

Quarterly Webinar April 22, 2022



Introduction

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



Agenda

- Economic data
- Market data
- Discussion on recession risk
- SilverOak's outlook
- SilverOak updates and other items
- Questions

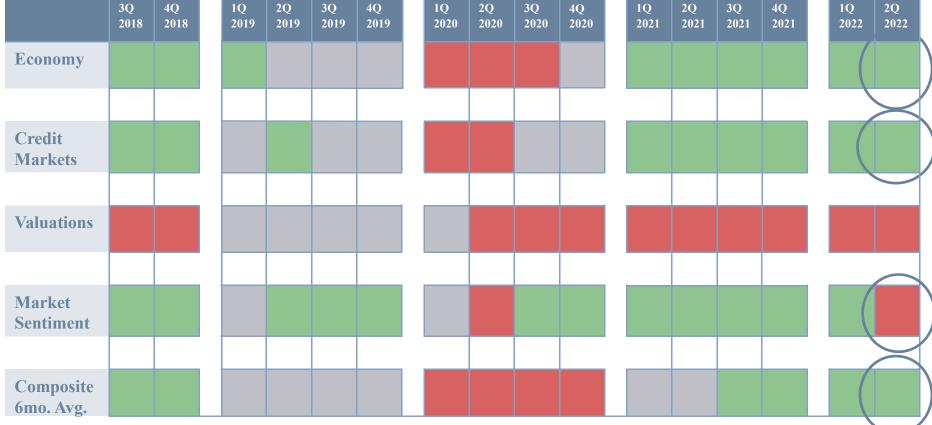


Economy: Recovery Continues

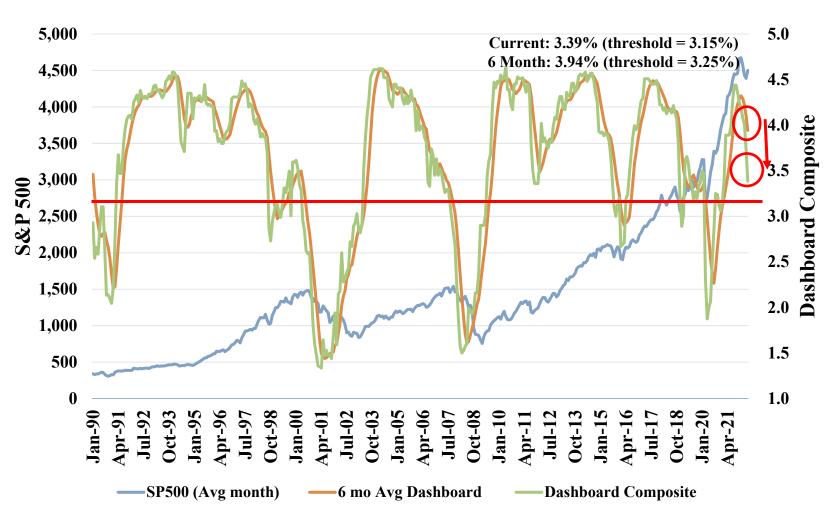


Market Dashboard

Projected 1Q **2Q** 2022



Market Dashboard

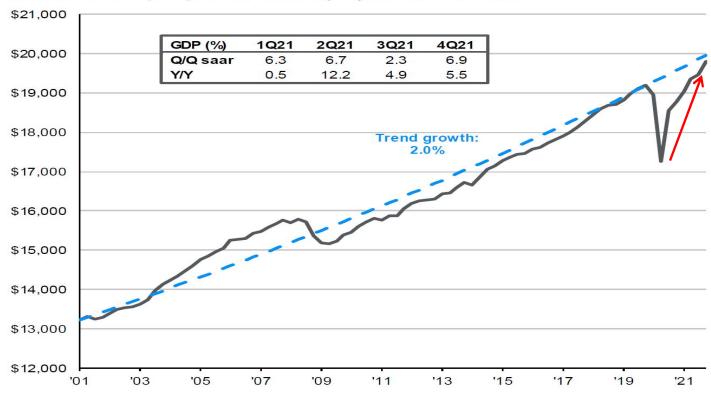




GDP Continues to Expand

Real GDP

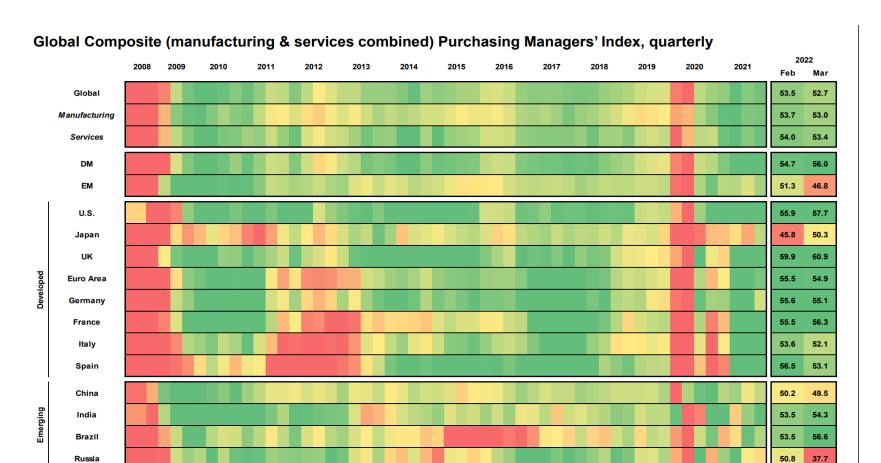
Billions of chained (2012) dollars, seasonally adjusted at annual rates





Source: Bureau of Economic Analysis, Factset, J.P. Morgan Asset Management. Data as of 3/31/2022

Global Economic Activity Momentum



Source: Markit, J.P. Morgan Asset Management.

