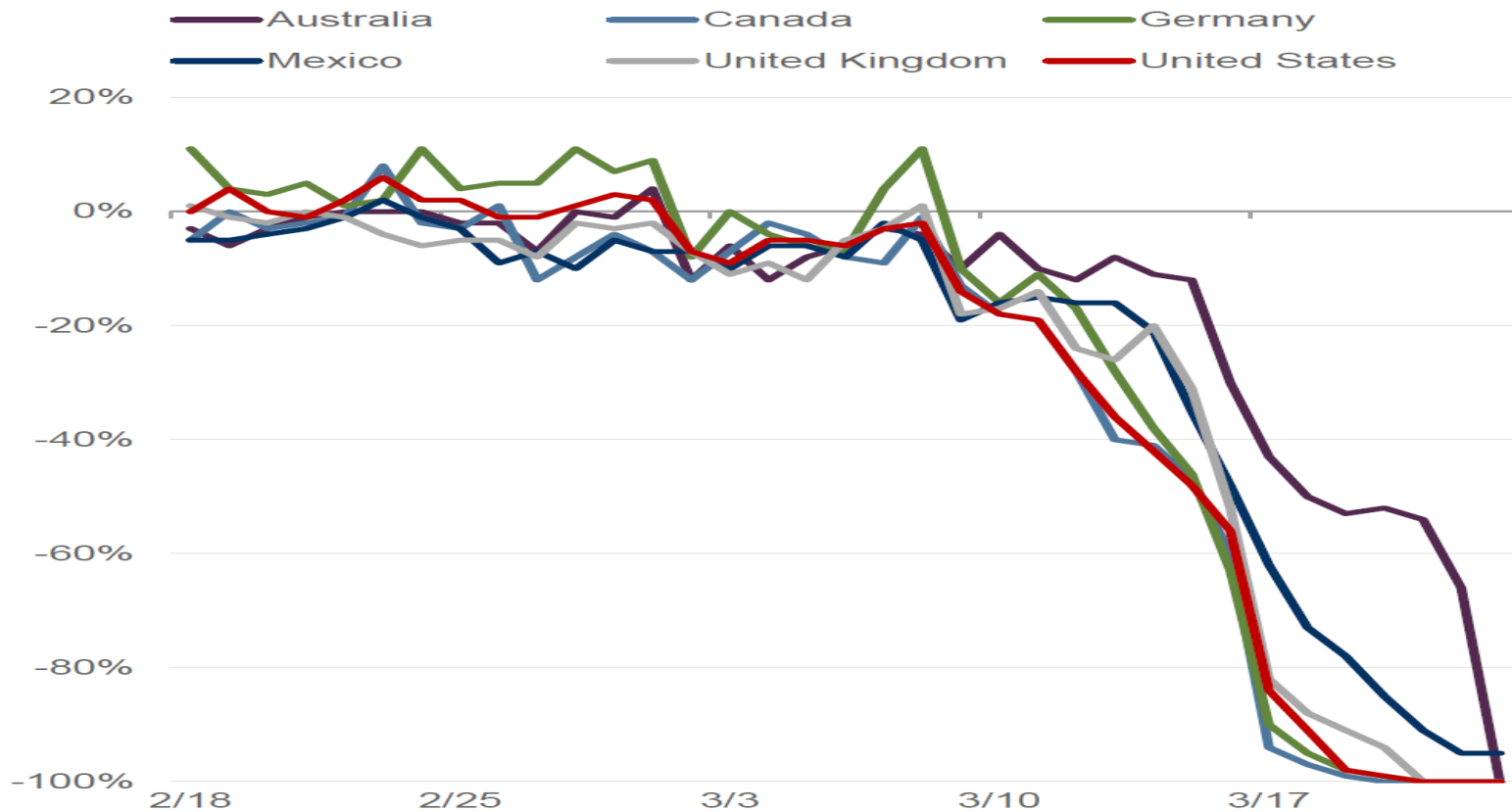
Consumer Spending Fell Quickly

U.S. Hotels: Daily Occupancy Rate (7 Day Mov. Avg.)



Consumer Spending Fell Quickly

Seated Diners at OpenTable Network Restaurants, YoY% Change



Source: Guggenheim

Spending Trends by Category

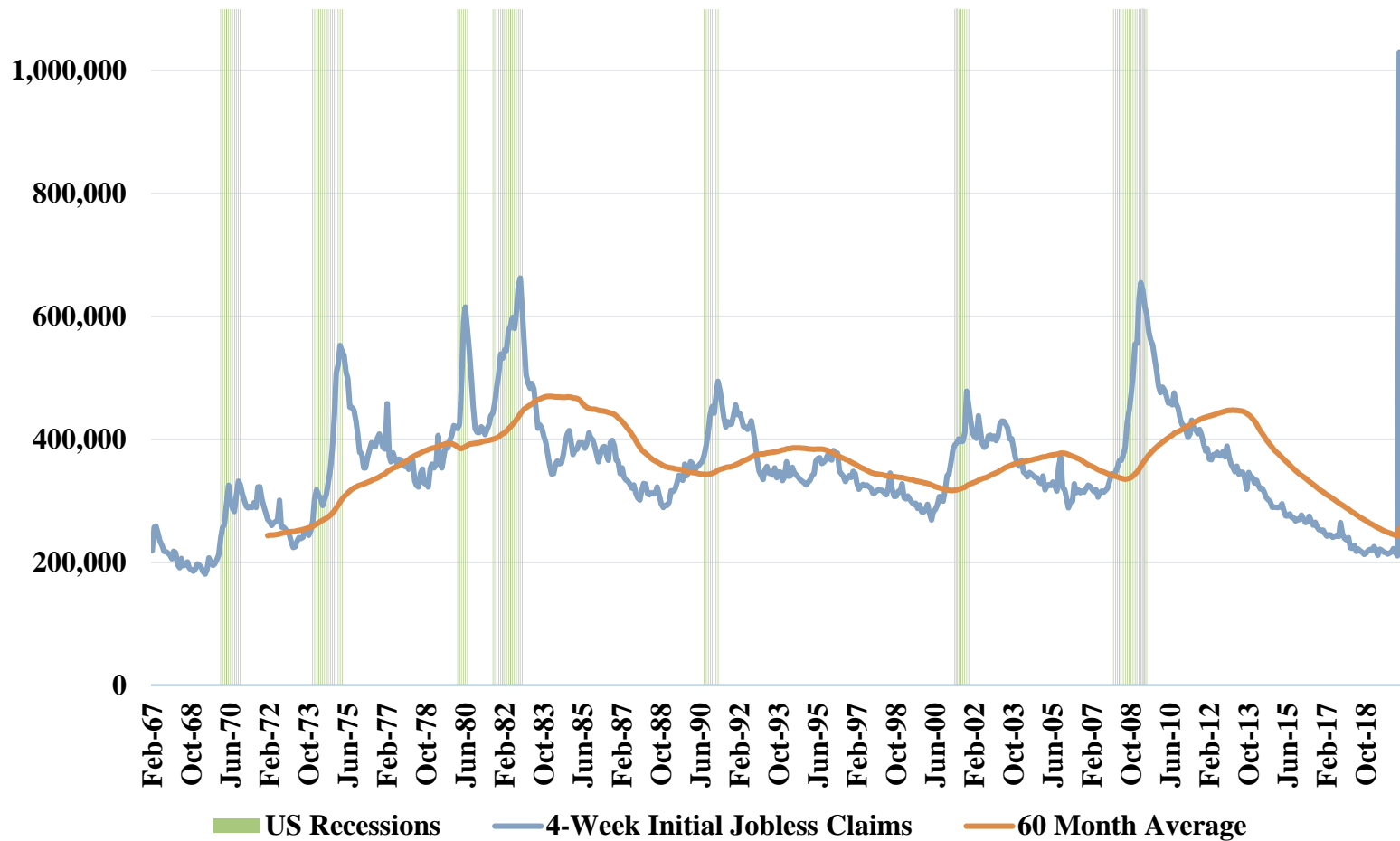
	3/17	3/16	3/15	3/14	3/13	3/12	3/11	3/10	3/9	3/8	3/7	3/6	3/5
Airlines	-94%	-88%	-60%	-63%	-62%	-52%	-54%	-46%	-51%	-40%	-28%	-28%	-24%
Lodging	-124%	-112%	-48%	-71%	-62%	-49%	-37%	-25%	-30%	-8%	-14%	-16%	-24%
Cruises	-102%	-82%	-60%	-69%	-85%	-130%	-126%	-98%	-84%	-40%	-68%	-66%	-61%
Restaurants	-43%	-32%	-33%	-27%	-18%	-9%	-2%	-2%	2%	3%	0%	-1%	-1%
Entertainment	-67%	-95%	-70%	-79%	-72%	-56%	-32%	-32%	-24%	-26%	-22%	-26%	-22%
Transit	-38%	-56%	-42%	-43%	-16%	-31%	-4%	2%	-19%	-12%	-7%	-7%	-9%
Grocery	66%	93%	30%	59%	122%	105%	37%	20%	12%	9%	8%	10%	15%
General Merchandise	15%	37%	-4%	8%	60%	66%	30%	19%	15%	5%	5%	14%	11%
Health, Pers & Beauty stores	13%	30%	21%	20%	34%	29%	10%	7%	6%	8%	2%	2%	0%

Source: BAC internal data; Note: > 100% decline reflects refunds. We advise taking a moving average to decipher the underlying trend.

