



SilverOak

WEALTH MANAGEMENT LLC

Quarterly Webinar  
October 20, 2023



SilverOak  
WEALTH MANAGEMENT LLC

# Introduction

- Shannon King, CPA, CFP<sup>®</sup>, PFS, CIMA<sup>®</sup>, CPWA<sup>®</sup>, MBT  
President, Partner and Chief Compliance Officer
- Jonathan Scharlau, CFA, CFP<sup>®</sup>, AEP<sup>®</sup>, CAIA  
Partner and Lead Analyst



# Agenda

- Economy and SilverOak Dashboard
- Market performance
- SilverOak's outlook
- SilverOak updates
- Insurance Series – Homeowners and Auto
- Questions



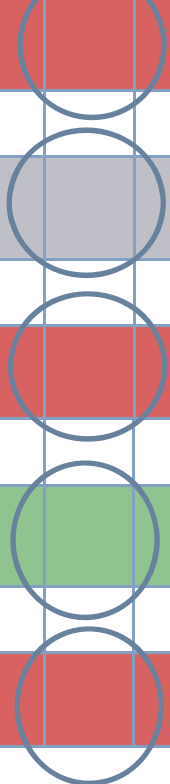


# *Economy and SilverOak Dashboard*

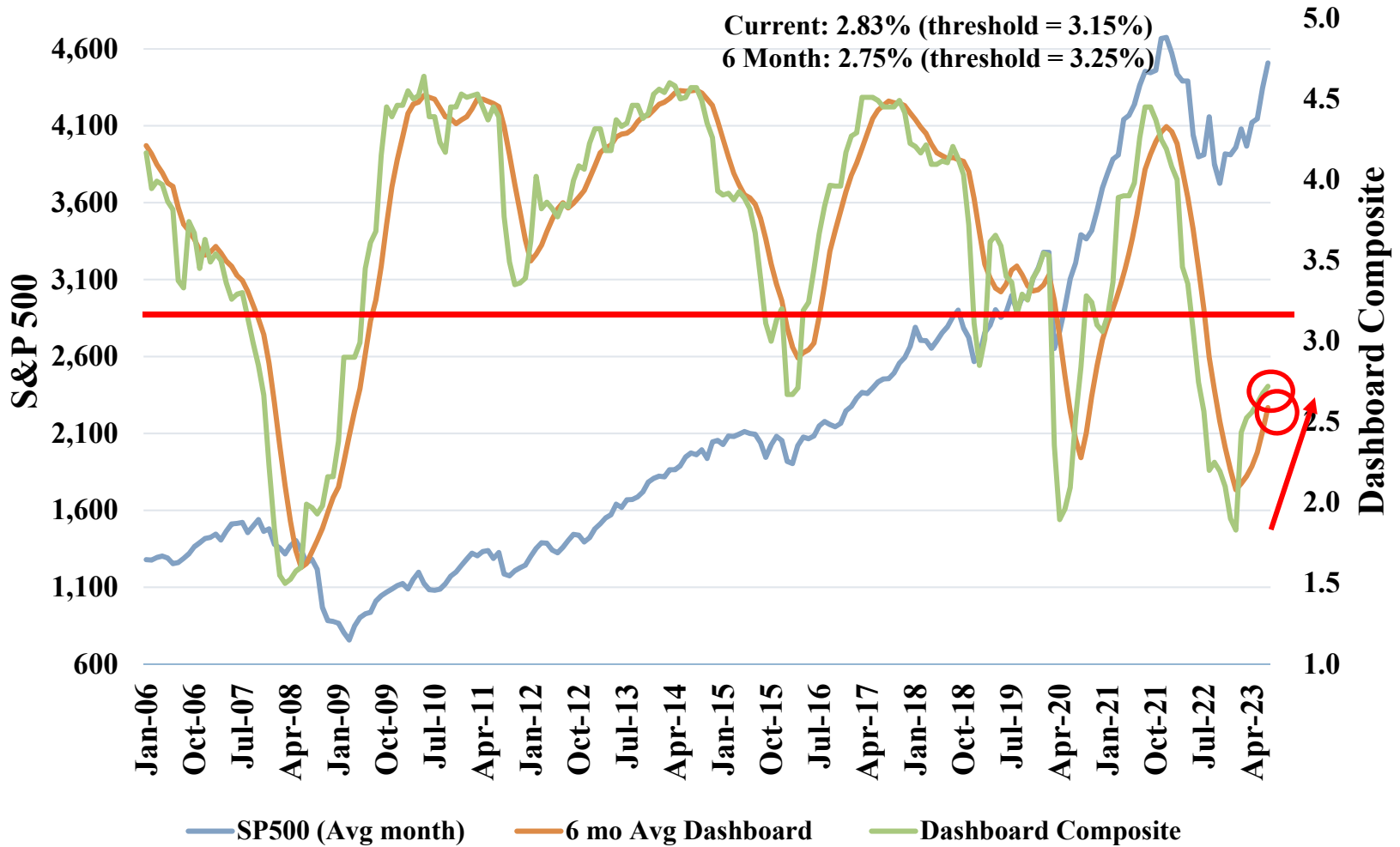
# Market Dashboard

Projected

|                            | 3Q 2020 | 4Q 2020 | 1Q 2021 | 2Q 2021 | 3Q 2021 | 4Q 2021 | 1Q 2022 | 2Q 2022 | 3Q 2022 | 4Q 2022 | 1Q 2023 | 2Q 2023 | 3Q 2023 | 4Q 2023 |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Economy</b>             | Red     | Grey    | Green   | Green   | Green   | Green   | Green   | Green   | Red     | Red     | Red     | Red     | Red     | Red     |
| <b>Credit Markets</b>      | Grey    | Grey    | Green   | Green   | Green   | Green   | Green   | Green   | Green   | Grey    | Grey    | Grey    | Grey    | Grey    |
| <b>Valuations</b>          | Red     | Red     | Red     | Red     | Red     | Red     | Red     | Red     | Red     | Red     | Grey    | Red     | Red     | Red     |
| <b>Market Sentiment</b>    | Green   | Green   | Green   | Green   | Green   | Green   | Grey    | Red     | Red     | Red     | Red     | Green   | Green   | Green   |
| <b>Composite 6mo. Avg.</b> | Red     | Red     | Grey    | Grey    | Green   | Green   | Green   | Grey    | Red     | Red     | Red     | Red     | Red     | Red     |

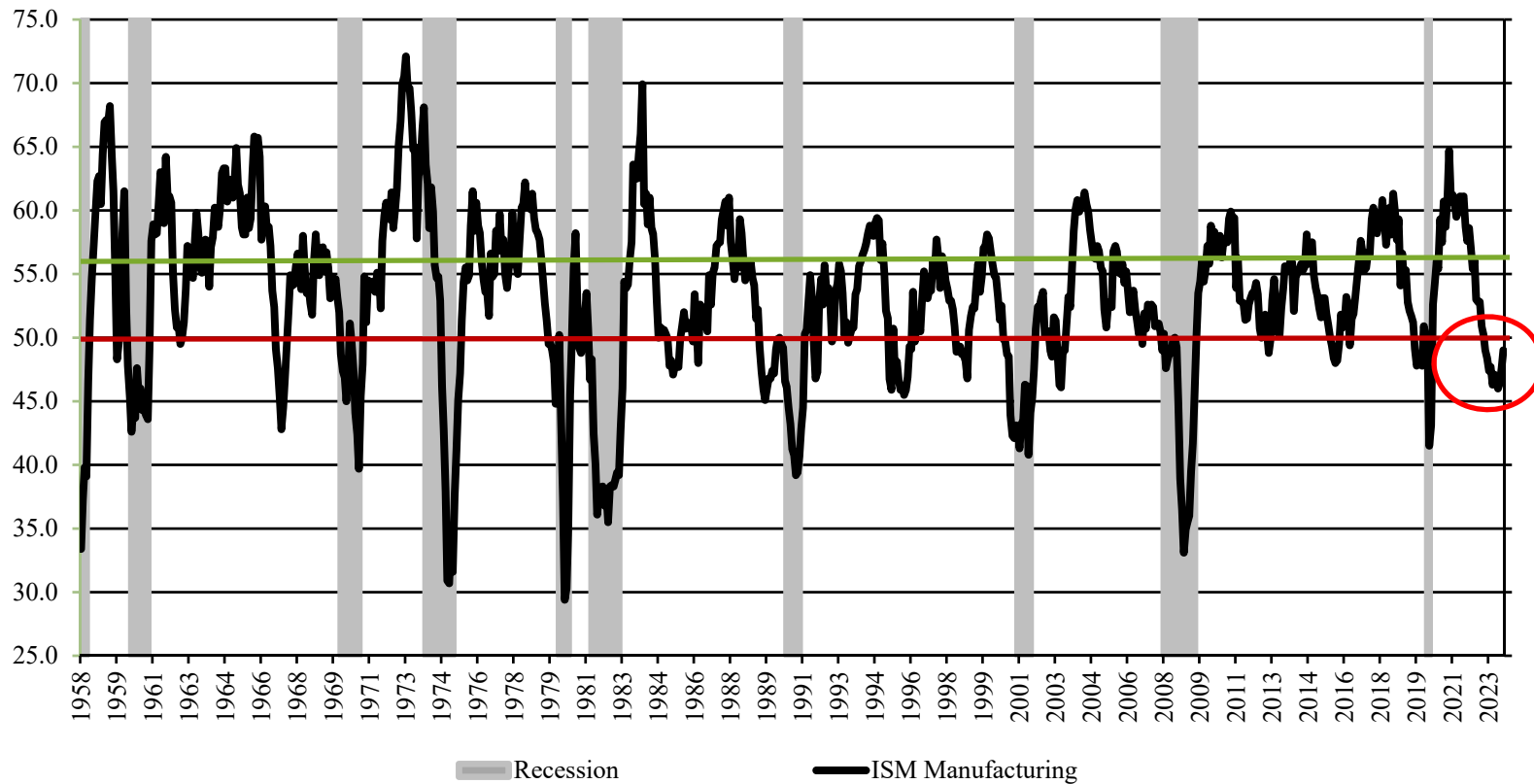


# SilverOak Dashboard



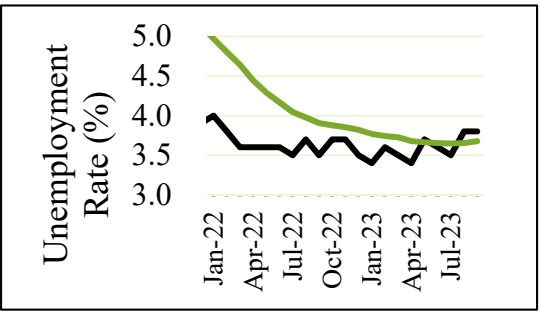
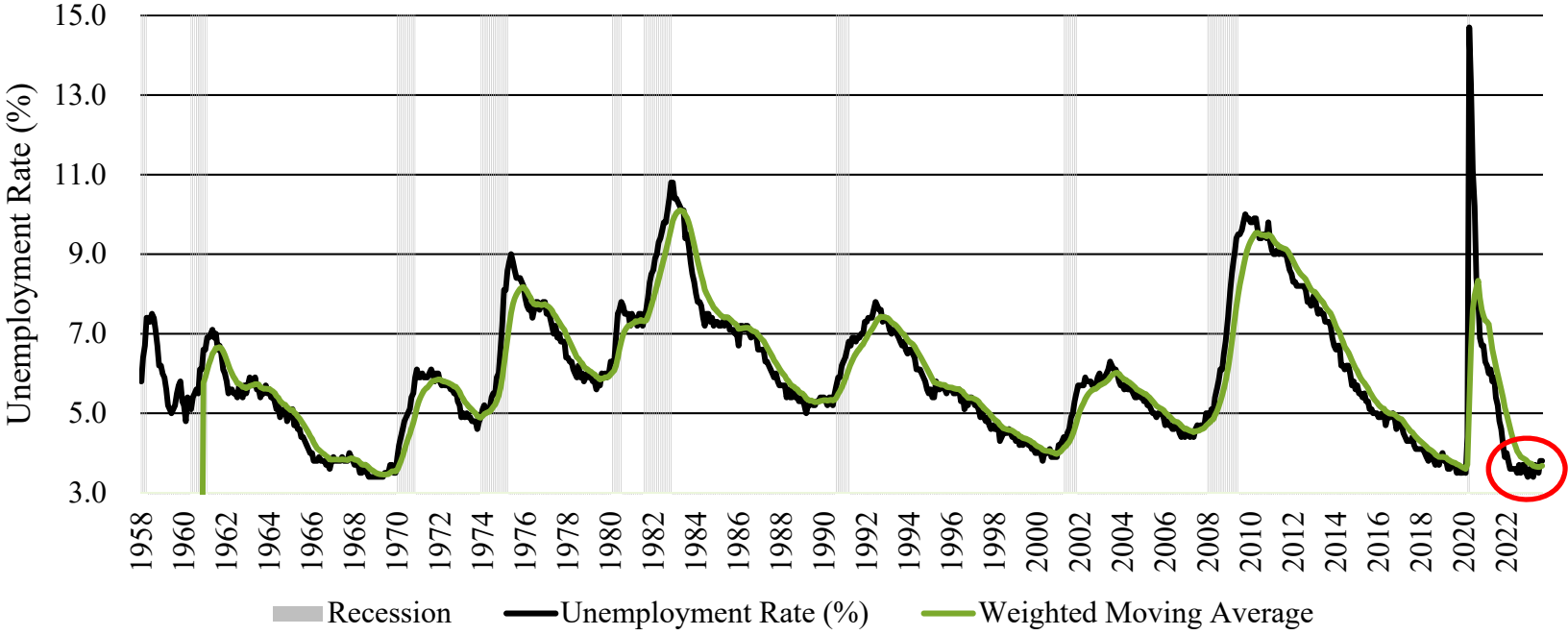
# Economy (ISM Manufacturing Index)

