



SilverOak

WEALTH MANAGEMENT LLC

Quarterly Webinar
January 19, 2024



SilverOak
WEALTH MANAGEMENT LLC

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

- Economy and SilverOak Dashboard
- Market performance
- SilverOak's outlook
- SilverOak updates
- “New Year” planning tips
- Questions





Economy and SilverOak Dashboard



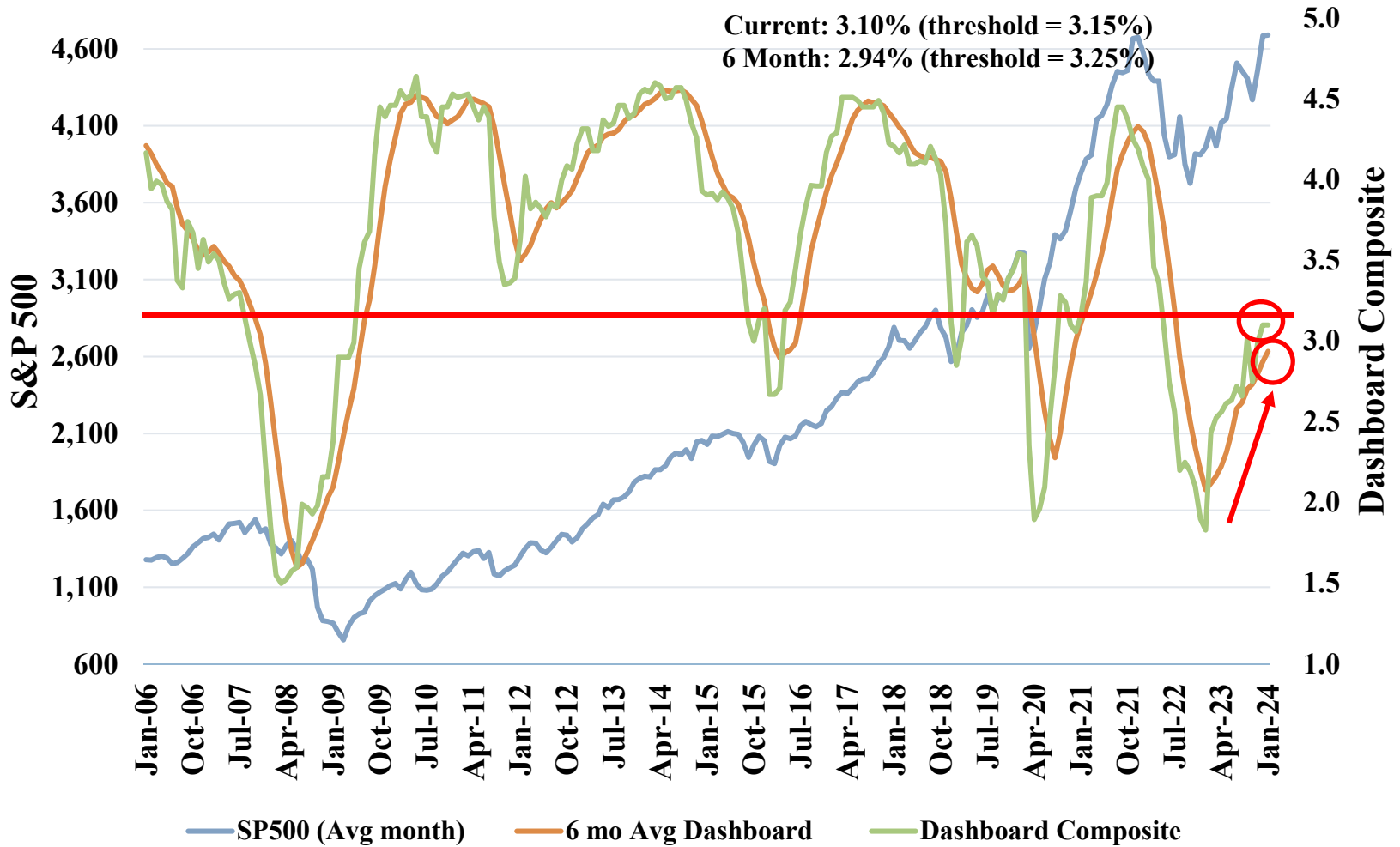
Market Dashboard

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	1Q 2024	2Q 2024
Economy	Red	Grey	Green	Green	Green	Green	Green	Green	Red	Red	Red	Red	Red	Red	Grey	Grey
Credit Markets	Grey	Grey	Green	Green	Green	Green	Green	Green	Green	Grey	Grey	Grey	Grey	Grey	Grey	Grey
Valuations	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Grey	Red	Red	Red	Red	Red
Market Sentiment	Green	Green	Green	Green	Green	Green	Grey	Red	Red	Red	Red	Green	Green	Green	Green	Green
Composite 6mo. Avg.	Red	Red	Grey	Grey	Green	Green	Green	Grey	Red	Red	Red	Red	Red	Red	Red	Grey