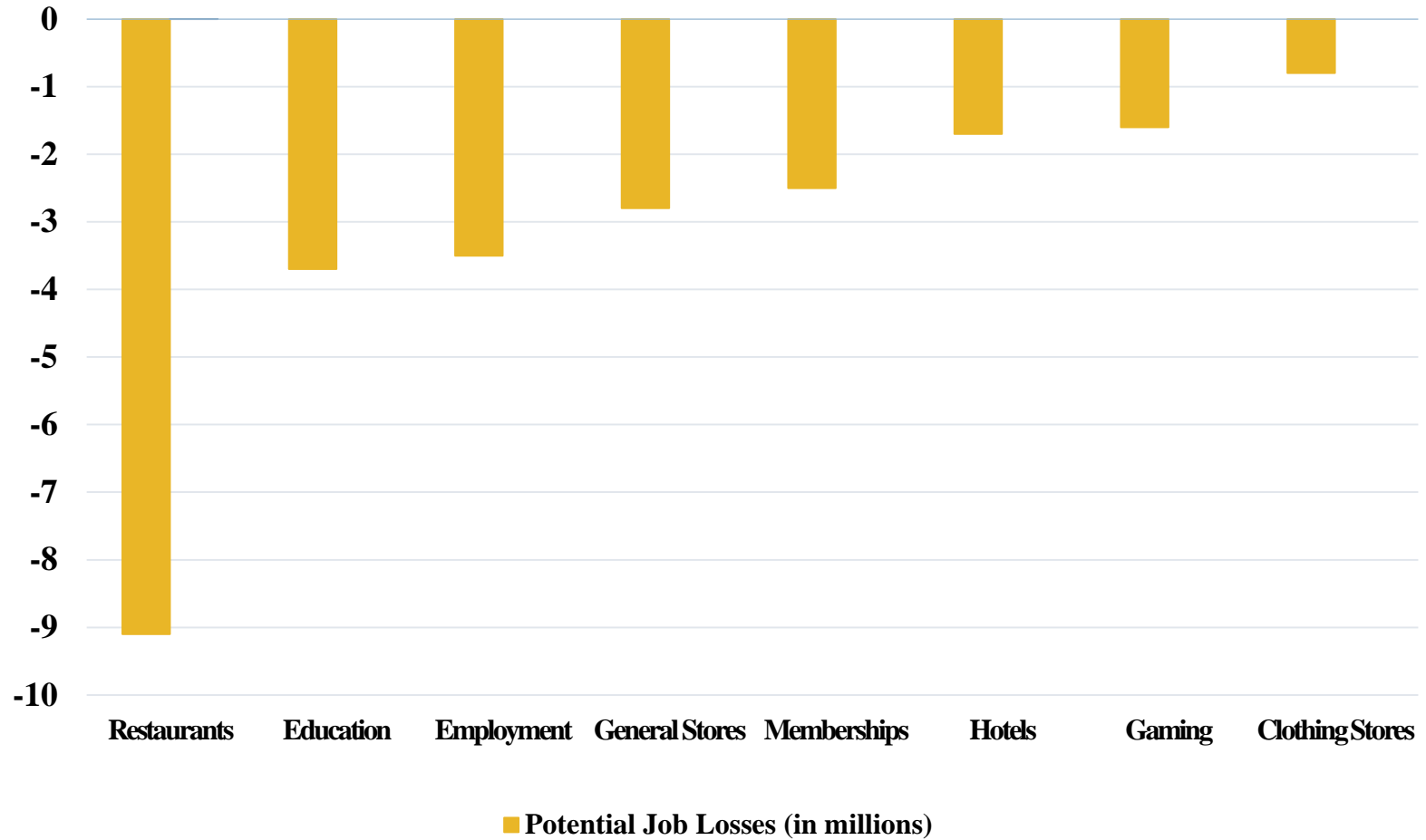


Source: Doubleline, Bank of America

Jobless Claims Have Surged



Potential Job Losses



Source: Doublin, jobqualityindex.com



2020 GDP Estimates Cut Substantially

	Goldman	Bank of America	Morgan Stanley	JPMorgan	Barclays	DB	Avg	Min	Max
Q1	(6.0)	0.5	(2.4)	(4.0)	1.5	0.6	(1.6)	(6.0)	1.5
Q2	(24.0)	(12.0)	(30.1)	(14.0)	(7.0)	(12.9)	(16.7)	(30.1)	(7.0)
Q3	12.0	3.0	29.2	8.0	0.0	4.4	9.4	0.0	29.2
Q4	10.0	4.0	3.3	4.0	1.0	5.2	4.6	1.0	10.0
2020	(3.1)	(0.8)	(2.3)	(1.8)	(0.6)	(0.8)	(1.6)	(3.1)	(0.6)
Technical Recession	Yes	No	Yes	Yes	No	No	Yes		

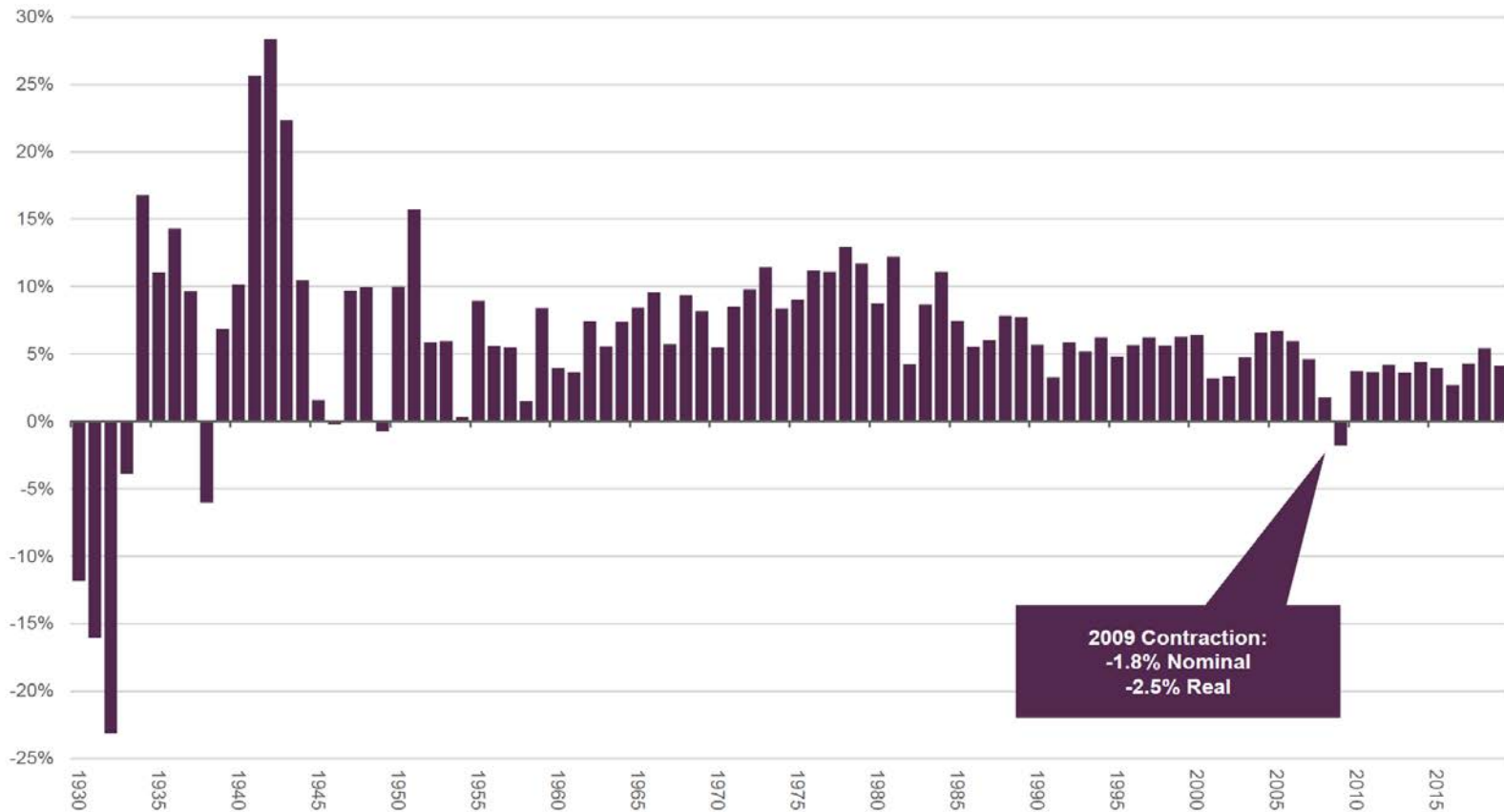
Source: Doubleline, Goldman Sachs, Bank of America, Morgan Stanley, JP Morgan, Barclays, Deutsche Bank and Bloomberg

Data as of 3/31/20



GDP History

Annual U.S. Nominal GDP Growth

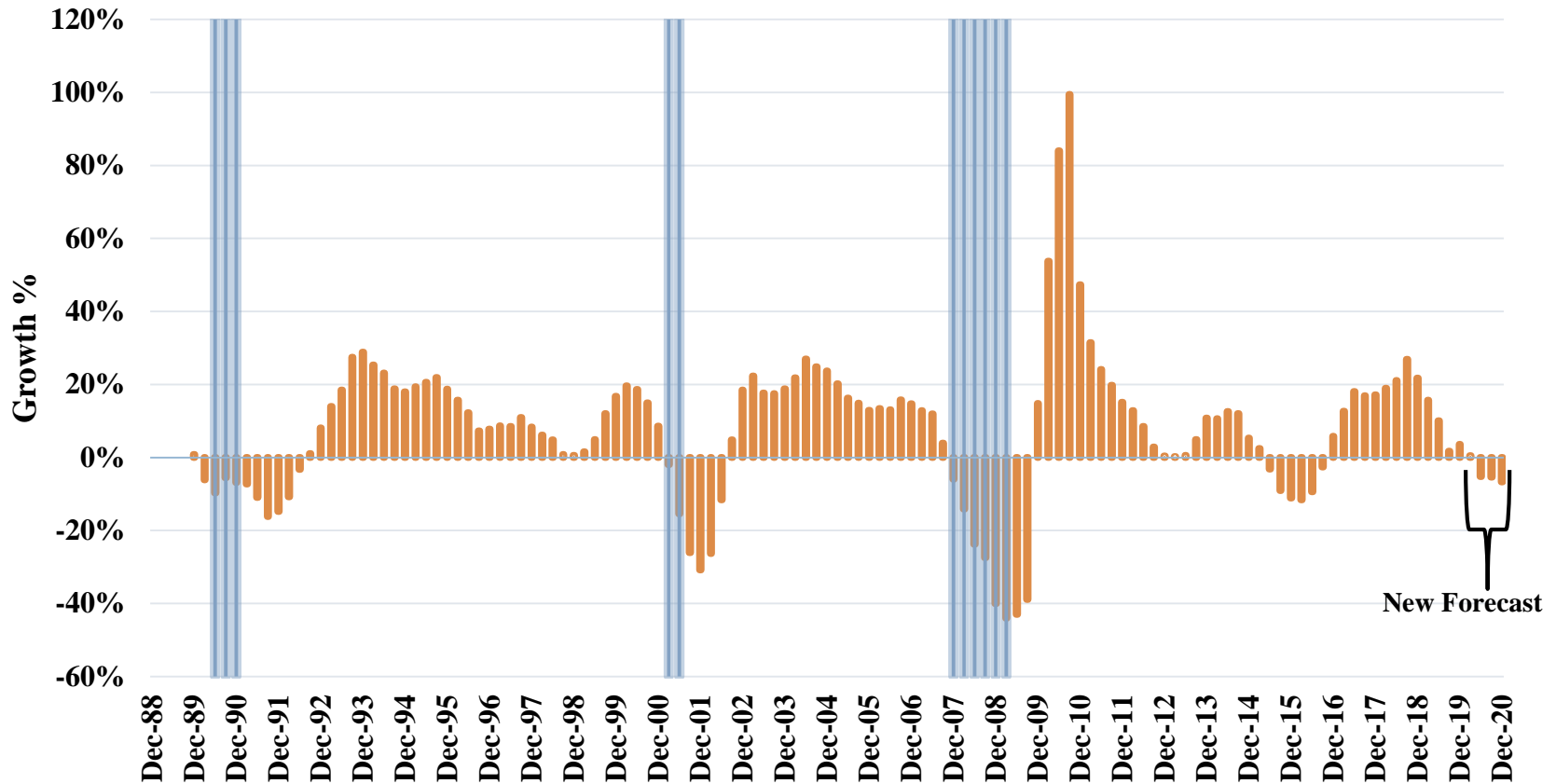


2009 Contraction:
-1.8% Nominal
-2.5% Real



Earnings Expected to Contract

S&P 500 Earnings Growth
Trailing 12-Month Operating Earnings Growth YOY



Monetary Policy

The Federal Reserve is “All In”