The Composite PMI includes both manufacturing and services sub-indices. Heatmap colors are based on PMI relative to the 50 level, which indicates acceleration or deceleration of the sector, for the time period shown. Heatmap is based on quarterly averages, with the exception of the two most recent figures, which are single month readings. Data for the U.S. are back-tested and filled in from December 2007 to September 2009 due to lack of existing PMI figures. DM and EM represent developed markets and emerging markets, respectively.

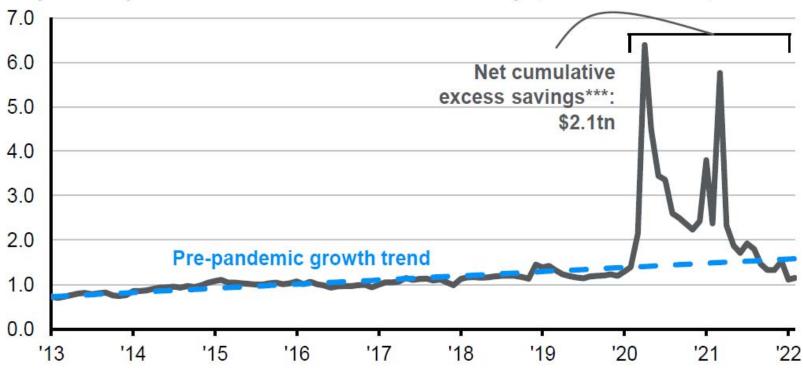
Guide to the Markets – U.S. Data are as of April 13, 2022.



Consumer Demand Remains Strong

Flow of personal savings

Disposable personal income less consumer outlays, trillions of USD, SAAR



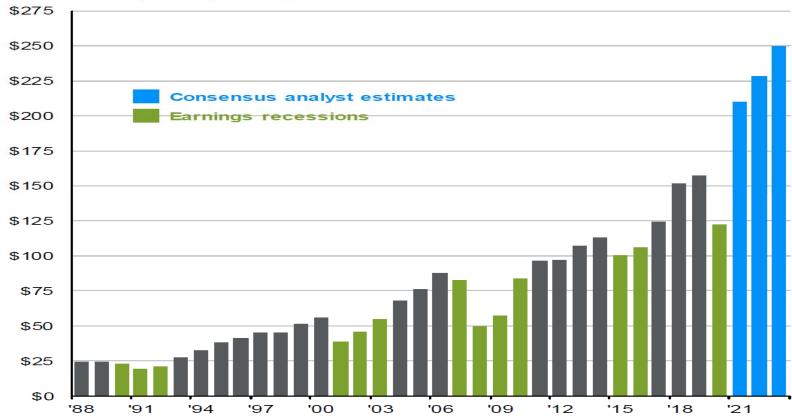
Source: Bureau of Economic Analysis. *** Net cumulative savings are calculated by summing the difference between realized savings and pre-pandemic trend savings from March 2020 to February 2022 and dividing by twelve.



Strong Earnings Growth Expected

S&P 500 earnings per share

Index annual operating earnings





Source: FactSet, Compustat, S&P, JP Morgan Asset Management. Data as of 3/31/2022

Companies Raising Prices to Offset Wages

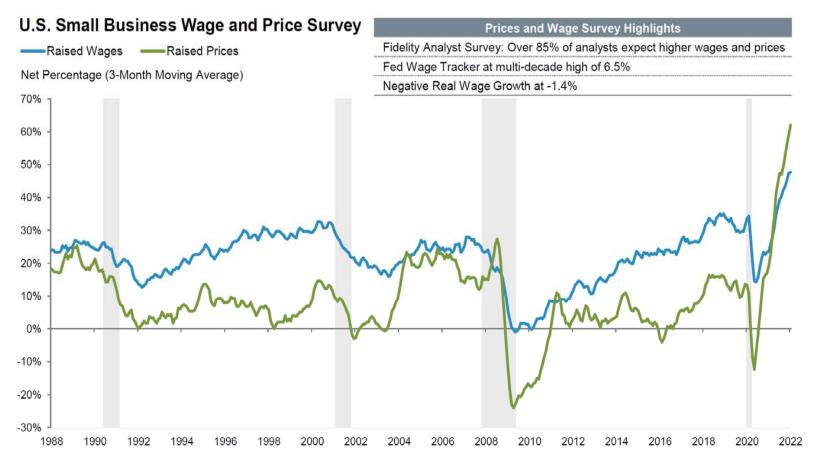


CHART: Net Percentage: Raising wages/prices minus not raising wages/prices over past three months. Gray bars represent recessions. Source: National Federation of Independent Business, NBER, Haver Analytics, Fidelity Investments (AART), as of 2/28/22. TABLE: Fidelity Analyst Survey: Quarterly survey of equity and fixed income analysts who cover different sectors and regions. Fed Wage Tracker: Atlanta Fed overall year-over-year weighted. Real Wage: Wage tracker growth minus CPI-U year-over-year change. Source: Federal Reserve Bank of Atlanta, Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 3/31/22.



Current Economic Factors Scorecard

Positive

Fiscal Policy

Monetary Policy

Housing

Credit Conditions

Corporate Earnings

Neutral

Interest Rates (-)

U.S. Politics

U.S. Dollar

Employment

Consumer Confidence

Global Growth

Eurozone

Negative

China ****

Tariffs

Geopolitics ****

U.S. Inflation

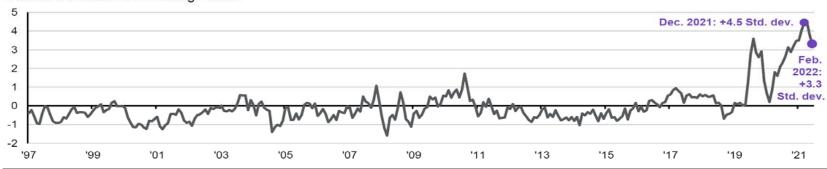
Commodity Prices (-)



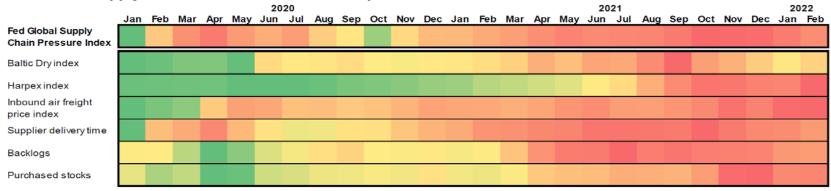
Global Supply Chain Pressure Persists

Fed Global Supply Chain Pressure Index*

Standard deviation from average value



Fed Global Supply Chain Pressure Index subcomponents



Source: Federal Reserve Bank of New York, IHS Markit, J.P. Morgan Asset Management.