## ISM Manufacturing Index



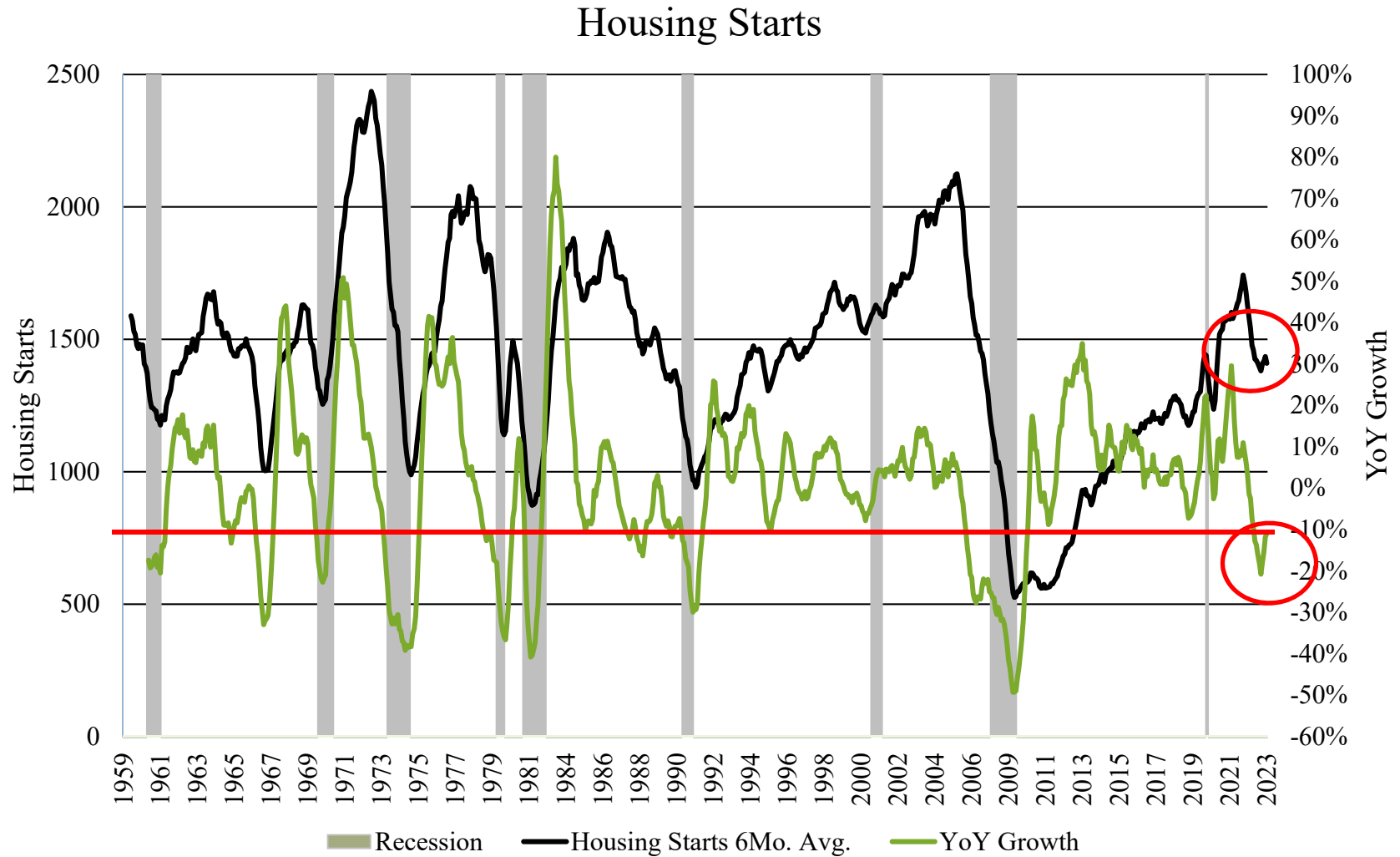
# Economy (Unemployment Rate)

## Unemployment Rate



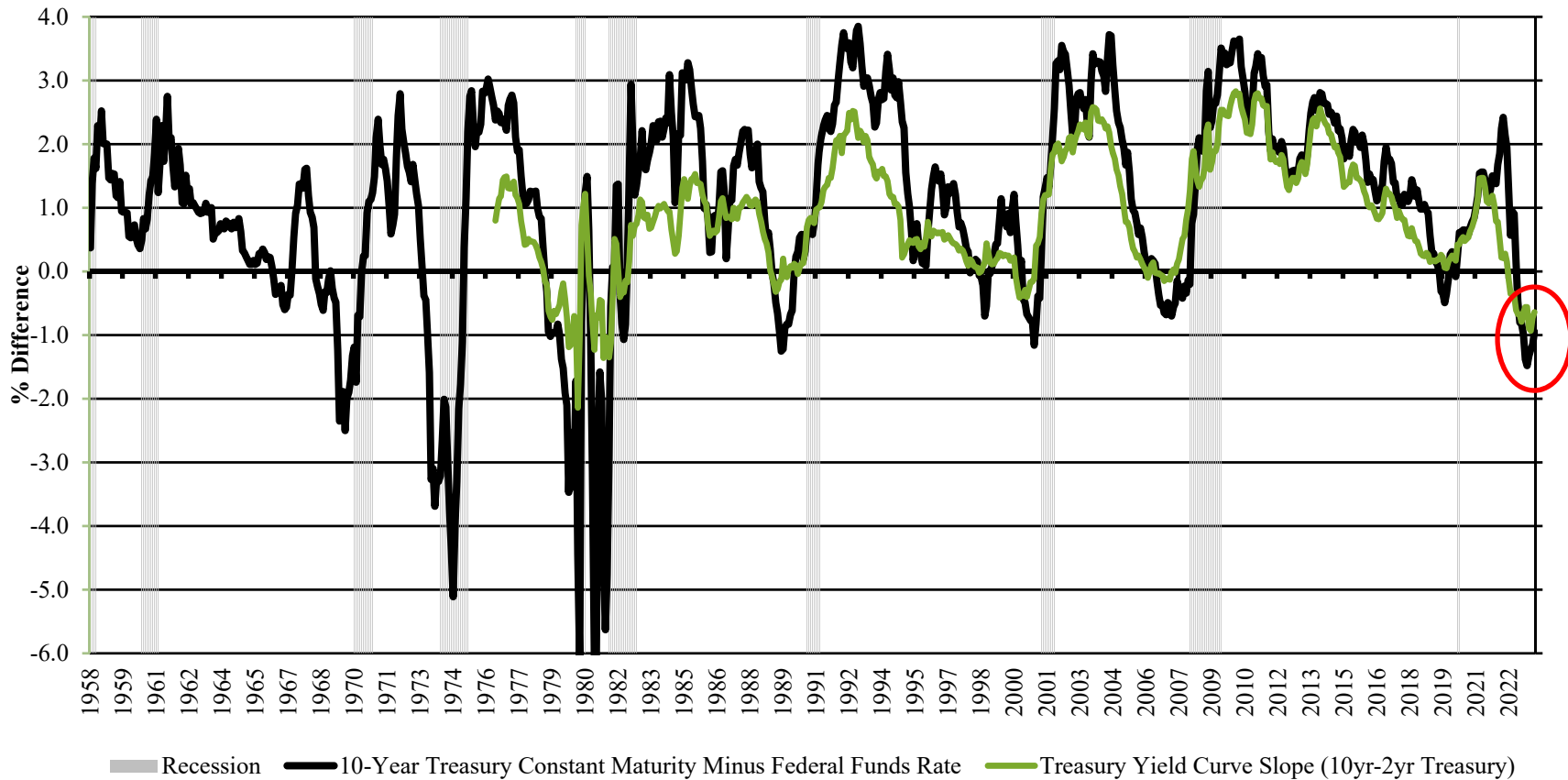


# Economy (Housing Starts)



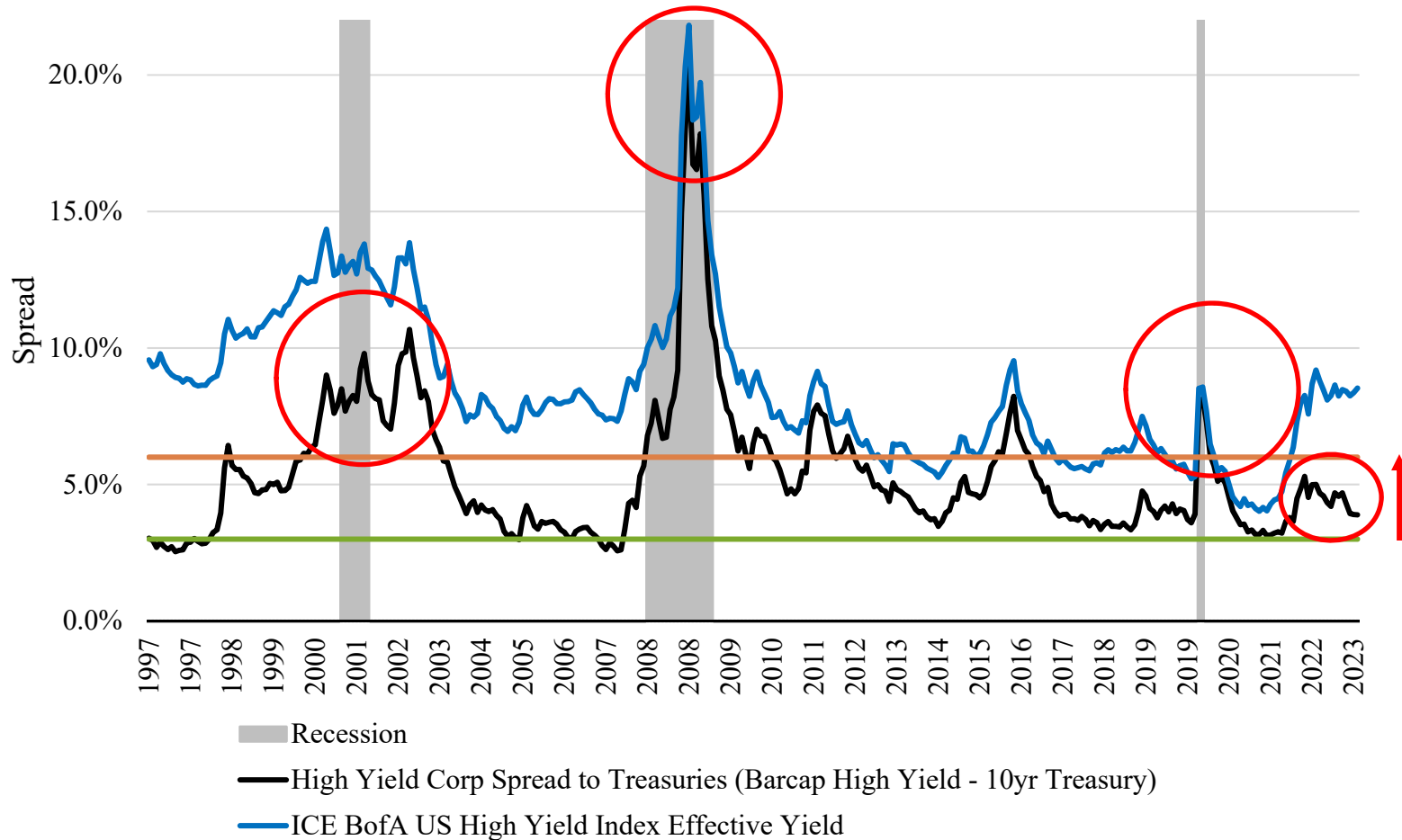
# Credit Markets (Yield Curve)

