SilverOak
WEALTH MANAGEMENT LLC

Second Quarter Market Summary

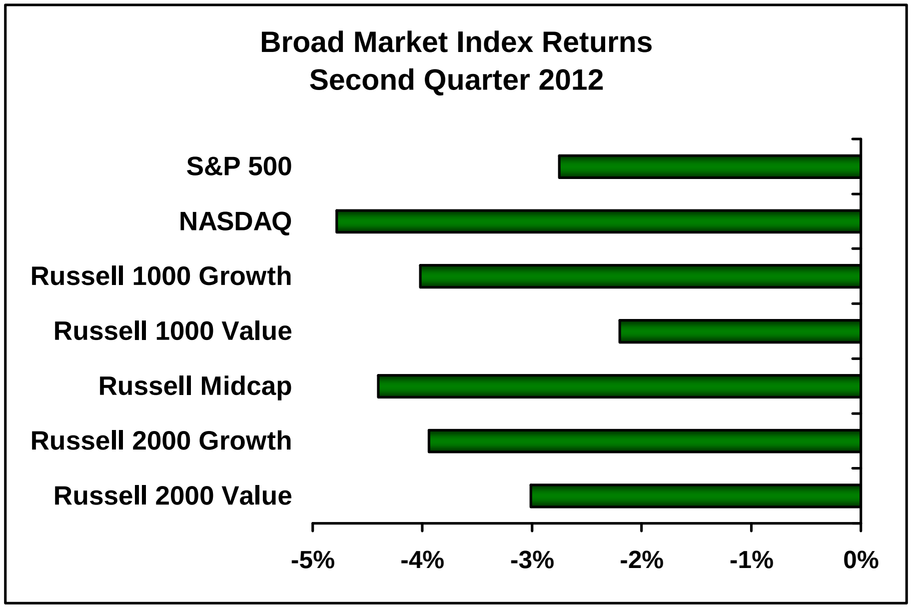
The Economy

Following an exceptionally strong first quarter, during the second quarter stocks gave back some of their gains ending down between 2% to 8%. Europe once again dominated the headlines while weak job growth in the U.S. rekindled concerns about tepid economic growth. In response, volatility picked up as investors shifted toward a more conservative stance and generally sold stocks and other riskier assets.

Consistent with a move toward "risk-off", fixed income investments (i.e. bonds) were the top performers during the quarter as investors fled back into bonds on the back of interest rates hitting historic lows. In fact, bonds were practically the only asset class with positive performance for the quarter, albeit barely positive. The Barcap Aggregate Bond Index, which is a measure of the broad bond market, was up only 2%.

With headline risk coming from Europe, due to the ongoing situation in Greece and concerns about Spain and Italy, international stocks were the hardest hit during the second quarter as investors headed for the exits. Despite some improvement in mid/late June, international stocks continued to lag U.S. stocks with a loss of roughly 7% during the quarter.

Despite weaker equity performance during the second quarter, year-to-date investment returns remain positive. However, 12-month rolling returns are mostly negative as a result of the 3rd quarter 2011. As you may recall, the 3rd quarter of last year was one of the worst equity markets since the Credit Crisis in 2008. Equities were down for the quarter 15% to 20% (or more). Therefore, 12-month rolling returns are not likely to look more attractive until 4th quarter 2012 at which point the 3rd quarter of 2011 will no longer be included in the data series.



Highlights

GDP

- The Bureau of Economic Analysis released the third estimate of first quarter 2012 GDP, an unrevised 1.9% versus fourth quarter 2011.
- Real GDP rose 2.0% from the first quarter of 2011 to the first quarter of 2012.
- The University of Michigan Consumer Sentiment Index in June was revised down from 74.1 to 73.2, which was a decrease from May. May was 79.3 up from 76.4 in April.
- ISM Manufacturing Index decreased to 49.7 in June from 53.5 in May. This was the first time the Index has been below 50.0 since July 2009. Typically, when the ISM Index is above 55 it is bullish and when it is below 45 it is bearish.
- In May, Conference Board Leading Economic Index increased 1.70% year-over-year to 95.8
- The price of WTI Crude Oil was $85.04 at the end of June, which is lower than $103.03 at the end of March. The price of Brent Crude Oil was $94.17 at the end of the month.
- Headline CPI decreased as May came in at 1.7% year-over-year, down from 2.3% in April. Core CPI, which does not include food and energy, came in at 2.3%. Inflation levels have increased in the past two years but remain at acceptable levels as they are under historical averages.

