First Quarter 2015 Market Summary

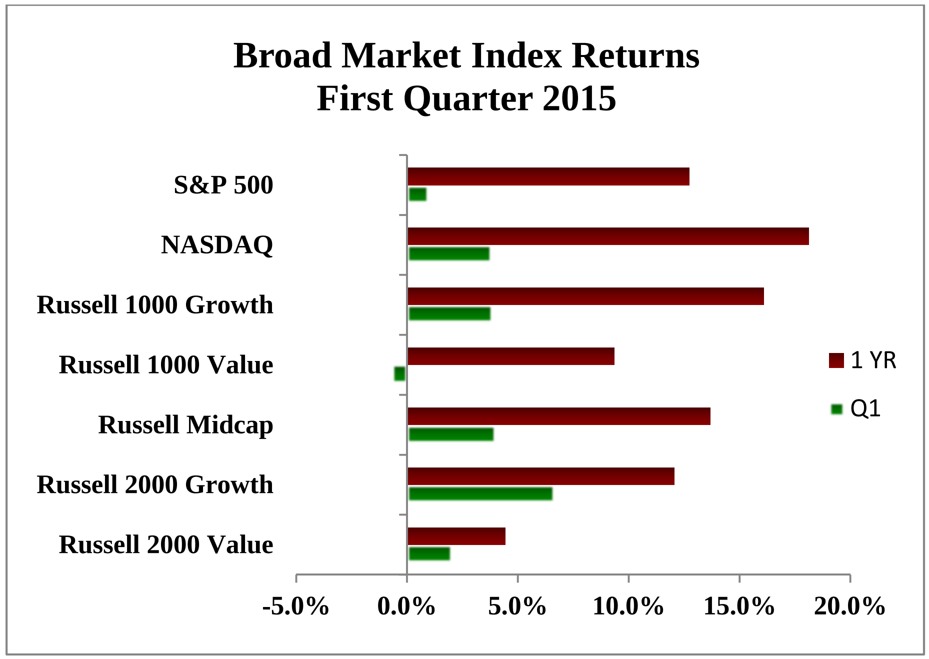
First quarter equity market performance was generally positive with U.S. large cap stocks ending the quarter up modestly, making it the ninth consecutive quarter of positive returns. This is the longest positive streak for U.S. large cap stocks since before the financial crisis. Although U.S. large cap stocks outperformed U.S. small cap and international stocks during 2014, this was not the case in this first quarter of 2015.

After having been down almost 5% in 2014, international stocks were up almost 5% during the first quarter. This was partially driven by the strong U.S. dollar, which helps propel international stocks, particularly those of large multi-national firms based overseas with exports to the U.S. On the other hand, the strong U.S. dollar, which is at a twelve-year high versus the Euro, has also become an earnings drag for U.S. based firms exporting to the overseas markets. International stocks have benefited from the quantitative easing policies the European Central Bank recently instituted, which essentially created more liquidity in the markets in order to "jump start" the European economies. This is much like what the Federal Reserve has done over the past seven years in the U.S.

U.S. small cap stocks were up almost 4.5% during the quarter. Although this is not as strong as the international markets overall, it is much better than the 1% return provided by U.S. large cap stocks. Again, the strong U.S. dollar contributed to this deviation of returns. Since many small cap stocks rely more upon revenue from within the U.S., they are not as susceptible to the forces impacting exports, including currency movements.

U.S. bond markets were positive during the first quarter with the broad based bond market ending up approximately 1.6%. This is after having a relatively strong 2014 calendar year performance of almost 6%. The performance in the quarter may not be impressive relative to historical standards or relative to the stock markets. However, the performance should be put into the context of both inflation-adjusted returns as well as risk-adjusted returns.

As we look forward to the rest of the year and into 2016, interest rates will be on the radar of many investors and economists. Although there is no guarantee when the Federal Reserve will begin to increase short-term rates, it is believed they are positioning market expectations for a potential increase later this year. Regardless of timing, when rates do begin to increase, this will signal the Federal Reserve feels the economy is on "sound footing" and in less need of more accommodative, potentially over accommodative, policies.