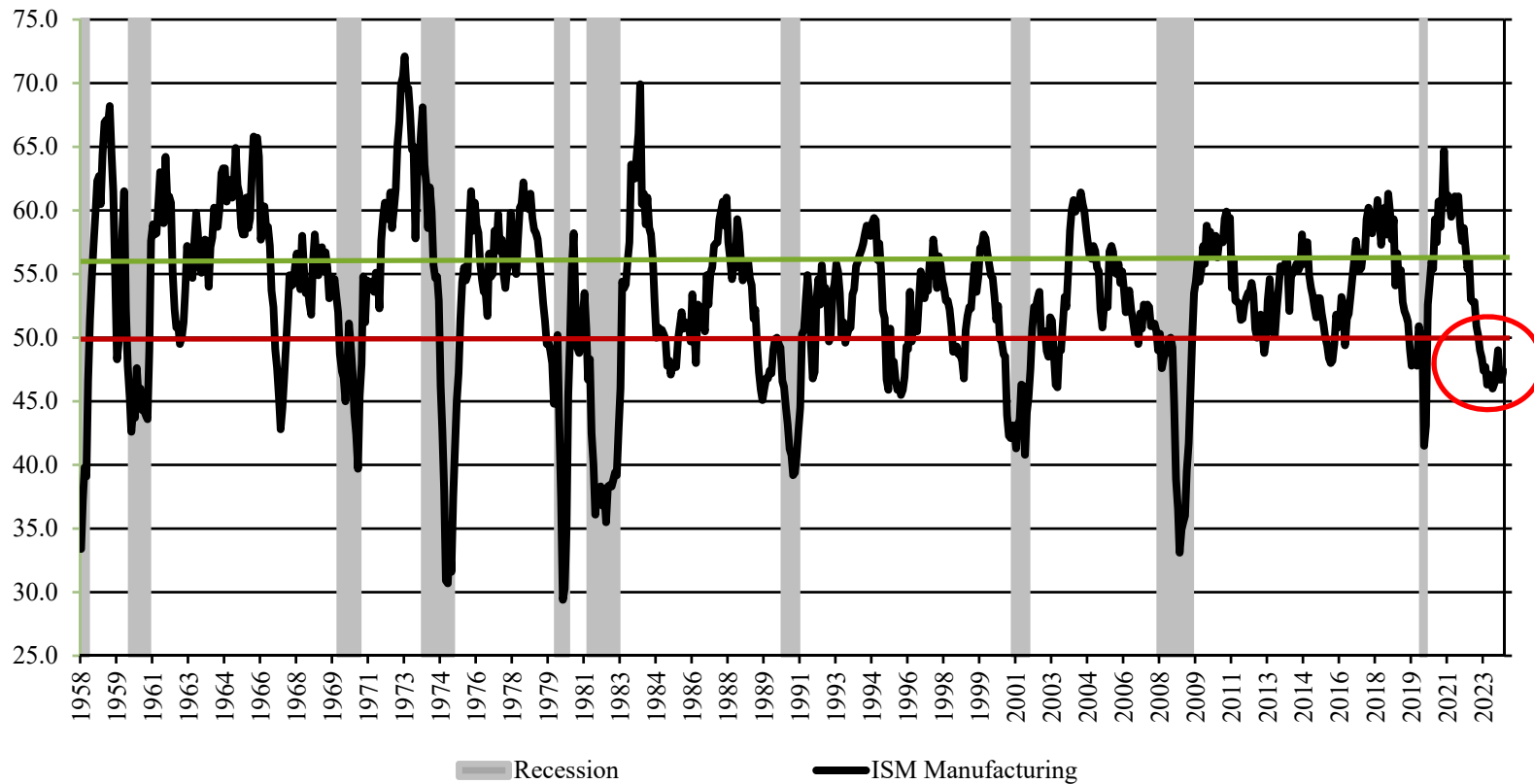


SilverOak Dashboard



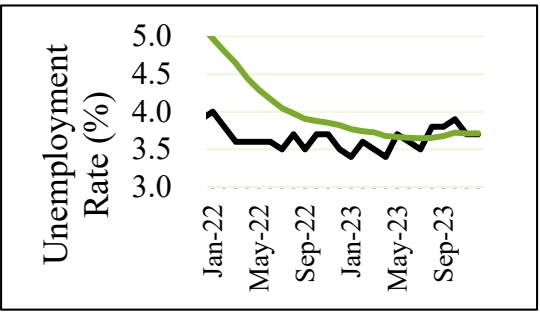
Economy (ISM Manufacturing Index)

