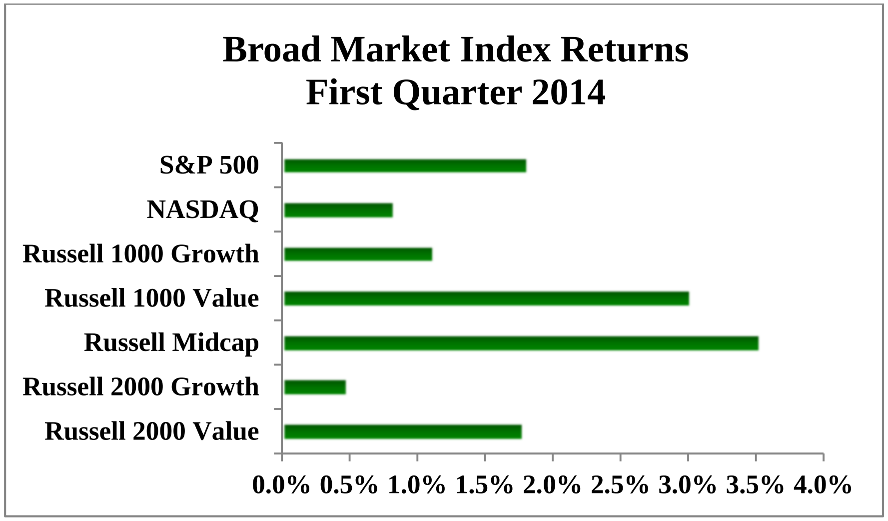
SilverOak
WEALTH MANAGEMENT LLC

First Quarter 2014 Market Summary

First quarter equity market performance was generally positive, ending a fifth consecutive quarter of positive returns for the first time since 2007. With the S&P 500 up a modest 1.8%, the return seems underwhelming compared to the past few years. Relatively modest market returns for the quarter masked volatility occurring below the surface as the equity markets were generally down in January, up during February and traded within a narrow range during March. Much of this was the result of lower investor confidence due to a slightly weaker U.S. economy and more geopolitical uncertainty.



Following an extremely strong period for growth stocks over the past eighteen months, value stocks did much better during the quarter as investors shifted toward more defensive and yield-oriented sectors, such as health care and utilities. International markets continued to lag behind U.S. markets with the broad based international markets up approximately 0.7% during the quarter. Despite a strong surge during the last two weeks of March, emerging markets were slightly negative during the quarter due to ongoing concerns about China, Russia and other periphery emerging countries.

So far in 2014, the biggest surprise for most investors has been the relatively strong performance in the fixed income markets. The Barcap U.S. Aggregate, which represents a broad basket of bonds, was up roughly 1.8% during the first quarter. Despite fears about rising interest rates, during January rates actually declined due to a global flight to safety following sharp currency devaluation in Argentina. The yield on the 10-year Treasury bond compressed from just over 3% at the beginning of the quarter to roughly 2.6% by the end of the quarter.

Highlights

GDP

- The Bureau of Economic Analysis released the third estimate of fourth quarter 2013 GDP, an increase of 2.6% versus second quarter 2013, revised up from the second estimate.
- The University of Michigan Consumer Sentiment Index final reading for March was 80, which was a decrease from February. February was 81.6 up from 81.2 in January. Consumer sentiment has been trending up since late 2011, despite a leveling off the past few months.
- The ISM Manufacturing Index dropped in January to 51.3 from 56.5 in December. However, the Index rose in February and March finishing the quarter at 53.7. 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 0.5% month-over-month to 99.8. The Index has been increasing steadily over the past year showing slow growth in the economy.
- The price of WTI Crude Oil was $101.57 at the end of March, which is 3.5% higher than $98.17 at the end of December. The price of Brent Crude Oil decreased 3.9% in the quarter to $105.70.
- Headline CPI has been stable over the past few months. In February, the CPI came in at 1.1% year-over-year, down from 1.5% in December. Core CPI, which does not include food and energy, remained at 1.6%. Inflation levels have remained low over the past year and are less than historical averages and the Fed’s 2% inflation target.