*The Federal Reserve Bank of New York bases its Global Supply Chain Pressure Index on the Baltic Dry Index (benchmark for the price of moving raw materials by sea), Harpex Index (benchmark for the rate liners pay to charter ships), BLS airfreight cost indices (benchmarks for measuring change in rates for air transpiration) and 3 PMI supply chain-related components: delivery times (the amount of time elapsed between the time an order is placed and the time it is shipped), backlogs (the volume of orders that a company has received, but not yet fulfilled) and purchased stocks (the level of inventory of materials purchased in the current month compared to the month prior) for manufacturing firms across seven interconnected economies: China, the euro area, Japan, South Korea, Taiwan, the United Kingdom and the United States. Heatmap colors determined by that month's level compared to 10-year average. Red = Very slow/constrained, Yellow = Average/moderate, and Green = Fast/least constrained.

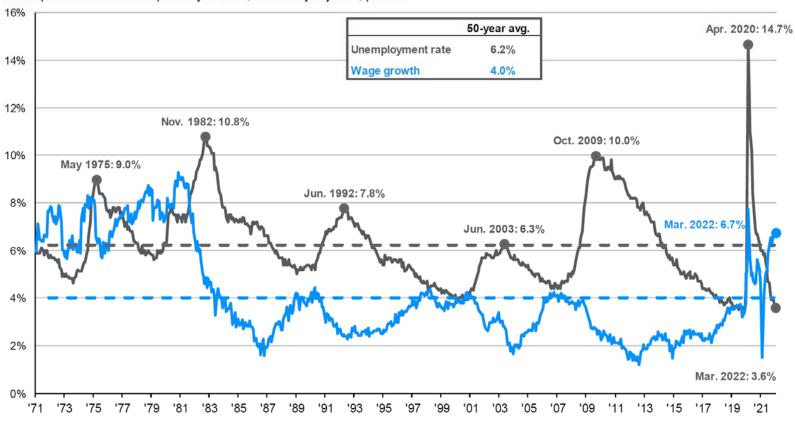
Guide to the Markets - U.S. Data are as of March 31, 2022.



Rising Wages Adding To Inflation Pressure

Civilian unemployment rate and year-over-year wage growth

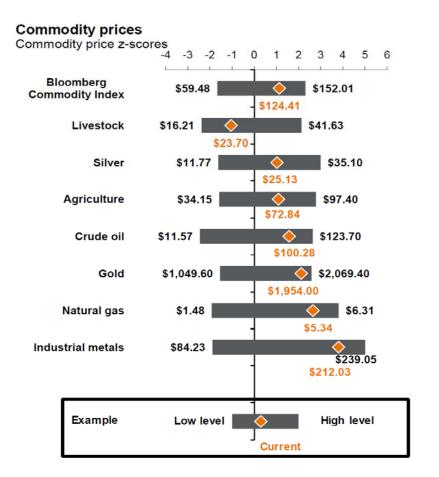
Private production and non-supervisory workers, seasonally adjusted, percent

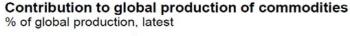


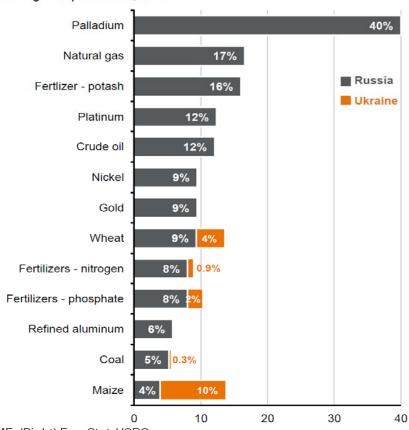


Source: BLS, Factset, JP Morgan Asset Mgmt. As of 3/31/2022

Continued Upward Pressure From Commodities







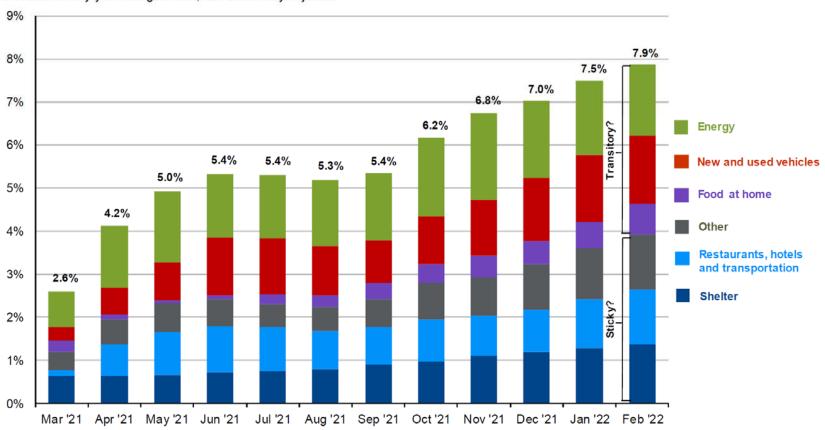
Source: FactSet, J.P. Morgan Asset Management; (Left) Bloomberg, CME; (Right) EuroStat, HSBC. Commodity prices are represented by the appropriate Bloomberg Commodity subindex. Crude oil shown is West Texas Intermediate (WTI). Other commodity prices are represented by futures contracts. Z-scores are calculated using daily prices over the past 20 years. Guide to the Markets – U.S. Data are as of March 31, 2022.