ISM Manufacturing Index

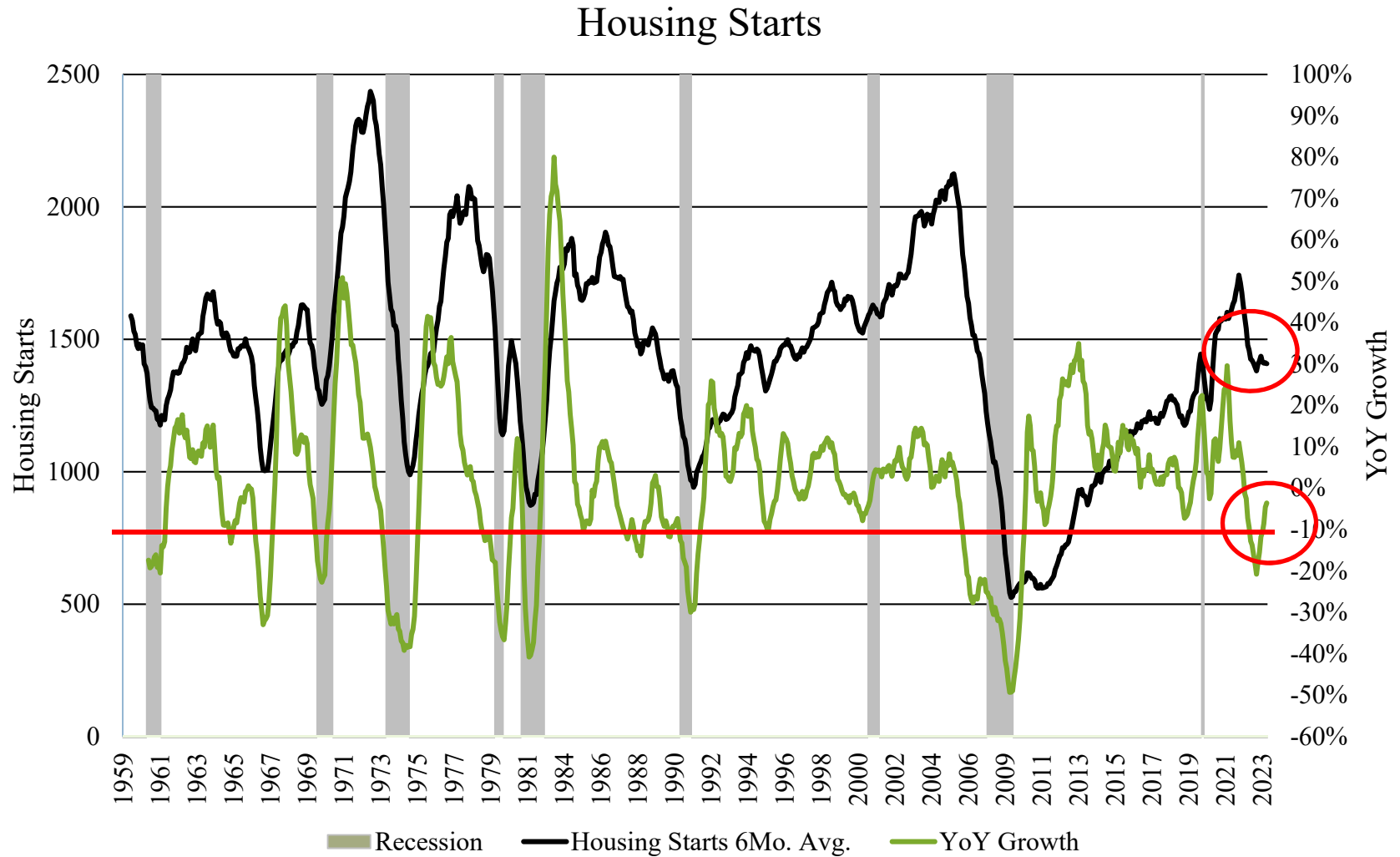


Economy (Unemployment Rate)