## Treasury Yield Curve Spread



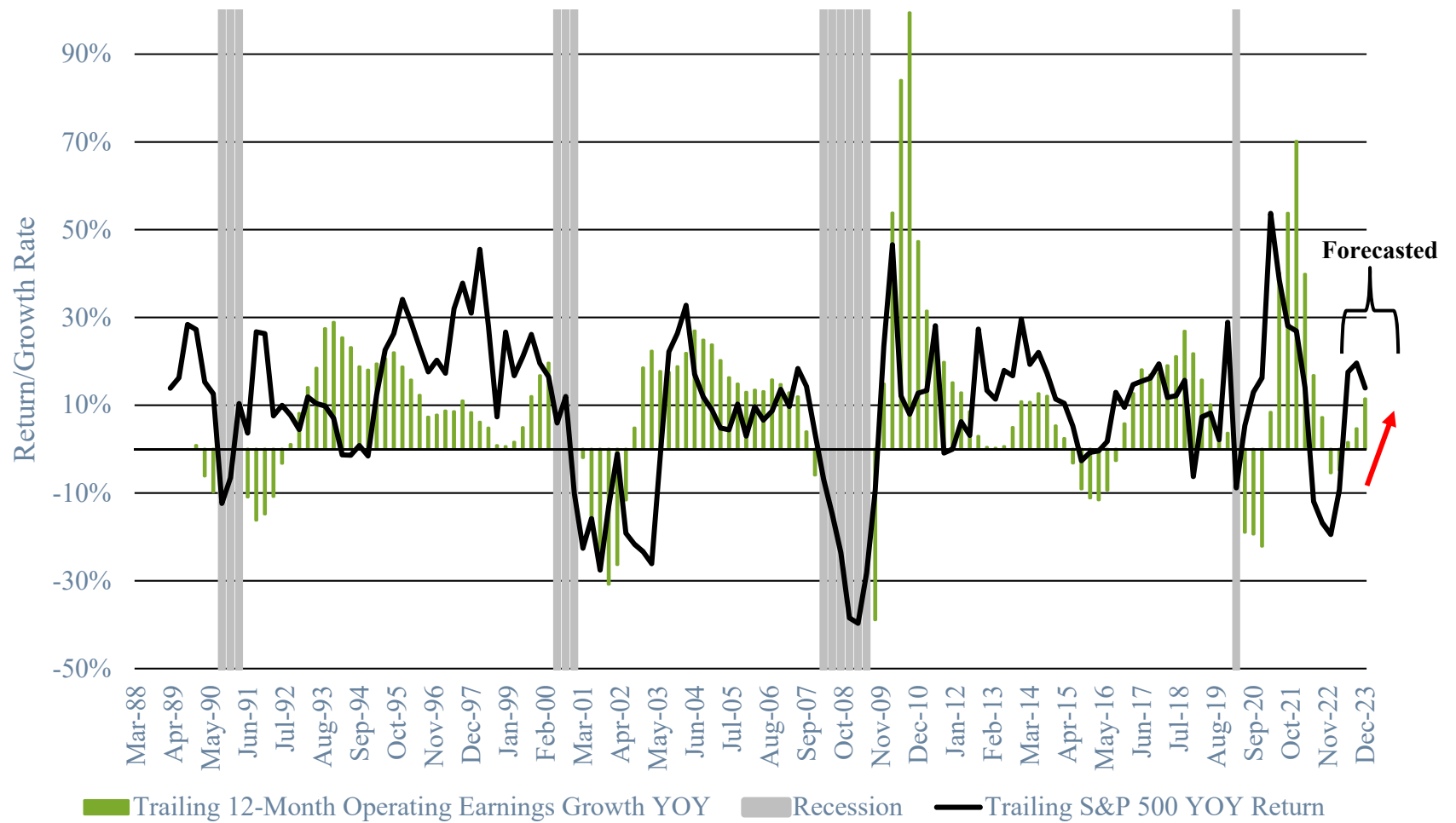
# Credit Markets (High Yield Spread)

## Credit Spreads – High Yield



Source: St. Louis Fed. Data as of 10/1/23

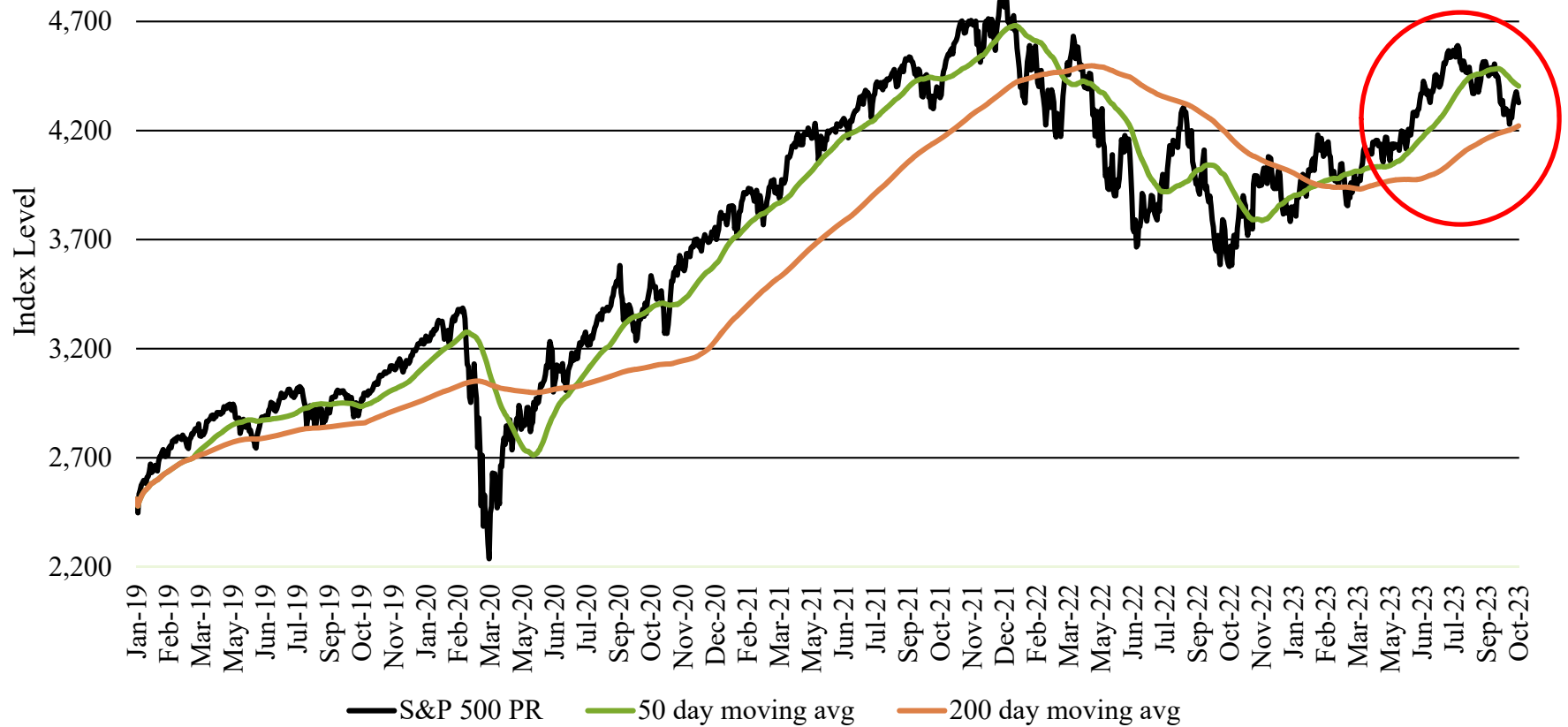
# Valuations (Corporate Earnings)



Source: S&P, as of 10/11/22

# Sentiment (Market Trend)

S&P 500



Source: S&P, as of 10/13/23



# *Market Performance*



# Market Summary

## ■ Equity market performance

|                          | <u>Q3 2023</u> | <u>YTD</u> | <u>1-Year</u> |
|--------------------------|----------------|------------|---------------|
| – US large cap           |                |            |               |
| • S&P 500                | -3.3%          | +13.1%     | +21.6%        |
| – US mid cap             |                |            |               |
| • Russell Midcap         | -4.7%          | +3.9%      | +13.5%        |
| – US small cap           |                |            |               |
| • Russell 2000           | -5.1%          | +2.5%      | +8.9%         |
| – International equities |                |            |               |
| • MSCI ACWI ex US        | -3.8%          | +5.3%      | +20.4%        |
| – Emerging markets       |                |            |               |
| • MSCI Emerging Markets  | -2.9%          | +1.8%      | +11.7%        |

Source: Morningstar

# Market Summary

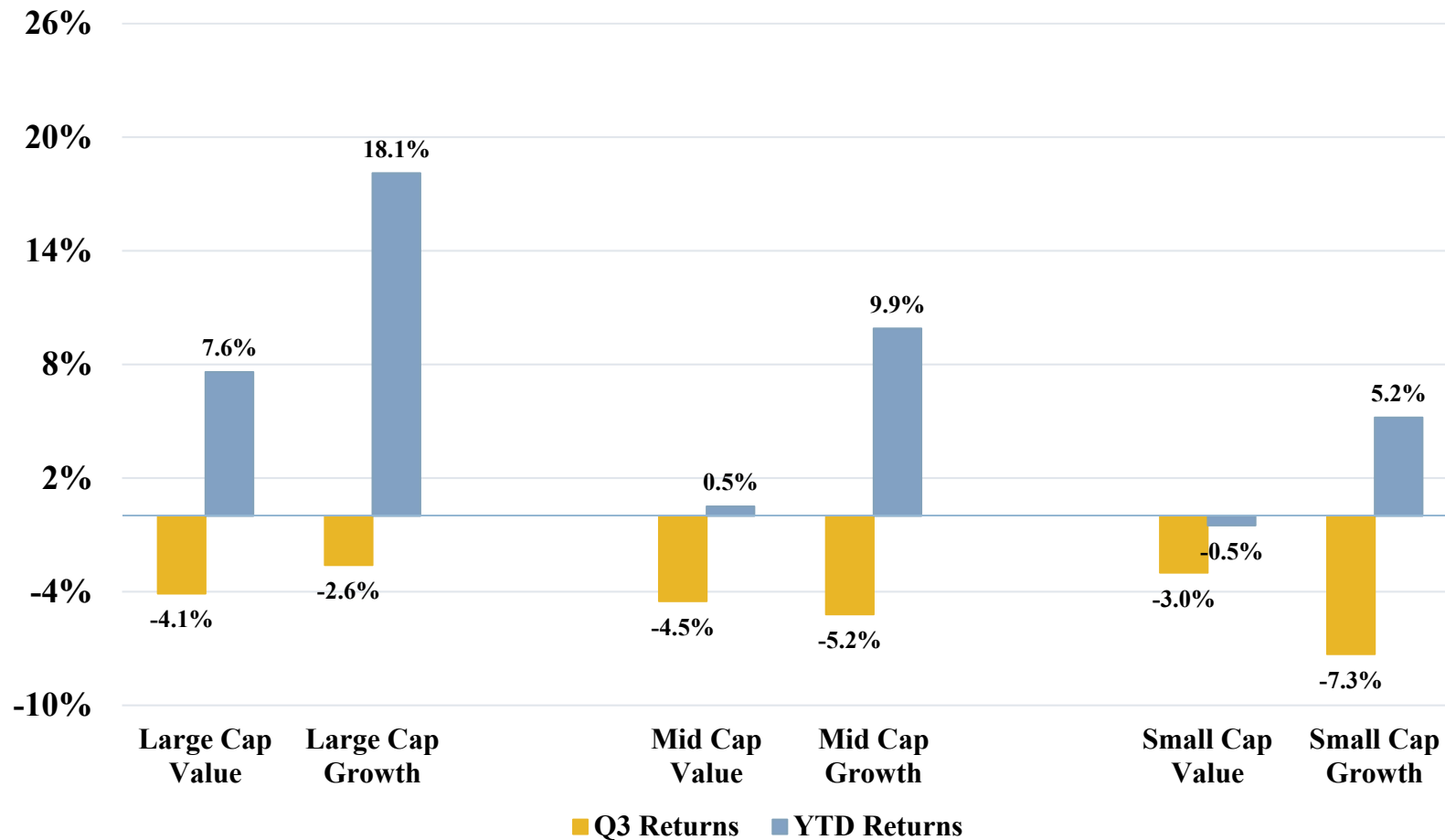
## ■ Bonds and other asset class performance

|                                    | <u>Q3 2023</u> | <u>YTD</u> | <u>1-Year</u> |
|------------------------------------|----------------|------------|---------------|
| – US fixed income                  |                |            |               |
| • Bloomberg U.S. Aggregate         | -3.2%          | -1.2%      | +0.6%         |
| – Global fixed income              |                |            |               |
| • Bloomberg Barclay’s Global ex US | -4.0%          | -3.2%      | +3.4%         |
| – Commodities                      |                |            |               |
| • Bloomberg Commodity TR           | +4.7%          | -3.4%      | -1.3%         |
| – REITS                            |                |            |               |
| • MSCI US REIT NR                  | -7.3%          | -2.9%      | +4.8%         |

Source: Morningstar



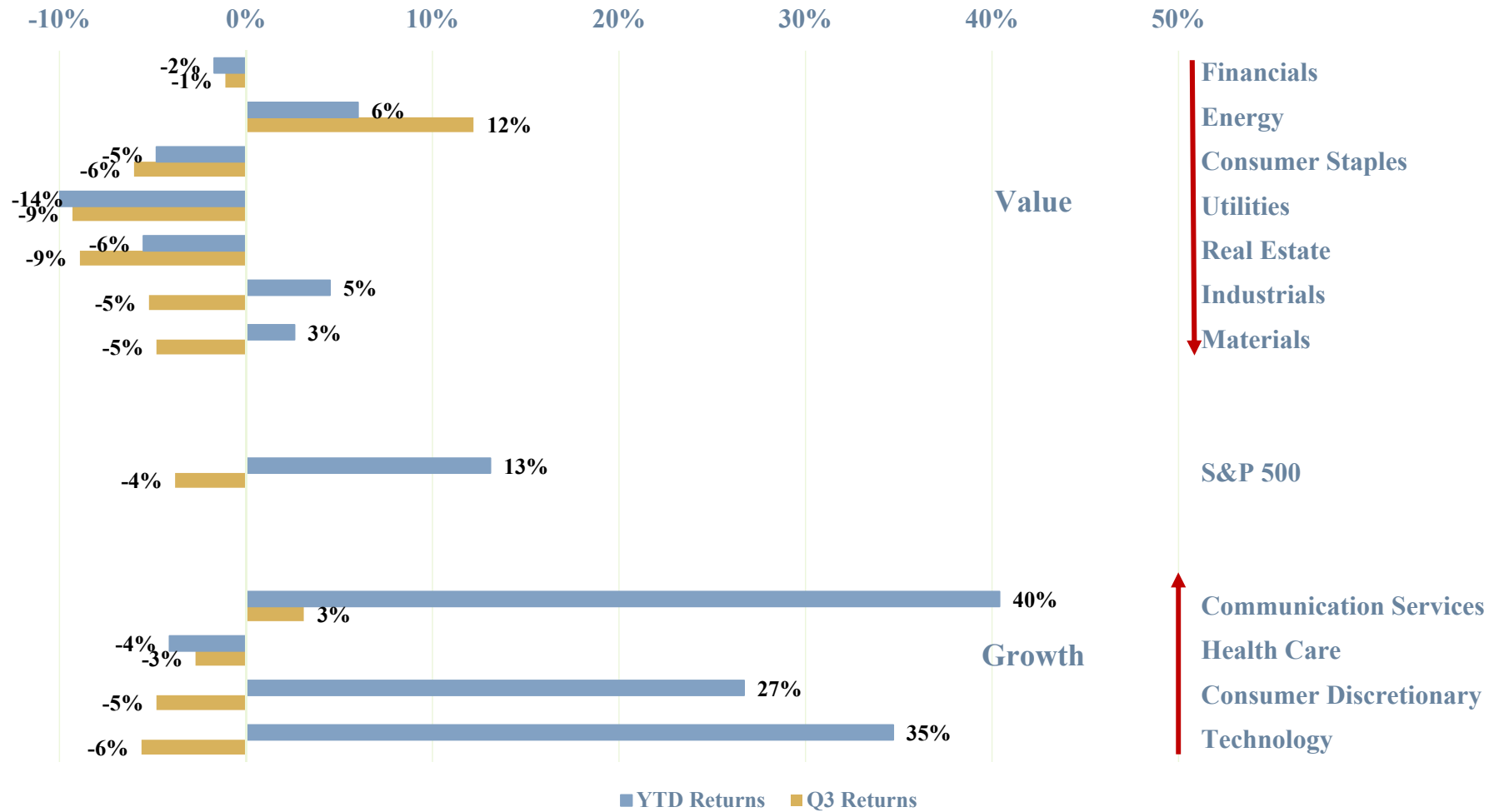
# Growth Leads for the Year



Past performance is no guarantee of future success. As of 9/30/2023

Returns in US dollars.

