



SilverOak

WEALTH MANAGEMENT LLC

Quarterly Webinar
October 23, 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



Agenda

- Economic Data
- Market Data
- SilverOak's Outlook
- Perspectives on current market trends
- Review of Biden tax proposals
- SilverOak and other important updates
- Questions

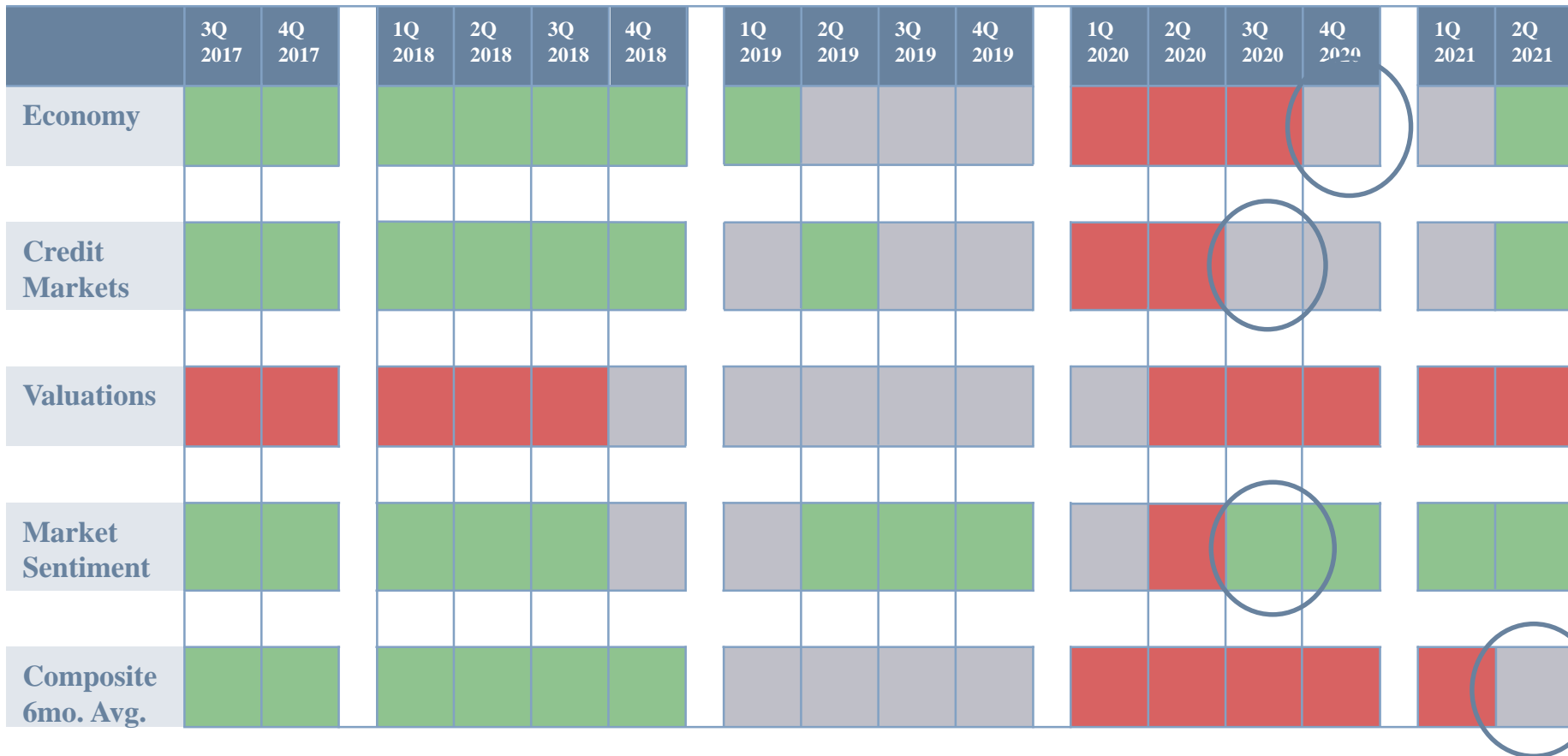


*Economy:
Recovering During
3rd Quarter*

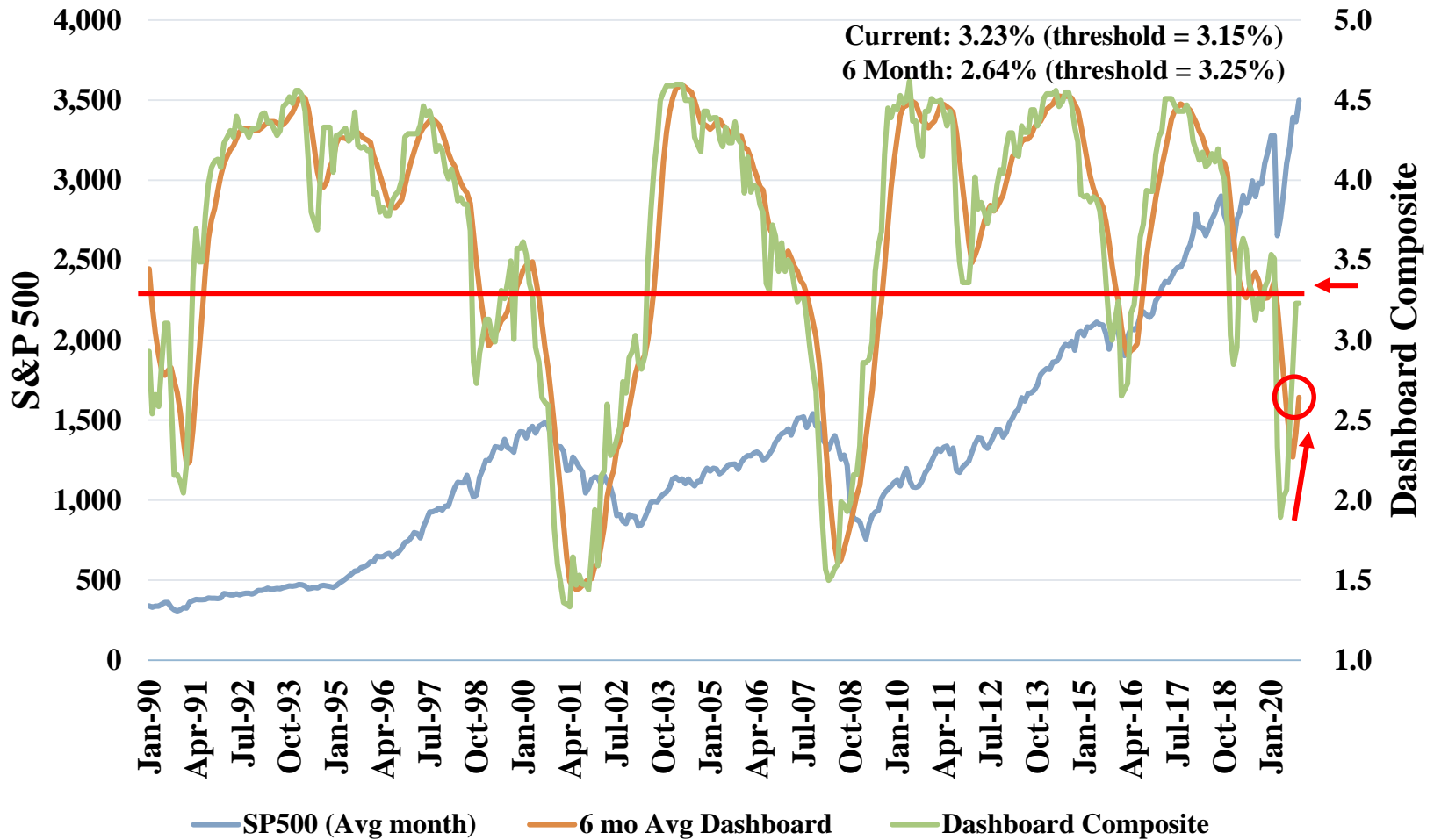


Market Dashboard

Projected



Market Dashboard



Current Economic Factors Scorecard

Positive

Fiscal Policy ↓
Monetary Policy
Interest Rates
U.S. Inflation
Housing (+)

Neutral

Commodity Prices
U.S. Politics
U.S. Dollar

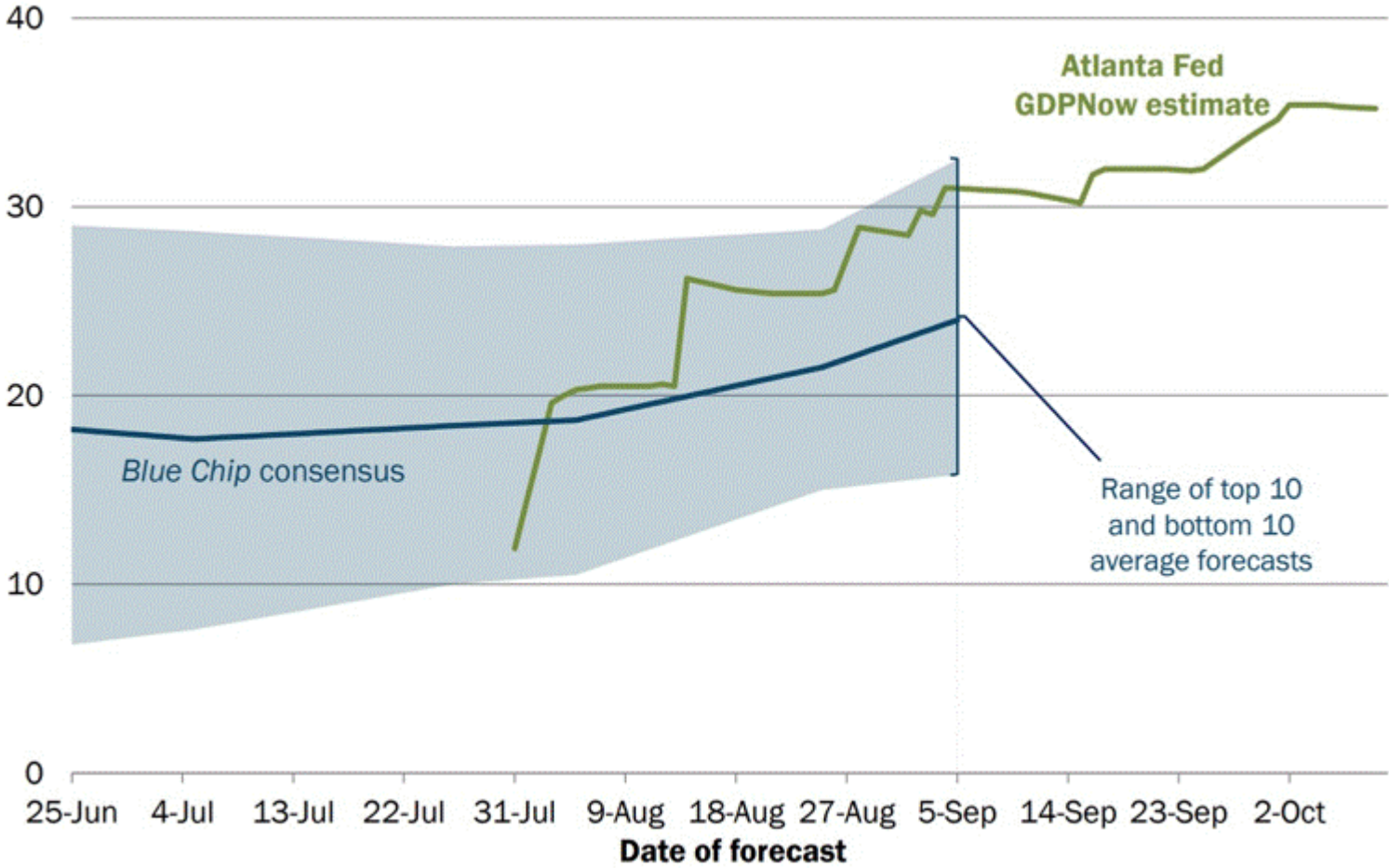
Negative

Corporate Earnings
Employment ↑
Credit Conditions
Consumer Confidence ↑
Global Growth
Eurozone
China
Tariffs
Geopolitics