- February 28th – Statement issued indicating, “The fundamentals of the U.S. economy remain strong. However, the coronavirus poses evolving risks to economic activity.”
- March 15th – Cut Fed Funds rate to 0.00% to 0.25%
- March 17th – Established Primary Dealer Credit Facility and Commercial Paper Funding Facility
- March 18th – Established Money Market Mutual Fund Liquidity Facility
- March 19th - 31st – Extensive measures announced to support economy
- March 31st – Established temporary Repo Facility



Monetary Policy

The Federal Reserve is “All In”

- April 1st - April 3rd – Leverage ratio rules relaxed and other announcements regarding mortgage servicers working with homeowners
- April 6th – Establish facility for lending to small businesses via PPP (Payroll Protection Program)
- April 7th - 8th – Statement on loan modifications and growth restrictions on Wells Fargo adjusted
- April 9th – Announce additional \$2.3 trillion in loans



Monetary Policy

The Federal Reserve is “All In”

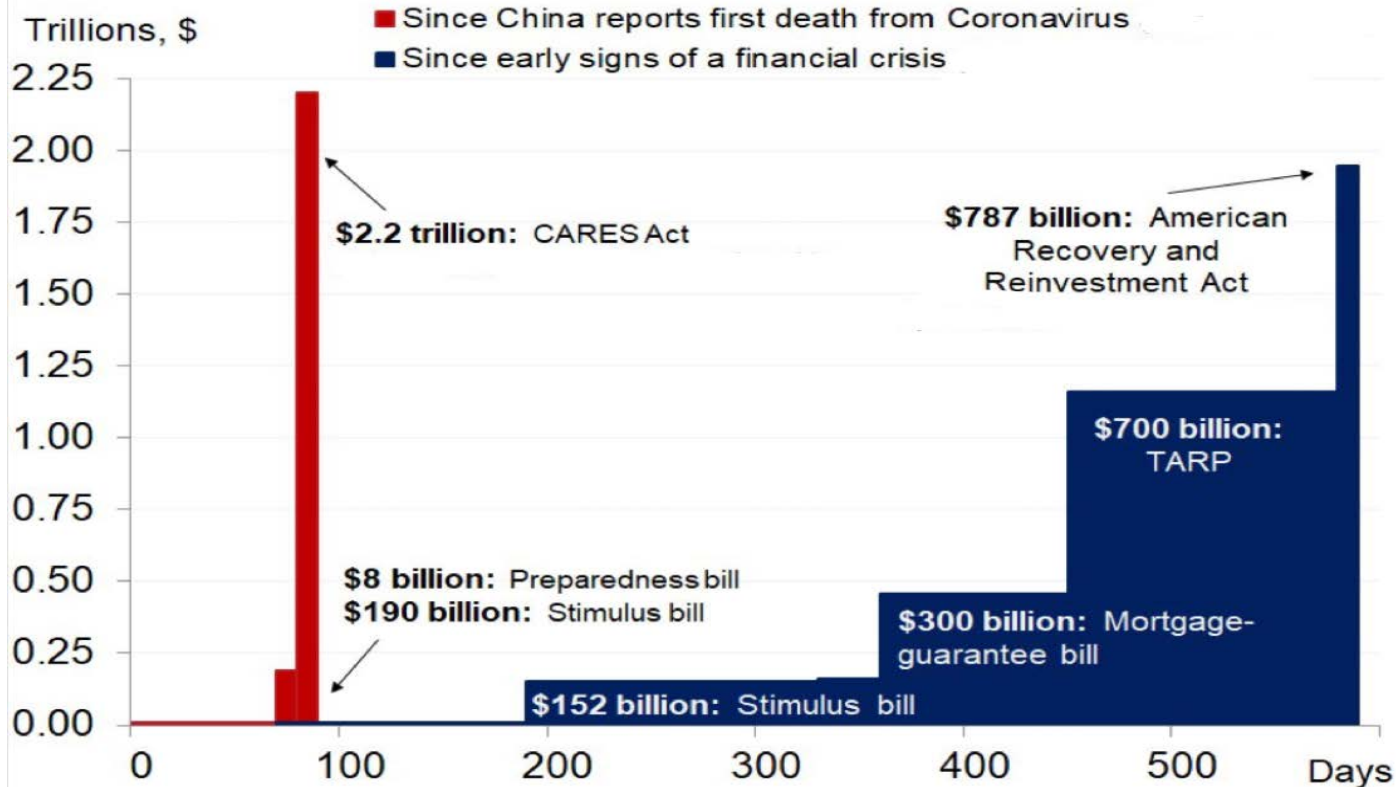
- Injected trillions of liquidity into the U.S. banking system
- Announced essentially unlimited Quantitative Easing
- No longer acting as lender of last resort to banks, but now doing so to companies

This could be a new Era in central banking!



Strong Fiscal Policy Response

US: Funds authorized by Congress



Markets:

COVID-19



Market Summary

■ Equity market performance

	<u>Q1 2020</u>	<u>1-Year</u>
– US large cap		
• S&P 500	-19.6%	-7.0%
– US mid cap		
• Russell Midcap	-27.1%	-18.3%
– International equities		
• MSCI ACWI ex US	-23.4%	-15.6%
– Emerging markets		
• MSCI Emerging Markets	-23.6%	-17.7%



Market Summary

■ Bonds and other asset class performance

	<u>Q1 2020</u>	<u>1-Year</u>
– US fixed income		
• Barclay’s Aggregate	+3.2%	+8.9%
– Global fixed income		
• Barclay’s Global ex US	-2.7%	+0.7%
– Commodities		
• Bloomberg Commodity TR	-23.3%	-22.3%
– REITS		
• MSCI US REIT NR	-27.0%	-21.0%



Equity Market Conditions

■ First Quarter

	<u>Value</u>	<u>Blend</u>	<u>Growth</u>
Large	-26.7%	-19.6%	-14.1%
Mid	-31.7%	-27.1%	-20.0%
Small	-35.7%	-30.6%	-25.8%

■ One Year

	<u>Value</u>	<u>Blend</u>	<u>Growth</u>
Large	-17.2%	-8.8%	+0.9%
Mid	-24.1%	-18.3%	-9.5%
Small	-29.6%	-24.0%	-18.6%

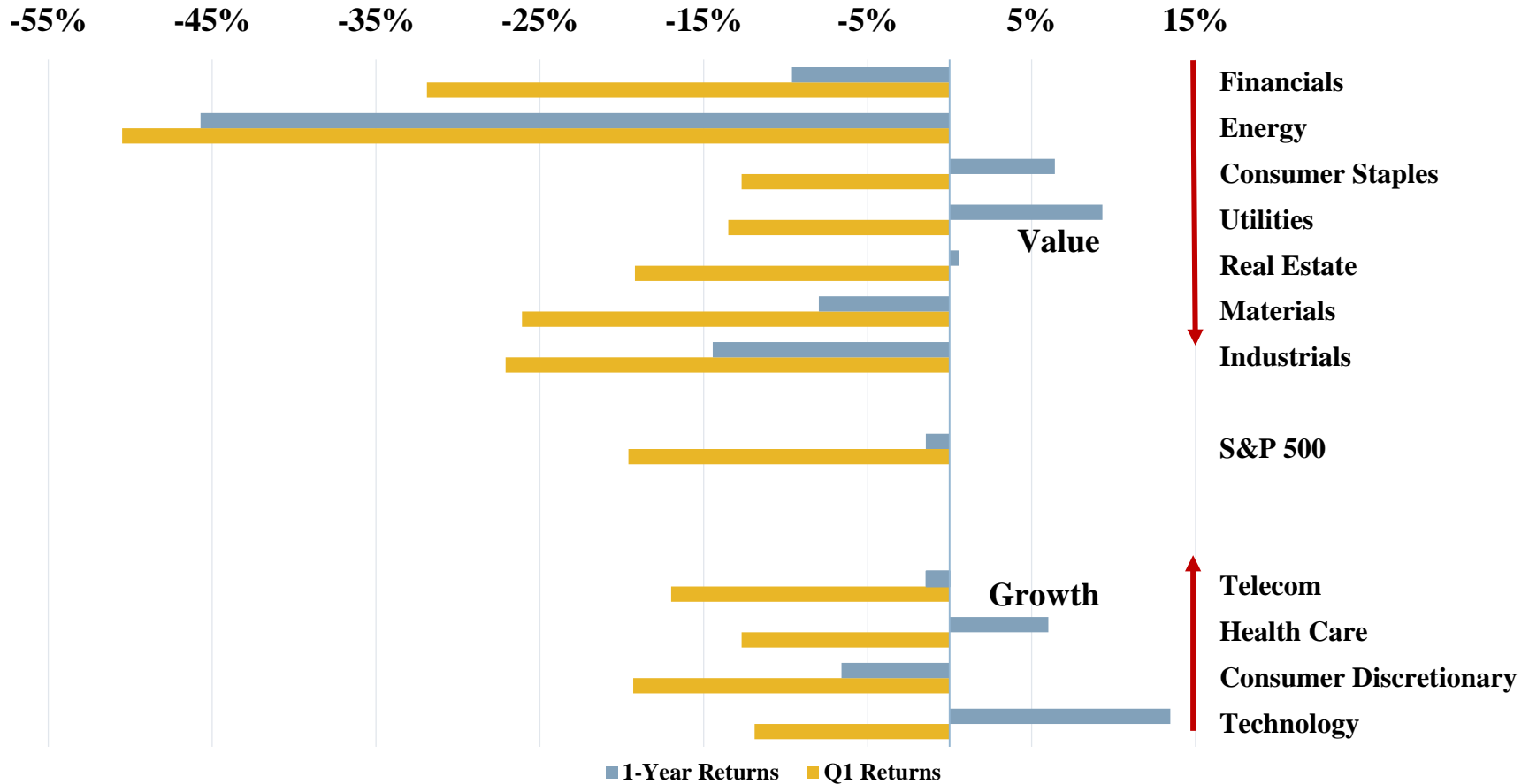
Source: Morningstar. All calculations are cumulative total return as of 3/31/2020.

Russell style indices utilized for all performance with the exception of large blend, which reflects the S&P 500 Index.