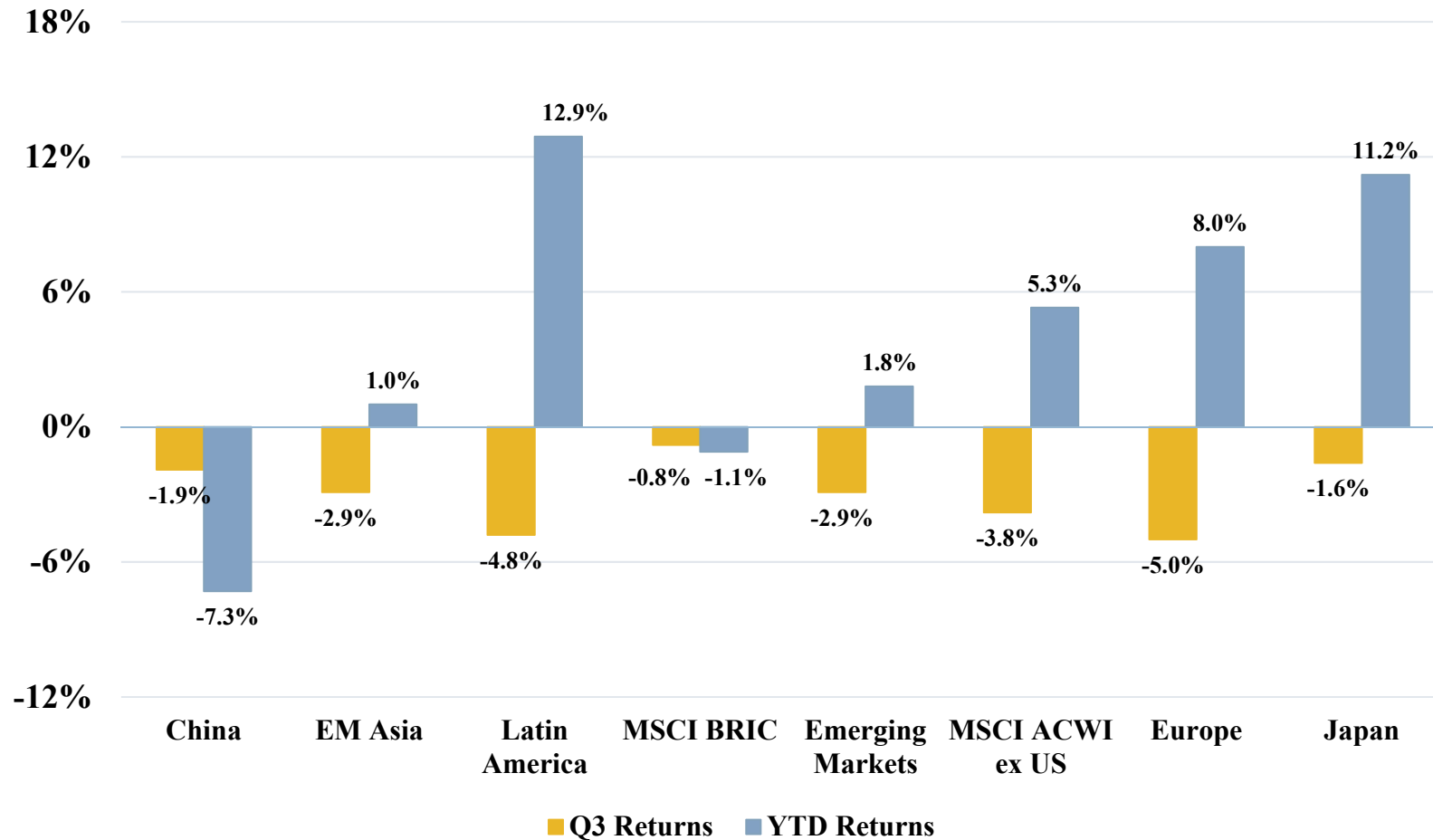
# S&P 500 Sector Performance



Past performance is no guarantee of future success.

**SilverOak**  
WEALTH MANAGEMENT LLC

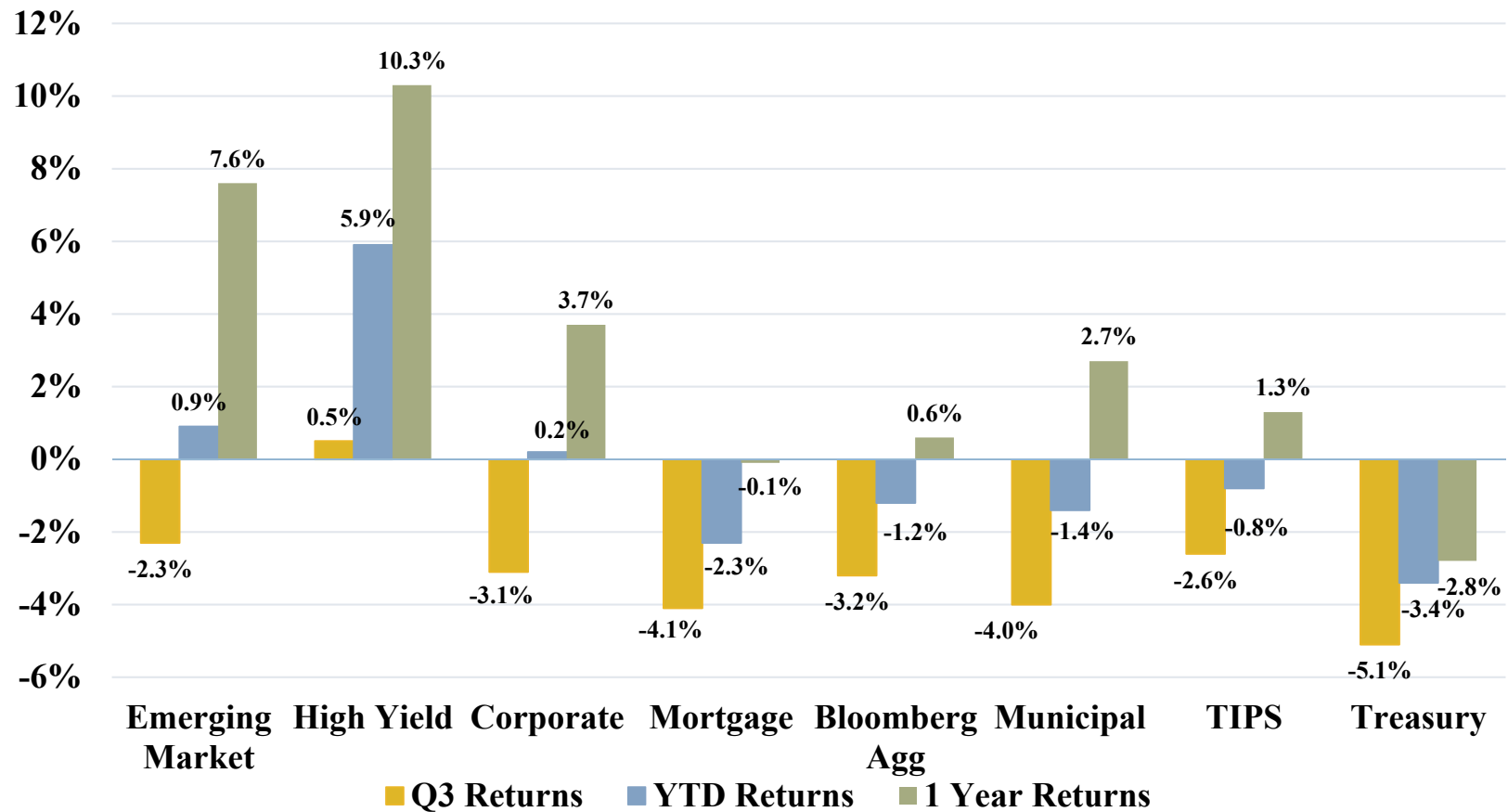
# International Performance in Q3



Past performance is no guarantee of future success. As of 9/30/2023

Returns in US dollars.

# Rise in Interest Rates Hurt Bonds in Q3



Past performance is no guarantee of future success. As of 9/30/2023.

Source: Morningstar. Returns in US dollars.



# *SilverOak's Outlook*

# SilverOak's Economic Outlook

## ■ U.S. Economy

- Moderating inflation, though still likely higher than Fed's 2% target through next year
- Fed could raise rates an additional 0.25% - 0.50%
- More recent economic data encouraging
  - Consumer spending continues to be the key
  - Mild recession still a possibility later next year

## ■ International Economy

- Central banks continue to raise rates to tame inflation
  - Also causing global growth to slow
- Europe continues to teeter near edge of recession
- Slowing China growth likely to spur stimulus
- Japan has recently seen conditions mildly improve