Highlights

GDP

- The Bureau of Economic Analysis released the third estimate of fourth quarter 2014 real GDP, an annual rate increase of 2.2% from the preceding quarter. The estimate was lower than consensus and the 5.0% growth posted in third quarter 2014.
- The University of Michigan Consumer Sentiment Index final reading for March was 93.0, which was a decrease from February. February was 95.4 down from 98.1 in January. Consumer sentiment remains high, despite a decrease in the past quarter, as the labor market continues to improve.
- The ISM Manufacturing Index declined during the quarter from 55.1 in December to 51.5 in March. The ISM Index was weak at the start of 2014 as well but it rebounded throughout the year. Typically, when the ISM Index is above 55 it is bullish and when it is below 45 it is bearish.
- In February, the Conference Board Leading Economic Index increased 0.2% month-over-month to 121.4. The Index has been increasing gradually over the past year showing steady slow growth in the economy.
- The price of WTI Crude Oil was $47.72 at the end of March, which is 10.7% lower than $53.45 at the end of September. The price of Brent Crude Oil decreased 2.9% in the quarter to $53.69. The price of oil has been in a downward trend since the middle of 2014.
- In March, the headline CPI was a decline of 0.1% year-over-year, down from an increase of 0.2% in February. Core CPI, which does not include food and energy, had a 1.8% increase. Inflation levels have remained low over the past year and have been less than historical averages and the Fed's 2% inflation target.

HOUSING

- Preliminary existing home sales increased in February with an annualized rate of 4.88 million units from 4.82 million units in January. The February annualized rate is 4.7% above the 4.66 million units in February 2014. Home sales have stalled as home prices have risen over the past year and the expectation for mortgage rates to rise.
- Median existing home sale prices increased during the quarter. The preliminary prices for February were 4.6% higher than the levels of one year ago and have been trending up since the beginning of 2012.
- New home sales were up strongly in the quarter with a seasonally adjusted annual rate of 539k homes sold in February versus 448k in November. Home sales have rebounded from the lows of May 2010, when 280k new homes were sold. However, prior to the past few months new home sales growth had been stalled since the start of 2013.
- S&P Case-Shiller 20-City Home Price Index (seasonally adjusted) showed home prices rose 4.6% year-over-year in January.

EMPLOYMENT

- The labor market slowed significantly during March as nonfarm payrolls added 126,000 jobs in the month which was much lower than expectations. In the first quarter, nonfarm payrolls averaged 197,000 jobs added per month which was less than fourth quarter's average of 324,000 jobs per month but was greater than 193,000 recorded in 1Q 2014.
- The unemployment rate fell to 5.5% from 5.6% during the quarter.
- Initial Jobless Claims have been decreasing since 2009 and dipped to lows last seen in 2006.