Unemployment Rate

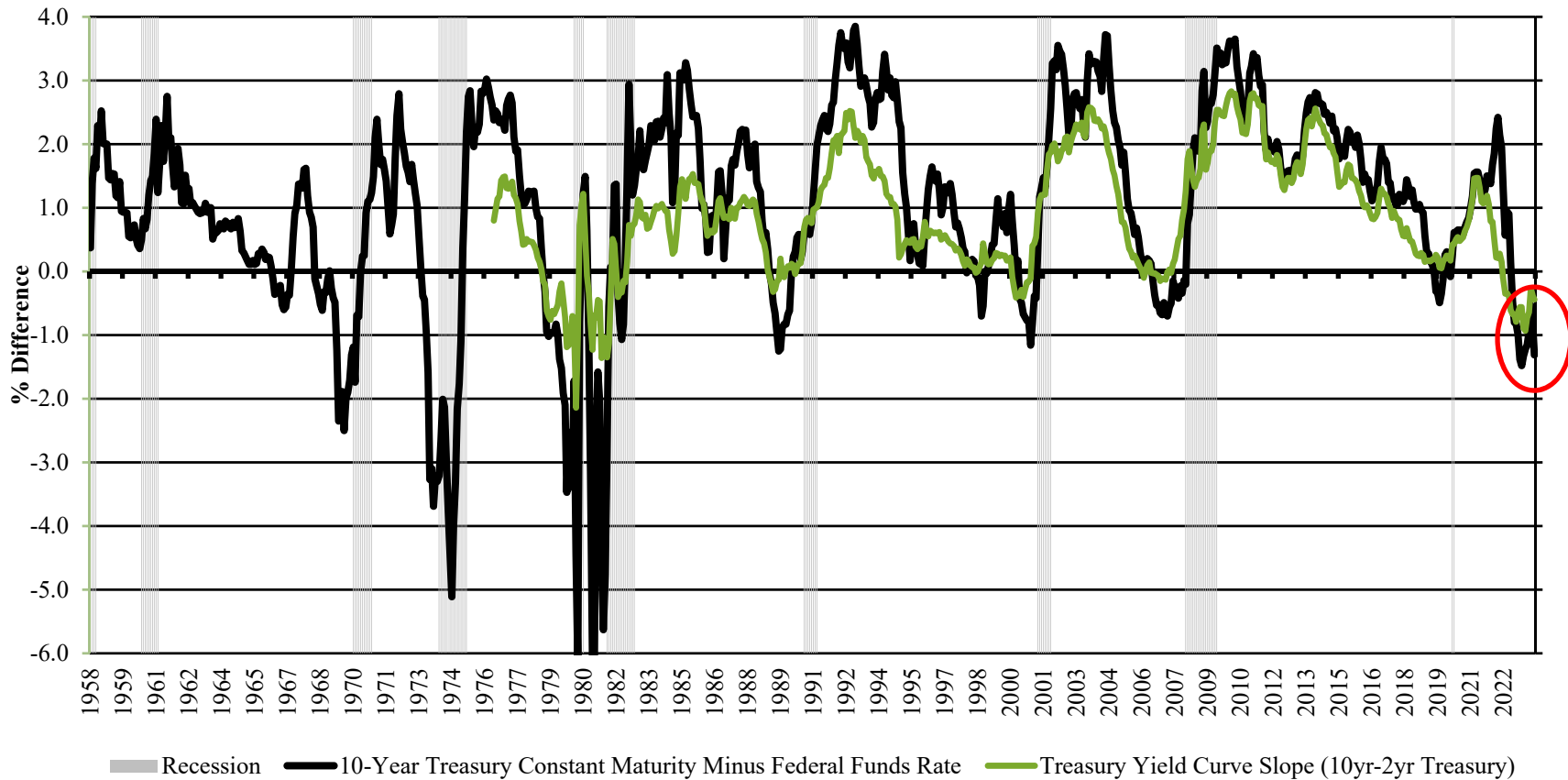


Economy (Housing Starts)



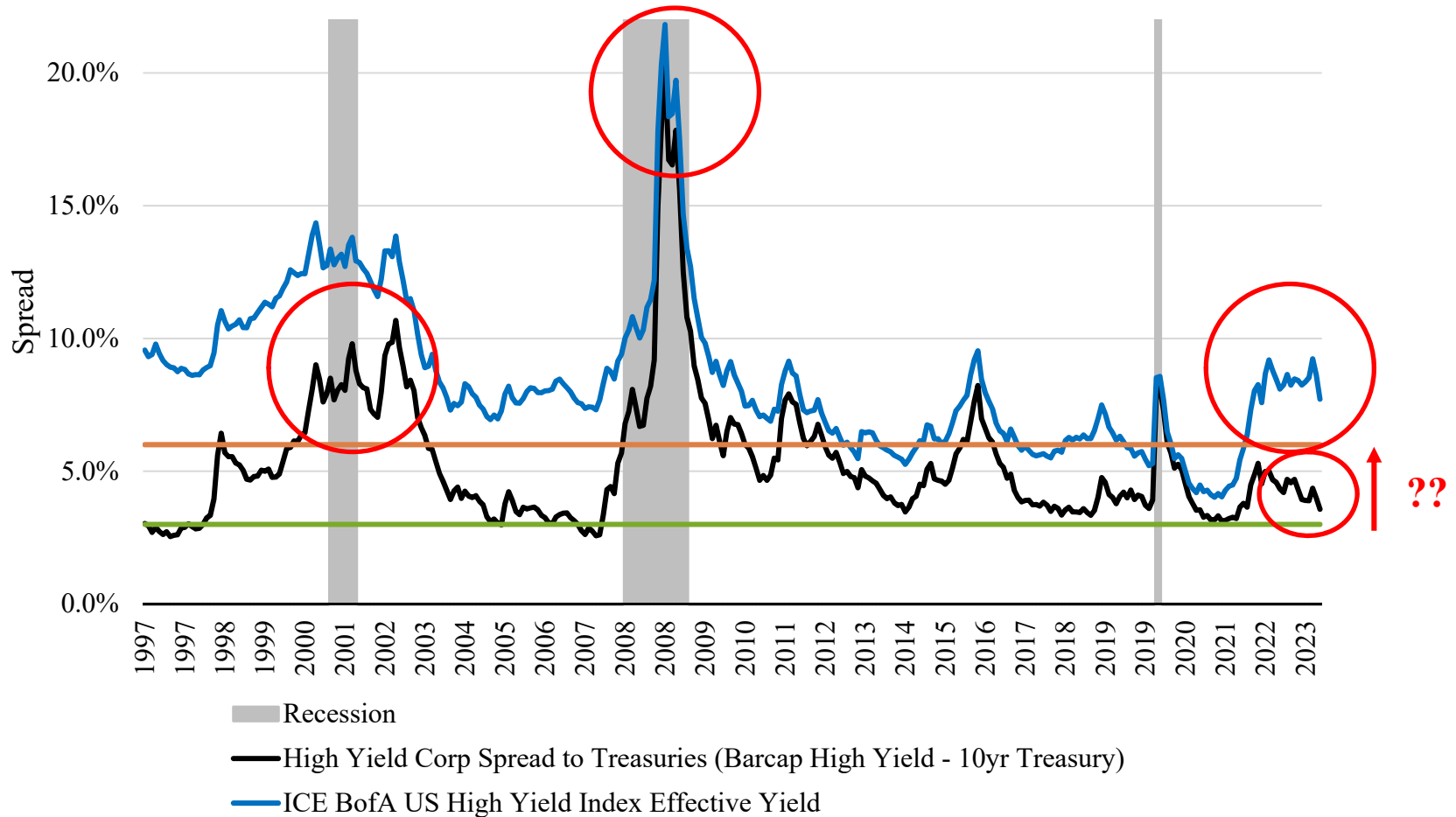
Credit Markets (Yield Curve)