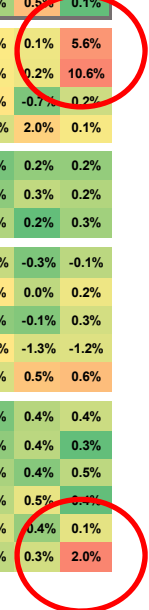


# Inflation Heatmap

## Consumer Price Index, components

m/m % change, seasonally adjusted

|                                 | Weight | 2021  |      |      |      | 2022  |       |       |       |      |       |       |       | 2023  |       |       |       |       |       |       |       |       |       |       |       |
|---------------------------------|--------|-------|------|------|------|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                 |        | Sep   | Oct  | Nov  | Dec  | Jan   | Feb   | Mar   | Apr   | May  | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   |
| Headline CPI, y/y               | 100.0  | 5.4%  | 6.2% | 6.9% | 7.2% | 7.6%  | 8.0%  | 8.5%  | 8.2%  | 8.5% | 8.9%  | 8.4%  | 8.2%  | 8.2%  | 7.8%  | 7.1%  | 6.4%  | 6.3%  | 6.0%  | 5.0%  | 5.0%  | 4.1%  | 3.1%  | 3.3%  | 3.7%  |
| Core CPI, y/y                   | 79.6   | 4.0%  | 4.6% | 5.0% | 5.5% | 6.1%  | 6.4%  | 6.5%  | 6.1%  | 6.0% | 5.9%  | 5.9%  | 6.3%  | 6.6%  | 6.3%  | 6.0%  | 5.7%  | 5.5%  | 5.6%  | 5.5%  | 5.3%  | 4.9%  | 4.7%  | 4.4%  | 4.4%  |
| Core svcs. ex-housing PCE, y/y* | -      | 4.4%  | 4.6% | 5.1% | 5.3% | 5.1%  | 5.0%  | 5.0%  | 4.9%  | 4.8% | 4.9%  | 4.5%  | 4.8%  | 5.0%  | 5.2%  | 5.1%  | 4.9%  | 5.2%  | 5.2%  | 4.9%  | 4.9%  | 4.7%  | 4.5%  | 4.8%  | 4.5%  |
| Headline CPI, m/m               | 100.0  | 0.4%  | 0.9% | 0.8% | 0.8% | 0.6%  | 0.7%  | 1.0%  | 0.4%  | 0.9% | 1.2%  | 0.0%  | 0.2%  | 0.4%  | 0.5%  | 0.2%  | 0.1%  | 0.5%  | 0.4%  | 0.1%  | 0.4%  | 0.1%  | 0.2%  | 0.2%  | 0.6%  |
| Core CPI, m/m                   | 79.6   | 0.3%  | 0.7% | 0.6% | 0.7% | 0.6%  | 0.5%  | 0.3%  | 0.5%  | 0.6% | 0.6%  | 0.3%  | 0.6%  | 0.6%  | 0.3%  | 0.3%  | 0.4%  | 0.4%  | 0.5%  | 0.4%  | 0.4%  | 0.4%  | 0.2%  | 0.2%  | 0.3%  |
| Core svcs. ex-housing PCE, m/m* | -      | 0.2%  | 0.3% | 0.5% | 0.6% | 0.2%  | 0.4%  | 0.6%  | 0.4%  | 0.3% | 0.5%  | 0.1%  | 0.5%  | 0.5%  | 0.5%  | 0.4%  | 0.5%  | 0.5%  | 0.4%  | 0.3%  | 0.3%  | 0.2%  | 0.2%  | 0.5%  | 0.1%  |
| <b>Energy</b>                   | 7.0    | 1.5%  | 3.6% | 2.6% | 2.4% | 0.8%  | 2.7%  | 8.2%  | -1.0% | 3.4% | 6.9%  | -4.7% | -3.9% | -1.7% | 1.7%  | -1.4% | -3.1% | 2.0%  | -0.6% | -3.5% | 0.6%  | -3.6% | 0.6%  | 0.1%  | 5.6%  |
| Gasoline                        | 3.4    | 1.5%  | 4.1% | 4.2% | 3.8% | -0.3% | 4.7%  | 13.2% | -3.1% | 3.2% | 10.3% | -8.1% | -8.4% | -4.2% | 3.4%  | -2.3% | -7.0% | 2.4%  | 1.0%  | -4.6% | 3.0%  | -5.6% | 1.0%  | 0.2%  | 10.6% |
| Electricity                     | 2.6    | 1.0%  | 1.6% | 0.7% | 0.9% | 2.7%  | -0.3% | 1.7%  | 0.9%  | 1.3% | 1.5%  | 1.5%  | 1.2%  | 0.8%  | 0.5%  | 0.5%  | 1.3%  | 0.5%  | 0.5%  | -0.7% | -0.7% | -1.0% | 0.9%  | -0.7% | 0.2%  |
| Utility Gas                     | 0.7    | 2.2%  | 6.7% | 0.5% | 0.1% | 0.5%  | 2.0%  | 0.6%  | 2.5%  | 7.2% | 7.5%  | -3.8% | 3.5%  | 2.2%  | -3.7% | -3.4% | 3.5%  | 6.7%  | -8.0% | -7.1% | -4.9% | -2.6% | -1.7% | 2.0%  | 0.1%  |
| <b>Food</b>                     | 13.4   | 0.9%  | 0.9% | 0.8% | 0.6% | 0.8%  | 1.0%  | 0.9%  | 0.8%  | 1.1% | 1.0%  | 1.1%  | 0.8%  | 0.8%  | 0.7%  | 0.6%  | 0.4%  | 0.5%  | 0.4%  | 0.0%  | 0.0%  | 0.2%  | 0.1%  | 0.2%  | 0.2%  |
| Food at home                    | 8.6    | 1.2%  | 1.0% | 1.0% | 0.6% | 0.9%  | 1.3%  | 1.3%  | 0.9%  | 1.3% | 1.0%  | 1.3%  | 0.8%  | 0.7%  | 0.5%  | 0.6%  | 0.5%  | 0.4%  | 0.3%  | -0.3% | -0.2% | 0.1%  | 0.0%  | 0.3%  | 0.2%  |
| Food away from home             | 4.8    | 0.5%  | 0.8% | 0.6% | 0.6% | 0.7%  | 0.4%  | 0.3%  | 0.6%  | 0.7% | 0.9%  | 0.7%  | 0.9%  | 0.9%  | 0.5%  | 0.4%  | 0.6%  | 0.6%  | 0.6%  | 0.4%  | 0.5%  | 0.4%  | 0.2%  | 0.3%  | 0.3%  |
| <b>Core goods</b>               | 21.3   | 0.3%  | 1.3% | 1.1% | 1.4% | 0.9%  | 0.3%  | -0.4% | 0.1%  | 0.6% | 0.6%  | 0.1%  | 0.4%  | 0.0%  | -0.1% | -0.2% | -0.1% | 0.1%  | 0.0%  | 0.2%  | 0.6%  | 0.6%  | -0.1% | -0.3% | -0.1% |
| Apparel                         | 2.5    | -0.5% | 1.0% | 0.7% | 0.9% | 0.7%  | 0.6%  | 0.3%  | -0.1% | 0.4% | 0.7%  | -0.1% | 0.3%  | 0.0%  | -0.2% | 0.1%  | 0.2%  | 0.8%  | 0.8%  | 0.3%  | 0.3%  | 0.3%  | 0.3%  | 0.0%  | 0.2%  |
| New vehicles                    | 4.3    | 1.3%  | 1.5% | 1.6% | 1.8% | 0.3%  | 0.1%  | 0.1%  | 0.4%  | 0.6% | 0.5%  | 0.5%  | 0.8%  | 0.7%  | 0.6%  | 0.5%  | 0.6%  | 0.2%  | 0.2%  | 0.4%  | -0.2% | -0.1% | 0.0%  | -0.1% | 0.3%  |
| Used cars                       | 2.8    | -0.5% | 3.1% | 3.2% | 3.9% | 1.4%  | -0.6% | -3.6% | -0.7% | 1.9% | 0.5%  | -0.8% | -0.2% | -1.1% | -1.7% | -2.0% | -2.0% | -1.9% | -2.8% | -0.9% | 4.4%  | 4.4%  | -0.5% | -1.3% | -1.2% |
| Medical care commod             | 1.5    | 0.3%  | 0.6% | 0.1% | 0.0% | 0.9%  | 0.3%  | 0.2%  | 0.1%  | 0.3% | 0.4%  | 0.6%  | 0.2%  | -0.1% | 0.0%  | 0.2%  | 0.1%  | 1.1%  | 0.1%  | 0.6%  | 0.5%  | 0.6%  | 0.2%  | 0.5%  | 0.6%  |
| <b>Core services</b>            | 58.3   | 0.2%  | 0.4% | 0.4% | 0.4% | 0.4%  | 0.5%  | 0.6%  | 0.6%  | 0.6% | 0.6%  | 0.4%  | 0.6%  | 0.8%  | 0.5%  | 0.5%  | 0.6%  | 0.5%  | 0.6%  | 0.4%  | 0.4%  | 0.4%  | 0.3%  | 0.4%  | 0.4%  |
| Shelter                         | 34.7   | 0.4%  | 0.4% | 0.5% | 0.4% | 0.3%  | 0.6%  | 0.5%  | 0.5%  | 0.6% | 0.6%  | 0.6%  | 0.7%  | 0.7%  | 0.7%  | 0.6%  | 0.8%  | 0.7%  | 0.8%  | 0.6%  | 0.4%  | 0.6%  | 0.4%  | 0.4%  | 0.3%  |
| Rent of primary res.            | 7.6    | 0.4%  | 0.4% | 0.4% | 0.4% | 0.5%  | 0.6%  | 0.4%  | 0.6%  | 0.6% | 0.8%  | 0.7%  | 0.7%  | 0.8%  | 0.7%  | 0.8%  | 0.8%  | 0.7%  | 0.8%  | 0.5%  | 0.6%  | 0.5%  | 0.5%  | 0.4%  | 0.5%  |
| OER                             | 25.5   | 0.4%  | 0.4% | 0.4% | 0.4% | 0.5%  | 0.5%  | 0.5%  | 0.5%  | 0.6% | 0.7%  | 0.6%  | 0.7%  | 0.8%  | 0.6%  | 0.7%  | 0.8%  | 0.7%  | 0.7%  | 0.5%  | 0.5%  | 0.5%  | 0.4%  | 0.5%  | 0.4%  |
| Medical care services           | 6.4    | 0.0%  | 0.6% | 0.5% | 0.5% | 0.5%  | 0.1%  | 0.6%  | 0.5%  | 0.4% | 0.7%  | 0.4%  | 0.7%  | 0.8%  | -0.4% | -0.5% | 0.3%  | -0.7% | -0.7% | -0.5% | -0.1% | -0.1% | 0.0%  | 0.4%  | 0.1%  |
| Transportation services         | 5.9    | -0.9% | 0.0% | 1.2% | 0.5% | 0.7%  | 1.1%  | 2.1%  | 2.2%  | 1.6% | 1.8%  | -0.4% | 1.0%  | 1.9%  | 0.6%  | 0.3%  | 0.6%  | 0.9%  | 1.1%  | 1.4%  | -0.2% | 0.8%  | 0.1%  | 0.3%  | 2.0%  |

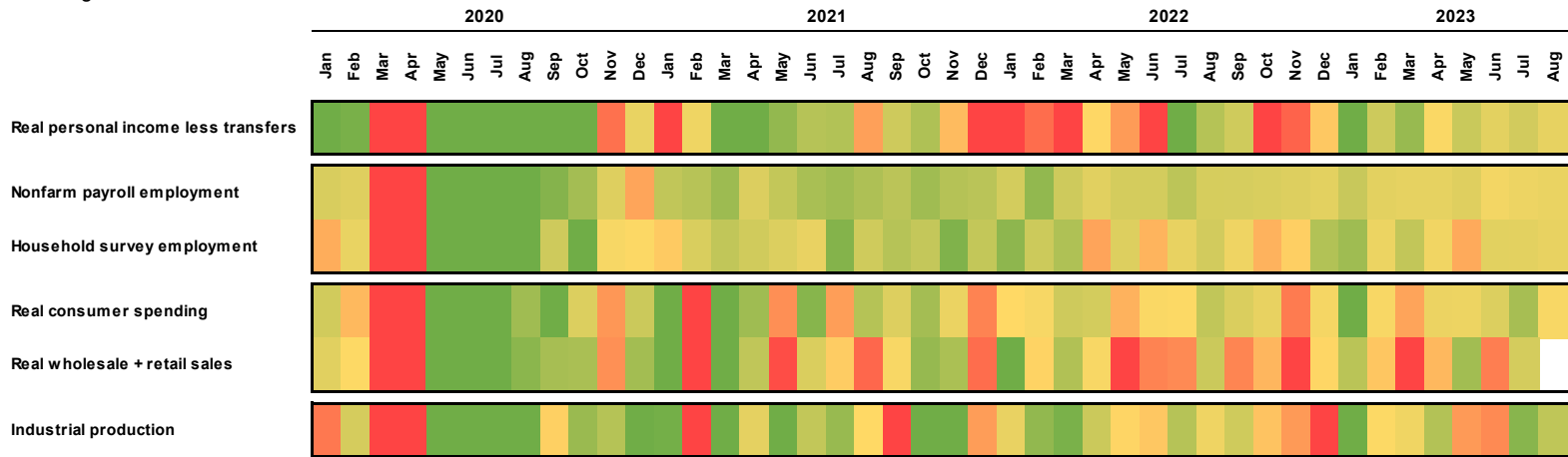


Source: BLS, Factset, JP Morgan Asset Mgmt. Data as of 9/30/2023.