Components of Inflation

Contributors to headline inflation

Contribution to y/y % change in CPI, non seasonally adjusted



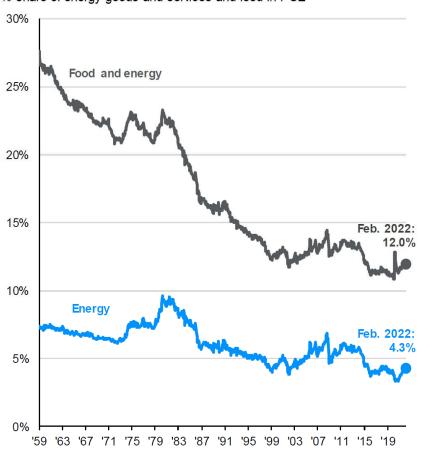
Source: BLS, J.P. Morgan Asset Management. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners equivalent rent and rent of primary residence. "Other" primarily reflects household furnishings, apparel and medical care services.

Guide to the Markets - U.S. Data are as of March 31, 2022.

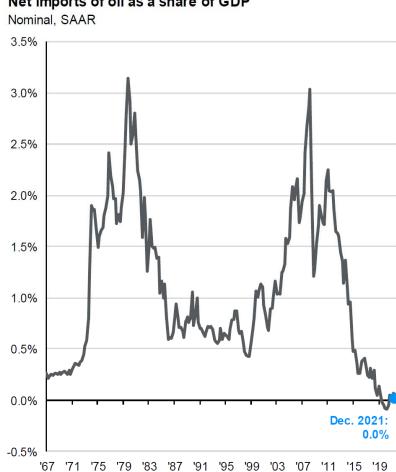
Food and Energy Not as Impactful

Consumer spending on energy and food

% share of energy goods and services and food in PCE



Net imports of oil as a share of GDP

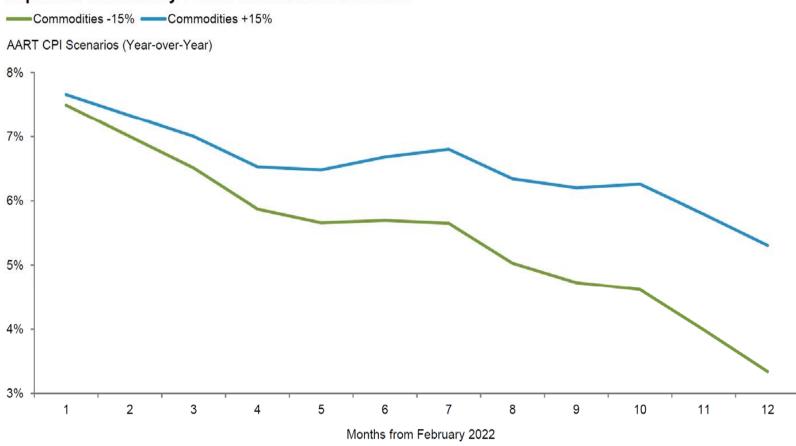




Source: BEA, JP Morgan Asset Mgmt. As of 3/31/2022

Inflation Likely to Moderate

Impact of Commodity Prices on Inflation Estimates



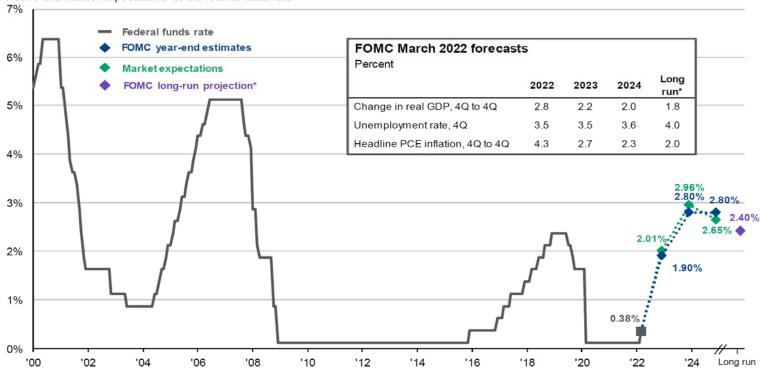
CPI: Consumer Price Index. Commodity prices are represented by the Bloomberg Commodity Index (BCOM) and their hypothetical changes over the next year are assumed to occur equally throughout the year. Source: Bureau of Labor Statistics, Bloomberg, Haver Analytics, Fidelity Investments (AART), as of 2/28/22.



Federal Reserve Has Started Lifting Interest Rates

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Market expectations are based off of the respective Federal Funds Futures contracts for December expiry. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

Guide to the Markets - U.S. Data are as of March 31, 2022.



Markets: Widespread Weakness



Market Summary

Equity market performance

<u>Q1 2022</u>	<u>1-Year</u>
-4.6%	+15.7%
-5.7%	+6.9%
-7.5%	-5.8%
-5.4%	-1.5%
-7.0%	-11.4%
	-4.6% -5.7% -7.5% -5.4%

Source: Morningstar



Market Summary

Bonds and other asset class performance

	<u>Q1 2022</u>	<u>1-Year</u>
 US fixed income 		
 Bloomberg U.S. Aggregate 	-5.9%	-4.2%
 Global fixed income 		
 Bloomberg Barclay's Global ex US 	-6.2%	-7.9%
Commodities		
 Bloomberg Commodity TR 	+25.6%	+49.3%
- REITS		
 MSCI US REIT NR 	-4.3%	+25.0%