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



Strong Q3 Rebound



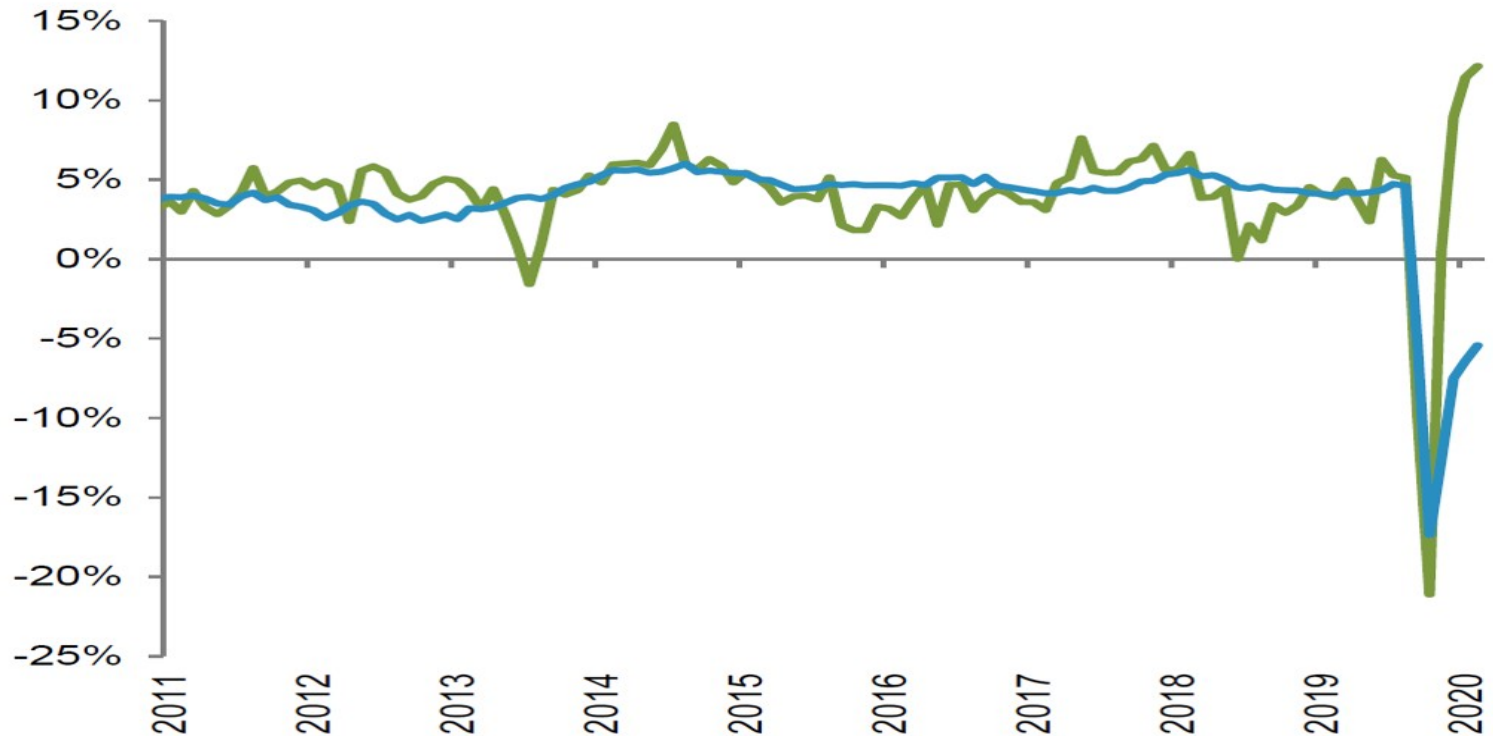
Source: Atlanta Federal Reserve GDP Now Report. Data as of 10/09/20.

Rebound In Durables Spending

U.S. Personal Consumption Expenditures

— Durable Goods — Services

Year-Over-Year

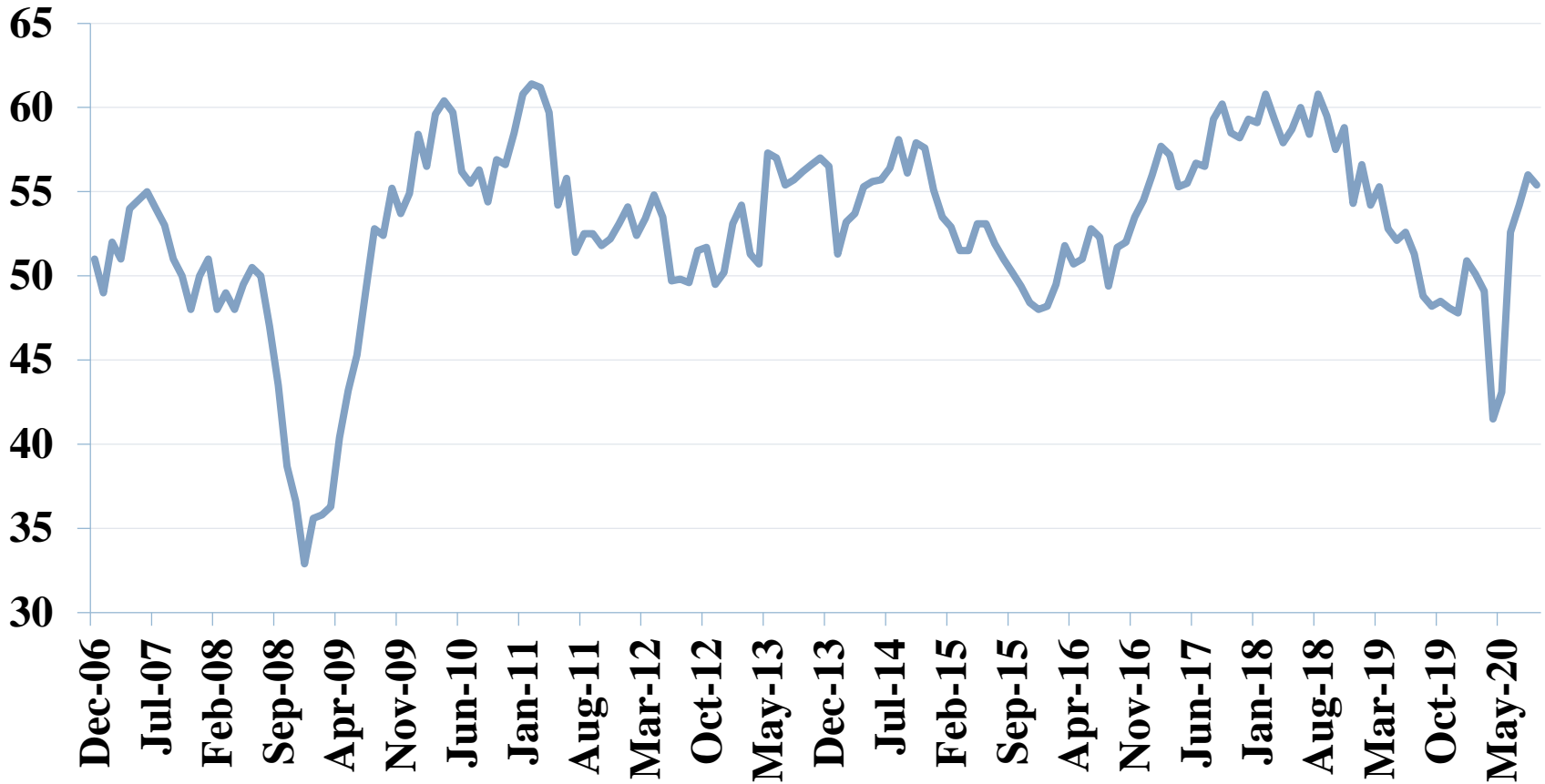


Source: Fidelity, National Bureau of Economic Research, Bloomberg. Data as of 9/30/20.



Manufacturing Activity Has Recovered

Purchasing Managers Index (PMI)

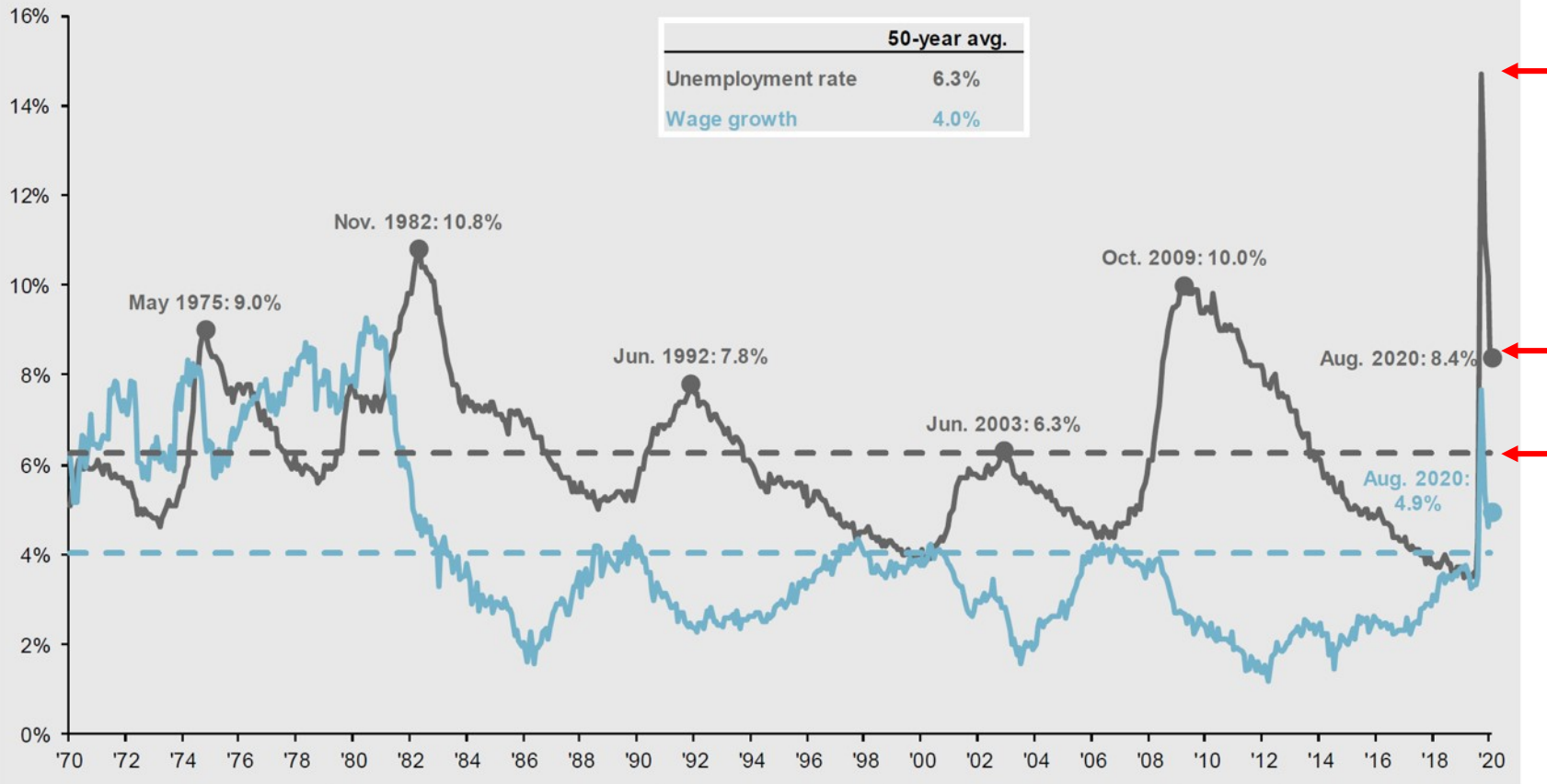


Source: Institute for Supply Management



Unemployment Rate Declining

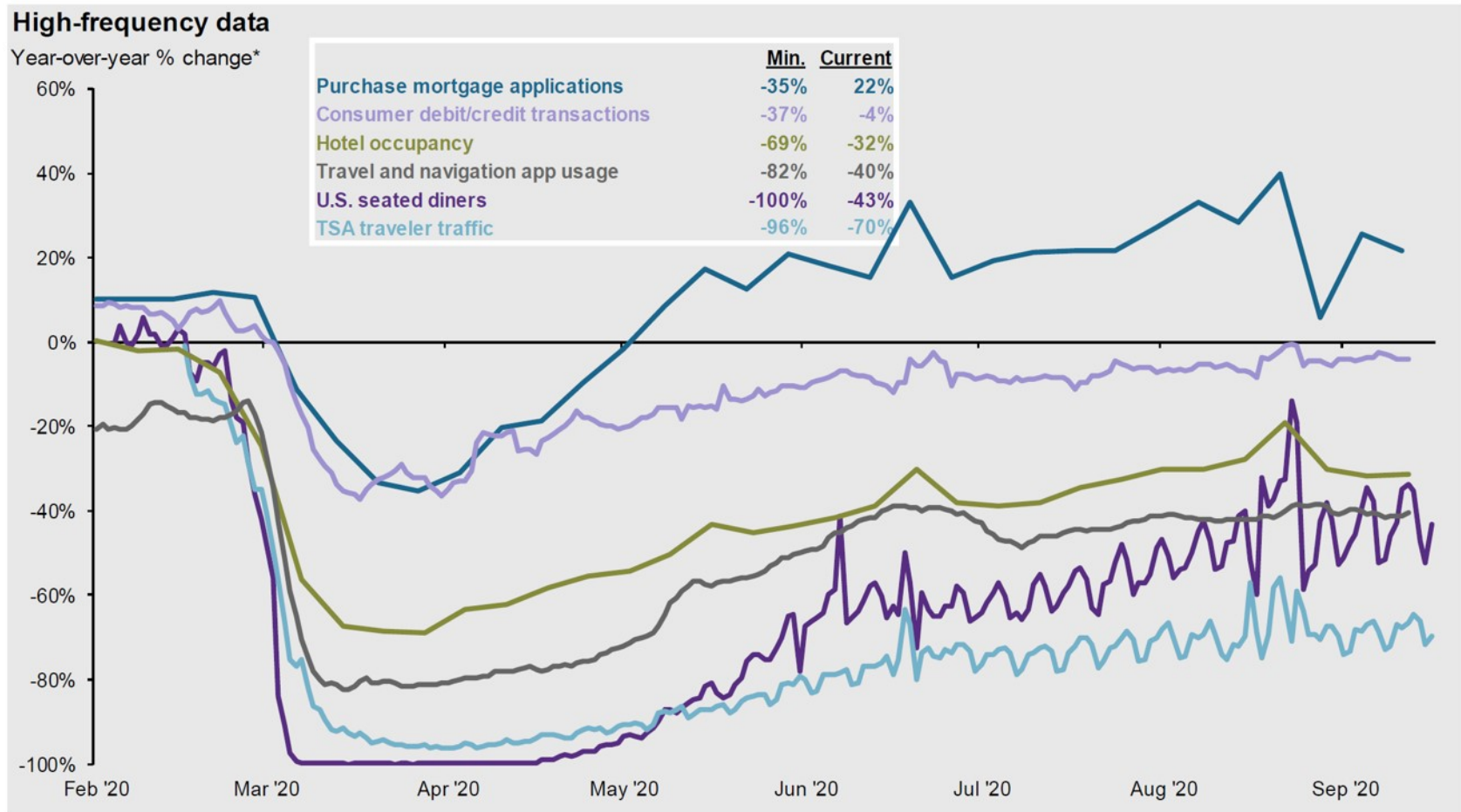
Civilian unemployment rate and year-over-year wage growth for private production and non-supervisory workers
Seasonally adjusted, percent



Source: JP Morgan Asset Management, BLS, Factset. Data as of 9/30/20.



