

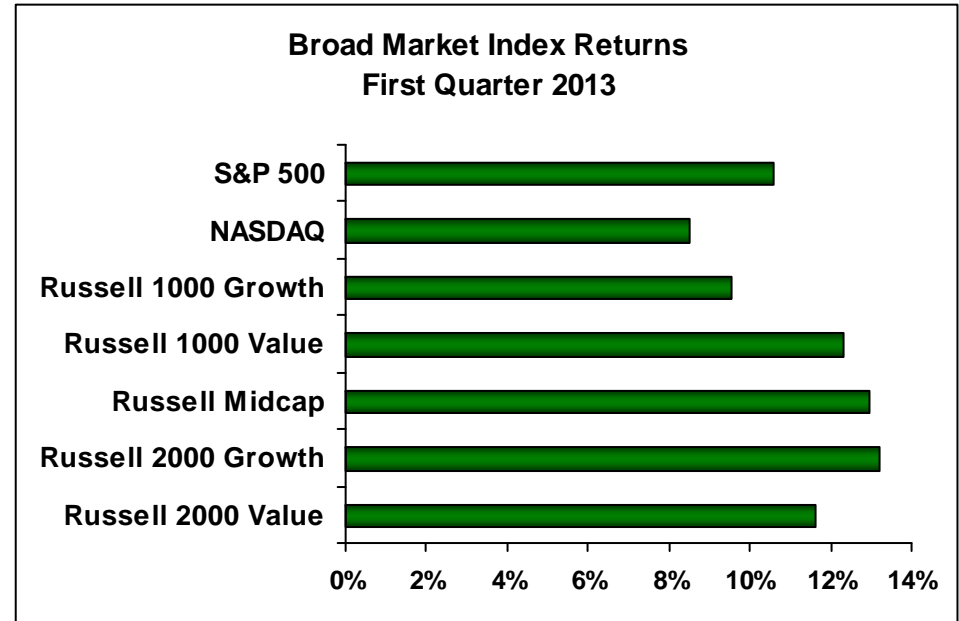


First Quarter 2013 Market Summary

U.S. stock markets posted strong first quarter performance. The S&P 500 was up more than 10% and it ended the quarter slightly above its prior 2007 peak. Although international stocks did not perform quite as well during the quarter as their U.S. counterparts, they were still up more than 5%.

The ten year Treasury bond saw its yield rise during the quarter as there was more confidence that economic growth would not be adversely impacted by the fiscal cliff, new tax rates and other issues not being addressed in Washington. As a result, bonds generally saw slightly negative to breakeven performance as investors once again shifted their attention back to riskier investments, such as stocks. The Barcap Aggregate Bond Index, a proxy for the U.S. bond market, was down slightly during the quarter.

Propelled by the strong first quarter performance, stock market returns over the past year have also been healthy. While headlines have been dominated by uncertainty and potential negative events, corporate earnings have continued to grow, the economy has proven to be resilient and consumer sentiment continues to rebound.



Highlights

GDP

- The Bureau of Economic Analysis released the third estimate of fourth quarter 2012 GDP, an increase of 0.4% versus third quarter 2012, revised up from the second estimate of 0.1%.
- Real GDP rose 1.7% from the third quarter of 2011 to the third quarter of 2012.
- The University of Michigan Consumer Sentiment Index in March was revised up from 71.8 to 78.6, which was an increase from February. February was 77.6 up from 73.8 in January.
- ISM Manufacturing Index decreased to 51.3 in March from 54.2 in February. Typically, when the ISM Index is above 55 it is bullish and when it is below 45 it is bearish.
- In February, Conference Board Leading Economic Index increased 0.5% month-over-month to 95.8. The Index has been increasing steadily over the past year.
- The price of WTI Crude Oil was \$97.24 at the end of March, which is 5.9% higher than \$91.83 at the end of December. The price of Brent Crude Oil declined 2.1% in the quarter to \$108.45.
- Headline CPI has been stable over the past few months. In February, the CPI came in at 2.0% year-over-year, up from 1.6% in January. Core CPI, which does not include food and energy, came in at 1.8%. Inflation levels have decreased over the past year and are less than historical averages.

HOUSING

- Preliminary existing home sales rose in February with an annualized rate of 4.98 million units from 4.94 million units in January. The February annualized rate is 10.2% above the 4.52 million units in February 2012 as existing home sales have been rising slowly since July 2011.