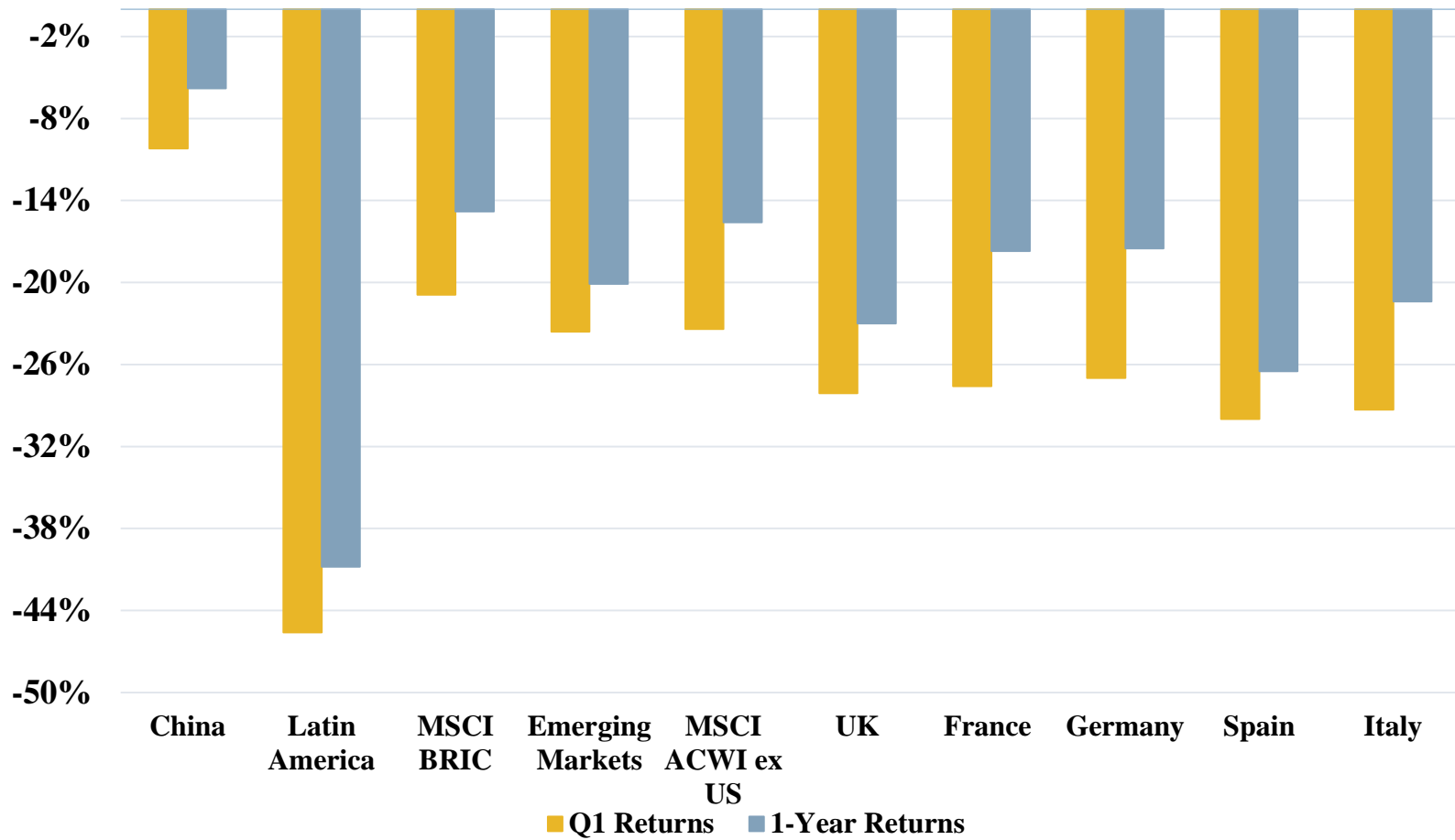
Past performance is no guarantee of future success.



Value Sectors Have Been Hammered

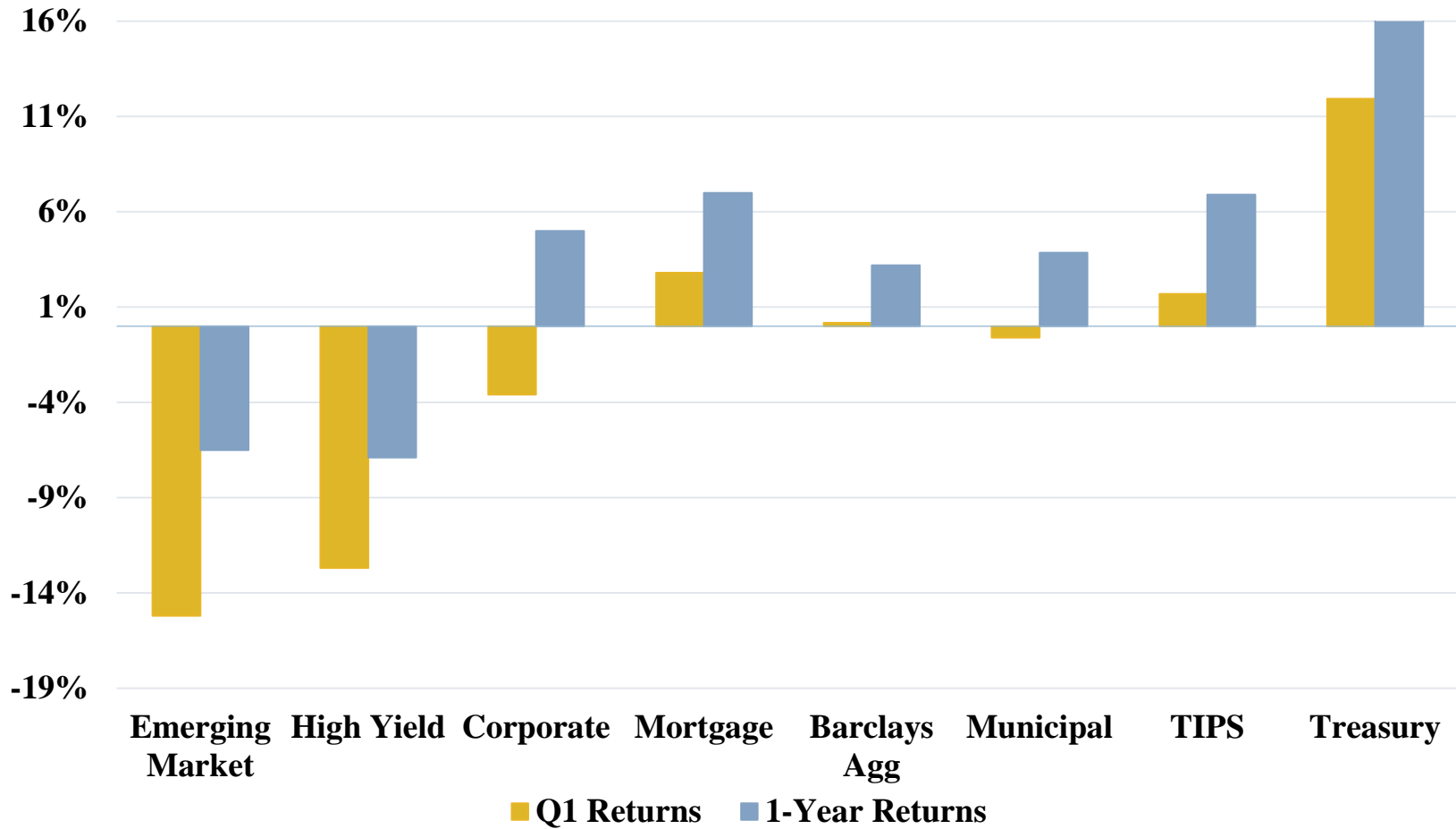


Weaker International Returns

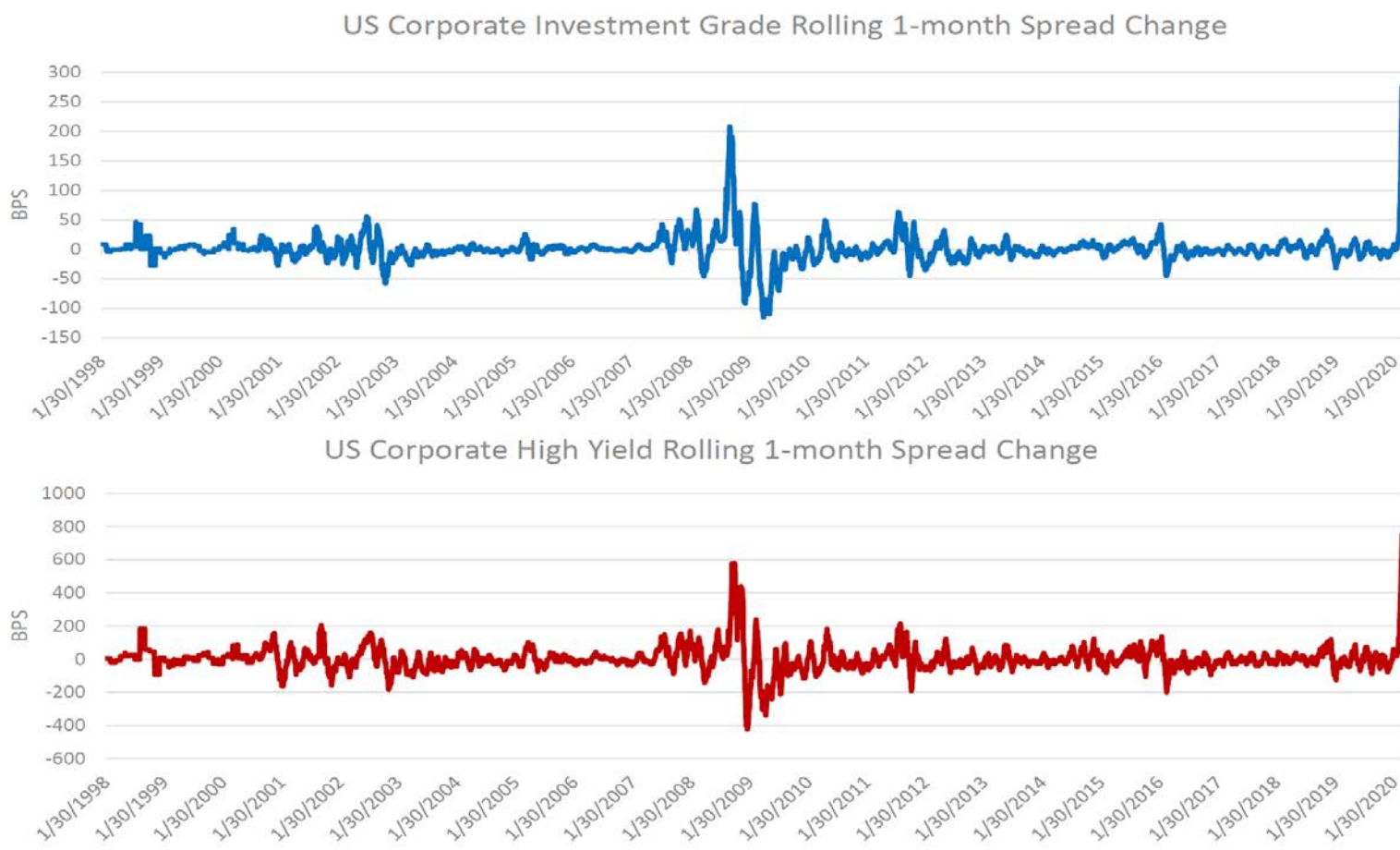


Past performance is no guarantee of future success.
Returns in US dollars.