Consumer Activity Rebound is Flattening

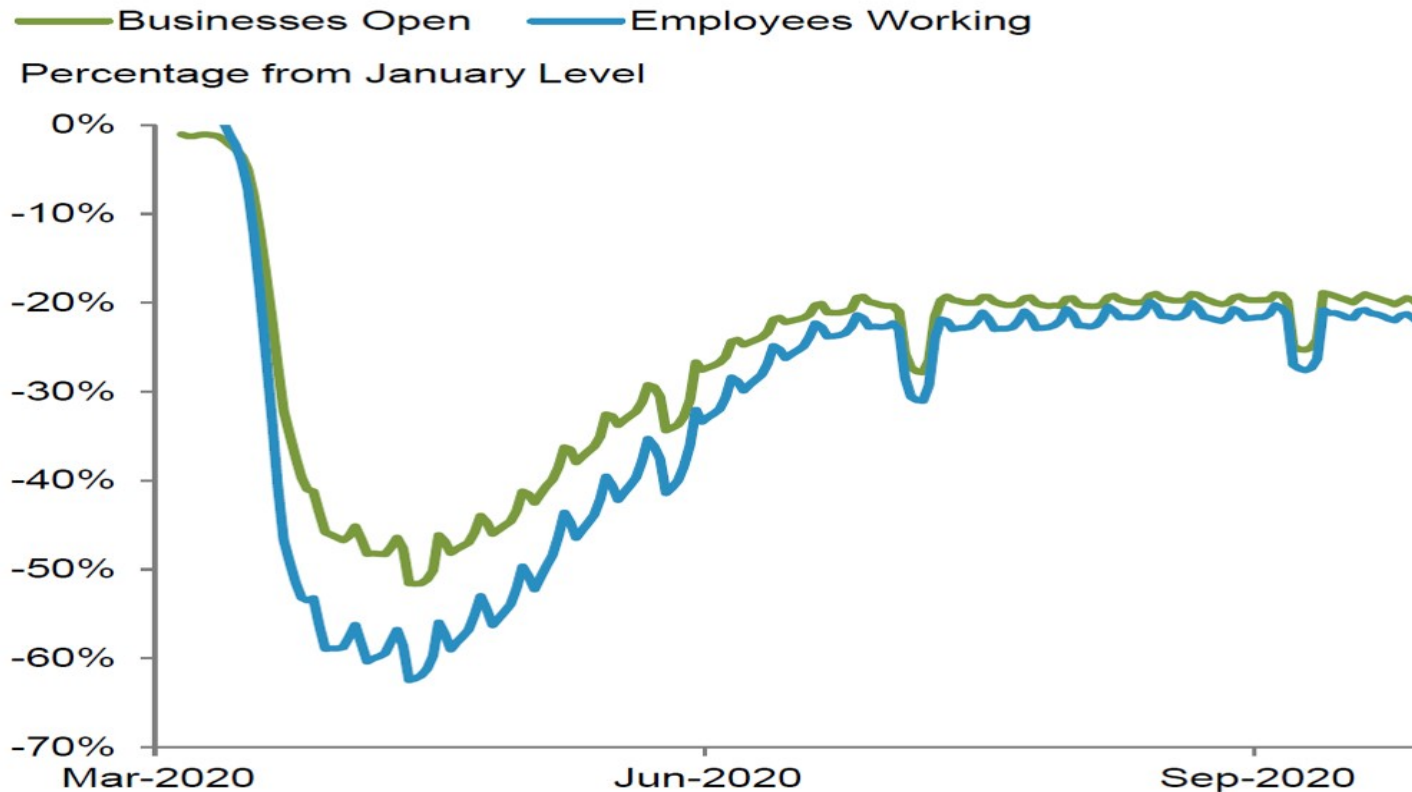


Source: JP Morgan Asset Management, Apple, Mortgage Banker's Association, Open Table, SCR, TSA. Data as of 9/30/20.



Small Business Recovery At Risk

Small Business Activity



Source: Fidelity, Homebase. Five day moving average data through 9/28/20.

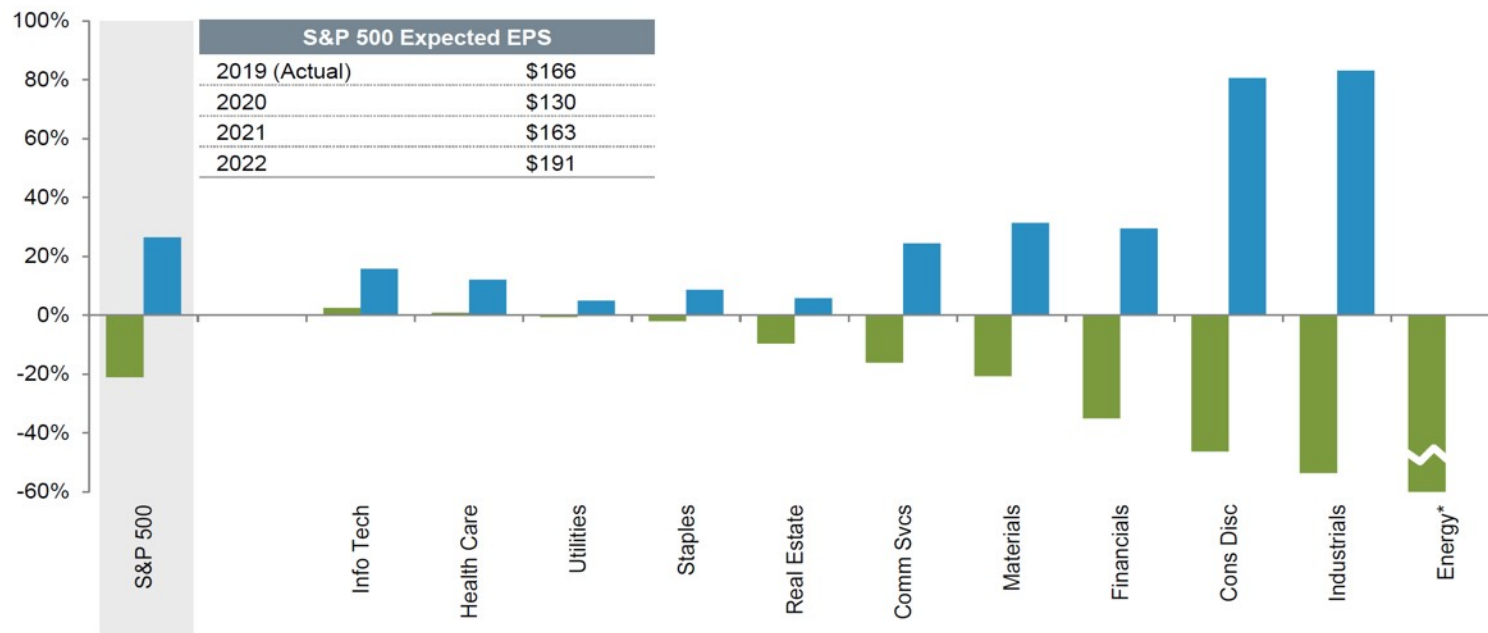


Sharp Earnings Recovery Expected

Market Expectations for Earnings Growth by Sector

■ 2020 ■ 2021

Year-Over-Year



Source: Fidelity, Factset, Bloomberg, S&P. Data as of 9/25/20.

* Energy is expected to have negative earnings in 2020.



Markets: Rebound Continues



Market Summary

■ Equity market performance

	<u>Q3 2020</u>	<u>YTD</u>
– US large cap		
• S&P 500	+8.9%	+5.6%
– US mid cap		
• Russell Midcap	+7.5%	-2.4%
– US small cap		
• Russell Smallcap	+4.9%	-8.7%
– International equities		
• MSCI ACWI ex US	+6.13%	-5.4%
– Emerging markets		
• MSCI Emerging Markets	+9.6%	-1.2%

Source: Morningstar



Market Summary

■ Bonds and other asset class performance

	<u>Q3 2020</u>	<u>YTD</u>
– US fixed income		
• Barclay’s Aggregate	+0.6%	+6.8%
– Global fixed income		
• Barclay’s Global ex US	+4.2%	+4.8%
– Commodities		
• Bloomberg Commodity TR	+9.1%	-12.4%
– REITS		
• MSCI US REIT NR	+1.3%	-17.9%

Source: Morningstar



Equity Market Conditions

■ Third Quarter

	<u>Value</u>	<u>Blend</u>	<u>Growth</u>
Large	+4.8%	+8.9%	+11.8%
Mid	+6.4%	+7.5%	+9.4%
Small	+2.6%	+4.9%	+7.2%

■ YTD

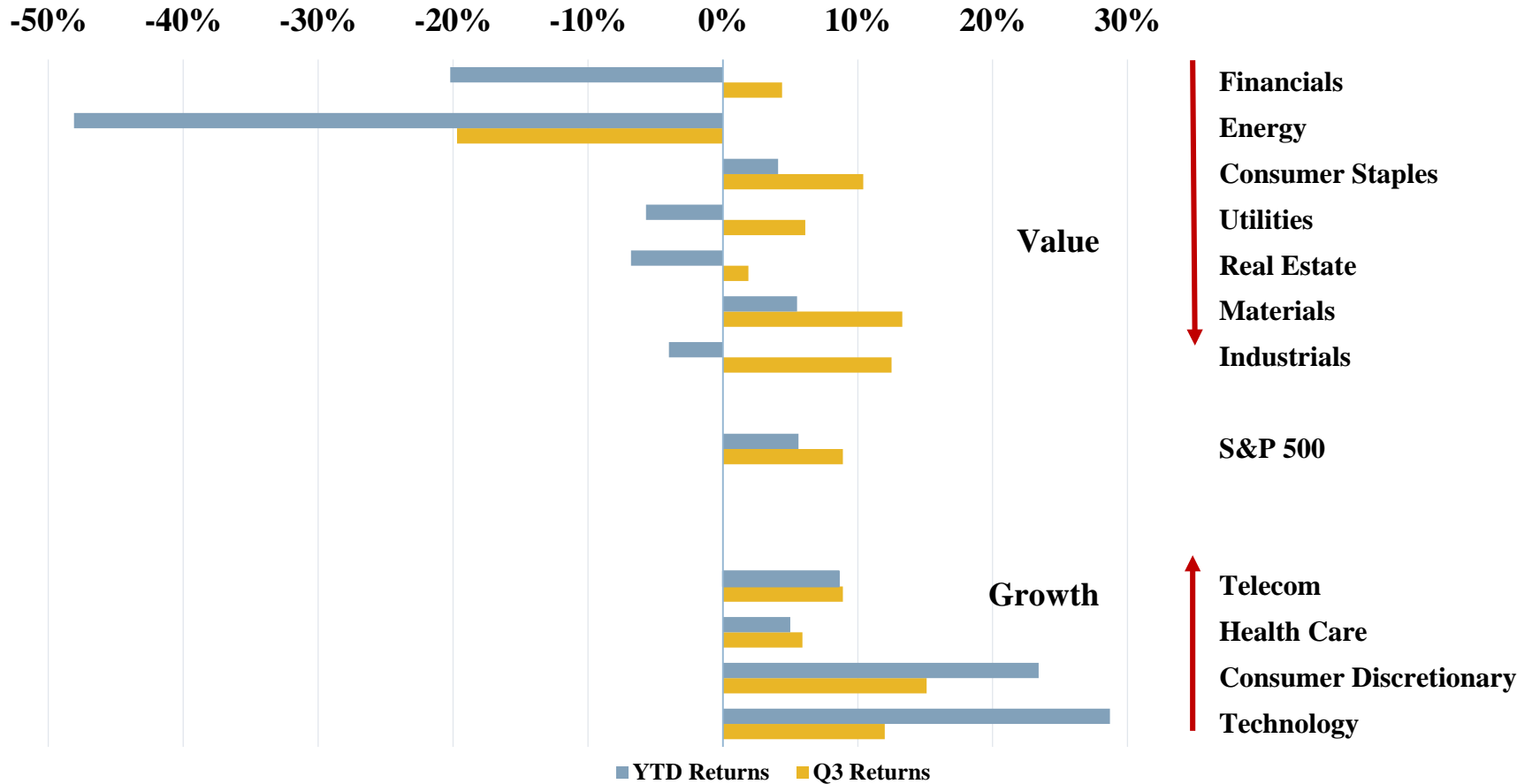
	<u>Value</u>	<u>Blend</u>	<u>Growth</u>
Large	-11.5%	+5.6%	+20.6%
Mid	-12.8%	-2.4%	+13.9%
Small	-21.5%	-8.7%	+3.9%

Source: Morningstar. All calculations are cumulative total return as of 9/30/2020.