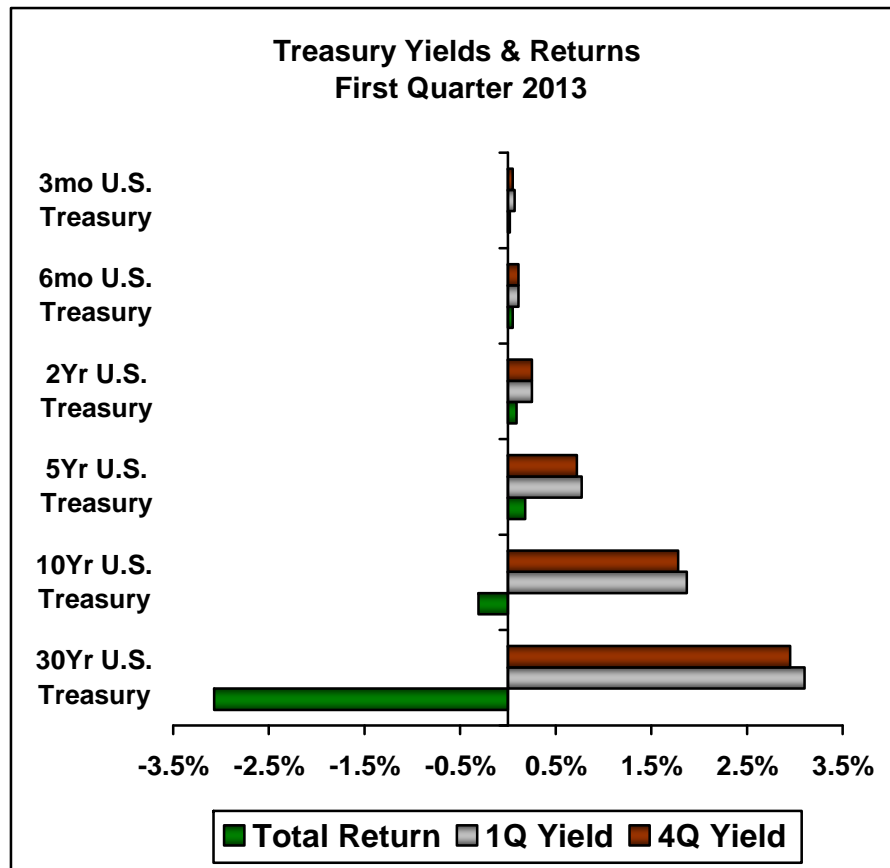
- Median existing home sale prices rose during the quarter. Prices have risen since the beginning of 2012 and in February; prices were 11.6% higher from the levels of one year ago.
- New home sales decreased slightly in February with a seasonally adjusted annual rate of 411k homes sold versus 431k in January. This was the first time since 2009 that new home sales were greater than 400k in back to back months. Home sales have been trending up since August 2011, when 292k new homes were sold. The recovery has been led by the West and Northeast regions of the country. However, new home sales are still at depressed levels compared to long-term averages of above 600k units.
- S&P Case-Shiller 20-City Home Price Index (seasonally adjusted) showed home prices rose 8.1% year-over-year in January. This is the twelfth month in a row that prices have risen after twenty months of falling prices.

EMPLOYMENT

- The labor market was mixed in the first quarter as the January and February Nonfarm Payrolls increased by 148,000 and 268,000 respectively. In March, preliminary Nonfarm Payrolls increased by 88,000, which was significantly lower than consensus expectation of 192,000 new jobs. The increase in jobs during March was the smallest since June 2012.
- The unemployment rate fell from 7.8% in December to 7.6% in March.
- Initial Jobless Claims continue to decrease to levels last seen in 2008.