HOUSING

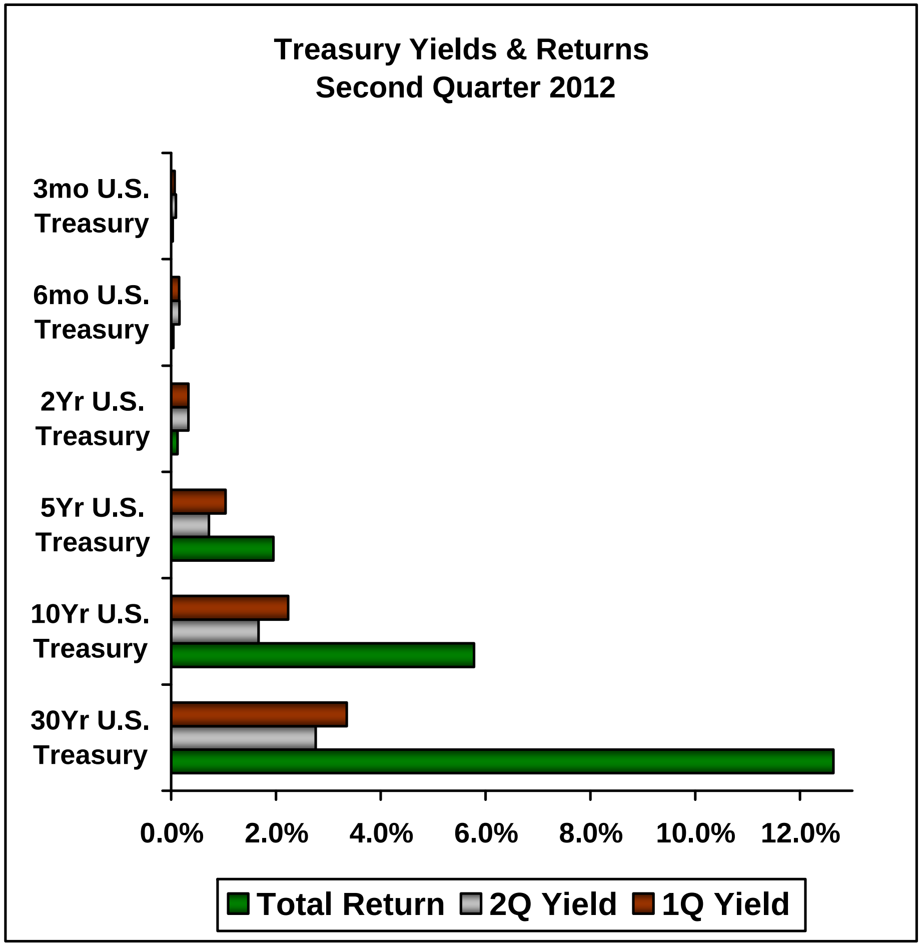
- Preliminary existing home sales slightly declined in May with an annualized rate of 4.55 million units from 4.62 million units in April. However, the May annualized rate is 9.6% above the 4.15 million units in May 2011 as existing home sales have been rising slowly since last summer.
- Median existing home sale prices rose during the quarter. May was the third consecutive month of year over year price gains as prices were 7.9% higher from the levels of one year ago.
- New home sales rose in May with a seasonally adjusted annual rate of 369k homes sold versus 343k in April and 347k in March. Home sales have been trending up since last summer. 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 fell 1.9% year-over-year in April. This is the nineteenth month in a row that prices have fallen. However, prices rose on a month-over-month basis.

EMPLOYMENT

- The labor market has decelerated as the April and May Nonfarm Payrolls increased by 68,000 and 77,000 respectively, which is much lower than the last seven months. In June, preliminary Nonfarm Payrolls increased by 80,000, which was lower than consensus expectation of 100,000 new jobs.
- The unemployment rate remained flat this quarter at 8.2%. The size of the civilian labor force and the number of employed grew at about the same rate.
- Initial Jobless Claims continue to decrease to a more normalized level.