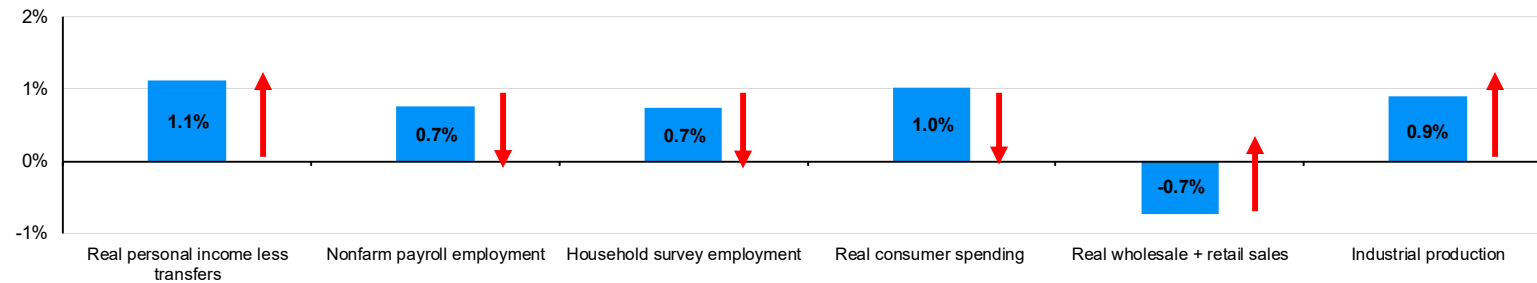
# Recession Heatmap

## Variables used by the NBER in making recession determination\*

% change month-over-month



% change, last six months



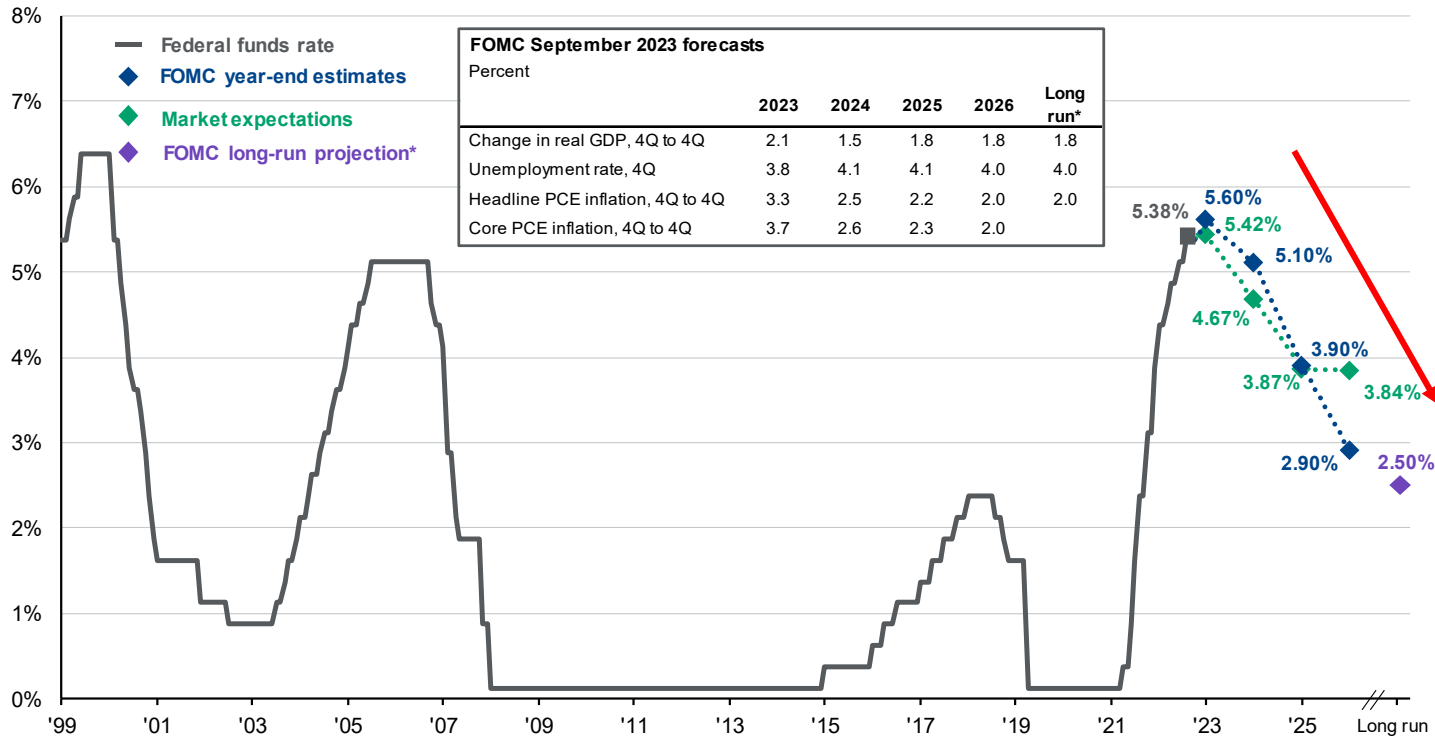
Source: BLS, Factset, JP Morgan Asset Mgmt. Data as of 9/30/2023.



# The Fed and Interest Rate Outlook

## Federal funds rate expectations

FOMC and market expectations for the federal funds rate



# SilverOak's Market Outlook

## ■ Equities

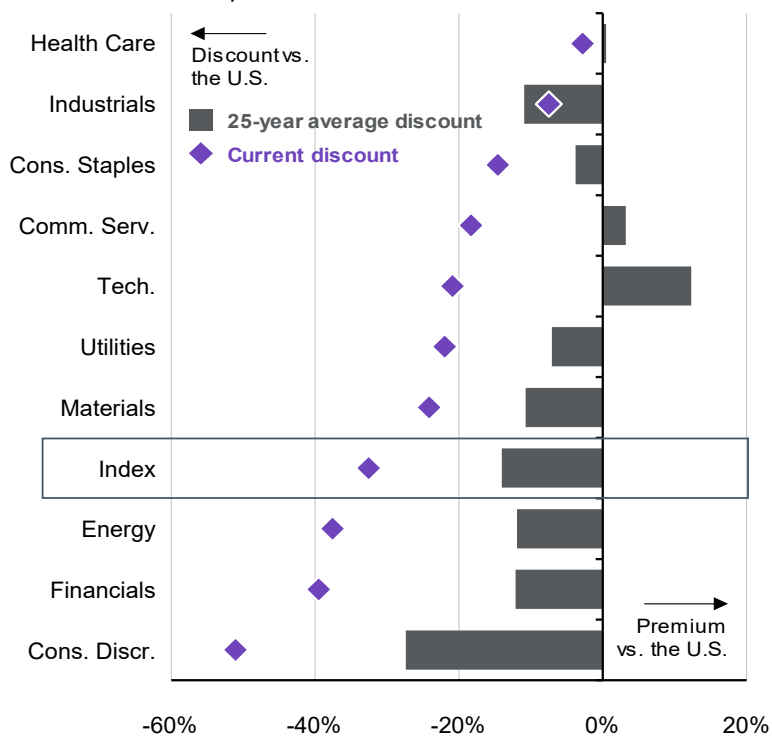
- Volatility risk could continue due to conflicting data points
- The market continues to expect an earnings rebound in 2024
- US markets seem to be pricing in continued decline in inflation and an eventual Fed pivot
- With the recent pullback, valuations are marginally cheaper
- Opportunities likely outside of US Large Cap stocks
  - International equities
  - Small caps
- The current pullback is “normal”
- We are entering a historically stronger part of the year for market performance



# Relative Attractiveness of European Equities

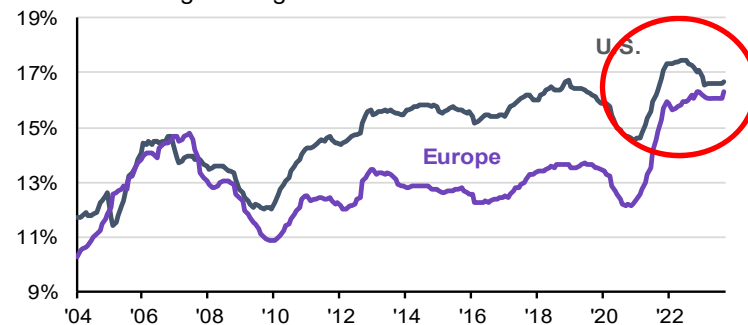
## Europe relative valuation vs. the U.S. by sector

Forward P/E ratio, premium or discount vs. the U.S.



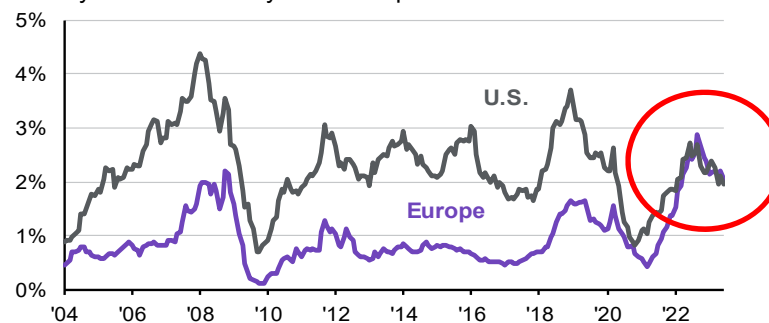
## Operating margins

12-month trailing earnings relative to sales



## Buyback yields

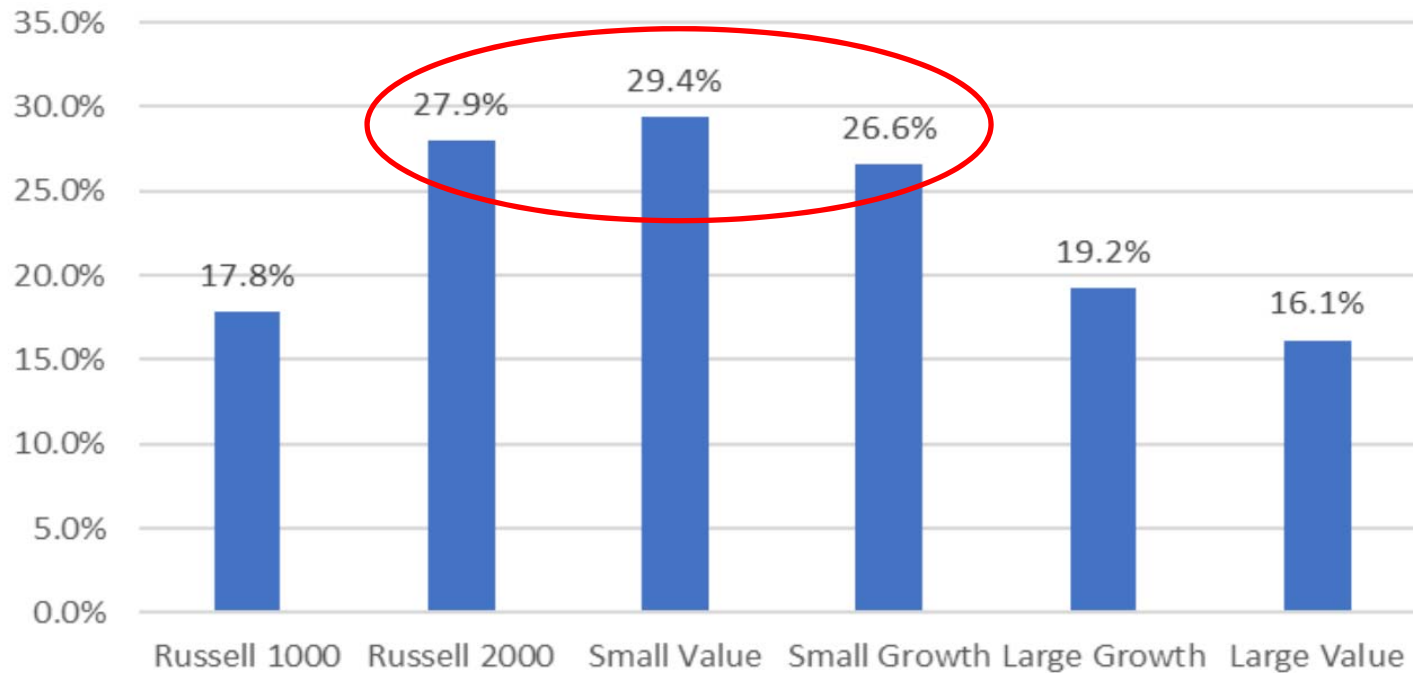
Net buybacks divided by market capitalization



Source: J.P. Morgan Asset Management. (Left) FactSet, MSCI. Europe: MSCI Europe Index, U.S.: S&P 500 Index. Chart shows the current percentage discount of the index or sector 12-month forward P/E ratio versus the equivalent S&P 500 sector, and the 25-year average. (Top right) FactSet, MSCI. U.S.: S&P 500 Index, Europe: MSCI Europe Index. (Bottom right) Bernstein. Buyback yields are the value of total stock buyback announcements over the previous 12 months as a percentage of regional index market cap. Past performance is not a reliable indicator of current and future results. *Guide to the Markets – U.S.* Data are as of September 30, 2023.

# The Case for Small Caps

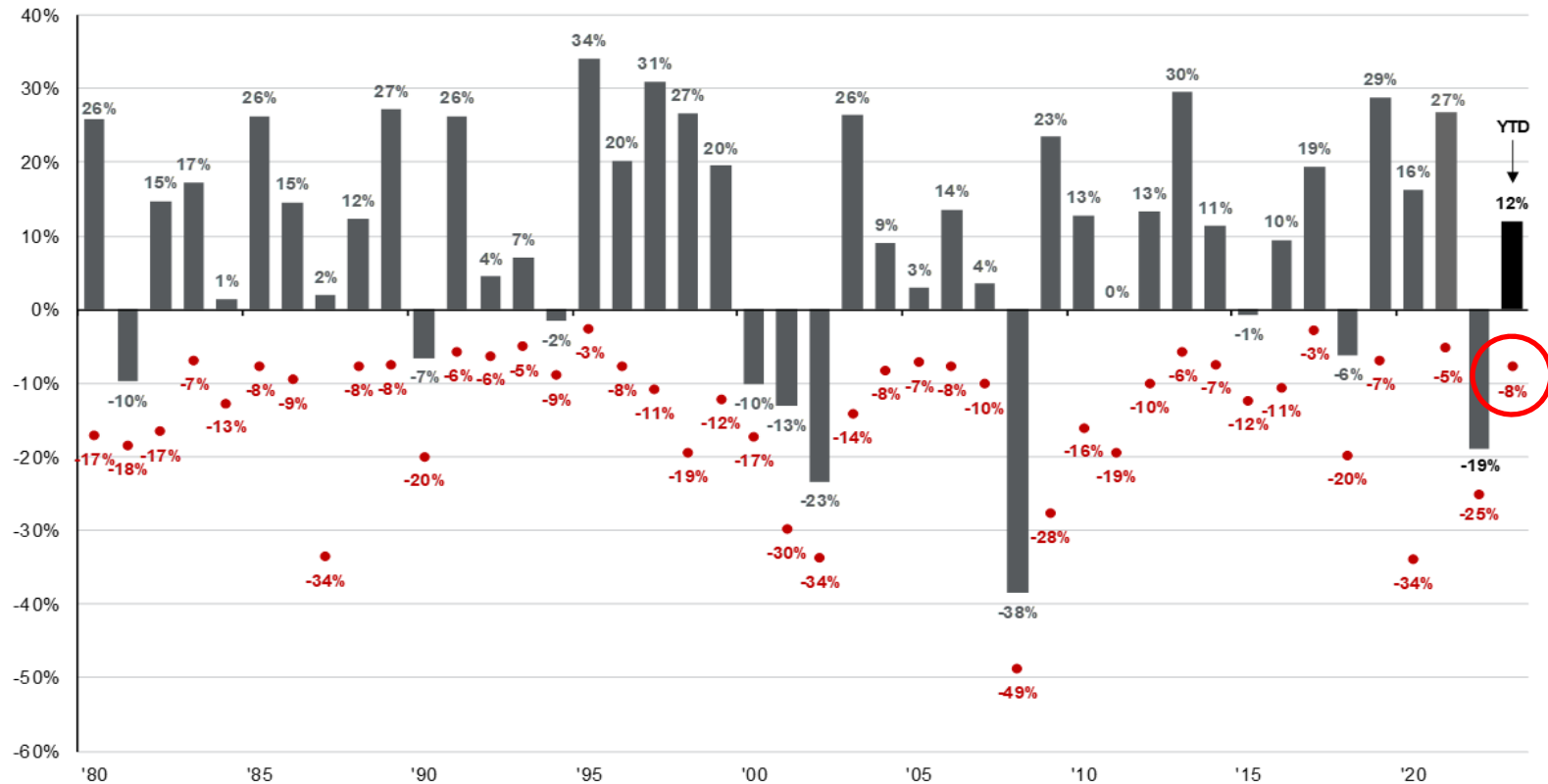
Performance 12mo after PMI bottoms



# Intra-Year Declines are Common

## S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.3%, annual returns were positive in 32 of 43 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2022, over which time period the average annual return was 8.7%.