Treasury Yield Curve Spread

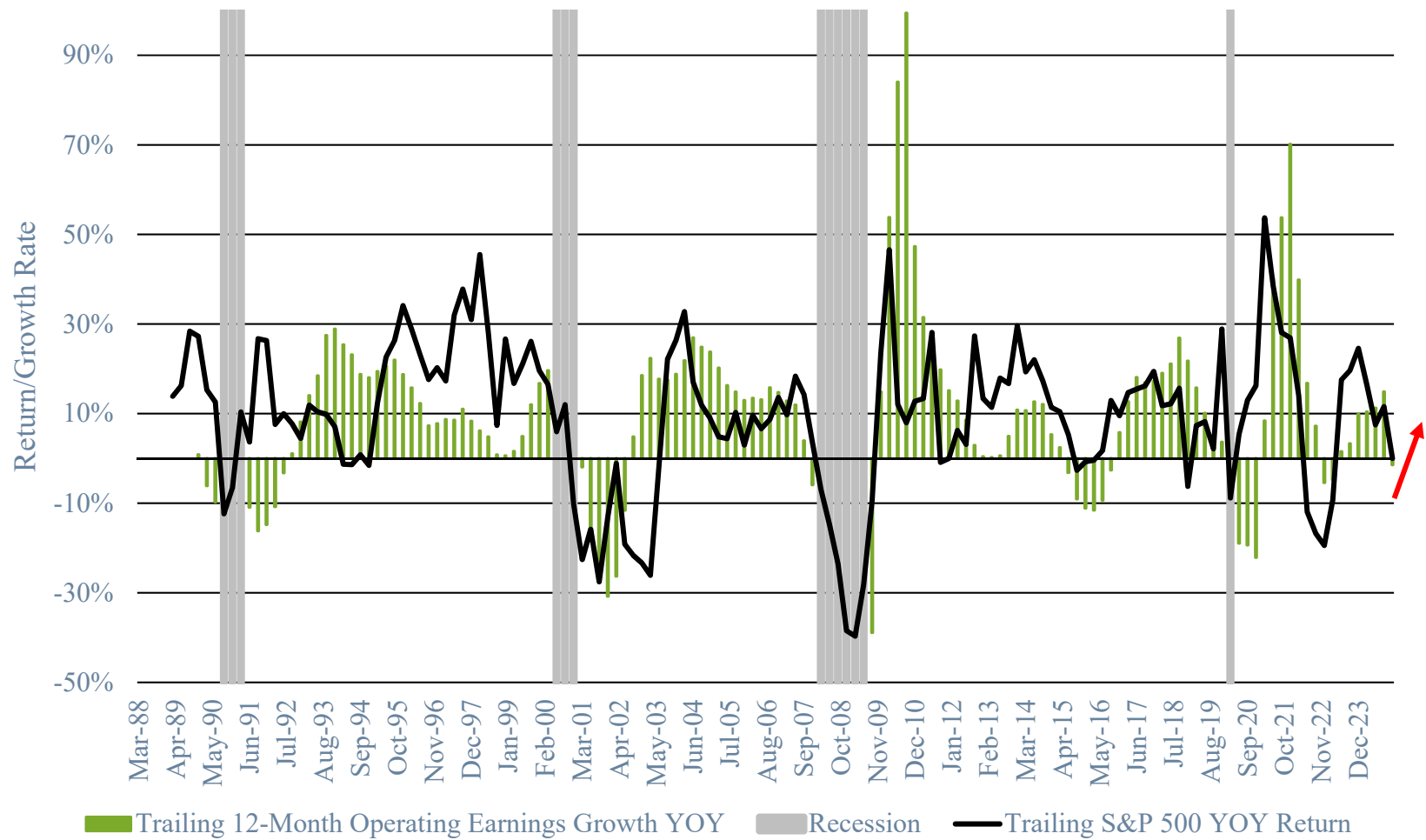


Credit Markets (High Yield Spread)

Credit Spreads – High Yield



Valuations (Corporate Earnings)



Source: S&P, as of 1/16/24

Sentiment (Market Trend)

S&P 500



Source: S&P, as of 1/12/24



Market Performance

Market Summary

■ Equity market performance

	<u>Q4 2023</u>	<u>2023</u>
– US large cap		
• S&P 500	+11.7%	+26.3%
– US mid cap		
• Russell Midcap	+12.8%	+17.2%
– US small cap		
• Russell 2000	+14.0%	+16.9%
– International equities		
• MSCI ACWI ex US	+9.8%	+15.6%
– Emerging markets		
• MSCI Emerging Markets	+7.9%	+9.8%

Source: Morningstar

Market Summary

■ Bonds and other asset class performance

	<u>Q4 2023</u>	<u>2023</u>
– US fixed income		
• Bloomberg U.S. Aggregate	+6.8%	+5.5%
– Global fixed income		
• Bloomberg Barclay's Global ex US	+9.2%	+5.7%
– Commodities		
• Bloomberg Commodity TR	-4.6%	-7.9%
– REITS		
• MSCI US REIT NR	+16.0%	+13.7%