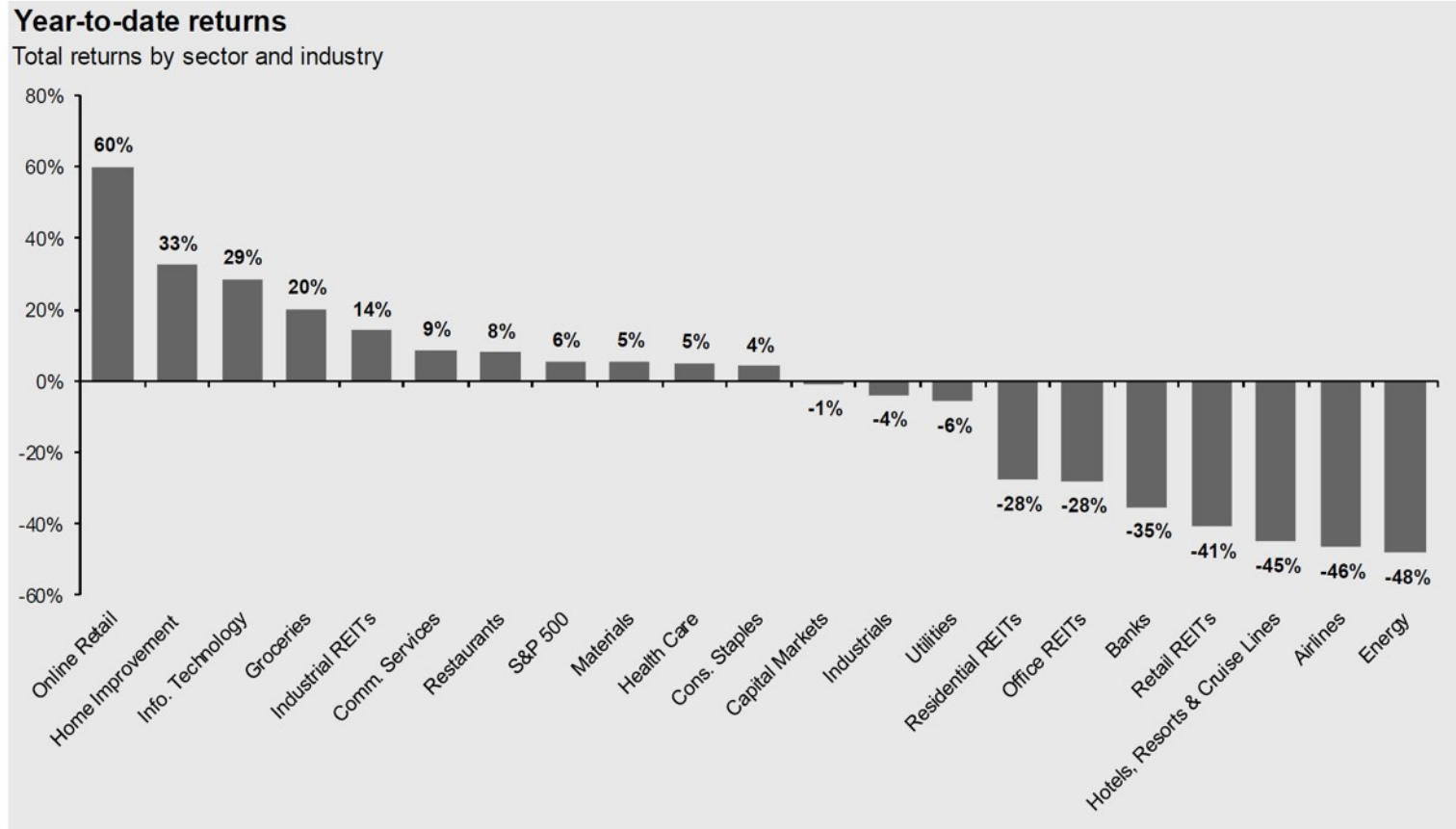
Russell style indices utilized for all performance with the exception of large cap, which reflects the S&P 500 Index and its Value and Growth sub-components. Past performance is no guarantee of future success.



Value Continues to Lag



COVID Impact on Industry Returns

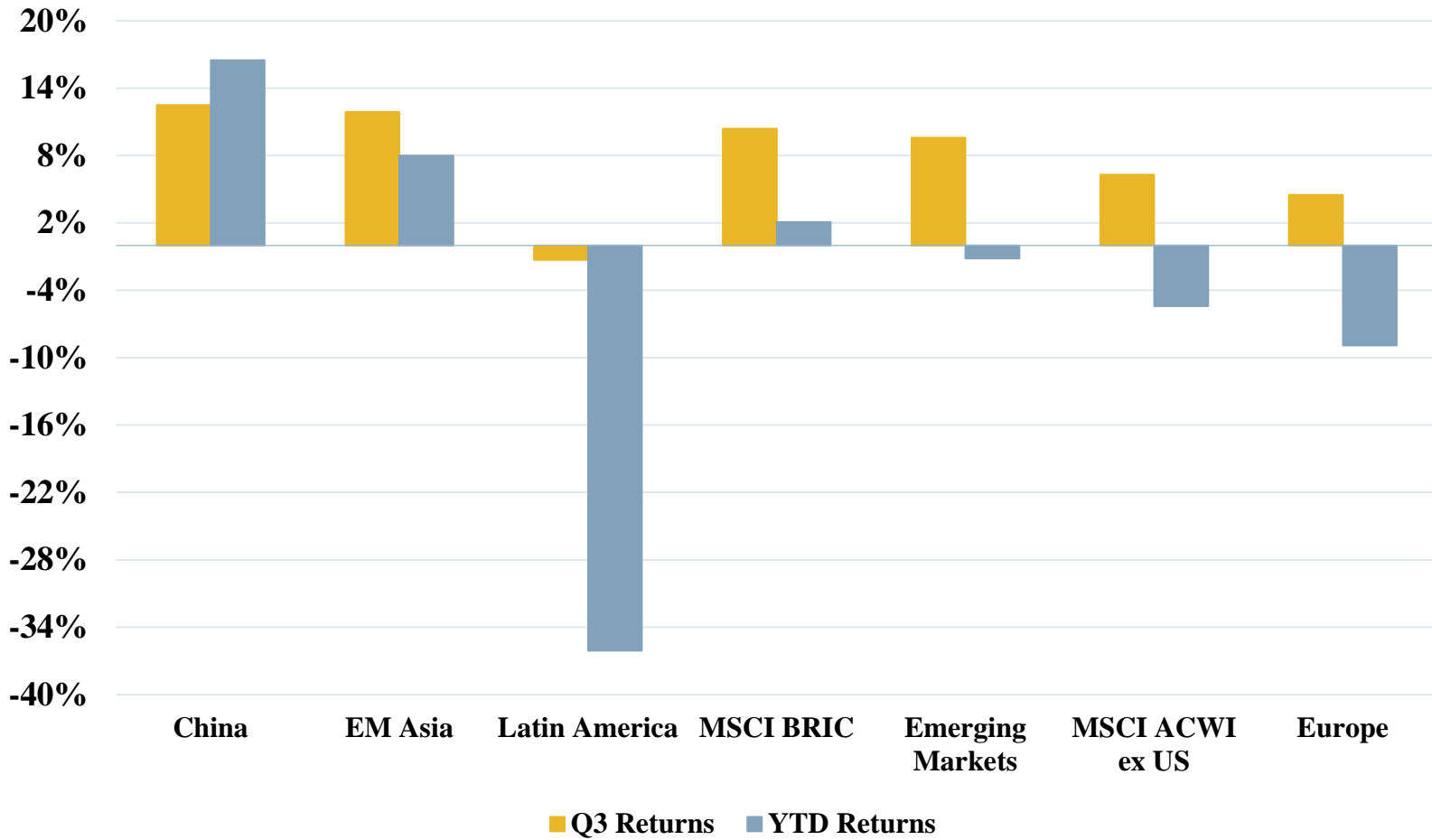


Past performance is no guarantee of future success. Data as of 9/30/2020.

Source: JPAM, Factset, Standard & Poor's



Asia Leading the International Recovery

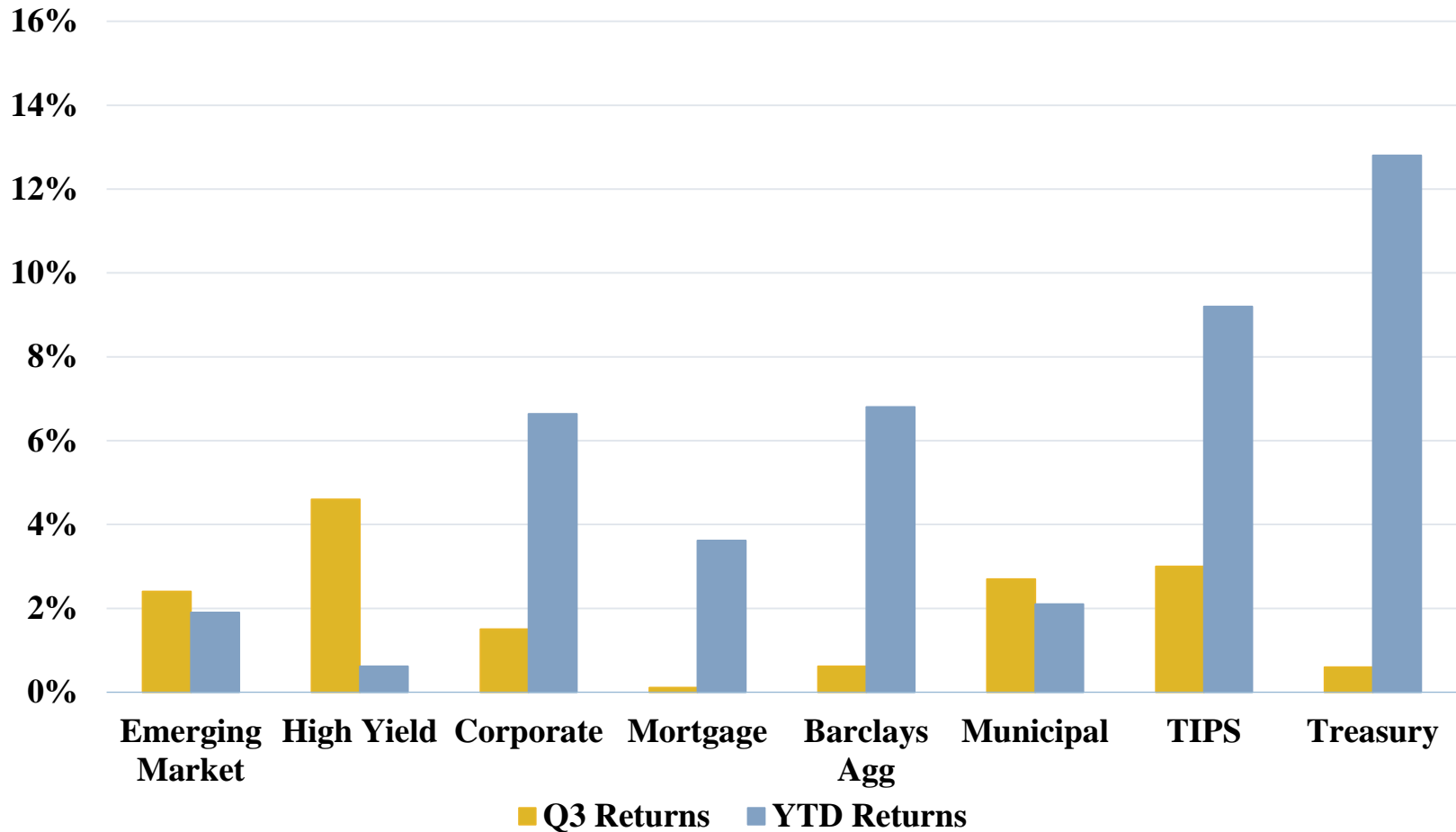


Past performance is no guarantee of future success. As of 9/30/2020

Returns in US dollars.