Source: Morningstar



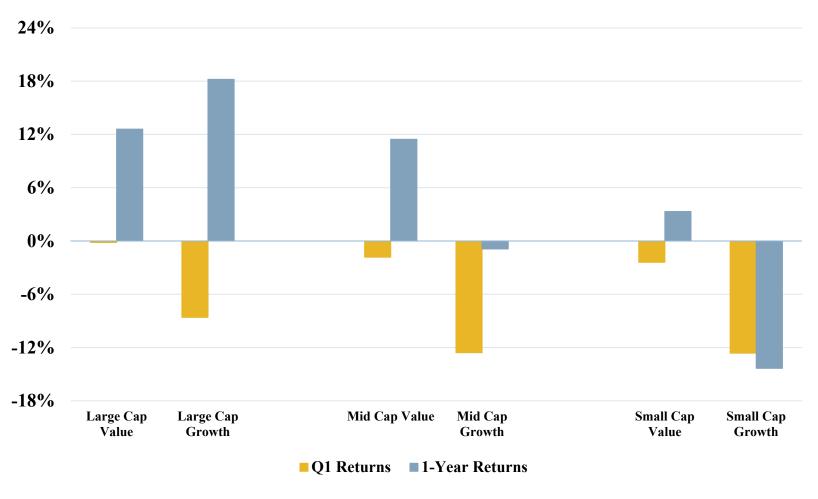
Commodities Recover From "Long Winter"

															2007 -	- 2021
2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Ann.	Vol.
EM	Fixed	EM	REITS	REITS	REITS	Small	REITS	REITS	Small	EM	Cash	Large	Small	R⊟Ts	Large	REITS
Equity 39.8%	Income 5.2%	Equity 79.0%	27.9%	8.3%	19.7%	Cap 38.8%	28.0%	2.8%	Cap 21.3%	Equity 37.8%	1.8%	Cap 31.5%	Cap 20.0%	41.3%	Cap 10.6%	23.2%
		High	Small	Fixed	High	Large	Large	Large	High	DM	Fixed		EM	Large	Small	EM
Comdty.	Cash	Yield	Сар	Income	Yield	Cap	Cap	Cap	Yield	Equity	Income	REITS	Equity	Сар	Cap	Equity
16.2%	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%	8.7%	22.9%
DM	Asset	DM	EM	High	EM	DM	Fixed	Fixed	Large	Large	REITS	Small	Large	Comdty.	R⊟Ts	Small
Equity 11.6%	AUC. 25.4%	Equity 32.5%	Equity 19.2%	Yield 3.1%	Equity 18.6%	Equity 23.3%	Income 6.0%	Income 0.5%	Cap 12.0%	Cap 21.8%	-4.0%	Cap 25.5%	Cap 18.4%	27.1%	7.5%	Cap 22.5%
Asset	High			Large	DM	Asset	Asset			Small	High	DM	Asset	Small	High	
Allec.	Yield	REITS	Comdty.	Сар	Equity	Allec.	Allec.	Cash	Comdty.	Сар	Yield	Equity	AIJ © ç.	Сар	Yield	Comdty.
7.1%	-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%	6.6%	19.1%
Fixed	Small	Small	Large	Cash	Small	High	Small	DM	⊟M	Asset	Large	Asset	DM	Asset	Asset	DM
Income 7.0%	Cap -33.8%	Cap 27.2%	Cap 15.1%	0.1%	Cap 16.3%	Yield 7.3%	Cap 4.9%	Equity -0.4%	Equity 11.6%	All e c. 14.6%	Cap -4.4%	AIJ ● c. 19.5%	Equity 8.3%	AlÌ ● c. 13.4%	Alloc. 5.7%	Equity 18.9%
Large	-33.678	Large	High	Asset	Large /	7.576	4.5 /6	Asset	11.078	High	Asset	19.5 % ⊟M	Fixed	DM	3.7 /6 ⊟M	Large
Cap	Comdty.	Cap	Yield	AUSC.	Cap /	RETS	Cash	Allec.	RETS	Yield	Allec.	Equity	Income	Equity	Equity	Cap
5.5%	-35.6%	28.5%	14.8%	-0.7%	16.0%	2.9%	0.0%	-2.0%	8.6%	10.4%	-5.8%	18.9%	7.5%	11.8%	4.8%	16.9%
Cash	Large	Asset	Asset	Small	Asset	Cash	High	High	Asset	R⊟Ts	Small	High	High	High	DM	High
	Cap	AI I€c.	Allec.	Cap	AlÌ e c.		Yield	Yield	Allec.		Cap	Yield	Yield	Yield	Equity	Yield
4.8%	-37.0%	25.0%	13.3% DM	-4.2%	12.2%	0.0%	0.0%	-2.7%	8.3%	8.7%	-11.0%	12.6%	7.0%	1.0%	4.1%	12.2%
High Yield	R⊟Ts	Comdty.	Equity	DM Equity	Fixed Income	Fixed Income	⊟M Equity	Small Cap	Fixed Income	Fixed Income	Comdty.	Fixed Income	Cash	Cash	Fixed Income	Asset Alloc.
3.2%	-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%	4.1%	11.7%
Small	DM	Fixed	Fixed	Comdty.	Cash	⊟M	DM	⊟M	DM	Comdty.	DM	Comdty.	Comdty.	Fixed	Cash	Fixed
Сар	Equity	Income	Income	,		Equity	Equity	Equity	Equity		Equity	,	,	Income		Income
-1.6%	-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%	0.8%	3.3%
R⊟Ts	EM Equity	Cash	Cash	Equity	Comdty.	Com dty.	Comdty.	Comdty.	Cash	Cash	EM Equity	Cash	R⊟Ts	EM Equity	Comdty.	Cash
-15.7%	-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%	-2.6%	0.7%



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 4. 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 12/31/2006 to 12/31/2021. 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.