DOMESTIC CORPORATIONS

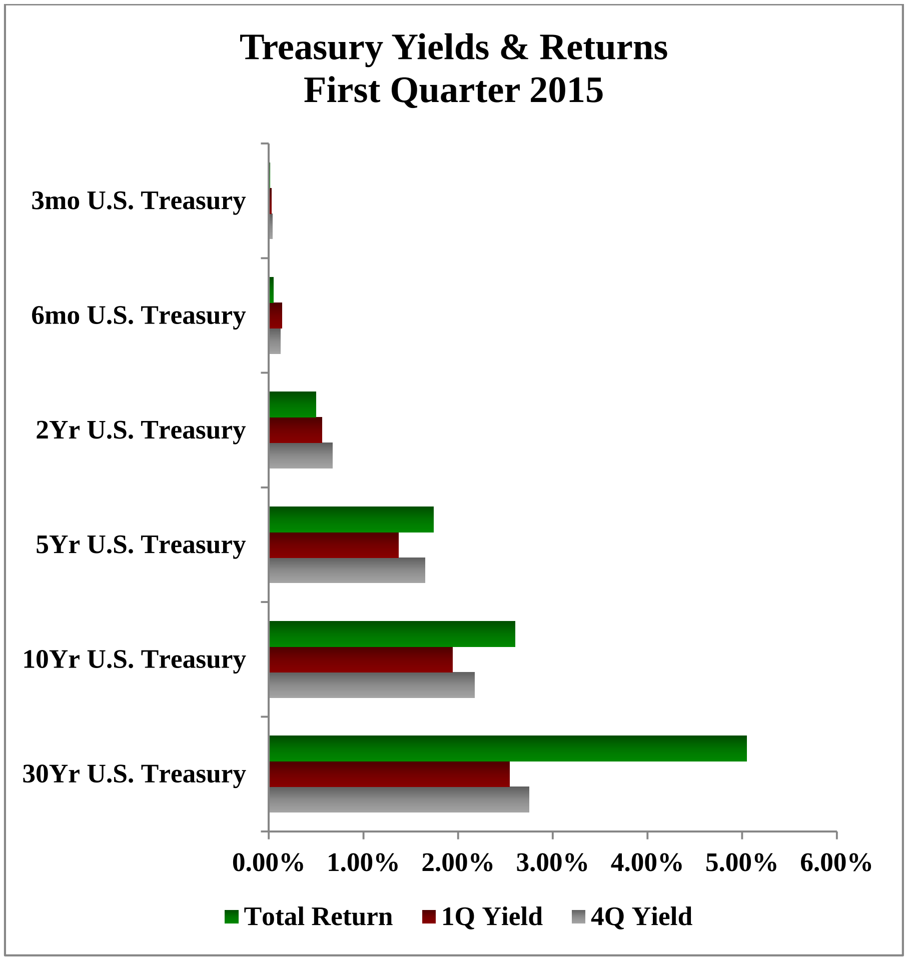
- Corporate operating earnings had a poor 4Q 2014 and are expected to be impacted by lower oil prices and weaker foreign currencies. Operating margins remain near all time highs.
- Forward and trailing P/E multiples have been expanding since 3Q 2011 and are now above historical averages.
- The U.S. dollar has appreciated considerably versus the euro and yen during the past three quarters. If the dollar remains strong, multinationals could see their earnings pressured due to their international exposures.
- The price of oil has decline by over fifty percent over the past three quarters. This has significantly hurt energy companies but lower prices should help other sectors that use oil as an input such as the consumer industries.