Credit Spreads Continued to Narrow



SilverOak's Outlook



SilverOak's Outlook

■ U.S. Economy

- The US continues to recover from a brief, but exceptionally sharp economic contraction due to COVID-19
- Economic activity levels remain well below normal
 - More fiscal stimulus may be needed
 - Low interest rates are helping the housing market and companies
- The future is largely dependent upon progression of COVID-19, including therapeutic treatments and a vaccine
 - Will economic activity slow this winter due to the recent resurgence?
 - Will a safe and effective vaccine spur a recovery in badly affected industries in 2021?
 - Will this be a V-shaped, U-shaped, W-shaped, L-shaped or K-shaped recovery?



SilverOak's Outlook

■ International Economy

- Recovery from COVID-19 is uneven
 - Europe seeing a significant resurgence
 - China's economic recovery is ahead of the world's, although consumer spending is lagging the pick-up in manufacturing
- Worldwide manufacturing continues to rebound more quickly than services
 - Inventory levels low and could see re-stocking if pent-up demand materializes next year
- Central bank support and country-level fiscal stimulus packages in Europe and Asia remain supportive
 - Will more be needed?



SilverOak's Outlook

■ Equities

- Fiscal and monetary policy likely to continue to influence asset returns
- With earnings impacted, market valuations remain elevated
- Uncertainty remains
 - Covid-19 treatment and vaccine developments
 - Variability in growth recovery as economy comes back on-line
 - 2020 Elections
- Growth valuation is stretched
 - At some point, value and international will be compelling
 - Small caps likely provide a long-term opportunity
 - Real assets well positioned if deficit spending spurs inflation
- With a wide dispersion of potential outcomes, diversification continues to be important!



SilverOak's Outlook

■ Bonds

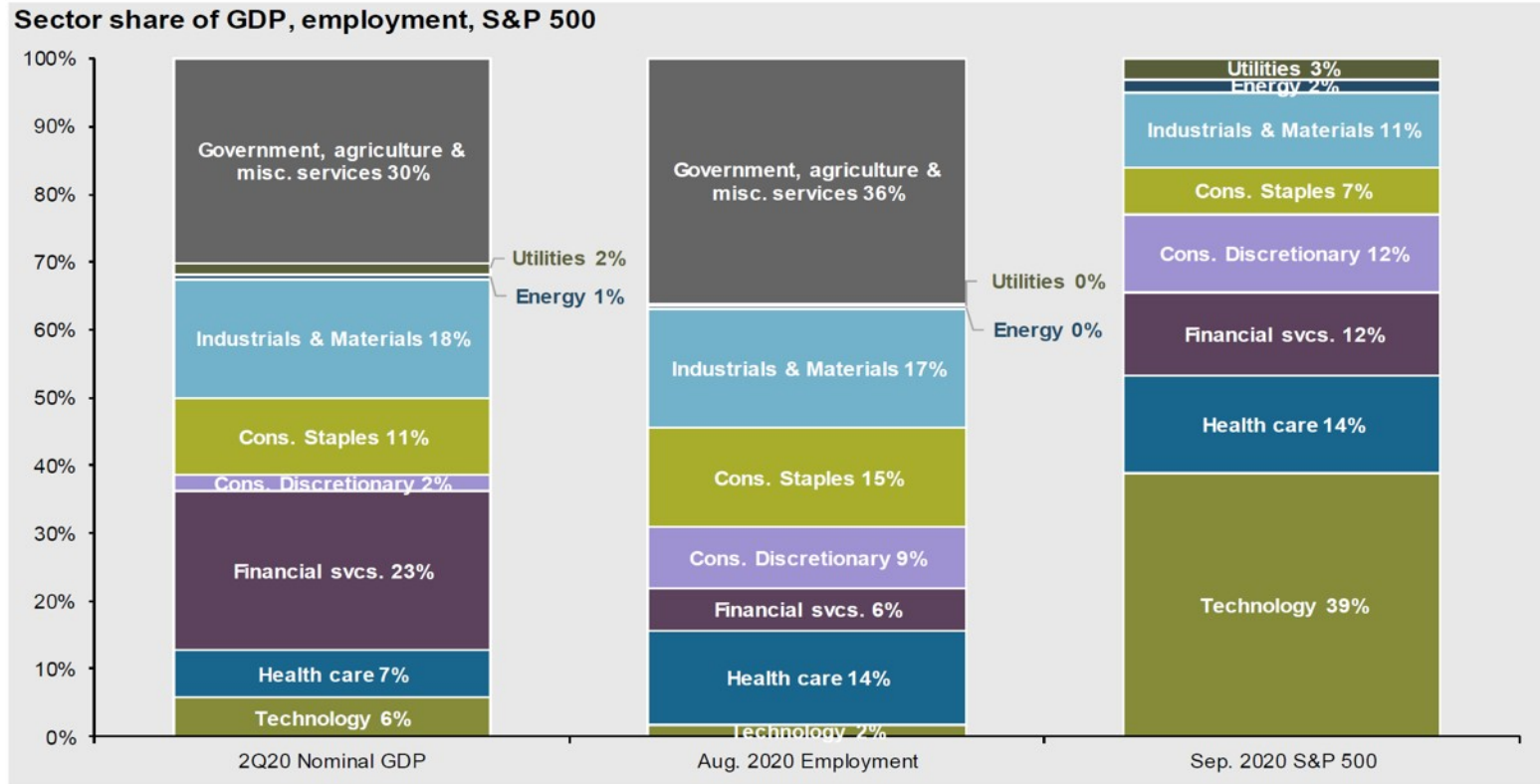
- Fed providing unprecedented liquidity and support for a wide range of bonds
- Treasury yields likely in a trading range based on expectations of the growth recovery
 - Federal Reserve unlikely to institute negative interest rates in U.S.
- Bonds continue to offer protection from equity volatility and potential downside risks
- Continue to focus on credit quality
 - Covid-19 resurgence could impact recovery which could cause credit spreads to widen again
 - Some select opportunities in credit if spreads do widen, but only for those more risk tolerant investors



Perspective on Recent Market Trends



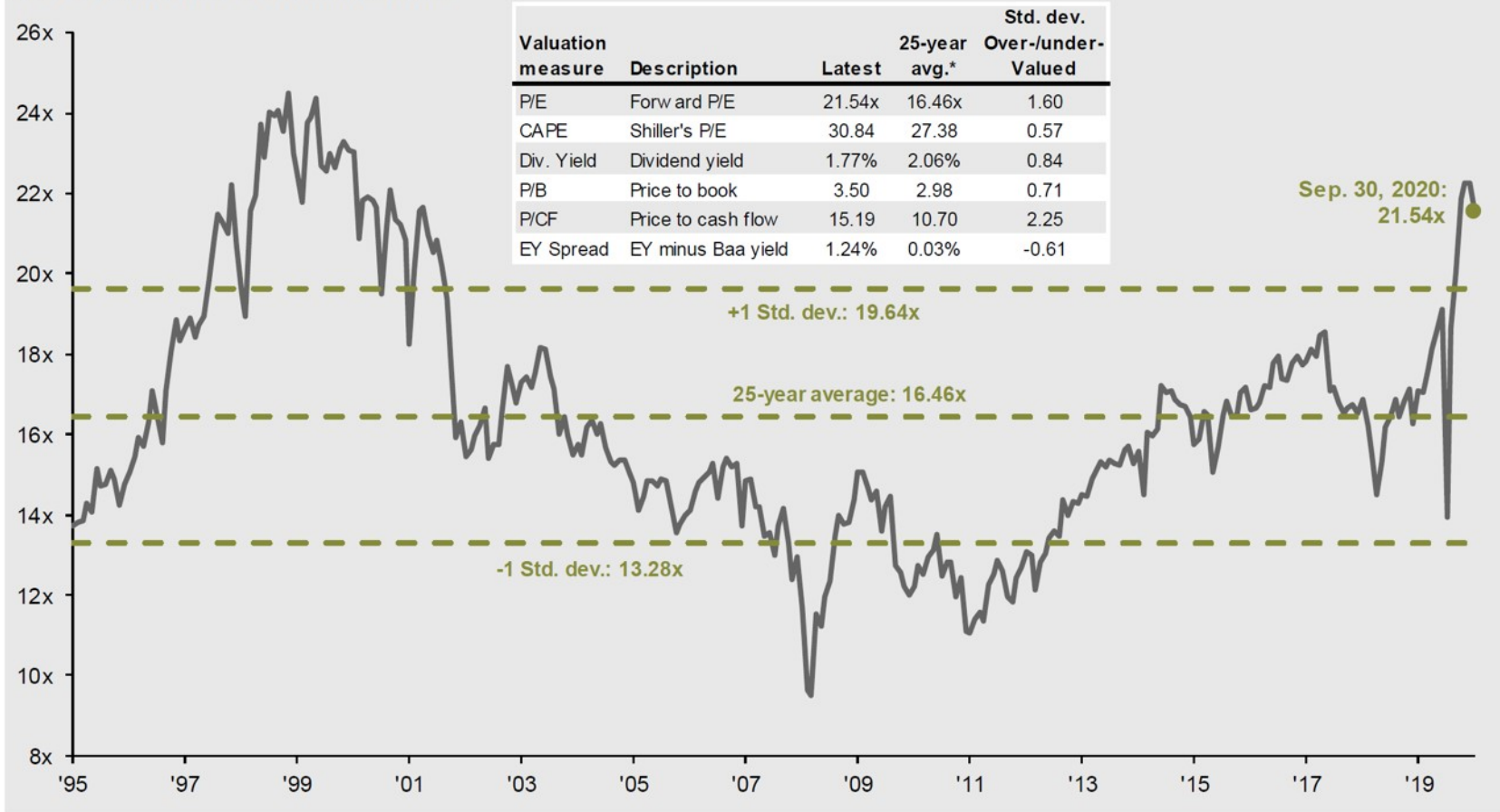
The Economy vs. the S&P 500



Source: JPM Asset Management, Bureau of Economic Analysis, Bureau of Labor Statistics, S&P.

Historically High Valuation

S&P 500 Index: Forward P/E ratio

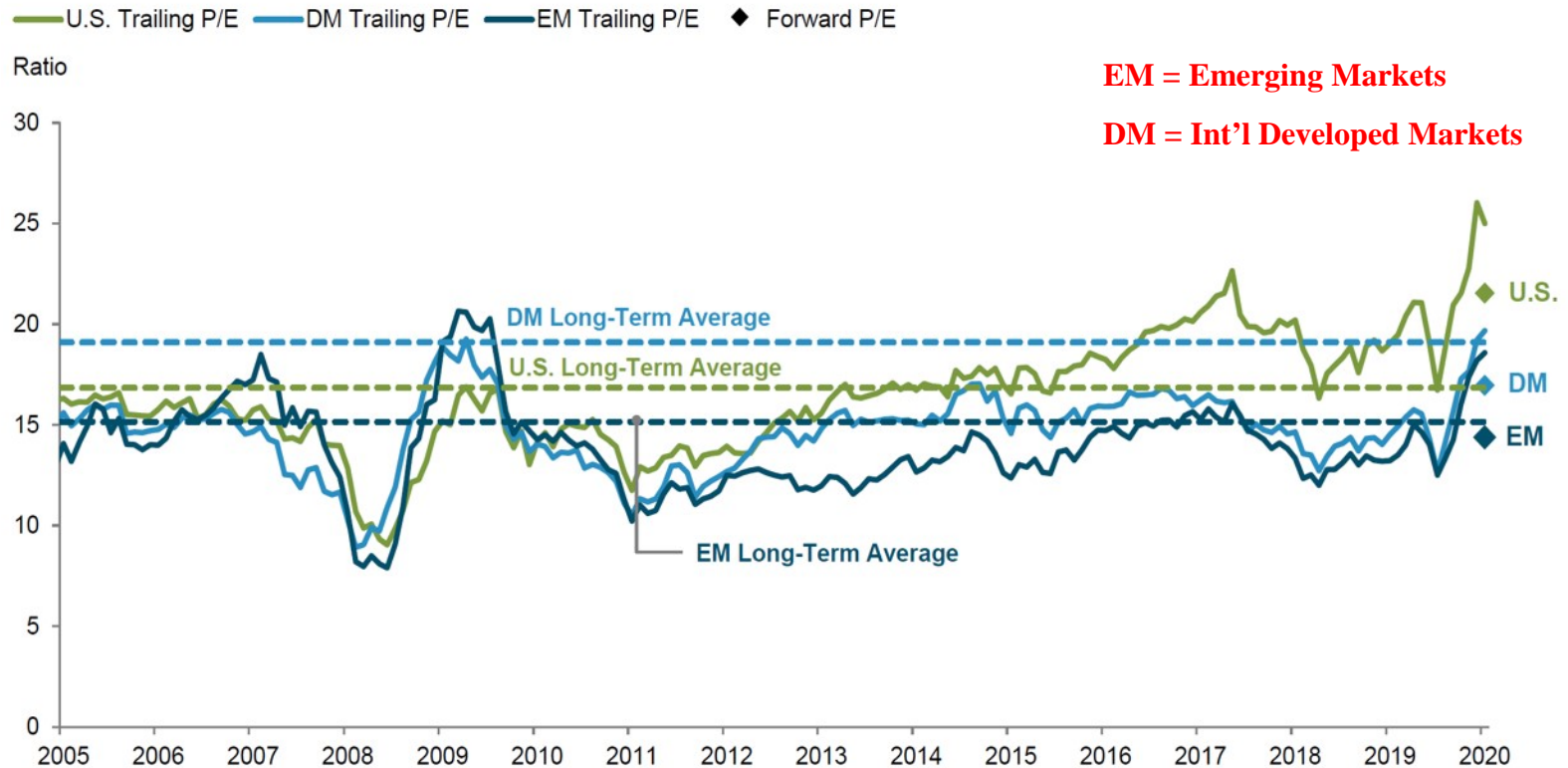


Source: JP Morgan Asset Management, Thomson Reuters, Federal Reserve Bank, S&P, Robert Schiller. Data as of 9/30/20