Guide to the Markets – U.S. Data are as of September 30, 2023.



# Entering the Seasonally Strong Fourth Quarter

## Don't Bet Against A Fourth Quarter Rally Just Yet

S&P 500 Performance After September Falls >3%, But Positive YTD

| Year     | September Return | YTD Return End of September | S&P 500 Index Returns |        |
|----------|------------------|-----------------------------|-----------------------|--------|
|          |                  |                             | October               | Q4     |
| 1959     | -4.6%            | 3.0%                        | 1.1%                  | 5.3%   |
| 1975     | -3.5%            | 22.3%                       | 6.2%                  | 7.5%   |
| 1985     | -3.5%            | 8.9%                        | 4.3%                  | 16.0%  |
| 1986     | -8.5%            | 9.5%                        | 5.5%                  | 4.7%   |
| 2020     | -3.9%            | 4.1%                        | -2.8%                 | 11.7%  |
| 2021     | -4.8%            | 14.7%                       | 6.9%                  | 10.6%  |
| 2023     | -4.9%            | 11.7%                       | ?                     | ?      |
| Average  |                  |                             | 3.5%                  | 9.3%   |
| Median   |                  |                             | 4.9%                  | 9.1%   |
| % Higher |                  |                             | 83.3%                 | 100.0% |

Source: Carson Investment Research, FactSet 10/06/2023  
@ryandetrick



# The Value of Diversifying

| 2008 - 2022  |              | 2008         | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         | 2018         | 2019         | 2020         | 2021         | 2022         | YTD          |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Large Cap    | REITs        | Fixed Income | EM Equity    | REITs        | REITs        | REITs        | Small Cap    | REITs        | REITs        | Small Cap    | EM Equity    | Cash         | Large Cap    | Small Cap    | REITs        | Comdty.      | Large Cap    |
| 8.8%         | 23.4%        | 5.2%         | 79.0%        | 27.9%        | 8.3%         | 19.7%        | 38.8%        | 28.0%        | 2.8%         | 21.3%        | 37.8%        | 1.8%         | 31.5%        | 20.0%        | 41.3%        | 16.1%        | 13.1%        |
| Small Cap    | Small Cap    | Cash         | High Yield   | Small Cap    | Fixed Income | High Yield   | Large Cap    | Large Cap    | Large Cap    | High Yield   | DM Equity    | Fixed Income | REITs        | EM Equity    | Large Cap    | Cash         | DM Equity    |
| 7.2%         | 23.2%        | 1.8%         | 59.4%        | 26.9%        | 7.8%         | 19.6%        | 32.4%        | 13.7%        | 1.4%         | 14.3%        | 25.6%        | 0.0%         | 28.7%        | 18.7%        | 28.7%        | 1.5%         | 7.6%         |
| REITs        | EM Equity    | Asset Alloc. | DM Equity    | EM Equity    | High Yield   | EM Equity    | DM Equity    | Fixed Income | Fixed Income | Large Cap    | Large Cap    | REITs        | Small Cap    | Large Cap    | Comdty.      | High Yield   | High Yield   |
| 6.6%         | 23.0%        | -25.4%       | 32.5%        | 19.2%        | 3.1%         | 18.6%        | 23.3%        | 6.0%         | 0.5%         | 12.0%        | 21.8%        | -4.0%        | 25.5%        | 18.4%        | 27.1%        | -12.7%       | 5.0%         |
| Asset Alloc. | Comdty.      | High Yield   | REITs        | Comdty.      | Large Cap    | DM Equity    | Asset Alloc. | Asset Alloc. | Cash         | Comdty.      | Small Cap    | High Yield   | DM Equity    | Asset Alloc. | Small Cap    | Fixed Income | Asset Alloc. |
| 6.1%         | 20.2%        | -26.9%       | 28.0%        | 16.8%        | 2.1%         | 17.9%        | 14.9%        | 5.2%         | 0.0%         | 11.8%        | 14.6%        | -4.1%        | 22.7%        | 10.6%        | 14.8%        | -13.0%       | 4.5%         |
| High Yield   | DM Equity    | Small Cap    | Small Cap    | Large Cap    | Cash         | Small Cap    | High Yield   | Small Cap    | DM Equity    | EM Equity    | Asset Alloc. | Large Cap    | Asset Alloc. | DM Equity    | Asset Alloc. | Asset Alloc. | Cash         |
| 5.4%         | 20.0%        | -33.8%       | 27.2%        | 15.1%        | 0.1%         | 16.3%        | 7.3%         | 4.9%         | -0.4%        | 11.6%        | 14.6%        | -4.4%        | 19.5%        | 8.3%         | 13.5%        | -13.9%       | 3.7%         |
| Fixed Income | Large Cap    | Comdty.      | Large Cap    | High Yield   | Asset Alloc. | Large Cap    | REITs        | Cash         | Asset Alloc. | REITs        | High Yield   | Asset Alloc. | EM Equity    | Fixed Income | DM Equity    | DM Equity    | Small Cap    |
| 2.7%         | 17.7%        | -35.6%       | 26.5%        | 14.8%        | -0.7%        | 16.0%        | 2.9%         | 0.0%         | -2.0%        | 8.6%         | 10.4%        | -5.8%        | 18.9%        | 7.5%         | 11.8%        | -14.0%       | 2.5%         |
| DM Equity    | High Yield   | Large Cap    | Asset Alloc. | Asset Alloc. | Small Cap    | Asset Alloc. | Cash         | High Yield   | High Yield   | Asset Alloc. | REITs        | Small Cap    | High Yield   | High Yield   | High Yield   | Large Cap    | EM Equity    |
| 2.3%         | 13.0%        | -37.0%       | 25.0%        | 13.3%        | -4.2%        | 12.2%        | 0.0%         | 0.0%         | -2.7%        | 8.3%         | 8.7%         | -11.0%       | 12.6%        | 7.0%         | 1.0%         | -18.1%       | 2.2%         |
| EM Equity    | Asset Alloc. | REITs        | Comdty.      | DM Equity    | DM Equity    | Fixed Income | Fixed Income | EM Equity    | Small Cap    | Fixed Income | Fixed Income | Comdty.      | Fixed Income | Cash         | Cash         | EM Equity    | Fixed Income |
| 1.0%         | 12.4%        | -37.7%       | 18.9%        | 8.2%         | -11.7%       | 4.2%         | -2.0%        | -1.8%        | -4.4%        | 2.6%         | 3.5%         | -11.2%       | 8.7%         | 0.5%         | 0.0%         | -19.7%       | -1.2%        |
| Cash         | Fixed Income | DM Equity    | Fixed Income | Fixed Income | Comdty.      | Cash         | EM Equity    | DM Equity    | EM Equity    | DM Equity    | Comdty.      | DM Equity    | Comdty.      | Comdty.      | Fixed Income | Small Cap    | Comdty.      |
| 0.6%         | 4.2%         | -43.1%       | 5.9%         | 6.5%         | -13.3%       | 0.1%         | -2.3%        | -4.5%        | -14.6%       | 1.5%         | 1.7%         | -13.4%       | 7.7%         | -3.1%        | -1.5%        | -20.4%       | -3.4%        |
| Comdty.      | Cash         | EM Equity    | Cash         | Cash         | EM Equity    | Comdty.      | Comdty.      | Comdty.      | Comdty.      | Cash         | Cash         | EM Equity    | Cash         | REITs        | EM Equity    | REITs        | REITs        |
| -2.6%        | 0.4%         | -53.2%       | 0.1%         | 0.1%         | -18.2%       | -1.1%        | -9.5%        | -17.0%       | -24.7%       | 0.3%         | 0.8%         | -14.2%       | 2.2%         | -5.1%        | -2.2%        | -24.9%       | -5.6%        |

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.  
 Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg US Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2007 to 12/31/2022. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.  
 Guide to the Markets – U.S. Data are as of September 30, 2023.

# SilverOak's Market Outlook

## ■ Bonds

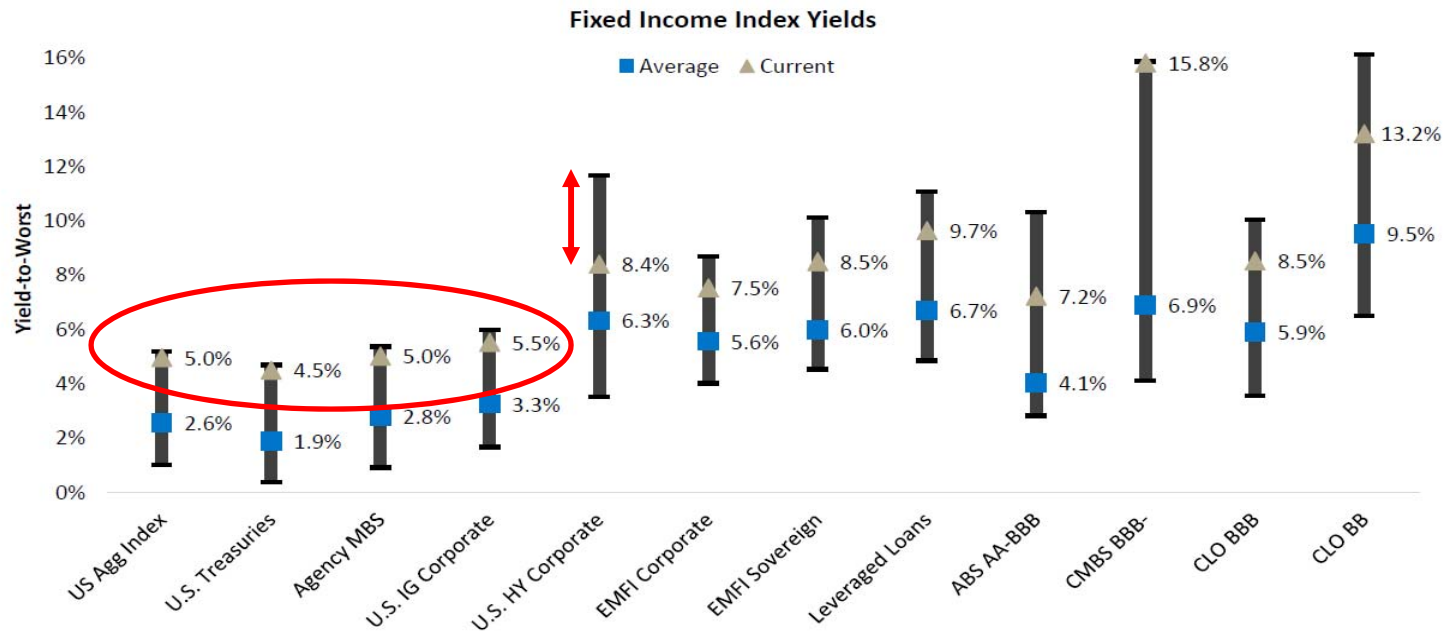
- Yields are at historically attractive levels
- Bonds have favorable reward versus risk profile
- Short-term yields peaking
- Future returns will improve once interest rates begin to fall
- Consider allocating to longer-duration bonds
- Bonds will likely provide a diversification benefit if slowing economic growth impacts stock returns
- With growth slowing, stick with high quality bonds
  - Spreads could widen in high yield, private credit and bank loans
  - High quality municipal bonds provide favorable tax-equivalent yields





# Bond Yields Are Above Average

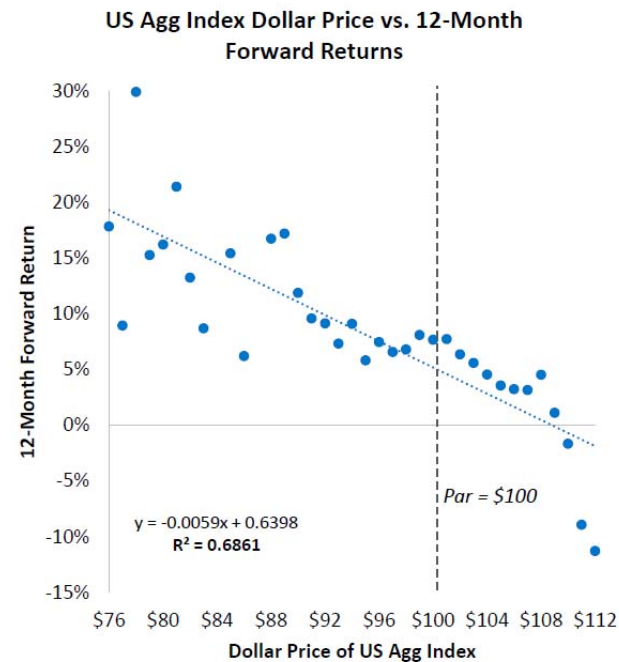
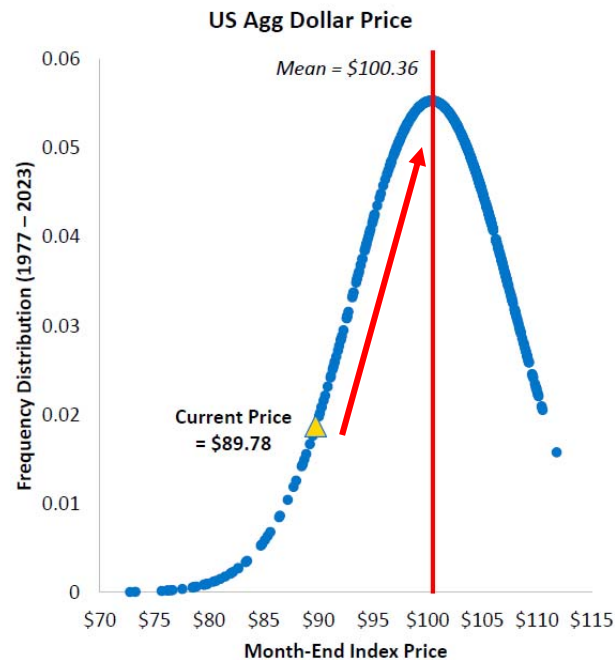
- Yields across many fixed income sectors are near the upper end of their respective 10-year ranges.