FIXED INCOME

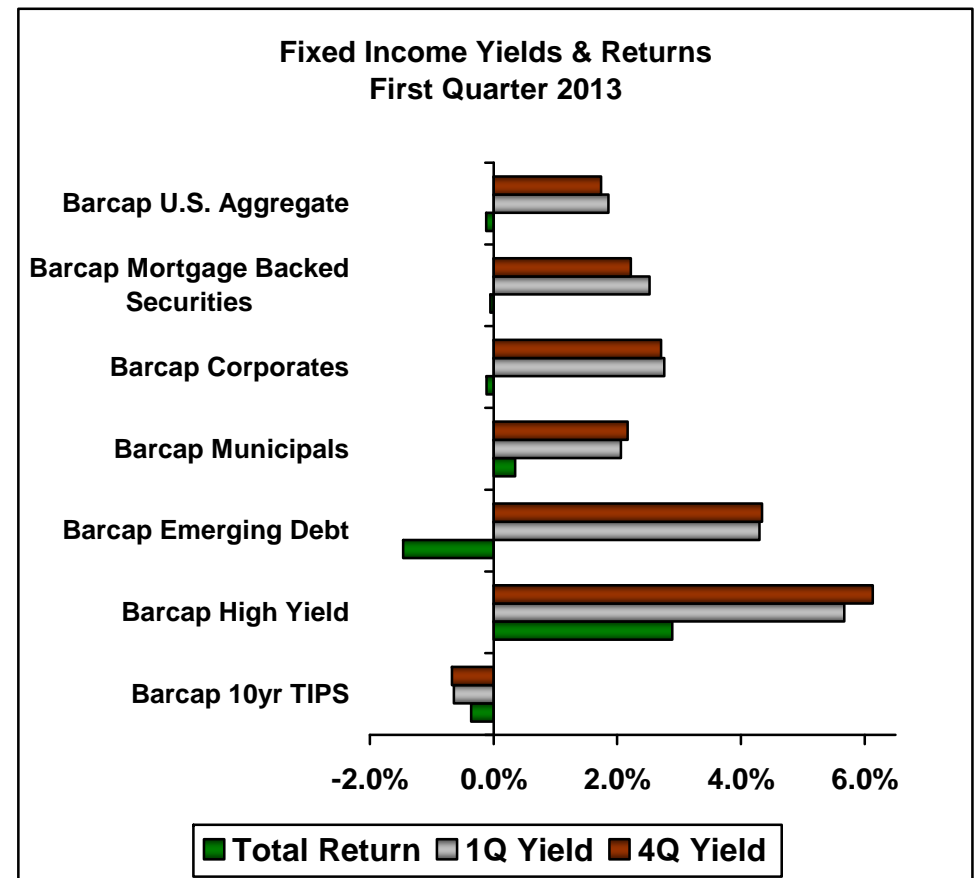
- The yields on Treasury securities increased on a quarter-over-quarter basis. The rising of longer-term Treasury yields caused the yield curve to steepen.
- The High Yield and Emerging Market Debt markets saw yields decrease. The yields of the Barclays Aggregate, Corporates, and Mortgage Backed Securities rose in the quarter. The returns for much of the fixed income market were negative. High Yield was the best performing sector.



- The TED Spread, which is the difference between the three-month LIBOR and three-month T-bill rates, has decreased from 0.22% in December to 0.19% at the end of February. A low TED Spread indicates the perceived risk of bank defaults is low.