Global Equity Valuations At Highs

Global Stock Market P/E Ratios



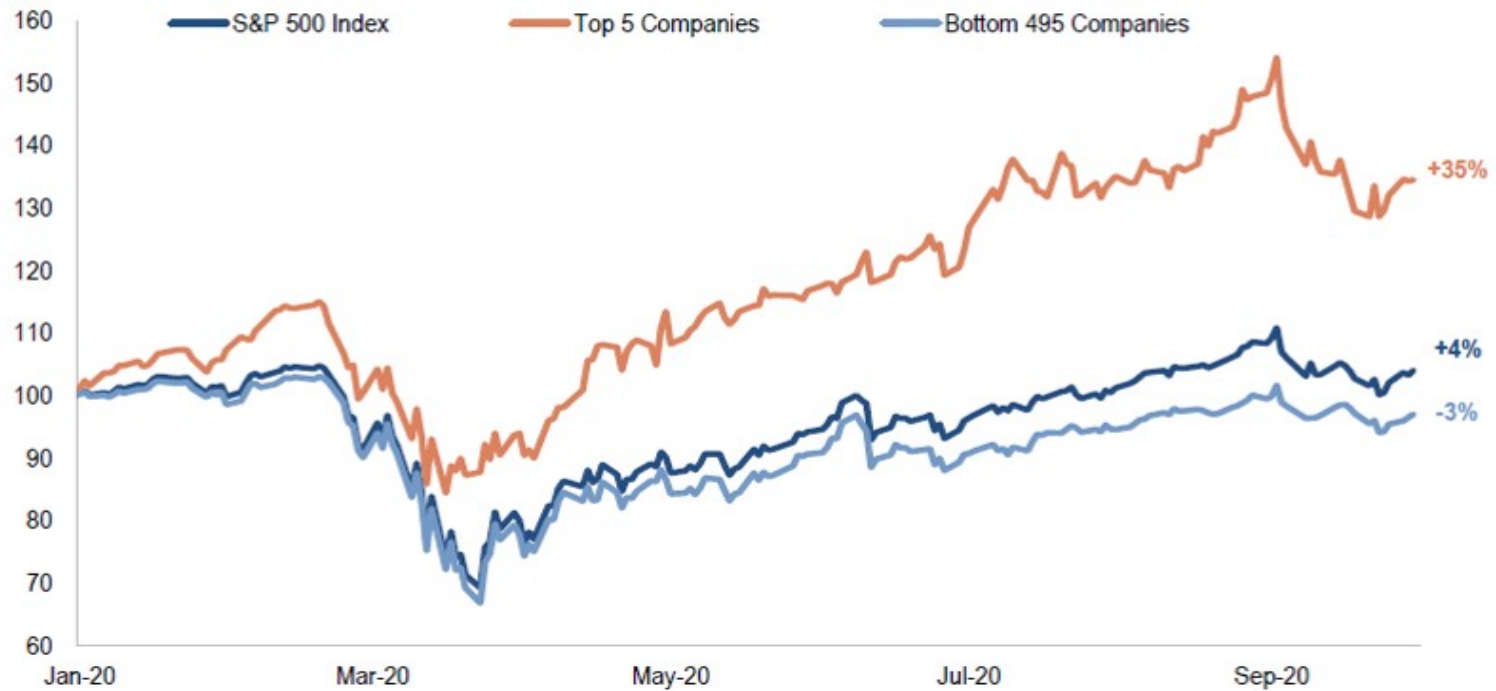
Source: Fidelity, Bloomberg.



Market Performance Has Been Very Narrow

The five largest stocks have outperformed the market this year, rising 35% year to date while the S&P 500 Index is up 4%

Indexed YTD Returns



Past performance is no guarantee of future success. As of 9/30/2020



Top Five Stocks In the S&P 500

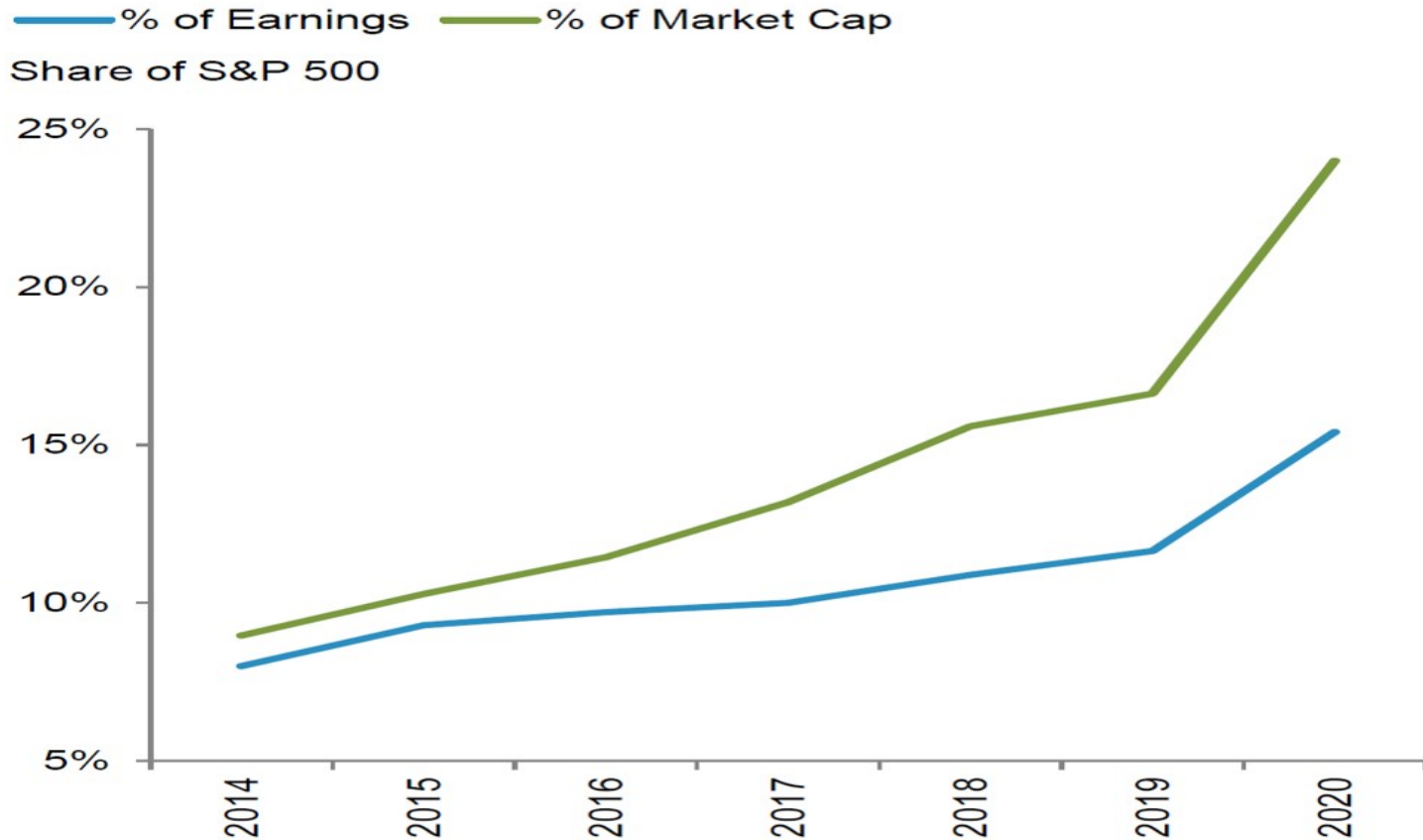
Market Cap of 5 Largest Companies as Share of S&P 500 Index (%)



Source: GSAM, Compustat. Data as of 9/30/2020



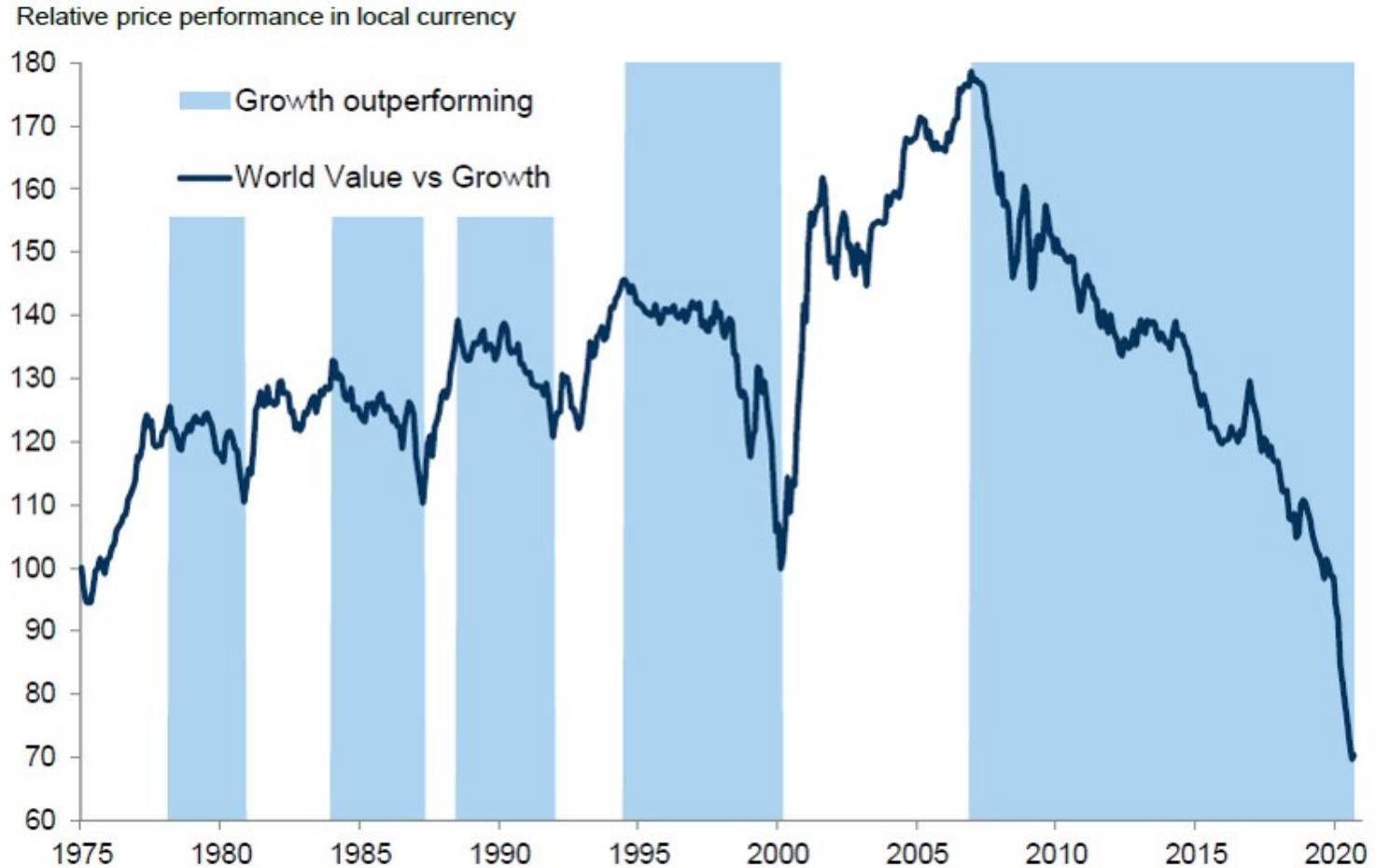
Performance Driven By Valuation Expansion