U.S. Value Held Up Better than U.S. Growth

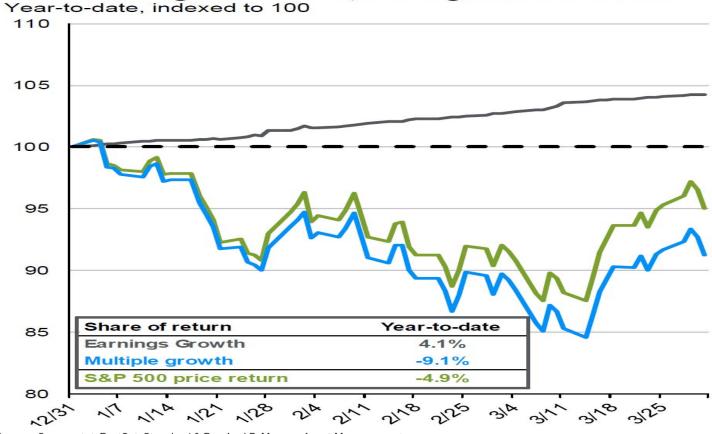




Past performance is no guarantee of future success. As of 3/31/2022 Returns in US dollars.

Valuation Coming Down

Percent change in S&P 500, earnings and valuations*



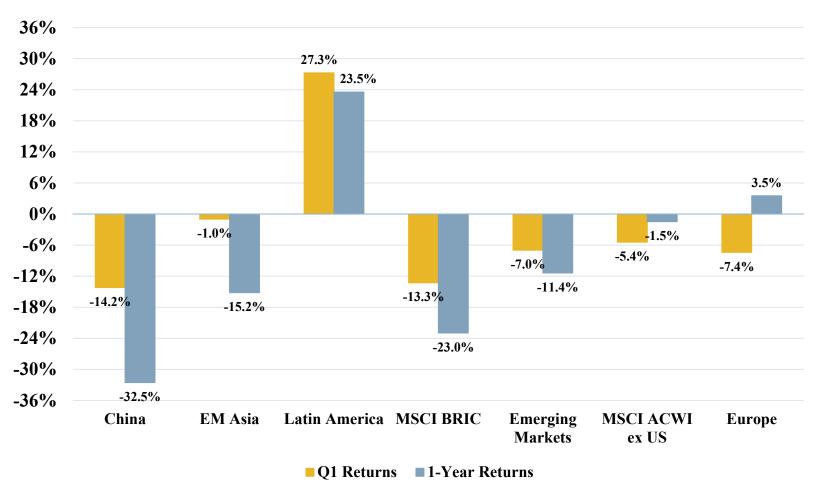
Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Historical EPS levels are based on annual operating earnings per share. Earnings estimates are based on estimates from Standard & Poor's and FactSet Market Aggregates. *Earnings and multiple growth are both percent changes over the next 12 months. Past performance is not indicative of future returns

Guide to the Markets - U.S. Data are as of March 31, 2022.



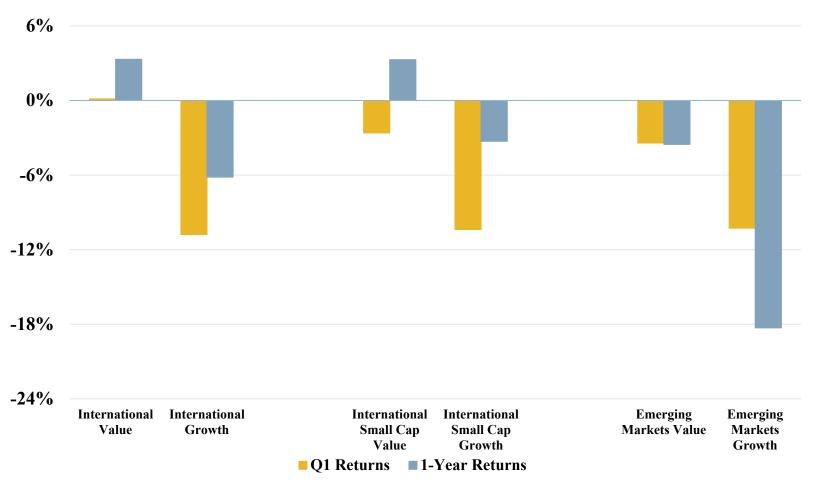
Volatile International Returns





Past performance is no guarantee of future success. As of 3/31/2022 Returns in US dollars.

International Value Also Held Up Better than International Growth

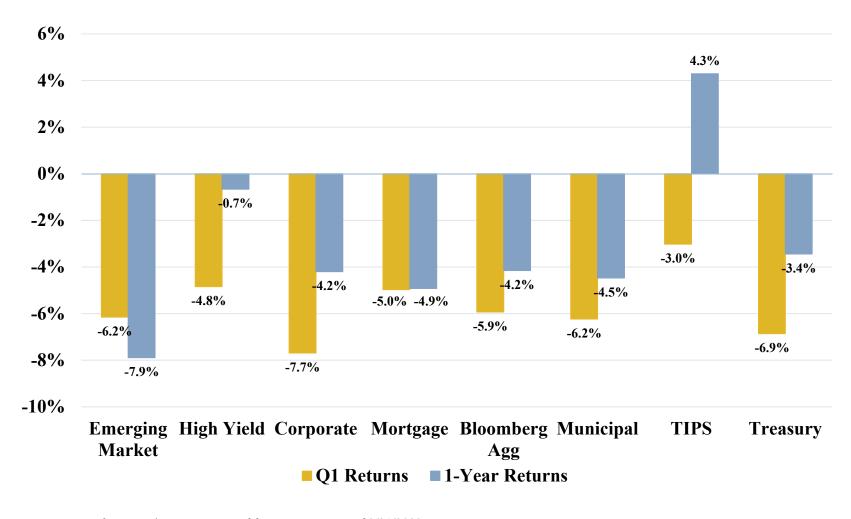




Past performance is no guarantee of future success. As of 3/31/2022

Returns in US dollars.

Bond Returns Hit By Rising Interest Rates





Past performance is no guarantee of future success. As of 3/31/2022 Source: Morningstar. Returns in US dollars.