HOUSING

- Preliminary existing home sales decreased in February with an annualized rate of 4.60 million units from 4.62 million units in January. The February annualized rate is 7.1% below the 4.95 million units in February 2012. February was the fourth month in a row with a negative year over year sales rate. The last negative year over year rate was in June 2011.
- Median existing home sale prices declined during the quarter. However, the preliminary prices for February were 9.1% higher from the levels of one year ago and have been trending up since the beginning of 2012.
- New home sales were roughly flat this quarter with a seasonally adjusted annual rate of 440k homes sold in February versus 448k in November. 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 13.3% year-over-year in January. The index has risen every month since the beginning of 2012.

EMPLOYMENT

- The labor market was weaker in the first quarter as bad winter weather was partially to blame. Nonfarm payrolls started slowly in January adding only 144,000 jobs, continuing the weakness in December when only 84,000 jobs were added. The quarter finished better as February saw an increase of 197,000 jobs and March added 192,000 jobs.
- Hourly earnings have been increasing since the end of 2012.
- The unemployment rate remained at 6.7% during the quarter.
- Initial Jobless Claims have been decreasing since 2009; however, in the last nine months initial claims have been relatively flat.

DOMESTIC CORPORATIONS

- Corporate operating earnings have re-accelerated over the past 4 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.

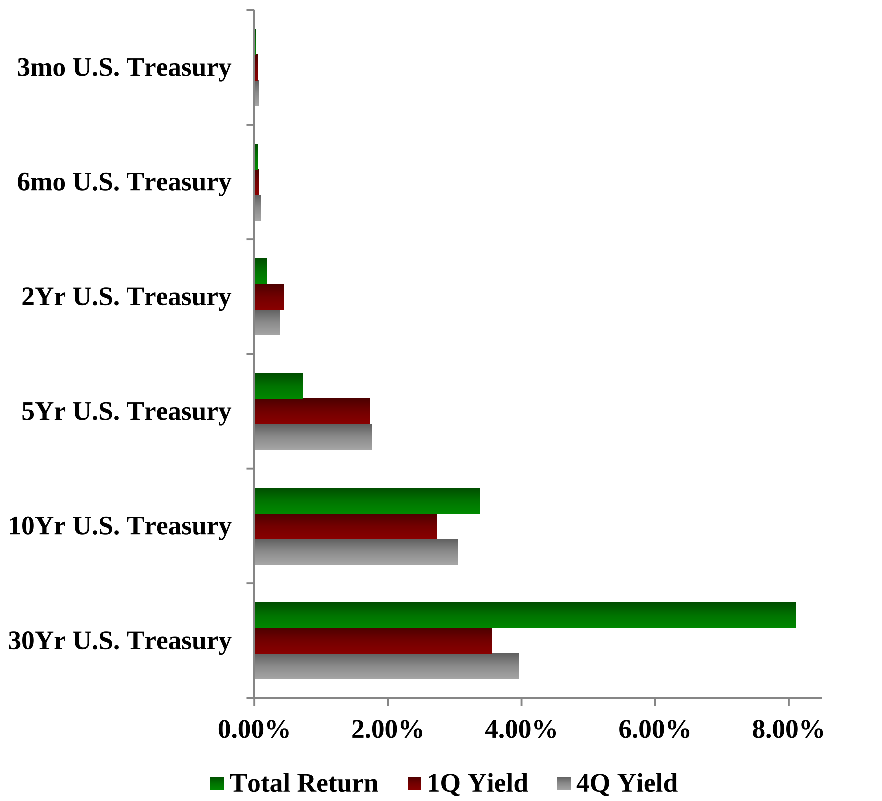
FIXED INCOME

- The yields on longer term Treasury securities decreased on a quarter-over-quarter basis causing the yield curve to flatten slightly. A steep curve indicates market participants are not concerned about a recession over the next year.
- Yields in most fixed income sectors decreased during the quarter except Emerging Market Debt. As a result, fixed income returns were all positive this quarter. High Yield, Emerging Market Debt, Corporates and Municipals had the strongest returns.