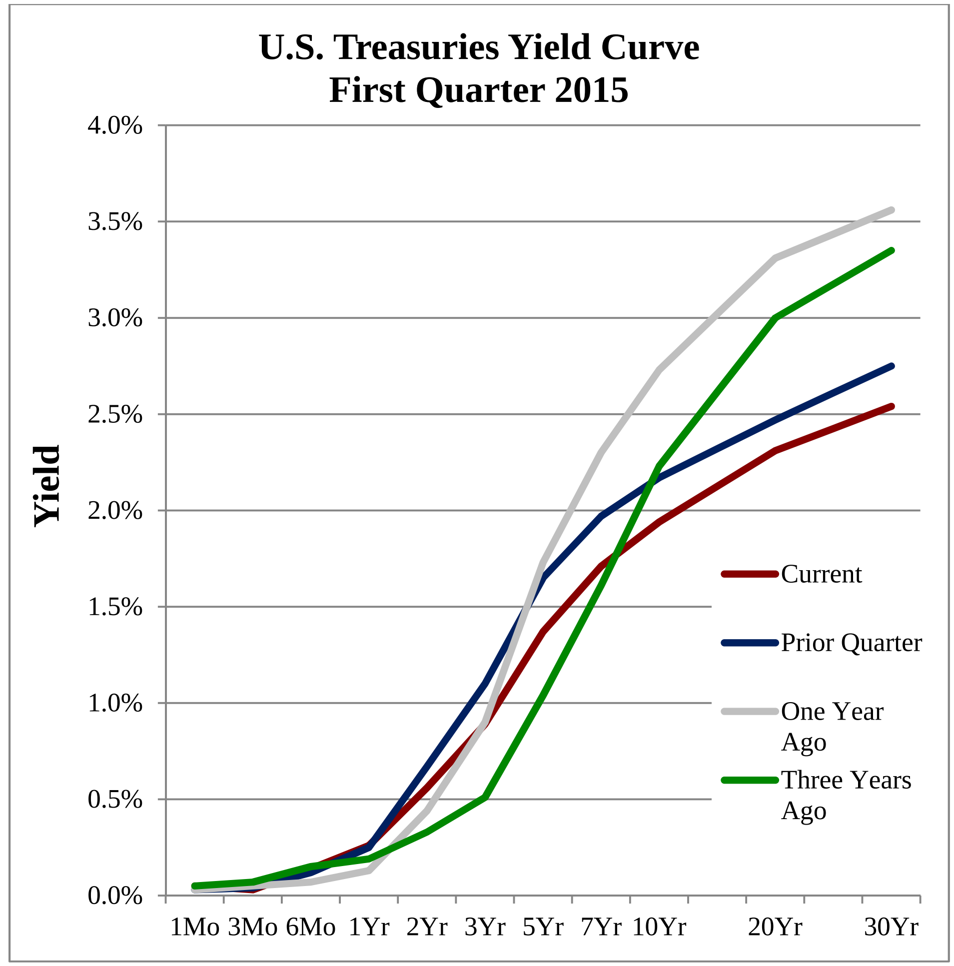
FED POLICY

- 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 they have seen progress towards their goals of maximum employment and inflation at 2%.
- Investors expect the Fed to raise rates slightly at some point during the year as economic data points towards a relatively stable and growing economy.

FIXED INCOME

- The yields on longer-term Treasury securities decreased quarter-over-quarter, while yields on very shorter-term Treasury securities increased causing the yield curve to flatten slightly. On a historical basis, the yield curve is relatively steep due to the Fed holding down short term rates. A steep curve indicates market participants are not concerned about a recession over the next year.