Flight To Safety During First Quarter

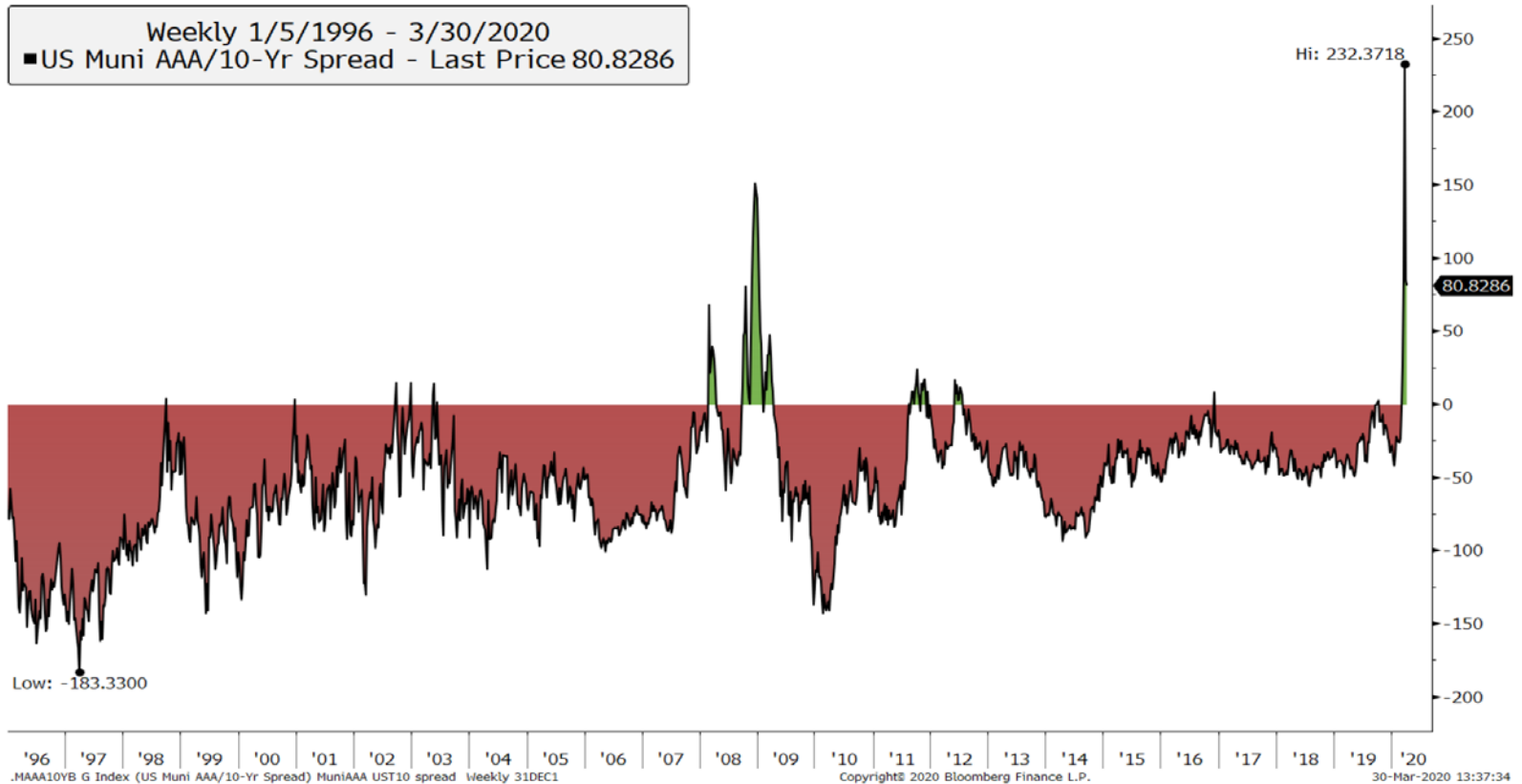


Record One Month Change in Spreads



Source: Doubleline, Bloomberg data as of 3/27/20

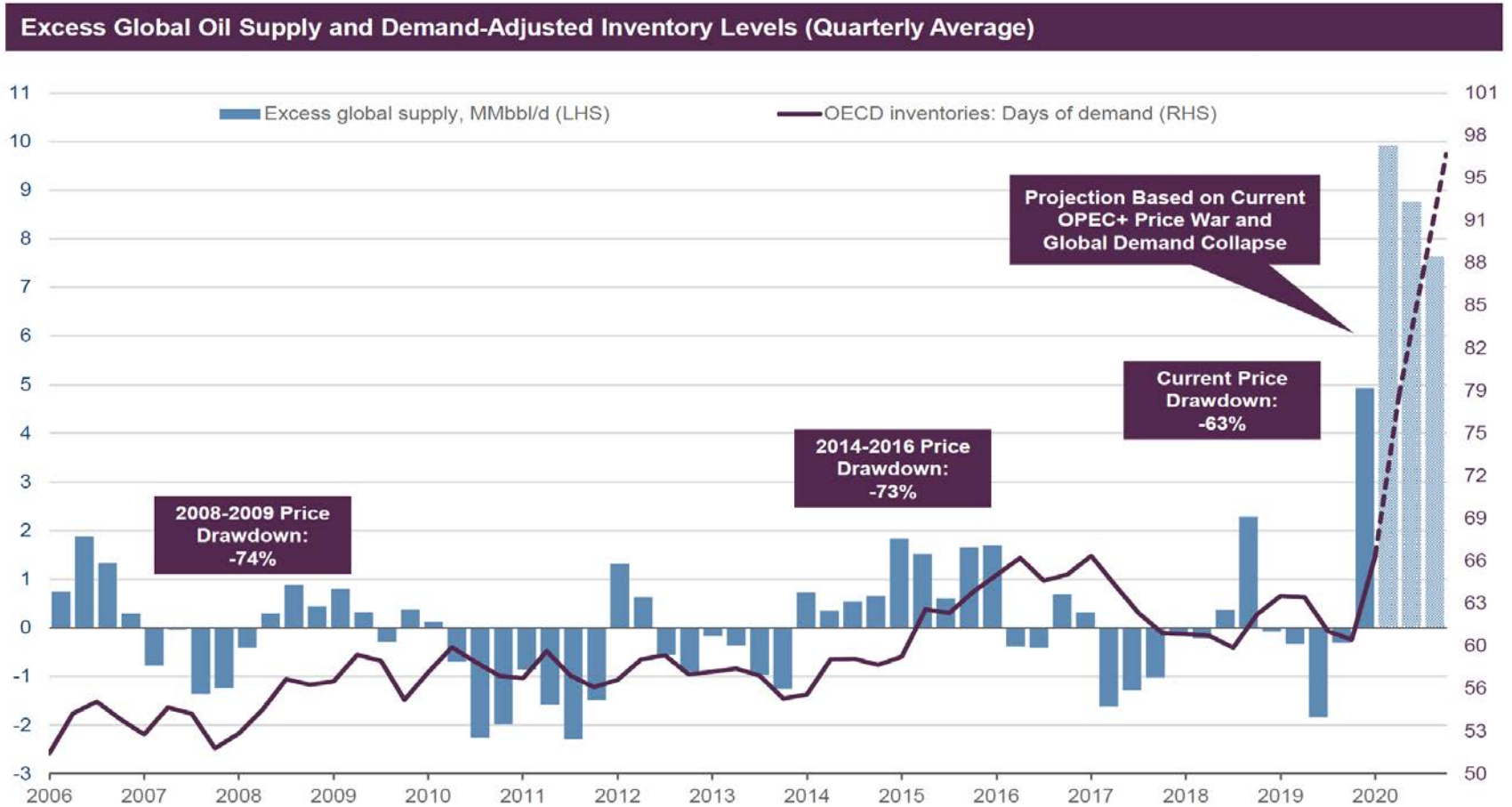
Municipal Bond Spreads Widened



Source: Doubleline, Bloomberg data as of 3/30/20



Oil Market Impacted



There is Good News!

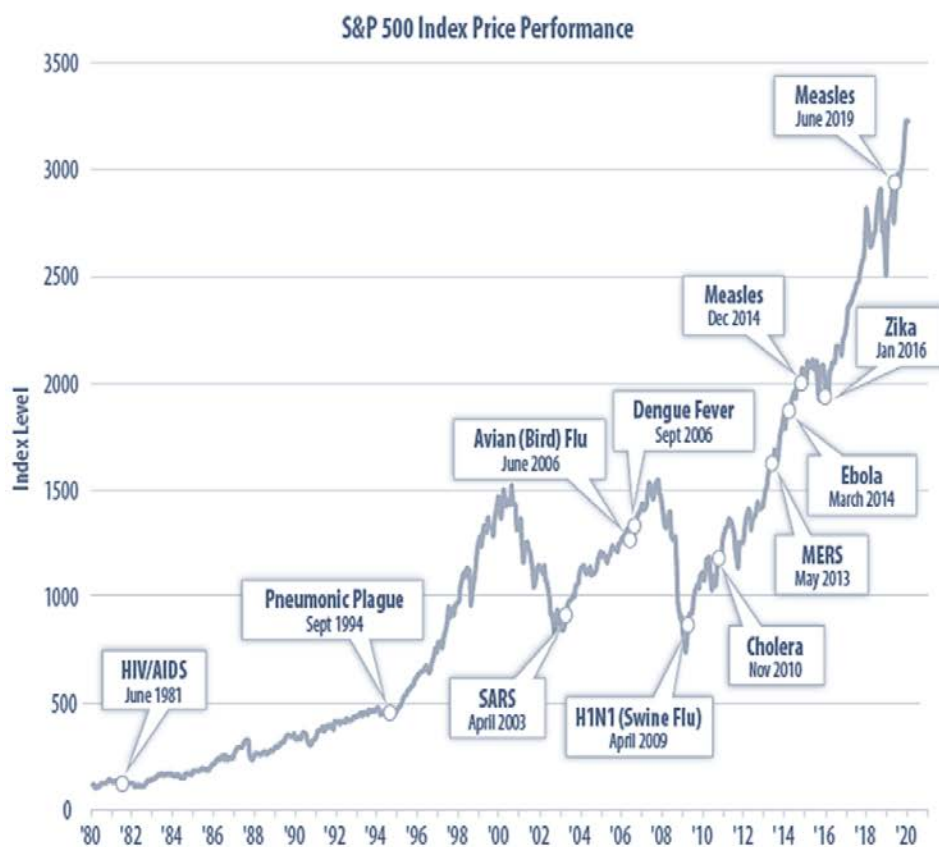
Market Performance From March 23 through April 9, 2020	
US Fixed Income Barclays Aggregate	+4.0%
US Large Cap S&P 500	+21.2%
US Mid Cap Russell Midcap	+25.4%
US Small Cap Russell 2000	+23.1%
International Equities MSCI ACWI ex US	+14.7%