Long-term Perspective on Yields and Inflation

Nominal and real U.S. 10-year Treasury yields

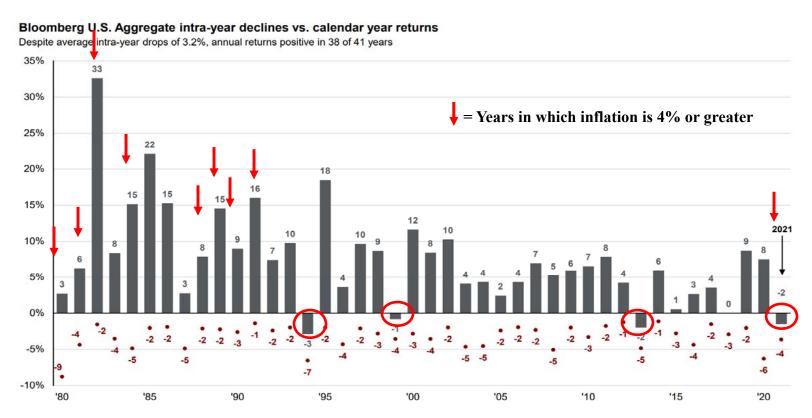


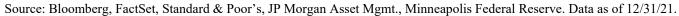
Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core CPI inflation for that month. For the current month, we use the prior month's core CPI figures until the latest data is available.

Guide to the Markets – U.S. Data are as of March 31, 2022.



Negative Annual Bond Returns are Rare







Discussion on Recession Risk



Factors Contributing to Recession Concerns

Lack of fiscal stimulus

Congress not likely to pass more stimulus legislation

Reduction in monetary stimulus

- Fed raising short-term interest rates
- Run-off of bond-purchasing program

Inflationary pressures

- Driven by supply chain pressures and geopolitical issues
- Wage inflation and potential impact on earnings particularly concerning

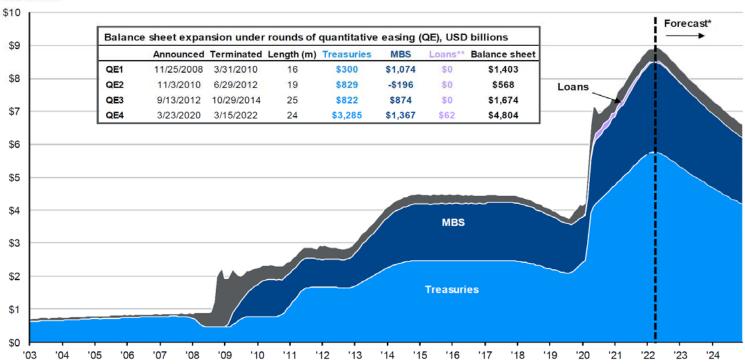
Inversion of the yield curve

 Some short-term interest rates briefly above the 10-Year Treasury yield

The Federal Reserve Balance Sheet

The Federal Reserve balance sheet

USD trillions



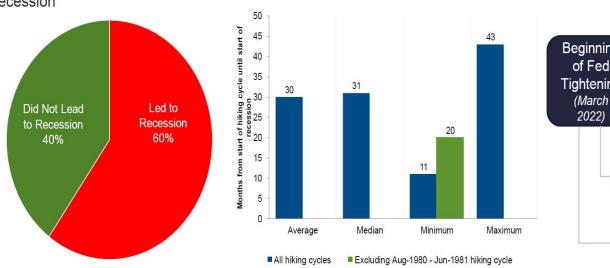
Source: FactSet, Federal Reserve, J.P. Morgan Investment Bank, J.P. Morgan Asset Management.

At its peak, the balance sheet contained \$5.8tn in Treasuries and \$2.7tn in MBS. *The forecast assumes the Federal Reserve begins balance sheet runoff in mid-May and gradually increases the monthly cap on maturing Treasury and MBS securities per meeting until a max cap of \$100bn/month. The forecast does not include the active selling of securities from the committee. **Loans include liquidity and credit extended through corporate credit facilities established in March 2020. Other includes primary, secondary and seasonal loans, repurchase agreements, foreign currency reserves and maiden lane securities. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets – U.S. Data are as of March 31, 2022.



Fed Tightening Often Leads to a Recession

- Percentages of Fed Tightening
 Cycles that Led to or Did not Lead to a Recession
- 2. Time From the Start of a Tightening Cycle to the Start of a Recession
- 3. Sequence of Federal Reserve Tightening, S&P 500 Peaks and Recessions¹



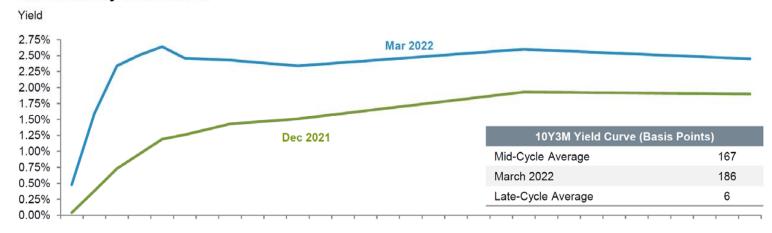


Source: Goldman Sachs, Investment Strategy Group, Bloomberg, Haver Analytics. Based on the average of the 9 Fed tightening cycles that led to a recession.

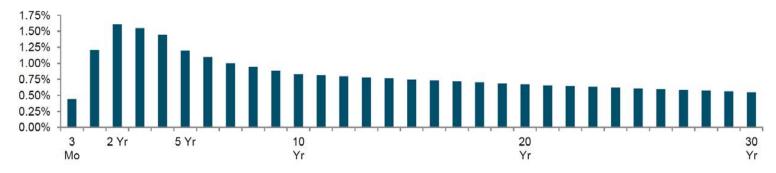


Will Higher Yields Disrupt Current Cycle?