FED POLICY

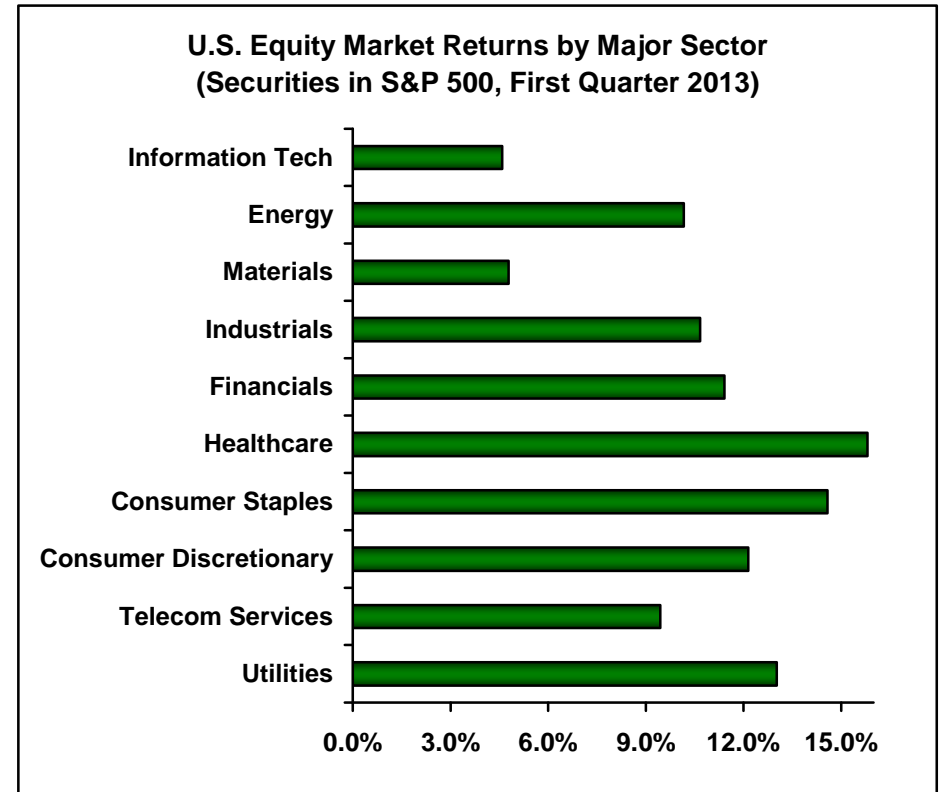
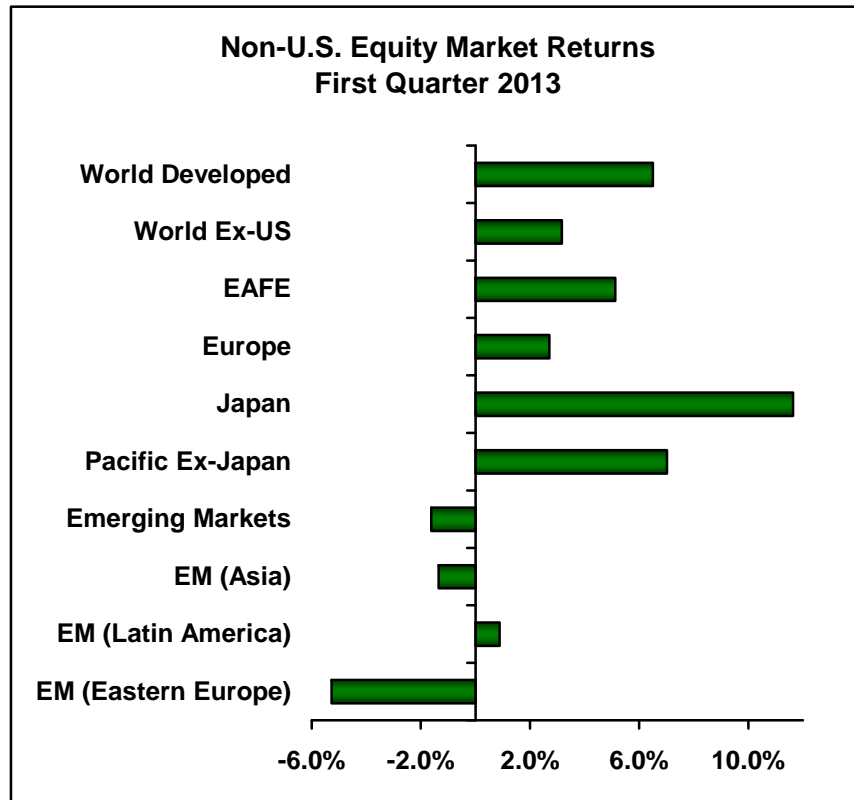
- In March, the Federal Open Market Committee (FOMC) announced they will leave the federal funds rate at 0% to 0.25% percent. They maintained the fed funds rate will remain at exceptionally low levels if the unemployment rate stays above 6.5% and inflation remains low.



EQUITIES

- For the quarter, stock prices ended higher. Performance in the U.S. was strong across the board but was better for small/mid-capitalization stocks versus large capitalization stocks. Growth stocks performed worse on a relative basis than value stocks except in the small capitalization area.
- The Russell 1000 Index of large capitalization stocks posted a total return of 10.96% during the quarter. On a year-over-year basis, the Russell 1000 Index has advanced 14.43%.
- Small capitalization stocks, as represented by the Russell 2000 Index, posted a gain of 12.39% during the quarter. On a year-over-year basis, the index has increased 16.30%.

- International stocks performed worse than U.S. domestic equities. The MSCI EAFE index of international markets stocks increased 5.13% during the quarter. On a year-over-year, the EAFE is up 11.25%.
- During the quarter, emerging market stocks performed worse relative the developed markets. The MSCI Emerging Markets Index decreased 1.62% in the quarter; however, it is up 1.96% on a year-over-year basis.
- CBOE Volatility Index (VIX) declined slightly in the quarter from 18.02 at the end of December to 12.70 at the end of March. The VIX reached lows in the quarter last seen in 2007. Low levels on the VIX are generally positive for the equity markets.



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