*Past Pandemics
and
Making History*



Past Pandemics Have Not Impacted Markets



Epidemic	Date	S&P 500 6-Month % Change	S&P 500 12-Month %Change
SARS	April 2003	14.6%	20.8%
Avian (Bird) Flu	June 2006	11.7%	18.4%
H1N1 (Swine Flu)	April 2009	18.7%	36.0%
MERS	May 2013	10.7%	18.0%
Average Price Return		13.9%	23.3%

Source: Federated Hermes, Bloomberg

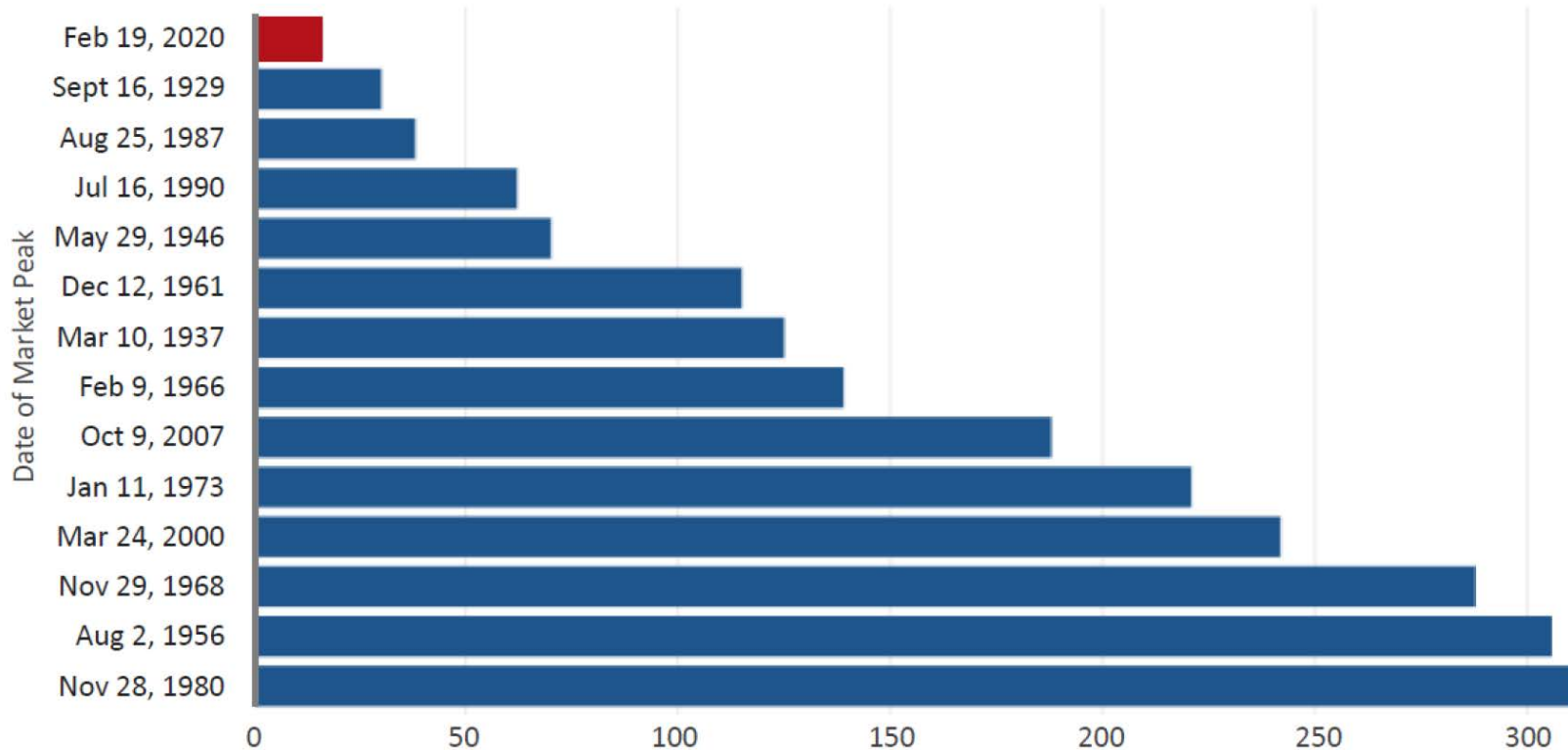
Past performance is not indicative of future results. All returns are shown in U.S. dollars.



Fastest Market Decline on Record

FROM BULL TO BEAR IN ONLY 16 DAYS

Number of trading sessions to close down 20% or more from a peak



Worst Days Going Back to 1950

Worst Days

Calendar Days	S&P 500 Decline	Return 1 year later
10/19/1987	-20.5%	23.1%
3/16/2020	-12.0%	?
3/12/2020	-9.5%	?
10/15/2008	-9.0%	20.8%
12/01/2008	-8.9%	35.9%
09/29/2008	-8.8%	-4.1%
10/26/1987	-8.3%	23.5%
10/09/2008	-7.6%	17.8%
3/9/2020	-7.6%	?
10/27/1997	-6.9%	21.5%
08/31/1998	-6.8%	38.0%
01/08/1988	-6.8%	15.3%
11/20/2008	-6.7%	45.1%
05/28/1962	-6.7%	26.7%
08/08/2011	-6.7%	25.2%
Average	-8.9%	24.1%

Source: BlackRock Student of the Market Special Edition, Morningstar data as of 3/31/20.

Past performance is not indicative of future results. Cumulative price change only. All returns are shown in U.S. dollars.



Worst Months Going Back to 1950

Worst Months

Calendar Months	S&P 500 Decline	Return 1 year later
Oct-87	-21.5%	14.8%
Oct-08	-16.8%	9.8%
Aug-98	-14.5%	39.8%
Mar-20	-12.4%	?
Sep-74	-11.5%	38.1%
Nov-73	-11.1%	-23.8%
Sep-02	-10.9%	24.4%
Feb-09	-10.7%	53.6%
Mar-80	-9.7%	40.1%
Feb-01	-9.1%	-9.5%
Aug-90	-9.0%	26.9%
Dec-18	-9.0%	31.5%
Sep-08	-8.9%	-6.9%
Apr-70	-8.8%	32.1%
Oct-78	-8.7%	15.5%
Average	-11.4%	20.5%

Source: BlackRock Student of the Market Special Edition, Morningstar data as of 3/31/20.

Past performance is not indicative of future results. All returns are shown in U.S. dollars.



Worst Quarters Going Back to 1950

Worst 3 Months

3 Months Ended	S&P 500 Decline	Return 1 year later
Nov-08	-29.7%	25.4%
Nov-87	-29.6%	23.3%
Sep-74	-25.2%	38.1%
Oct-08	-23.1%	9.8%
Dec-87	-22.5%	16.6%
Dec-08	-21.9%	26.4%
Jun-62	-20.6%	31.2%
Oct-87	-20.4%	14.8%
Mar-20	-19.6%	?
Jun-70	-18.0%	41.8%
Feb-09	-17.3%	53.6%
Sep-02	-17.3%	24.4%
Aug-74	-16.4%	26.2%
Jul-02	-15.0%	10.6%
Sep-01	-14.7%	-20.5%
Average	-20.8%	23.0%

Source: BlackRock Student of the Market Special Edition, Morningstar data as of 3/31/20.

Past performance is not indicative of future results. All returns are shown in U.S. dollars.



Small Caps Hit Hardest

Russell 2000 Worst 2 Week and 1 Month Declines

Period Ending	2 Week Decline	Return 1 Yr Later
3/20/2020	-30.0%	??
10/23/1987	-26.8%	25.3%
10/10/2008	-25.9%	19.7%
11/21/2008	-19.6%	46.2%
4/14/2000	-15.8%	1.6%
8/5/2011	-15.1%	12.0%
9/21/2001	-14.9%	-1.8%
3/6/2009	-14.6%	92.4%
10/9/1998	-13.7%	36.1%
3/6/2020	-13.7%	??

Average Recovery 28.9%

Period Ending	1 Month Decline	Return 1 Yr Later
3/20/2020	-39.6%	??
10/24/2008	-33.2%	29.7%
10/30/1987	-31.2%	27.1%
3/6/2009	-25.4%	92.4%
8/19/2011	-22.6%	27.7%
9/21/2001	-21.2%	-1.8%
4/14/2000	-21.0%	1.6%
3/28/1980	-19.7%	73.1%
8/24/900	-17.6%	34.2%
7/26/2002	-17.4%	24.2%

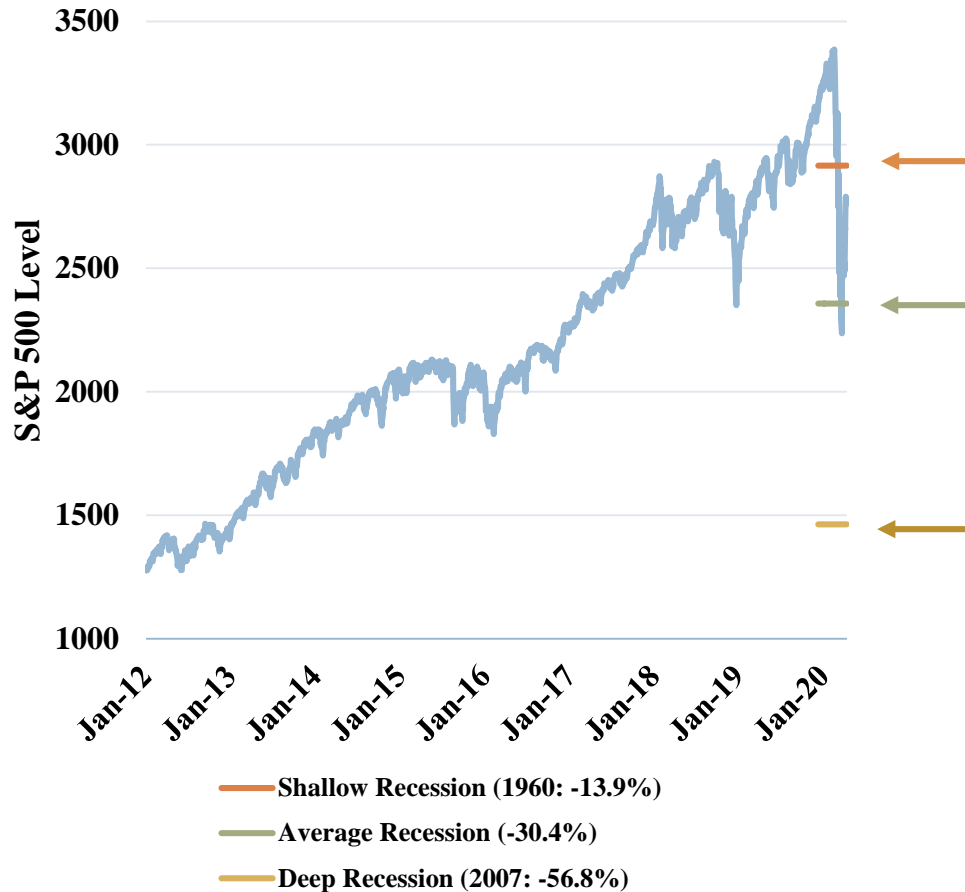
Average Recovery 34.3%

Source: Furey Research Partners, Russell data as of 3/31/20.