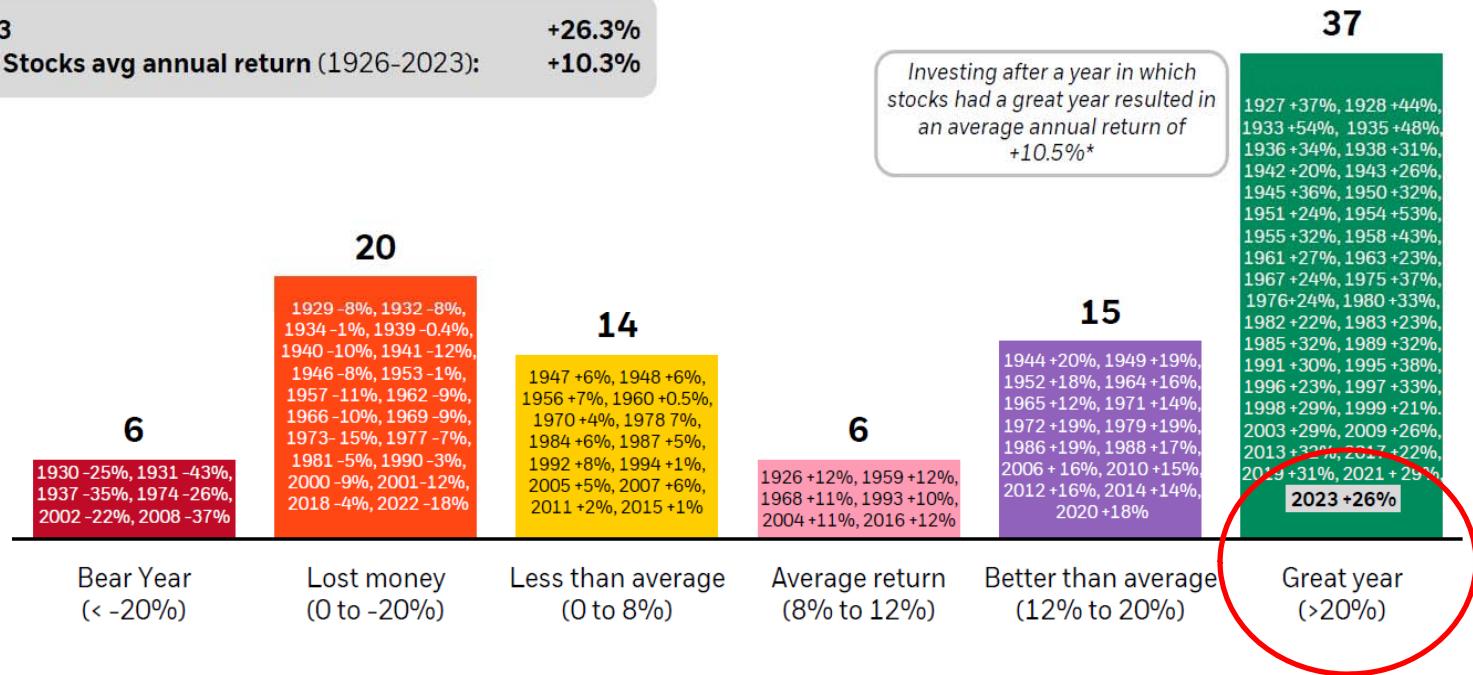
Source: Morningstar

Strong Stock Returns in 2023

Range of returns for stocks by calendar year

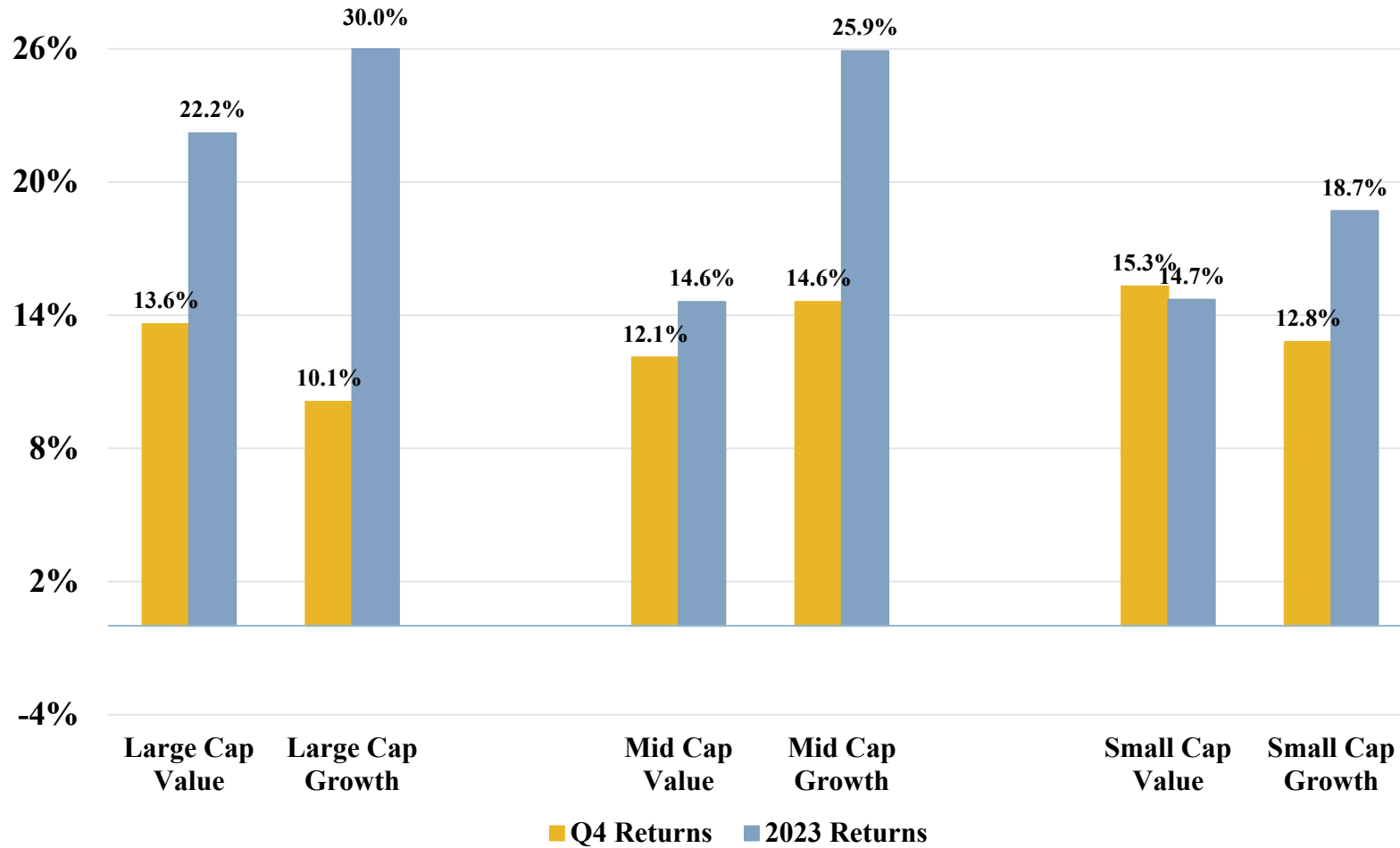
Average annual return, 1/1/26 – 12/31/23

2023 **+26.3%**
U.S. Stocks avg annual return (1926-2023): **+10.3%**



Source: Morningstar as of 12/31/23. U.S. stocks are represented by the S&P 500 Index from 3/4/57 to 12/31/23 