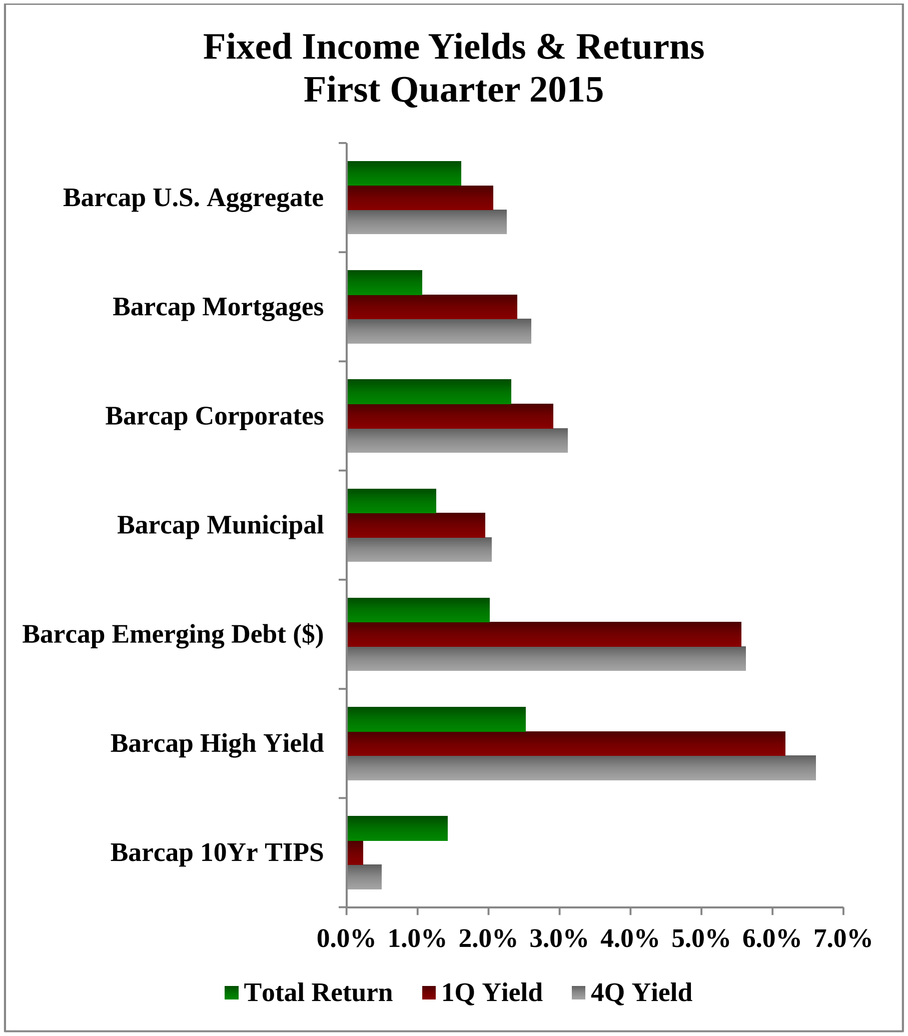


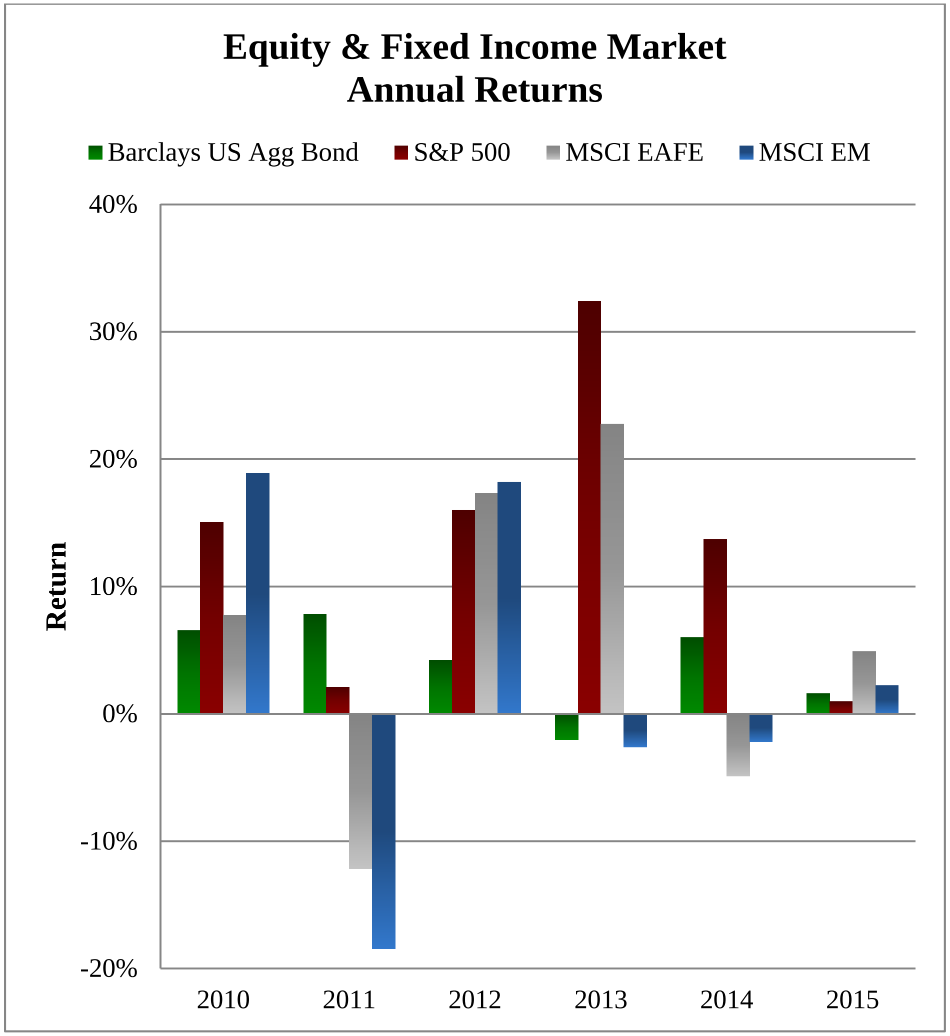
FIXED INCOME (continued)

- Yields in all fixed income sectors decreased during the quarter. Fixed income yields remain low due to low interest rates and tight spreads. Returns were relatively similar across sectors; however, high yield, corporates and emerging market debt had the strongest returns.