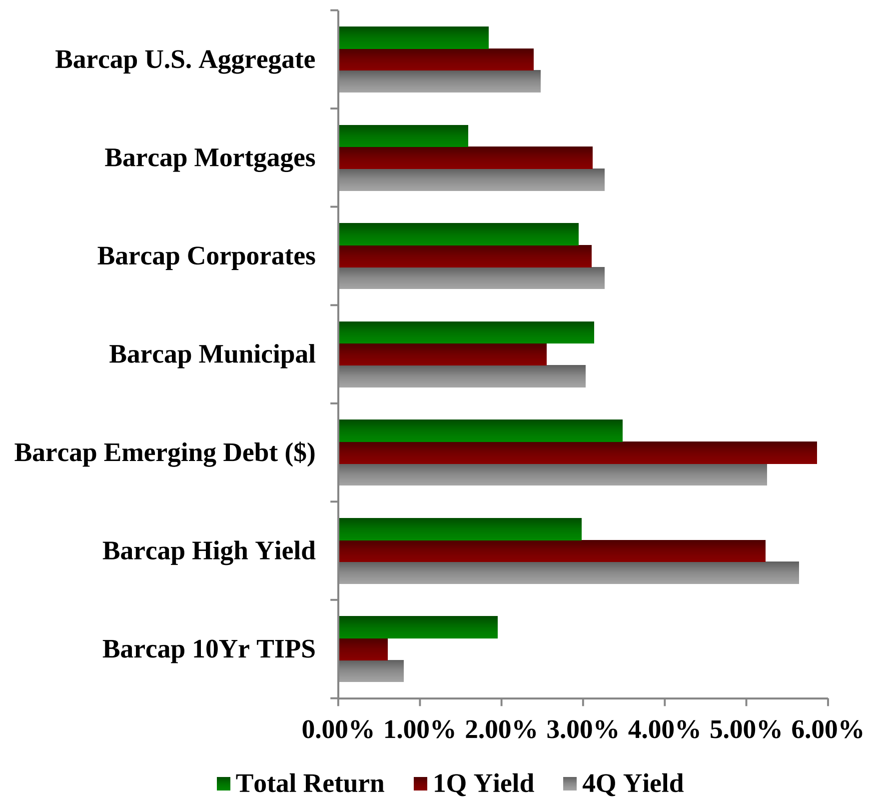
FED POLICY

- In March, 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 continued their tapering of agency mortgage-backed securities and longer-term Treasury securities purchases for the third consecutive month. They will reduce total purchases by another $10B, to $55B per month