Past performance is not indicative of future results. All returns are shown in U.S. dollars.



Market Performance During Prior Recessions



Recession	S&P 500 change high to low around recession (%)	# of days high was posted before start of recession	# of days low was posted before end of recession
1953	-14.8	207	259
1957	-20.7	47	190
1960	-13.9	272	126
1969	-36.1	397	188
1973	-48.2	323	179
1980	-17.1	13	126
1981	-27.1	245	110
1990	-19.9	15	171
2001	-49.2	372	313
2007	-56.8	83	113
Average	-30.4	195	113
2020	-32.8		

Source: Allianz. 2020 data as of 3/23/20.

Past performance is not indicative of future results. All returns are shown in U.S. dollars.

What Will This Recession Look Like?

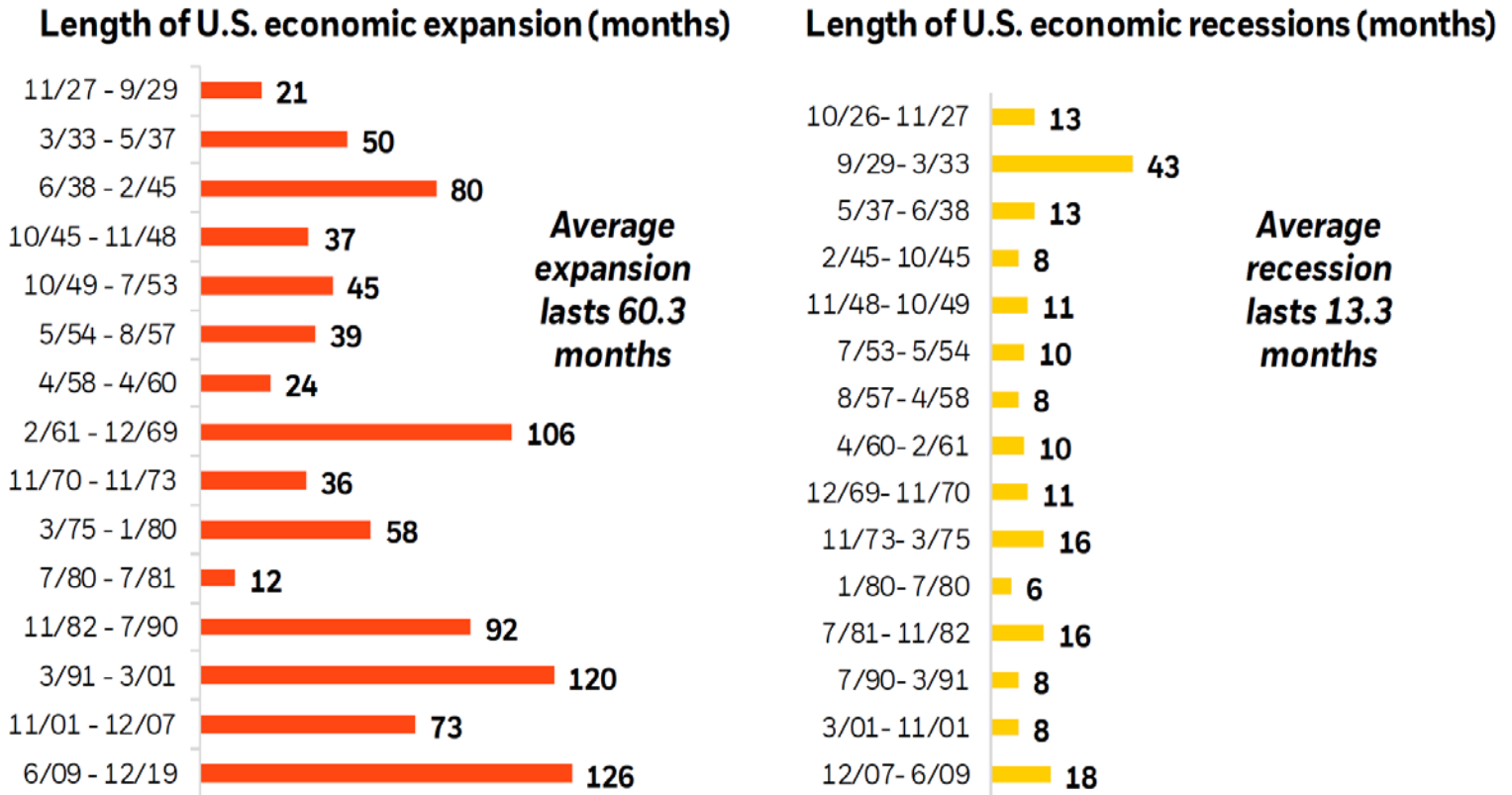
Start Date	End Date	S&P 500 Change	Date Passed Decline Of At Least 30%	Further Decline To Bottom	Forward Return From At Least 30% Down Date:			
					1 Year	3 Years	5 Years	10 Years
11/29/1968	5/26/1970	-36.1%	5/14/1970	-8.2%	35.5%	40.4%	22.3%	41.6%
1/11/1973	10/3/1974	-48.2%	7/5/1974	-25.6%	11.8%	19.6%	22.4%	82.6%
8/25/1987	12/4/1987	33.5%	10/19/1987	-0.4%	23.2%	39.0%	84.6%	325.0%
3/24/2000	9/21/2001	-36.8%	9/17/2001	-7.0%	-15.9%	8.6%	27.2%	15.9%
1/4/2002	7/23/2002	-32.0%	7/22/2002	-2.7%	20.5%	50.5%	88.0%	64.7%
10/9/2007	3/9/2009	-56.8%	10/6/2008	-36.0%	-0.2%	10.2%	58.6%	172.9%
2/19/2020 ?	?	?	3/20/2020	?	?	?	?	?

Source: S&P Dow Jones

Past performance is not indicative of future results. Cumulative price change only. All returns are shown in U.S. dollars.



More Good News!



Source: BlackRock Student of the Market, Bureau of Economic Research. Data as of 12/31/19.

SilverOak's Outlook



SilverOak's Outlook

■ U.S. Economy

- Largely dependent upon progression of COVID-19, including therapeutic treatments and a vaccine
 - Will this be a V-shaped, U-shaped or L-shaped recovery?
- We are making history
 - In the midst of self-induced recession
- “Don’t fight the Fed”
 - Monetary policy is at monumental levels
- Fiscal stimulus has also been quick and large
 - Likely to see additional relief packages



SilverOak's Outlook

■ International Economy

- Equally dependent upon progression of COVID-19
 - Europe likely 4-6 weeks ahead of the U.S.
 - China appears to be recovering
- Although not as monumental, central bank support and country-level fiscal stimulus packages announced in Europe and Asia



SilverOak's Outlook

■ Equities

- Despite recent recovery, markets still likely in a bear market phase
- With earnings impacted, market valuation likely remains elevated
- Volatility likely to remain
 - Covid-19 treatment and vaccine developments
 - Variability in growth recovery as economy comes back on-line
 - 2020 Election
- With a wide dispersion of potential outcomes, diversification and consistency is more important than ever!



SilverOak's Outlook

■ Bonds

- Fed providing unprecedented liquidity and support for a wide range of bonds
- Treasury yields likely in a trading range based on expectations of the growth recovery
 - Federal Reserve unlikely to institute negative interest rates in U.S.
- Bonds continue to offer protection from equity volatility and potential downside risks
- Continue to focus on credit quality!
 - Lower quality bonds will likely not provide good risk-adjusted returns



SilverOak's Outlook

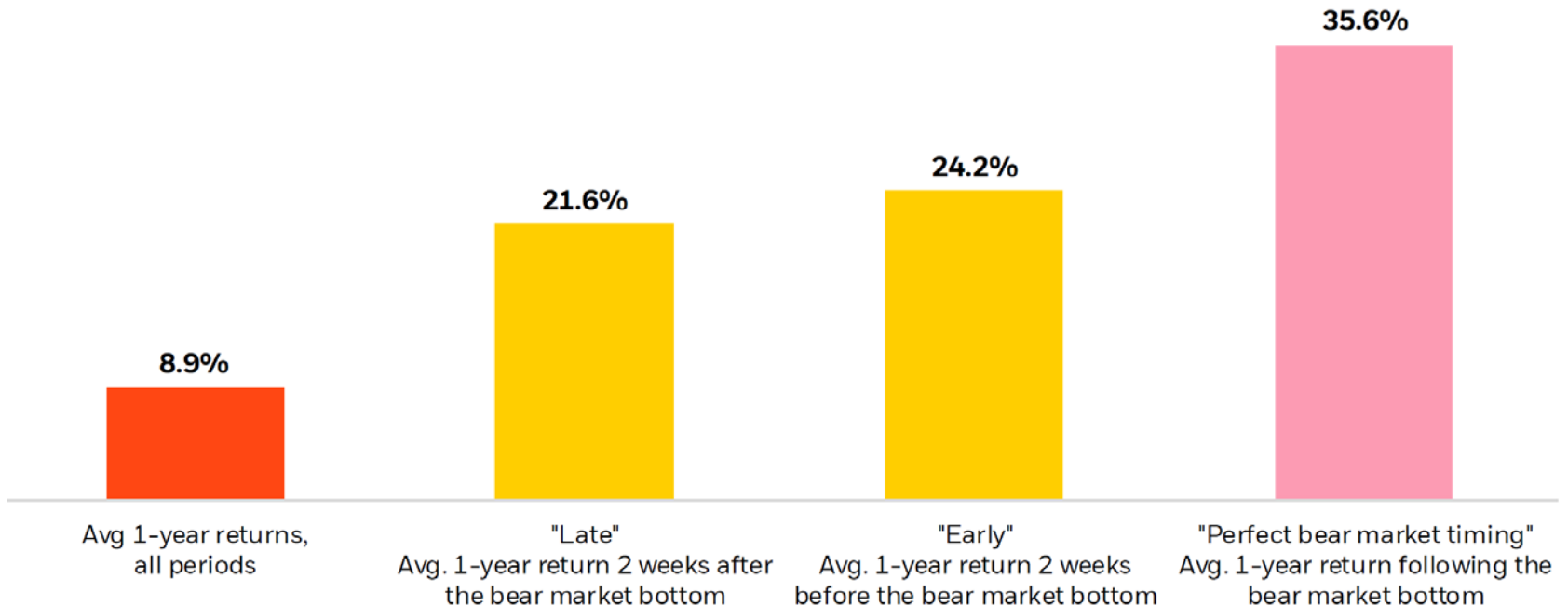
Brighter Days Are Ahead!!!