EQUITIES

- For the quarter, international and emerging market equity returns were stronger than U.S. large capitalization stocks, which is a reversal from last year. In the U.S. mid and small capitalization stocks performed better than U.S. large capitalization stocks. Growth strongly outperformed value stocks across market capitalizations during the quarter.

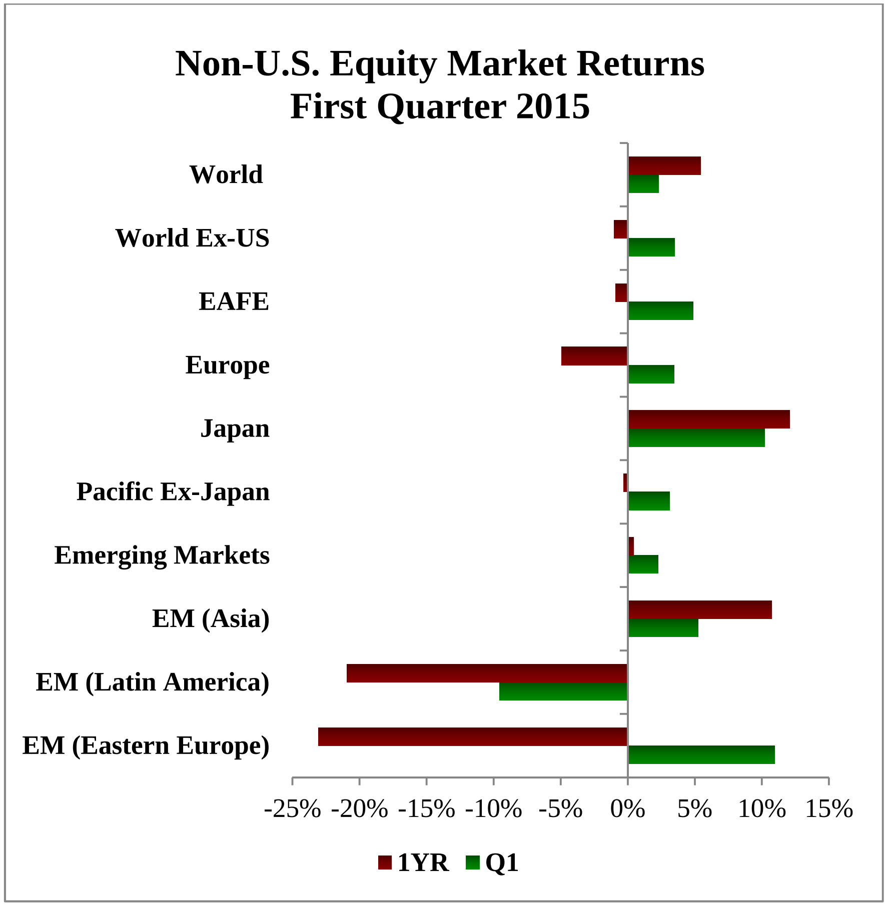




EQUITIES (continued)

- Developed international stocks performed better than U.S. domestic equities. The MSCI EAFE index of international markets stocks increased 4.88% during the quarter. On a year-over-year basis, the EAFE is down 0.92%. United Kingdom was the worst region of the international developed markets during the quarter and Japan performed the best.