Source: DoubleLine, Bloomberg. Black bars represent the range from August 31, 2013, through August 31, 2023.  
 U.S. Treasuries: Bloomberg US Treasury Index; Agency MBS: Bloomberg US Agency MBS Index; IG Corporate: Bloomberg US Corporate Index; HY Corporate: Bloomberg US Corporate High Yield Index; EMFI Sov.: J.P. Morgan Emerging Market Bond Index Global Diversified (JPM EMBI GD); EMFI Corp.: J.P. Morgan Corporate Emerging Market Bond Index Broad Diversified (JPM CEMBI BD); Leveraged Loans: Credit Suisse Liquid Leveraged Loan Index; CMBS BBB-: Bloomberg US Non-Agency CMBS BBB Index; CLO: Palmer Square Indexes; ABS – AA-BBB: ICE BofA AA-BBB US Fixed Rate Miscellaneous ABS Index; US Agg Index: Bloomberg US Aggregate Bond Index.  
 You cannot invest directly in an index.

# Many Bonds are Trading Below Par

- The average price of the US Agg Index has been roughly par (\$100) going back to its inception.
- Buying below par has historically led to higher 12-month forward returns.



Source: DoubleLine, Bloomberg.  
You cannot invest directly in an index

# Bonds Provide Favorable Risk vs. Reward

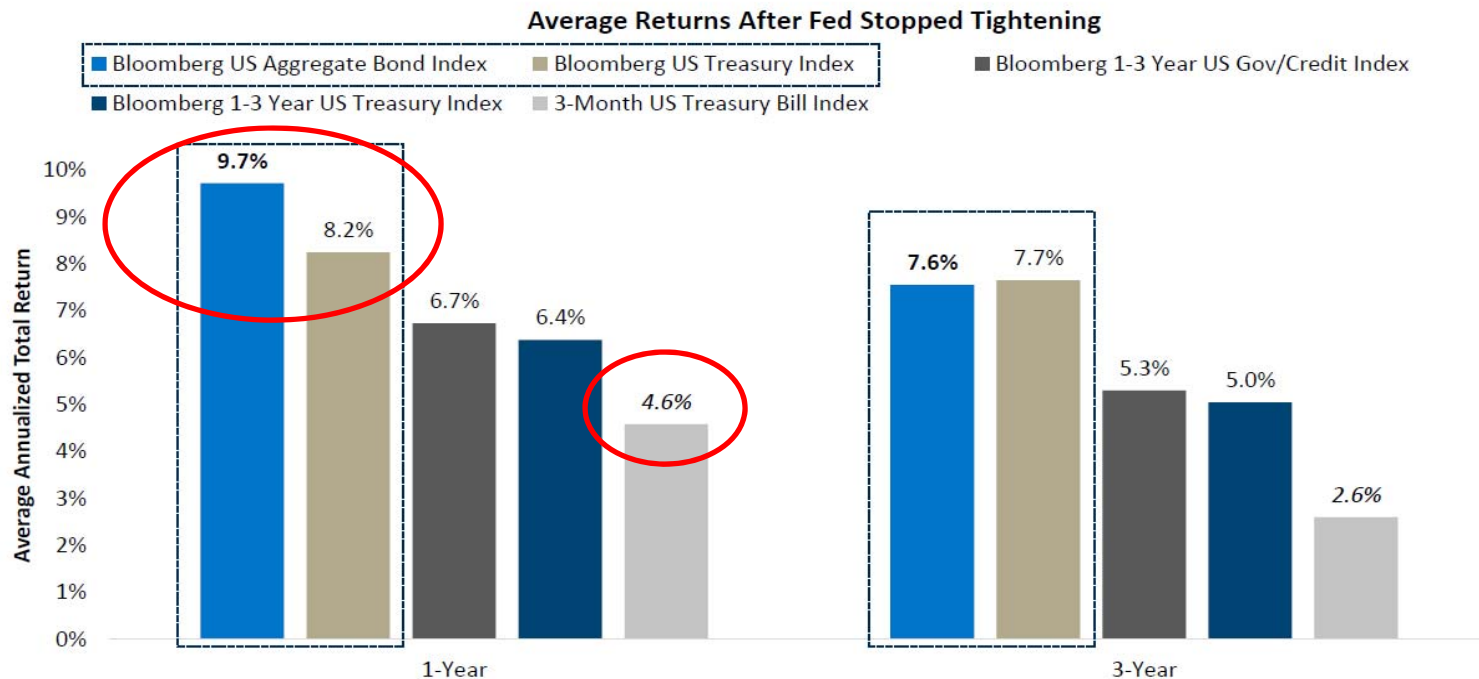
- Higher bond yields provide a “cushion” when rates increase and larger gains when rates decline (10-year U.S. Treasury bond returns assuming change in yield)

| 10-year bond starting yield (%) | 1-year return (%) assuming change in yield of . . . |        |           |        |         |
|---------------------------------|---|--------|-----------|--------|---------|
|                                 | -100 bp   | -50 bp | No change | +50 bp | +100 bp |
| 0.00                            | 10.6%   | 5.1%   | 0.0%      | -4.9%  | -9.5%   |
| 0.50                            | 10.8%   | 5.5%   | 0.5%      | -4.2%  | -8.7%   |
| 1.00                            | 11.0%   | 5.9%   | 1.0%      | -3.6%  | -8.0%   |
| 1.50                            | 11.2%   | 6.2%   | 1.5%      | -3.0%  | -7.2%   |
| 2.00                            | 11.4%   | 6.6%   | 2.0%      | -2.4%  | -6.5%   |
| 2.50                            | 11.7%   | 7.0%   | 2.5%      | -1.7%  | -5.8%   |
| 3.00                            | 11.9%   | 7.3%   | 3.0%      | -1.1%  | -5.0%   |
| 3.50                            | 12.2%   | 7.7%   | 3.5%      | -0.5%  | -4.3%   |
| 4.00                            | 12.4%   | 8.1%   | 4.0%      | 0.1%   | -3.6%   |
| 4.50                            | 12.7%   | 8.5%   | 4.5%      | 0.7%   | -2.9%   |
| 5.00                            | 13.0%   | 8.9%   | 5.0%      | 1.3%   | -2.3%   |

Source: Columbia Threadneedle Investments. Past performance does not guarantee future results. These hypothetical results were achieved by means of a mathematical formula using the assumptions shown and do not reflect the effect of other factors that could impact returns. A basis point is 1/100th of a percent.

# Bonds Do Better Once the Fed Pauses

- Long duration fixed income has historically outperformed short duration fixed income and U.S. Treasury bills after the Fed pauses.



Source: DoubleLine, Bloomberg. Dashed box represents long-duration fixed income.  
 Time periods used for analysis were: Dot.com pause lasted from May 16, 2000 until January 3, 2001 (8 months), Global Financial Crisis pause lasted from June 29, 2006 to September 18, 2007 (15 months), and COVID-19 pause lasted from December 20, 2018 to August 1, 2019 (9 months). A pause is the period between the last Fed rate hike and the first rate cut. Returns greater than one year are annualized.  
 You cannot invest directly in an index.



# *SilverOak Updates*

# SilverOak Updates

- IQSS<sup>™</sup> (Investment Quality Scoring System<sup>™</sup>)
  - Performance update
- New whitepapers to be issued shortly
  - Travel insurance
  - Inflation
  - Role of cash



*Insurance Series*  
*Homeowners and*  
*Auto Insurance*



# Homeowners Coverage

- Standard coverage includes:
  - Dwelling
    - Ensure structures other than main home are included
  - Personal items
    - Most policies have very limited coverage
  - Liability protection
    - Typically starts at \$100,000 of protection
    - Can update coverage to increase maximum coverage to \$300,000 to \$500,000
  - Medical payments
    - Covers “reasonable and necessary” medical bills of people who are accidentally hurt on your property within a year of the accident
    - Typically \$1,000 to \$5,000 coverage limit per person





# Homeowners Coverage

- Typically covers against listed hazards such as:
  - Fire
  - Wind
  - Hurricane
  - Tornado
  - Lightening
  - Hail
- Usually does not cover items such as:
  - Earthquakes (In Minnesota, this is usually included as default)
  - Floods
  - Sewage back-up
- Deductibles
  - Typically range from \$500 to \$20,000



# Homeowners Coverage

- Things to consider
  - Level of coverage
    - Actual cash value
    - Replacement cost
    - Guaranteed replacement cost
  - Additional rider for personal items
  - \$300,000 of liability coverage usually required to secure umbrella coverage
  - Suggested deductible = ~1% of home's value
  - Do you have domestic help?
    - May require workers comp coverage
  - Have you properly alerted the carrier to change of ownership
    - Example – Have you transferred your home title into revocable trusts



# Auto Coverage

- Policies typically cover
  - Bodily injury liability
    - Medical costs of other people injured
    - Also, legal defense, loss of income, pain and suffering
    - Typical limit of \$25,000 per person and \$50,000 per accident
  - Medical payments and Personal Injury Protection (PIP)
    - Medical expenses for you, your passengers or any family members driving the insured vehicle no matter who is at fault
    - Typical limit of \$1,000 to \$10,000
    - PIP coverage also covers 80% of lost wages
  - Property damage liability
    - Repairs if you are at fault for a car accident that damages another vehicle or other property
    - Typical limits of \$5,000 to \$100,000
  - Collision
    - Repair or replace car if damaged in an accident



# Auto Coverage

- Policies typically cover (continued)
  - Comprehensive
    - Repair or replace car from damage caused by non-collision event
      - Theft, vandalism, glass and windshield damage, fire, accidents with animals, acts of nature
  - Under and Uninsured Motorist coverage
    - Protects you if you're hit by a driver who has no insurance coverage or does not have enough coverage to pay for the damages or injuries caused
    - Not required in all states, but essential coverage to have
- Deductibles
  - Typically range from \$500 to \$2,500
  - You can select separate collision and comprehensive deductibles



# Auto Coverage

- Things to consider
  - Increase deductible
  - Full glass coverage
    - All other claims, including small claims, will negatively impact your coverage
  - Understand if policy only pays cash value of your vehicle
  - Make certain policy includes use of OEM parts and certified dealerships
  - Coverage traveling overseas
    - Outside US or Canada typically requires separate policy
  - \$300,000 of liability usually required to secure umbrella coverage



# Umbrella Coverage

- Also referred to as “Excess Liability” coverage
- Provides coverage above and beyond auto and homeowners
  - Also protects against libel and slander
- Requires minimum liability coverage under auto and homeowners
- Purchased in \$1 million increments
- Coverage is very inexpensive
  - Typically \$300 - \$600 per year for \$1 million of coverage
  - Recommended coverage dependent on net worth and risk factors



# Umbrella Coverage

- Who typically needs this coverage:
  - High net worth
  - Parents with children
  - If you have ATVs, boats, pool, trampoline or other toys
  - If you have pets, particularly dogs
- Things to consider
  - Include under/uninsured motorist, if available



# Recent Personal Property & Casualty Insurance Price Hikes

- Why are rates increasing so significantly?
  - Homeowners coverage
    - Costs are up across the board for materials and labor
      - Home material costs are estimated to be up ~12% in past year and up 40% since 2020
      - Homebuilding industry is facing a shortfall of 300,000 skilled laborers
    - Increasing frequency and severity of storms and natural disasters
    - Migration of more people to regions with more weather/natural disaster risks
    - Costs from insurance portfolio losses due to rising interest rates being passed to the consumer
    - Insurance companies pulling out of certain states lowers competition and increases the risk for remaining insurers





# Recent Personal Property & Casualty Insurance Price Hikes

- Auto coverage
  - Costs are up across the board for materials and labor
    - Auto repairs and parts are up almost 20% in just the past year
    - Prices for new and used cars are up 30% - 40% since pre-pandemic
    - Medical costs have also risen significantly
  - Weather events have increased, particularly occurrences of hail and flooding
  - Riskier driving habits
    - Distracted driving and “road rage”
  - Increased thefts
  - More technology
    - Windshield sensors
    - Bumper sensors
    - Autonomous features



# Ways to Manage Premiums

- Use an independent agent/shop around
- Bundle coverage
- Raise deductibles
- Add home security system
- Add auto water shutoff system
- Upgrade/replace roof, if older
- Request an updated insurance score
- Drive an older car
- Be cautious of making small claims!



*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.

[www.silveroakwealth.com](http://www.silveroakwealth.com)