and the IA SBB1 U.S. Lrg Stock Tr USD Index from 1/1/26 to 3/4/57, unmanaged indexes that are generally considered representative of the U.S. stock market during each given time period. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Growth Led Value in 2023

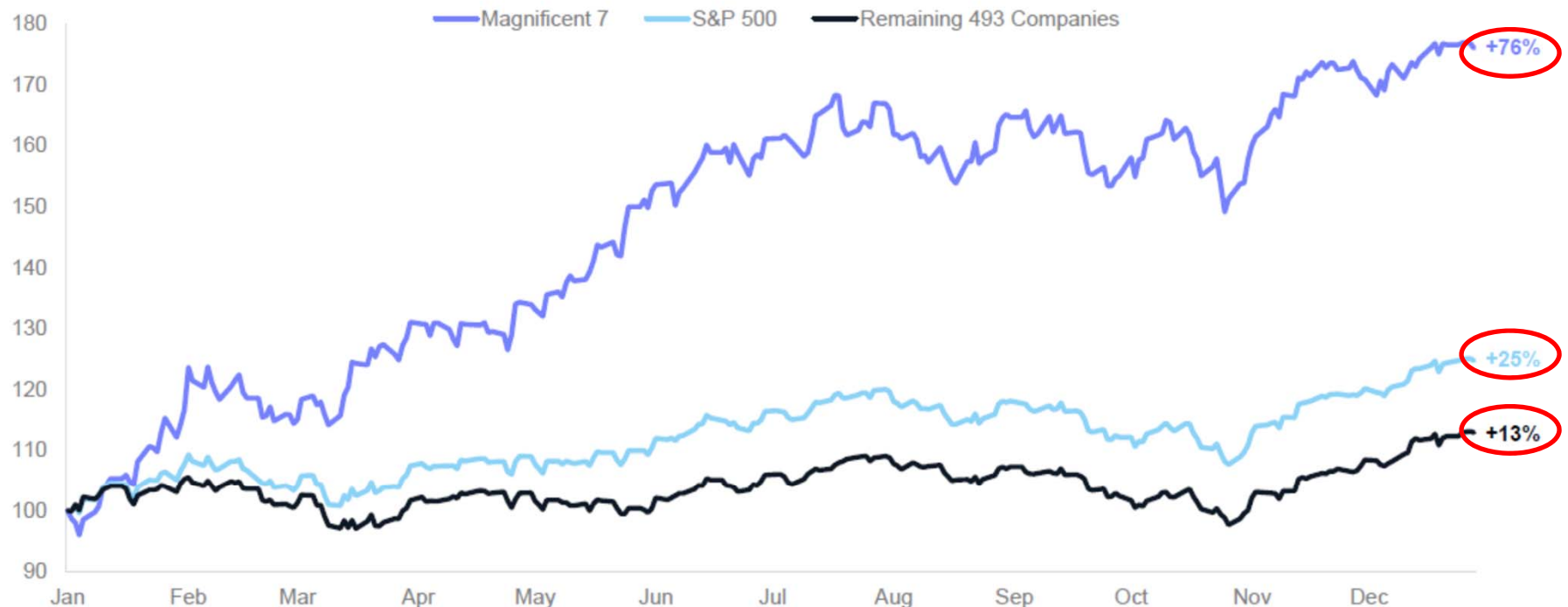


Past performance is no guarantee of future success. As of 12/31/2023

Returns in US dollars.