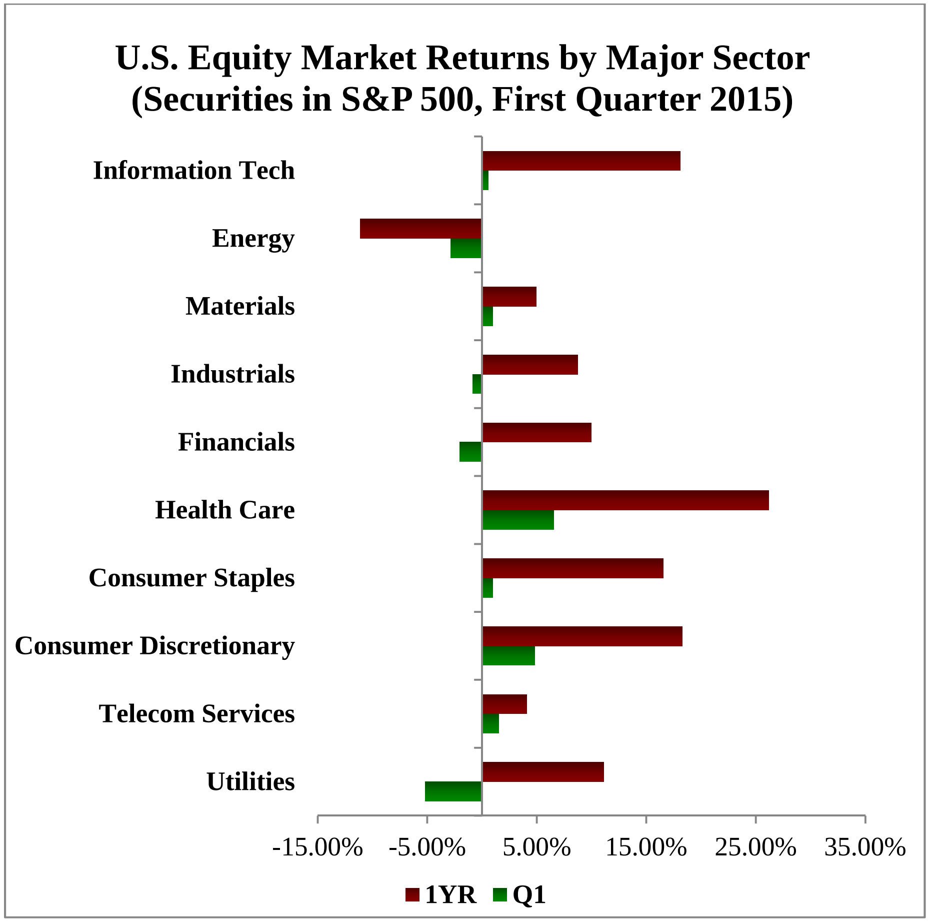
- During the quarter, emerging market stocks performed worse than developed markets but emerging markets performed better on a one year basis. The MSCI Emerging Markets Index increased 2.24% in the quarter and has a negative 0.44% return over the past year. Returns were stronger in Asia and Eastern Europe but were down significantly in Latin America.



- The Russell 1000 Index of large capitalization stocks posted a total return of 1.59% during the quarter. On a year-over-year basis, the Russell 1000 Index has advanced 12.73%.

- Small capitalization stocks, as represented by the Russell 2000 Index, posted a total return of 4.32% during the quarter. On a year-over-year basis, the index has increased 8.21%.

- Energy, utilities and financials were the worst performing sectors in the quarter while health care and consumer discretionary were the best performers. Energy companies have underperformed significantly as the price of oil decreased by 50% over the past six months.



Disclaimer:

Information and analysis provided in this market summary are for general and educational purposes only. Any opinions expressed in this summary are not intended to be accounting, legal, tax or investment advice.

Information contained in this market summary has been gathered from third parties, which are believed to be accurate and reliable. However, SilverOak Wealth Management LLC does not guarantee the accuracy or completeness of the data.

Investment decisions should be made based on an investor's specific circumstances taking into account items such as, risk tolerance, time horizon and goals and objectives. All investments have some level of risk associated with them and past performance is no guarantee of future success.