U.S. Treasury Yield Curve



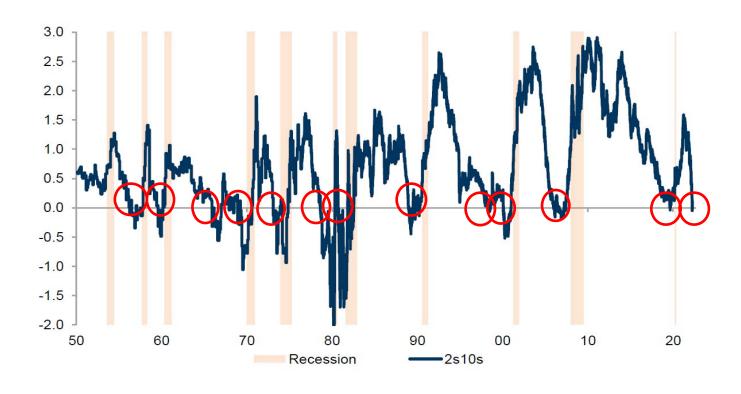
Yield Change (Quarter-over-Quarter)



Source: Bloomberg Financial L.P., Fidelity Investments (AART), as of 3/31/22.



Yield Curve Inversion Signals Recession Risk

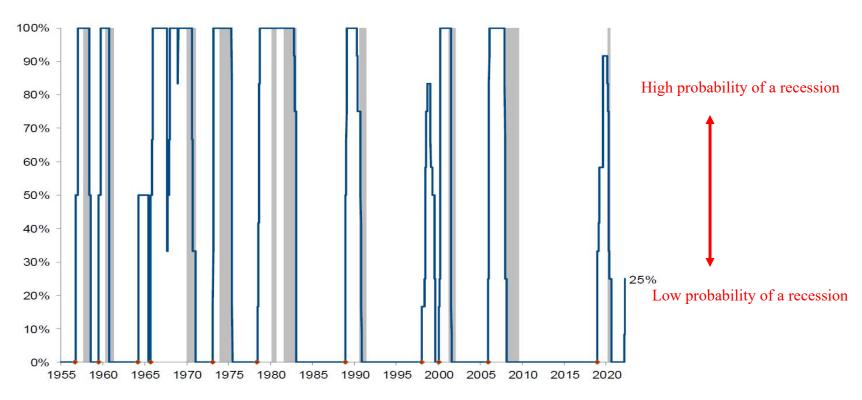


Source: Haver Analytics, Goldman Sachs Global Investment Research



Breadth and Duration of Inversions Have Mattered

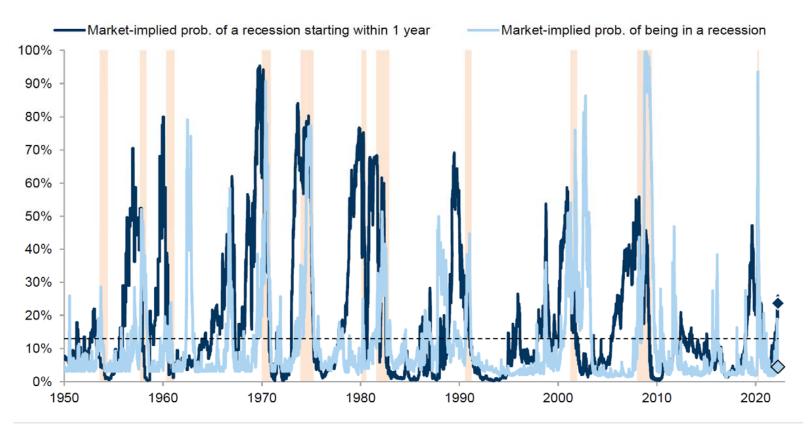
ISG Yield Curve Inversion Diffusion Index¹ - Through April 8, 2022





(1) The diffusion index measures % of yield curves inverted in previous 6m based on the total number of yield curves whose data was available at each point in time. (2) During 1964/1998, the diffusion index never rose above 90% and no recession occurred for more than two years, and during 2018, it took 9 months for the index to reach 92% in Aug 2019 and a recession followed in Feb 2020. We consider 1965 as a false positive, since we see a recession in this instance only four years later. Source: Investment Strategy Group, Bloomberg, Haver.

Market Indicators Don't Yet Signal a Recession



Source: Haver Analytics, Datastream, Worldscope, Bloomberg, Goldman Sachs Global Investment Research



SilverOak's Outlook



SilverOak's Economic Outlook

U.S. Economy

- Economic expansion likely to slow, but not to recessionary levels
- Inflation likely to persist but should moderate in 2023
- Fiscal and Monetary policy shifting to a headwind
- Consumer still well positioned

International Economy

- Global recovery being challenged
 - War in Ukraine has reduced growth expectations
- China also proving to be a headwind
- Global fiscal and monetary policy will be less generous



SilverOak's Market Outlook

Equities

- Higher volatility
- Potential Fed overshoot?
- Earnings growth could provide support
 - Will require wage inflation to be passed along
- Value and International still undervalued relative to other equities

Bonds

- Yields likely to continue rising
- Still likely to provide "risk off" protection
- Continue to believe future returns likely modest



SilverOak Updates and Other Important Items



SilverOak Updates

- IQSStm (Investment Quality Scoring Systemtm)
 - Performance update
- SilverOak personnel update
 - New operations specialist
 - Completion of tax season!



Other Noteworthy Items

I-Bonds

- If purchased in 2021, remember to purchase again this year
- 7.12% rate through April
- In May, rate will increase

Secure Act 2.0 update

- Passed in the House
 - Likely will pass in the Senate
- Includes items, such as:
 - Expanding auto-enroll in 401(k)/403(b) Plans
 - Promoting Saver's Credit for low/mid-income households
 - Increasing catch-up contributions to \$10,000
 - Increasing Required Minimum Distribution age to 75



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