FIXED INCOME

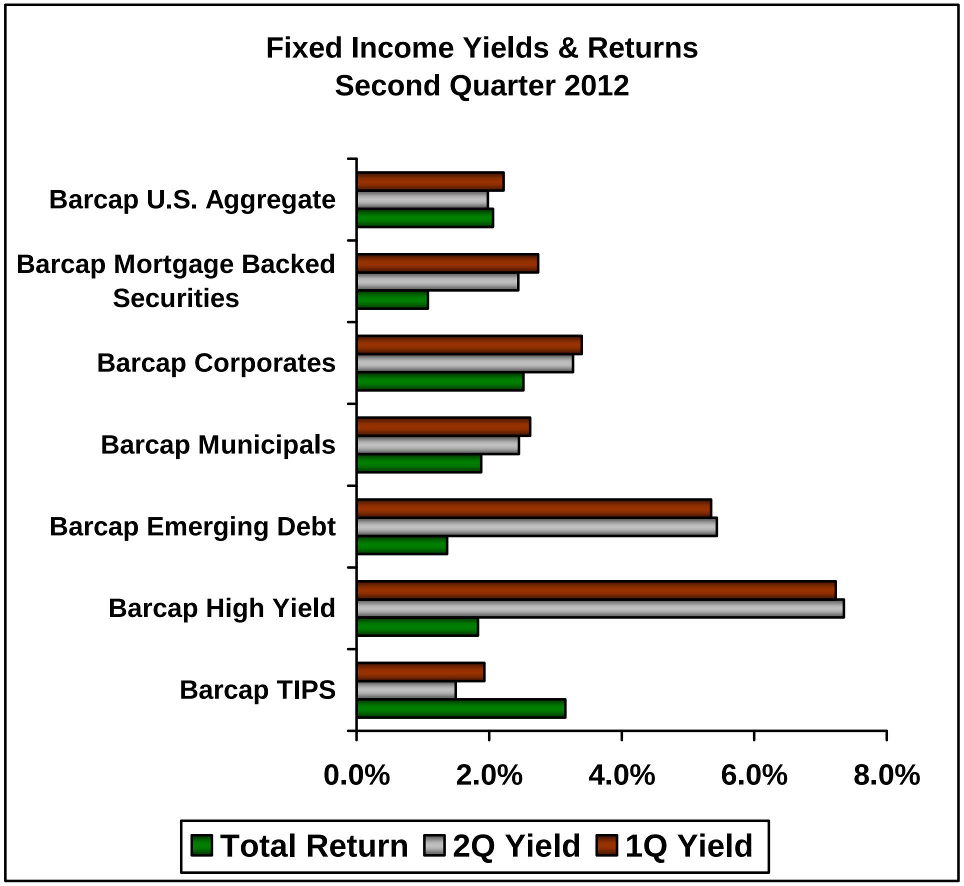
- The yields on Treasury securities decreased on a quarter-over-quarter basis. Long-term yields declined more than yields on shorter-term maturities, causing a flattening of the yield curve.
- The credit segment of the market witnessed a decrease in rates, with the exception of Emerging Debt and High Yield. Yields for TIPS and Mortgage Backed Securities had the largest decrease in yields.



- The TED Spread, which is the difference between the three-month LIBOR and three-month T-bill rates, has decreased slightly from 0.39% in March to 0.37% currently. A low TED Spread indicates the perceived risk of bank defaults is low.

FED POLICY

- In June, the Federal Open Market Committee (FOMC) announced they will leave the federal funds rate at 0% to 0.25% percent. In addition, they maintained the fed funds rate will likely remain at exceptionally low levels through late 2014.



EQUITIES

- For the quarter, stock prices ended lower. Performance was slightly better for large capitalization stocks versus small capitalization stocks. Growth stocks performed worse on a relative basis than value stocks.
- The Russell 1000 Index of large capitalization stocks posted a negative total return of 3.12% during the quarter. However, on a year-over-year basis, the Russell 1000 Index has advanced 4.37%.
- Small capitalization stocks, as represented by the Russell 2000 Index, posted a loss of 3.47%. On a year-over-year basis the index has declined 2.08%.
- International stocks generally did not perform as well relative to U.S. domestic equities. The MSCI EAFE index of international markets stocks declined 7.13% during the quarter. On a year-over-year, the EAFE is down 13.83%.
- During the quarter, emerging market stocks performed worse than developed markets. The MSCI Emerging Markets Index decreased 8.89% in the quarter, and it is down 15.95% on a year-over-year basis.
- CBOE Volatility Index (VIX) rose throughout the quarter from 15.5 at the end of March to 17.08 at the end of June. Low levels on the VIX are generally positive for the equity markets.