Don't Focus on the Market Bottom

U.S. stock returns

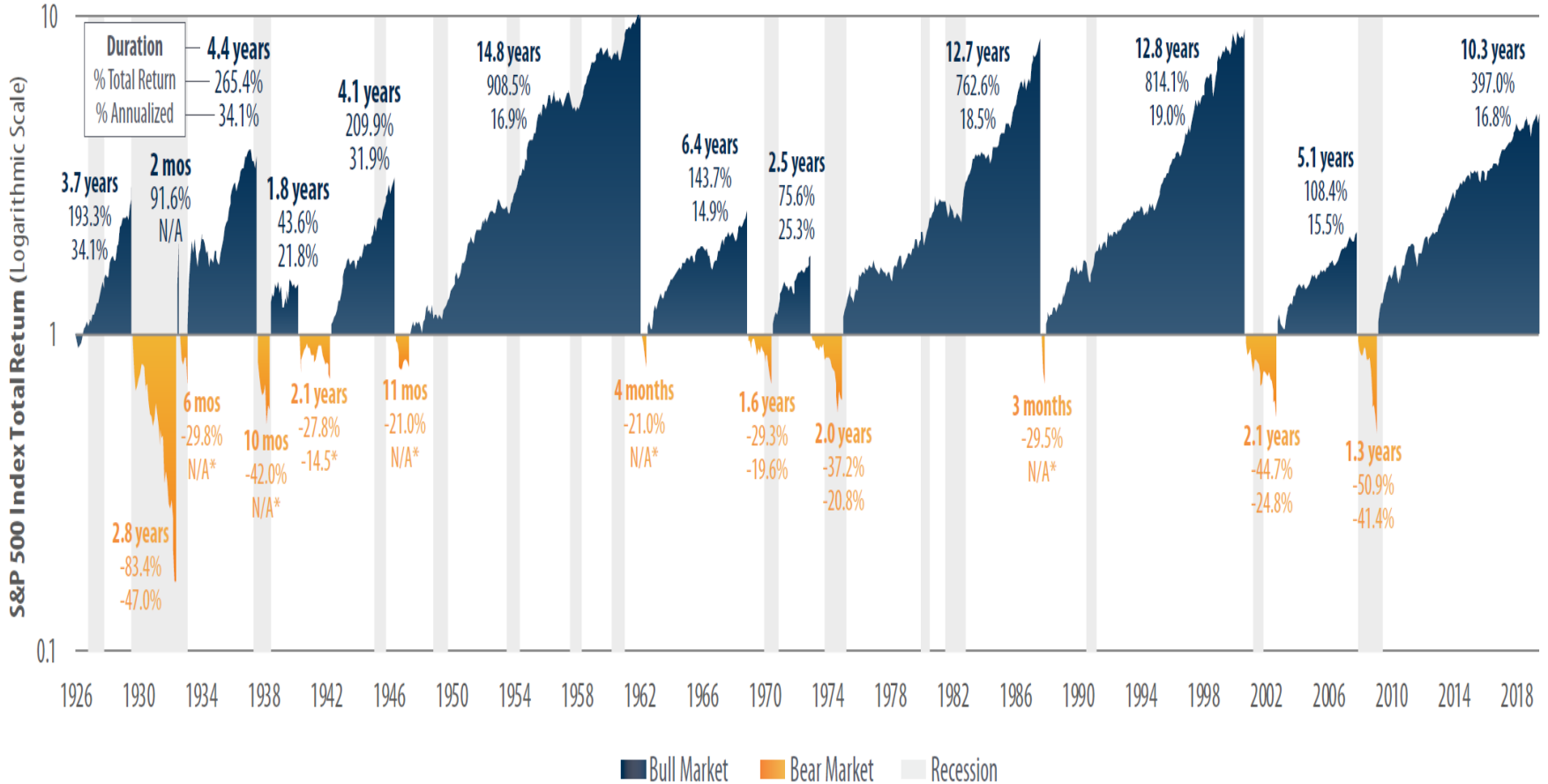
1-year returns, 1/1/1950 – 12/31/19 (13 bear markets)



Source: BlackRock Student of the Market, Bureau of Economic Research. Data as of 12/31/19.



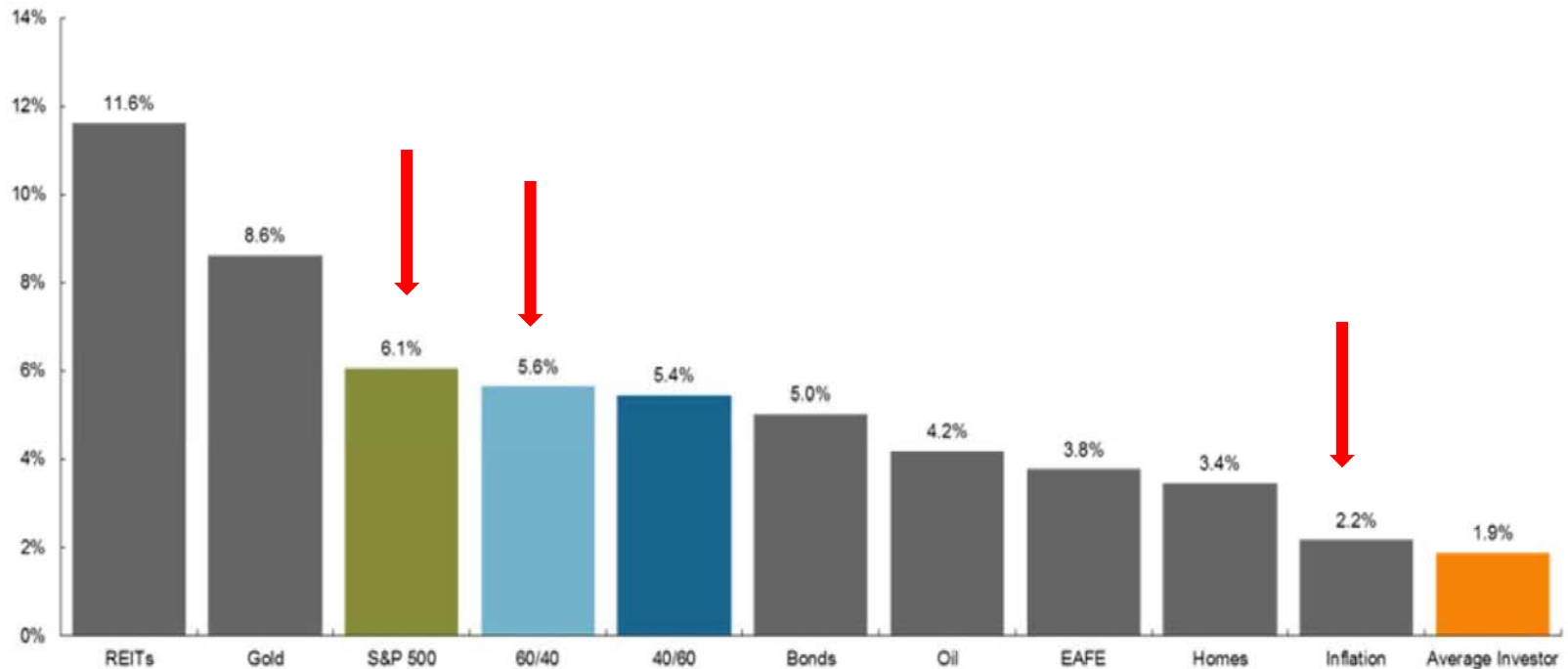
Know That Bulls Beat Bears



Source: First Trust. Data from 1926 through 6/28/2019

Don't Be An Average Investor







20-year annualized returns by asset class (1999-2019)



Source: Dalbar, J.P. Morgan Asset Management



Diversified Portfolios May Not Always Feel Good But They Win In the End!

Years	S&P 500	Diversified Portfolio		
2000*-2002	(40.1%)	(18.6%)	▶	 "I lost money"
2003-2007	+82.9%	+73.8%	▶	 "I didn't make as much"
2008	(37.0%)	(24.0%)	▶	 "I lost money"
2009-2019	+351.0%	+191.7%	▶	 "I didn't make as much"
2020**	(28.3%)	(19.8%)	▶	 "I lost money"
Total Return	+133.7%	+157.9%	▶	 "Diversification wins even when it feels like its losing"
Gr \$100K	\$222,883	\$251,467		

Source: BlackRock Student of the Market, Morningstar data 3/31/2020



Overview of the CARES Act



Individual Tax Related Provisions

- Individual Recovery Rebates/Credits
- Required Minimum Distributions waived for 2020
- Elimination of 10% early withdrawal penalty from retirement plans for coronavirus related distributions
- \$300 page 1 charitable deduction
- Charitable contribution limit disregarded for 2020 qualified contributions
- Student loan temporary modifications
- Business loss limitations temporarily modified



Individual Rebates/Credits

- **Individual Stimulus Payments**
 - \$1,200/per person (\$2,400 for married couples filing joint tax returns)
 - Plus \$500/per dependent children under age of 17
 - Ineligible taxpayers:
 - Nonresident aliens
 - Eligible to be claimed by another taxpayer
 - Estates or Trusts
 - Phase-out of 5% for every \$1 over the following thresholds:
 - \$75,000 for Single or Married Filing Separate
 - \$112,500 for Head of Household
 - \$150,000 for Married Filing Joint



No Required Minimum Distributions for 2020

- Applies for anyone required to take an RMD in 2020
- Includes RMD's from Inherited IRA's
- Taxpayers who have already taken, have 60 days to roll back into IRA/plan
 - This doesn't apply to those that already received their 2020 RMD's from inherited IRA's
- If distributions required in 2020 as part of a 5 year distribution period, 2020 doesn't count and 100% distribution required by end of the 6th year



10% Early Distribution Penalty Waived for 2020

- Must qualify
- Limited to \$100,000
- Election can be made to tax distributions ratably over 3 years starting in 2020
- Taxpayers have 3 years from the date of distribution to re-contribute to the plan
- Also temporarily increased the plan loan limit to \$100,000



Other Miscellaneous Provisions

- Expansion of unemployment
 - Expanded eligibility, \$600 more per week, and benefits extended 13 weeks
- Employer retention credit of 50% of wages (100 or less employees)
- Paycheck Protection Program loans for small businesses:
 - 500 or less employees:
 - Forgiven if 75% of loan is used to cover payroll, 25% can cover other costs
 - Banks provide the loans and are backed by SBA/Federal government
- Deferral of 2020 employer and self-employed payroll tax payments:
 - 50% due 12/31/2021 and 50% due 12/31/2022.



Tax Deadlines

- Federal
 - 7/15/20 - 2019 Individual income, Trust and Gift tax returns and payment
 - 7/15/20 - 2020 1st and 2nd quarter estimated tax payments
- States
 - Deadlines vary
 - Most 2019 income tax returns and payments extended to 7/15/20
 - 2020 payments also extended in most states, Minnesota being an exception (Q1 due 4/15/20)
 - Minnesota also did not extend 2019 trust returns
- 2019 IRA & HSA contribution deadline extended to 7/15/2020



*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.

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