Source: Fidelity, Bloomberg, Factset. Data as of 9/30/2020



Global Growth Cycle Likely In Late Phase

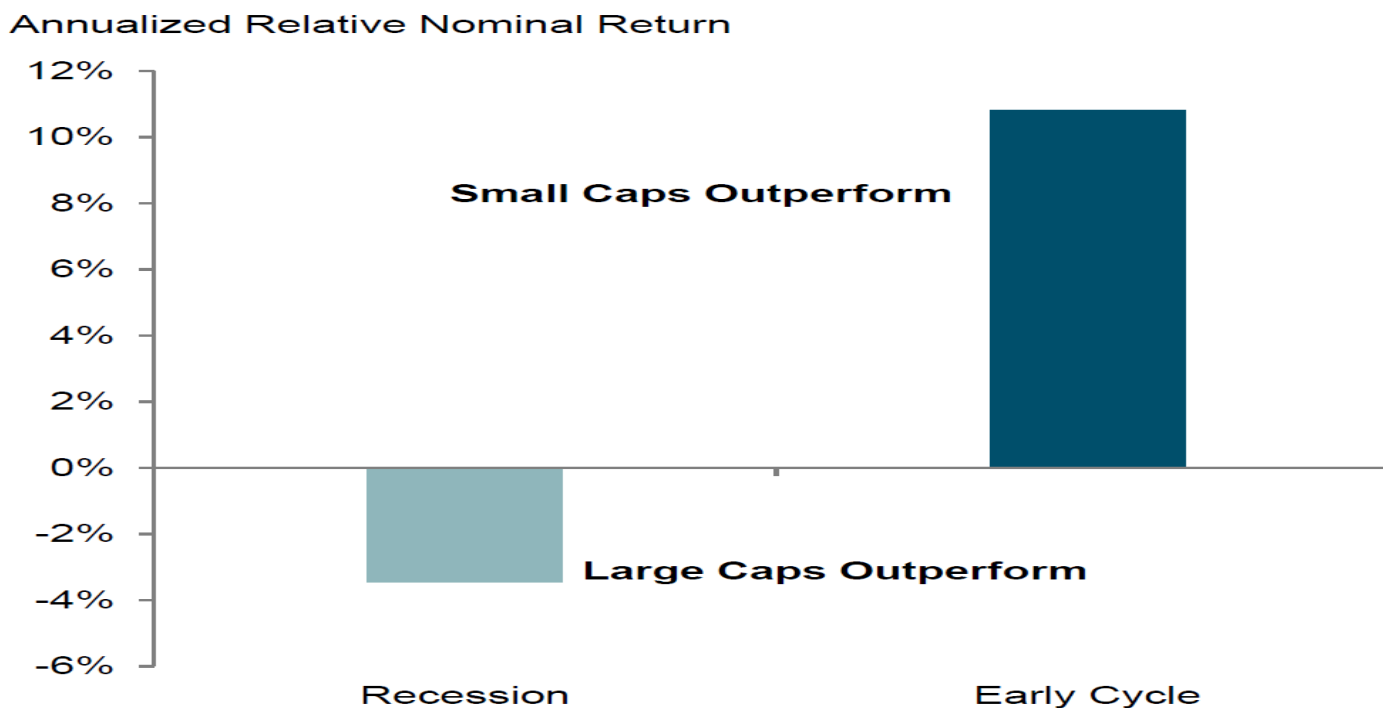


Source: GSAM, Compustat. Data as of 9/30/2020



Small Caps Typically Lead In Recoveries

Small vs. Large Cap Cycle Returns (1950–2019)



Source: Fidelity, Ibbotson Associates, MSCI, Barclays, Russell

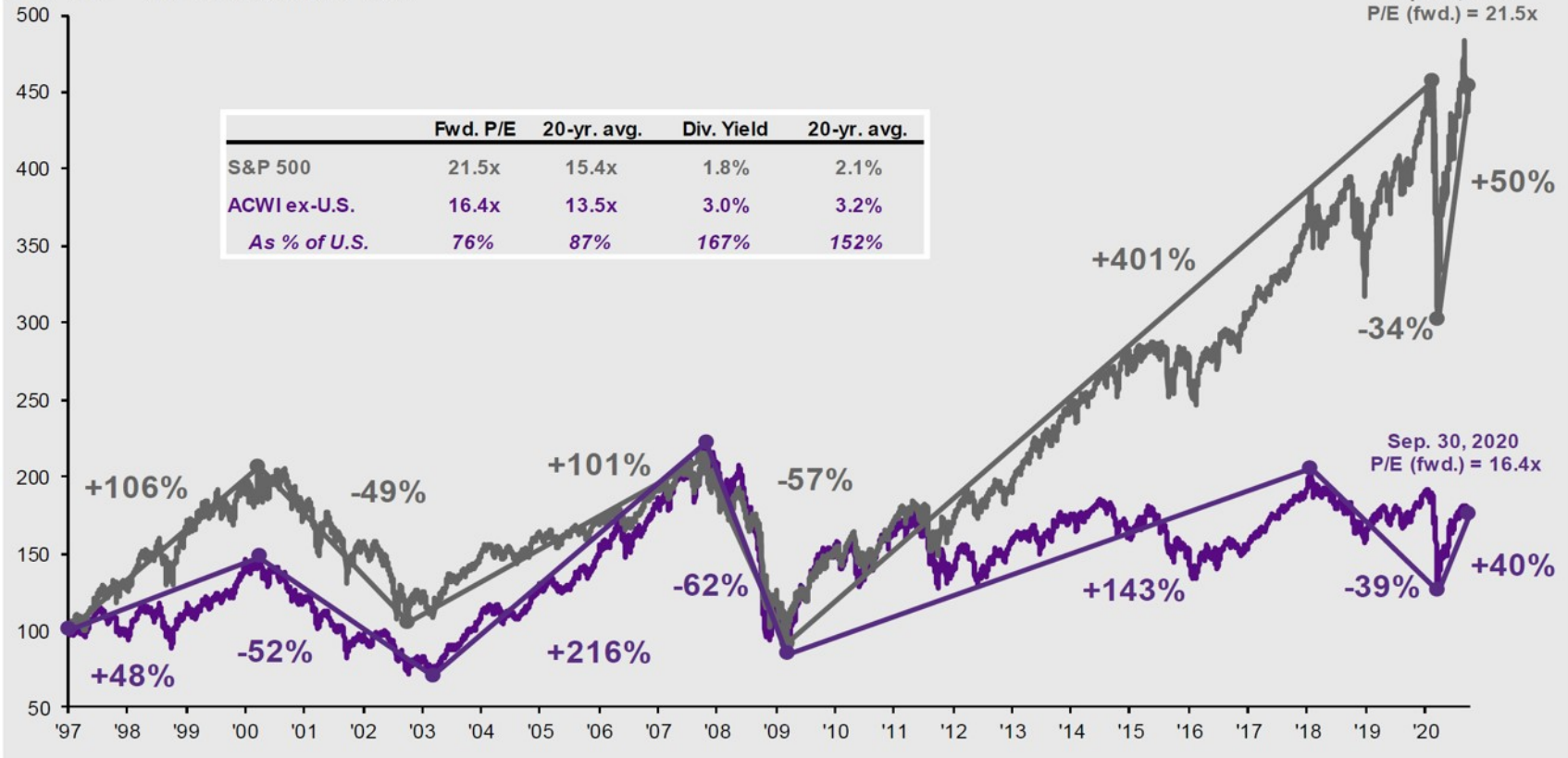
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Historically High Performance Gap

MSCI All Country World ex-U.S. and S&P 500 Indices

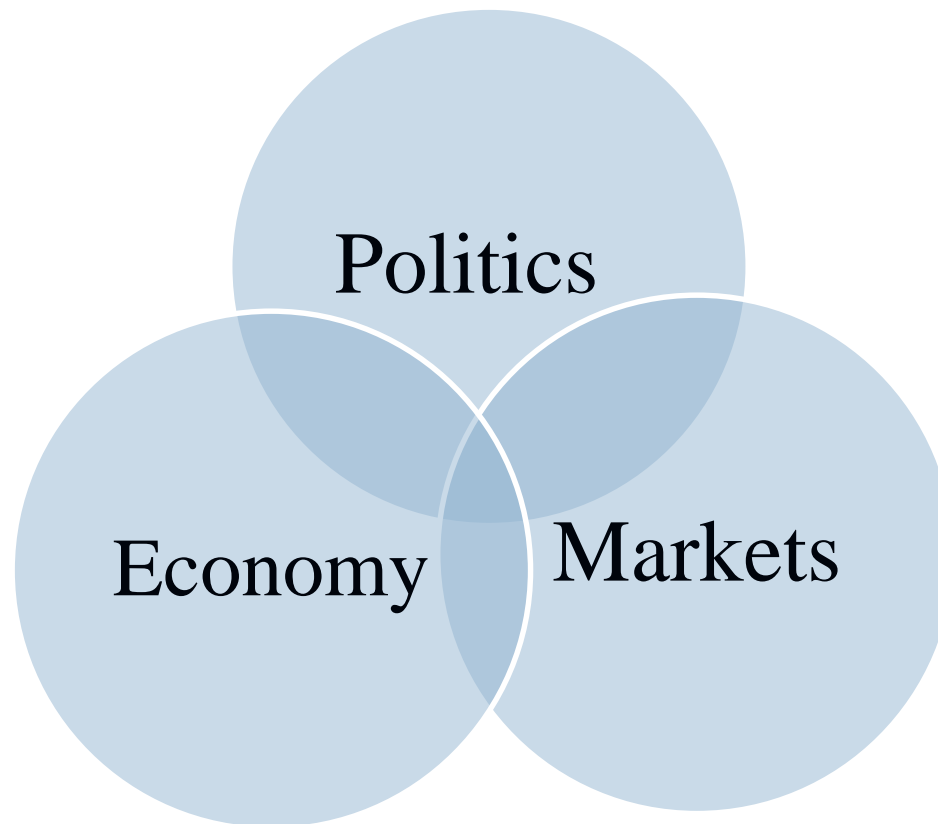
Dec. 1996 = 100, U.S. dollar, price return



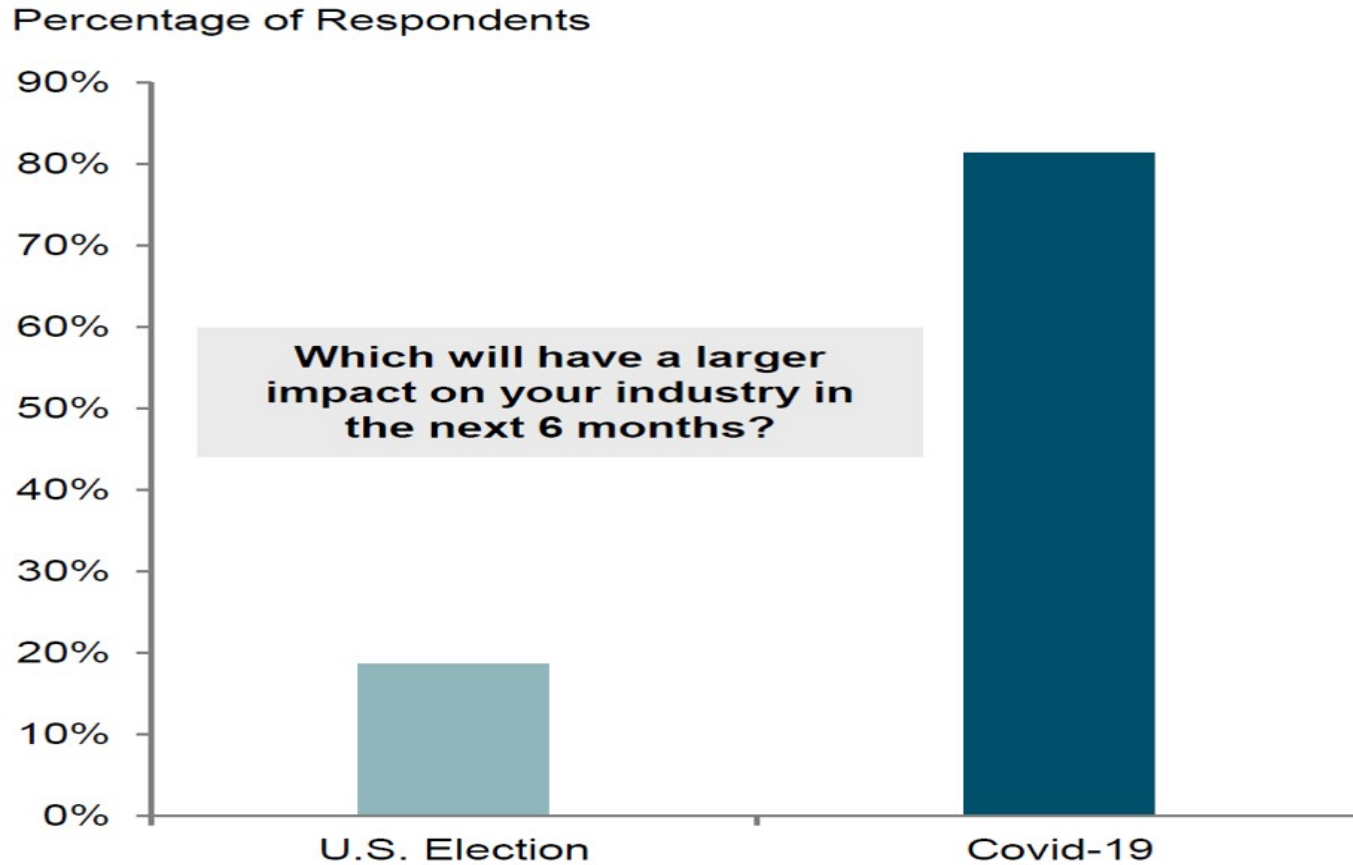
Source: JP Morgan Asset Management, Compustat, Factset Federal Reserve, S&P. Data as of 9/30/20



Allow History To Help Guide Your Investment Strategy - - - Not Current Politics or Economic Data