Treasury Yields & Returns
First Quarter 2014

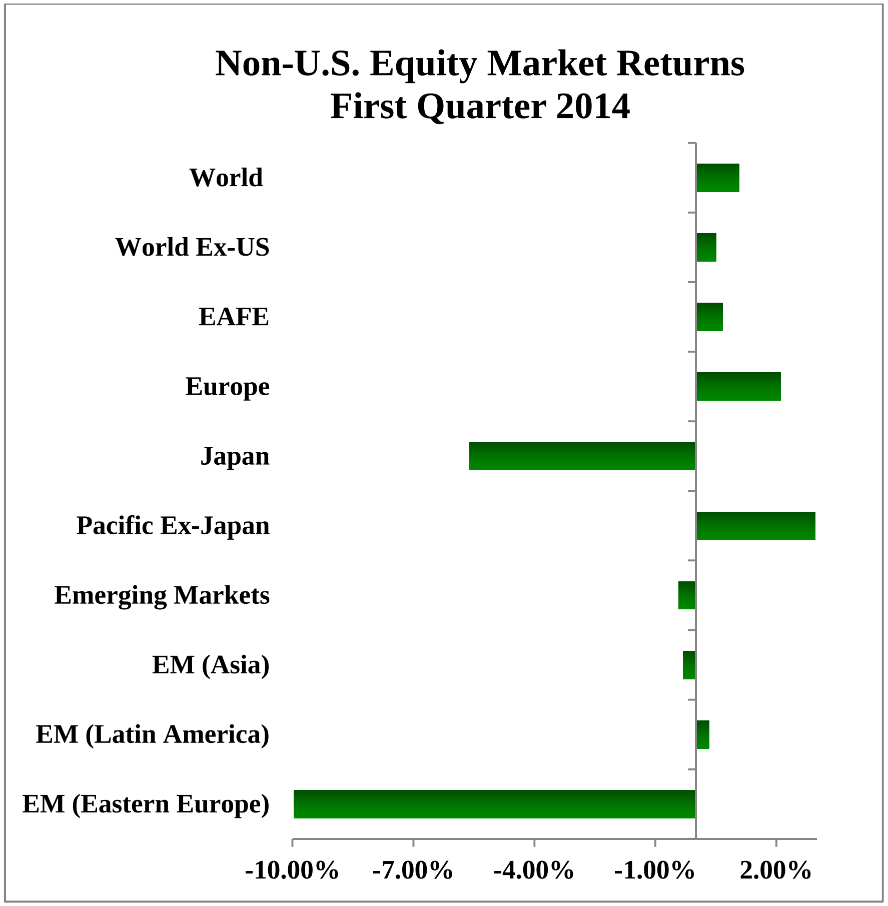


Fixed Income Yields & Returns
First Quarter 2014

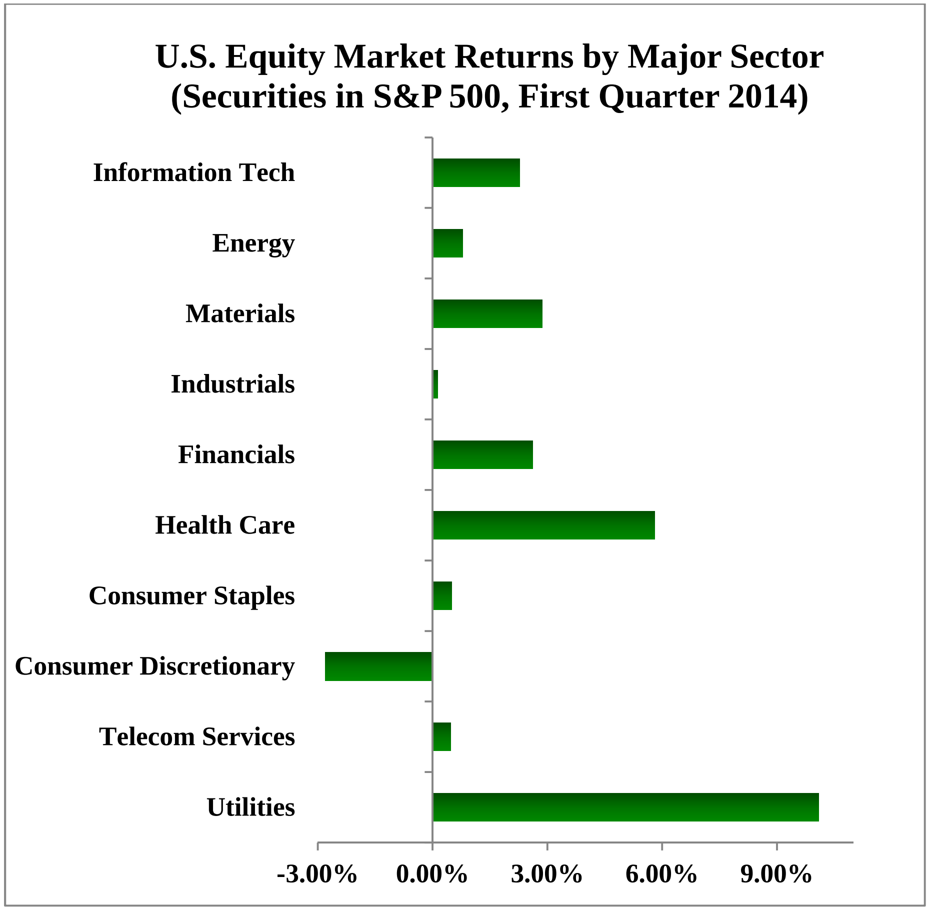


EQUITIES

- For the quarter, domestic stock prices ended modestly higher. Performance in the U.S. was positive across the board; however, mid capitalization stocks were the best performing. Value stocks performed better on a relative basis than growth stocks during the quarter.
- The Russell 1000 Index of large capitalization stocks posted a total return of 2.05% during the quarter. On a year-over-year basis, the Russell 1000 Index has advanced 22.41%.
- Small capitalization stocks, as represented by the Russell 2000 Index, posted a gain of 1.12% during the quarter. On a year-over-year basis, the index has increased 24.9%.



- Developed international stocks performed worse than U.S. domestic equities. The MSCI EAFE index of international markets stocks increased 0.66% during the quarter. On a year-over-year basis, the EAFE is up 17.56%.
- During the quarter, emerging market stocks performed worse relative to developed markets. The MSCI Emerging Markets Index decreased 0.43% in the quarter and is down 1.43% on a year-over-year basis.
- More defensive and higher yielding sectors outperformed in the quarter such as Utilities, Financials and Health Care. More cyclical sectors such as Consumer Discretionary and Industrials underperformed.



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