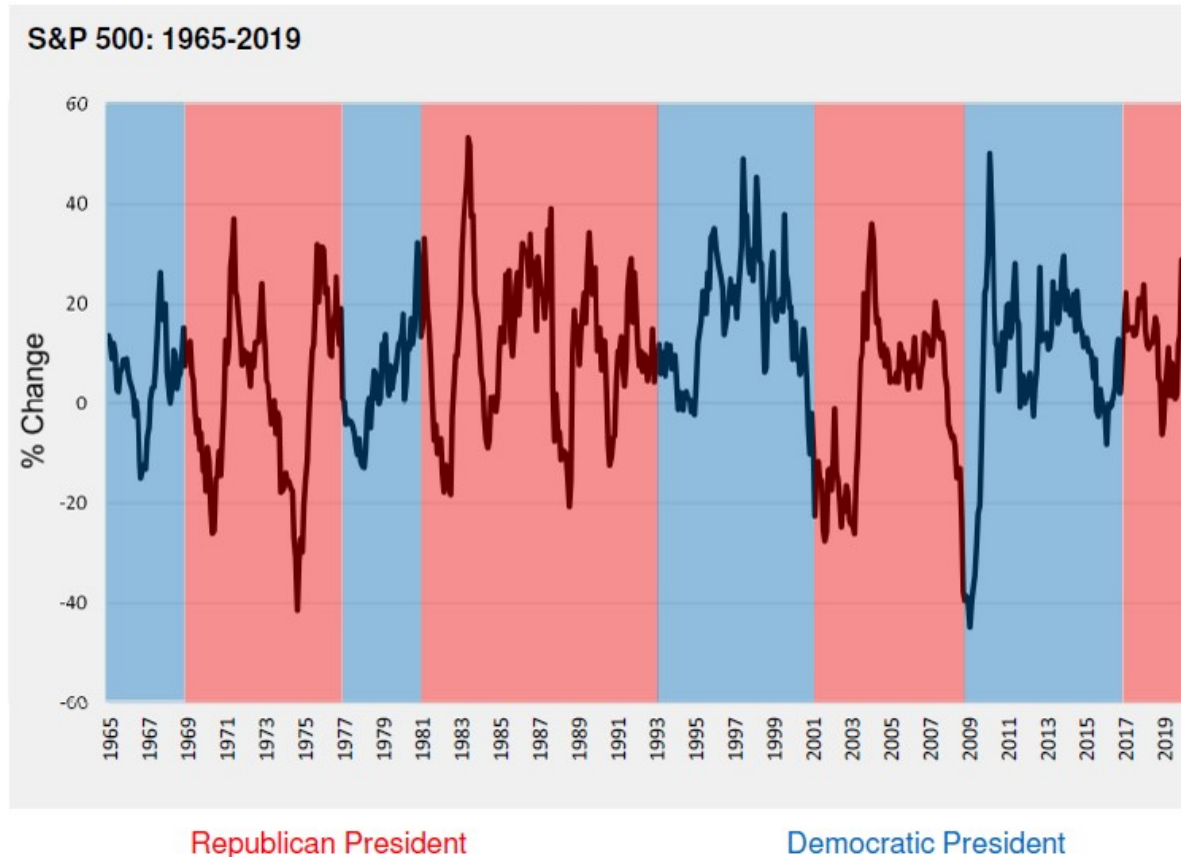
COVID Impact vs. Election Volatility



Source: Fidelity analyst survey. Data as of 9/30/20.



Party Affiliation Hasn't Mattered



Democratic President

9.2%



Republican President

9.1%

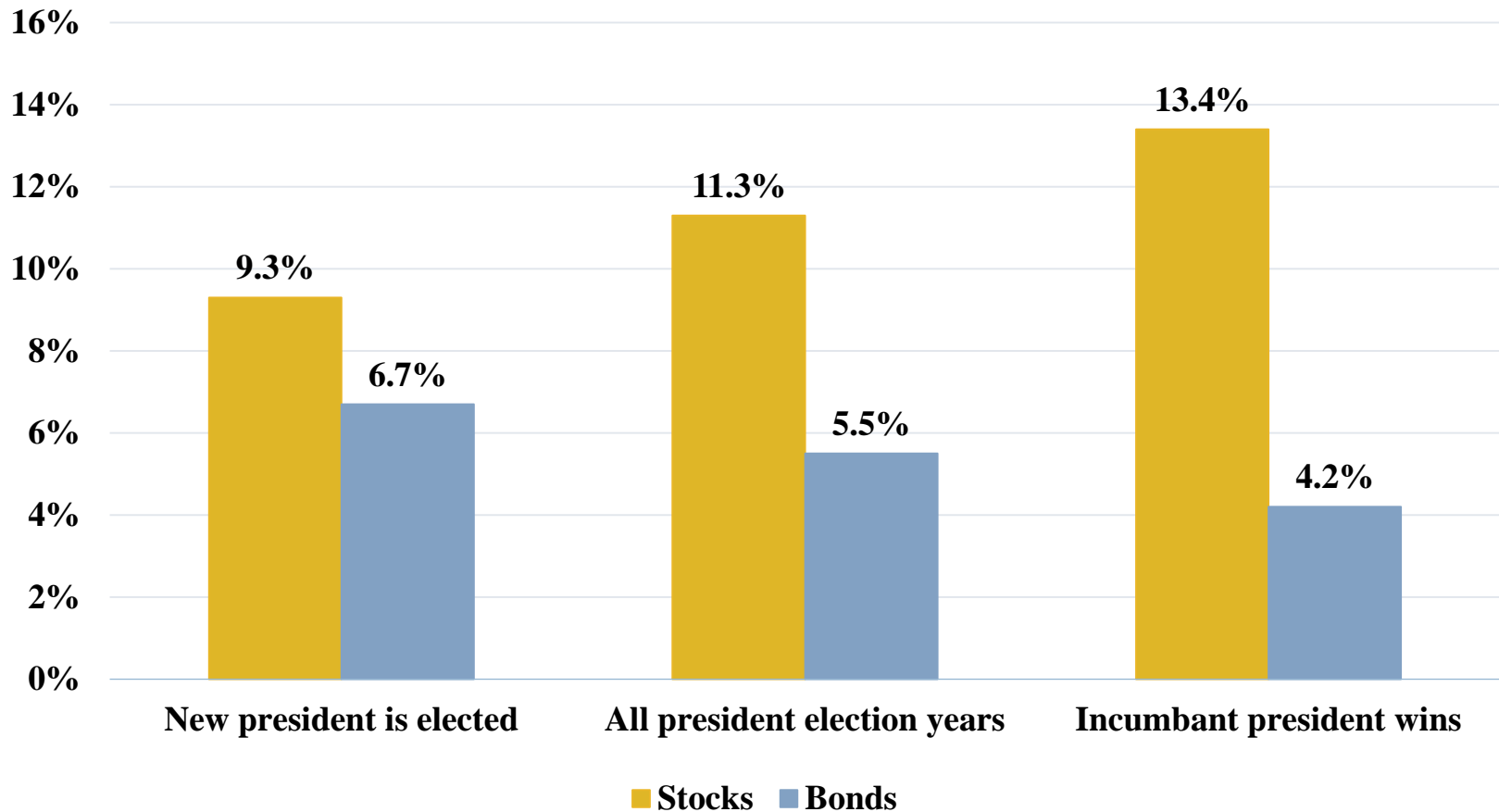


Past performance is no guarantee of future success. As of 9/30/2020

Source: Thomson Reuters, Bloomberg and A/B



Markets Typically Are Up in Election Years

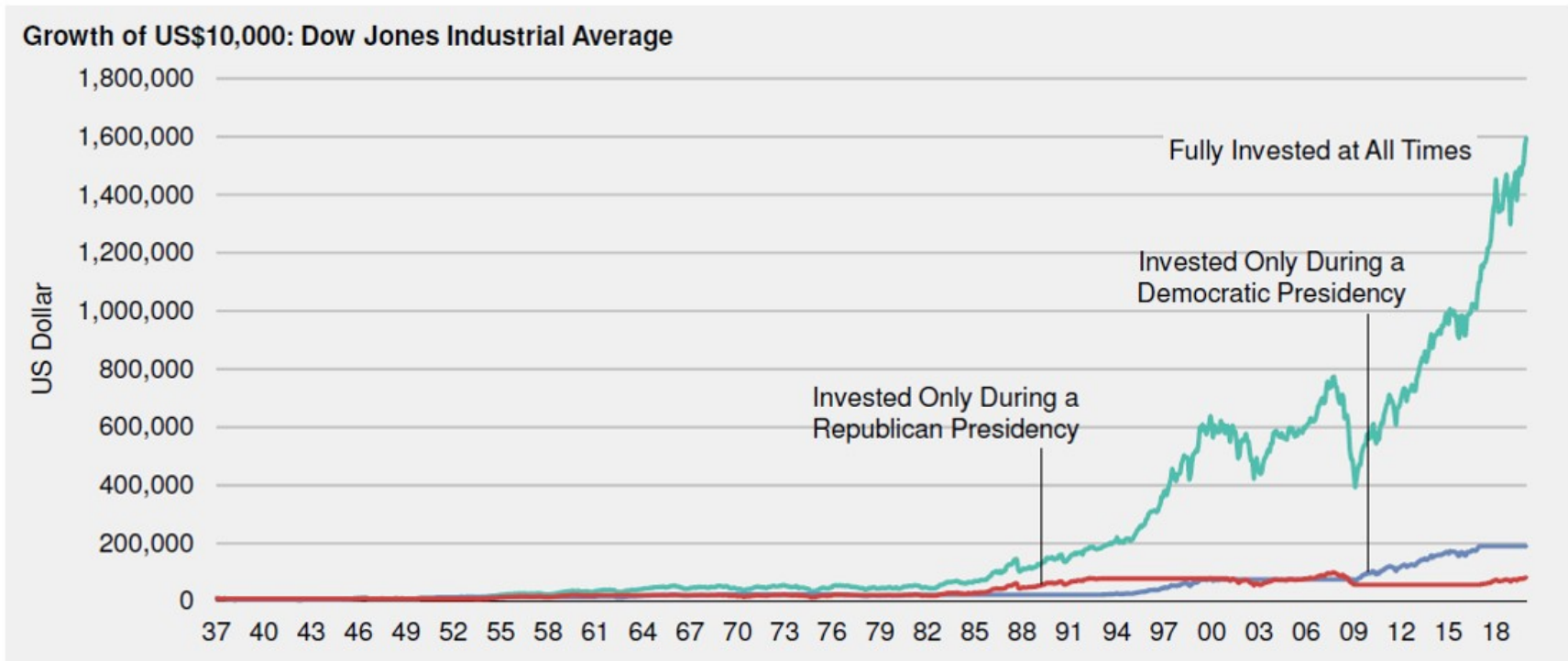


Past performance is no guarantee of future success.

Source: Morningstar, Real Investment Advice Newsletter. Data as of 9/30/20.



High Cost for Sitting it Out



Past performance is no guarantee of future success.

Source: Bloomberg, A/B



Review of Biden Tax Proposals



Biden Tax Proposals

- **Higher Corporate Tax Rates**
 - Raises corporate tax rate from 21% to 28%
 - Creates a 15% minimum book tax rate
 - Doubles the global minimum tax on offshore corporate profits from 10.5% to 21%
 - Carried interest treated as ordinary income
 - Introduces a financial transaction tax
- **Social Security**
 - Eliminates the income cap on Social Security taxes for income above \$400,000



Biden Tax Proposals

■ Higher Individual Tax Rates

- Restores the top tax rate at 39.6%
- Taxes capital gains and dividends at ordinary rates for those with income above \$1 million
- Caps deductions at 28%
- Does not fully restore the SALT deduction
- Eliminates deductions for retirement accounts and replaces with a flat tax credit estimated to be 26%

■ Higher Estate Taxes

- Increases tax rate from 40% to a graduated rate of 77%
- Reduces the exclusion from \$11.58 million to \$5.79 million
- Possibly eliminates the step-up in basis

↑
For those with assets greater than ~\$6 million per person, there are possible planning opportunities (i.e. SLATs, GRATs, Irrevocable Trusts, Charitable Trusts, Etc.)



SilverOak Updates and Important Reminders



SilverOak Updates

- **Tax season is officially over!!**
- **Continuing to work under our business continuity plan**
 - A few more team members coming into the office
 - Some meetings occurring in person with safe social distancing and masks
- **Global allocation project complete**
 - Will utilize updated risk tolerance questionnaires and Investment Policy Statements



Year-end Reminders

- **Keep good tax records for 2020**
- **Ensure that you complete a year-end tax projection**
- **Watch for year-end capital gains distributions**
- **The current annual gift tax exclusion is \$15,000**
- **Consider using low-basis stock for charitable donations**
- **Review beneficiary designations**
- **Review personal property and casualty insurance coverage**
- **Ensure proper riders in place for jewelry, electronics, etc.**



Other Noteworthy Items

- **Social Security updates**
 - COLA increase of 1.3%
 - Wage base increased from \$137,700 to \$142,800
 - Maximum monthly benefit increased \$3,011 to \$3,148
- **HSA updates**
 - Family contribution increased by \$100 to \$7,200
 - Individual contribution increased by \$50 to \$3,600
 - Catch-up contribution unchanged at \$1,000
- **Other annual limits not yet announced**
 - 401(k) contributions
 - IRA contributions
 - Etc.



*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