Concentrated Large Cap Returns in 2023

2023 Total Return (Indexed to 100)

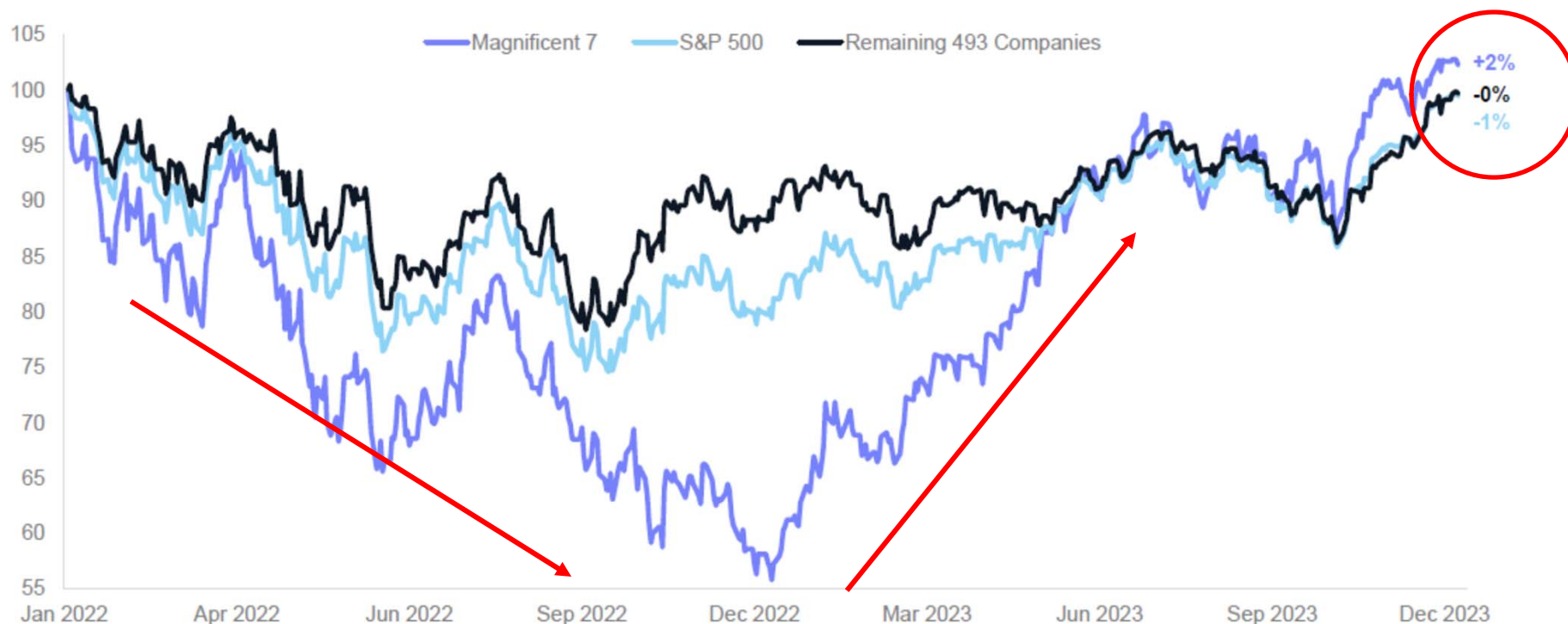


Source: Bloomberg and Goldman Sachs Asset Management. As of December 31, 2023. "Magnificent 7" refers to seven mega cap companies (META, AMZN, GOOGL, MSFT, AAPL, TSLA, and NVDA). "Remaining 493 Companies" refers to the companies in the S&P 500 excluding the Magnificent 7 names. Returns for the "Magnificent 7" and the "Remaining 493" are calculated as market cap weighted baskets. For illustrative purposes only. Any reference to a specific company or security does not constitute a recommendation to buy, sell, hold or directly invest in the company or its securities. It should not be assumed that investment decisions made in the future will be profitable or will equal the performance of the securities discussed in this document. Past performance does not predict future returns and does not guarantee future results, which may vary.



More Tightly Clustered 2-Year Returns

Total Return (Indexed to 100)



Source: Bloomberg and Goldman Sachs Asset Management. As of December 31, 2023. "Magnificent 7" refers to seven mega cap companies (META, AMZN, GOOGL, MSFT, AAPL, TSLA, and NVDA). "Remaining 493 Companies" refers to the companies in the S&P 500 excluding the Magnificent 7 names. Returns for the "Magnificent 7" and the "Remaining 493" are calculated as market cap weighted baskets. For illustrative purposes only. Any reference to a specific company or security does not constitute a recommendation to buy, sell, hold or directly invest in the company or its securities. It should not be assumed that investment decisions made in the future will be profitable or will equal the performance of the securities discussed in this document. Past performance does not predict future returns and does not guarantee future results, which may vary.

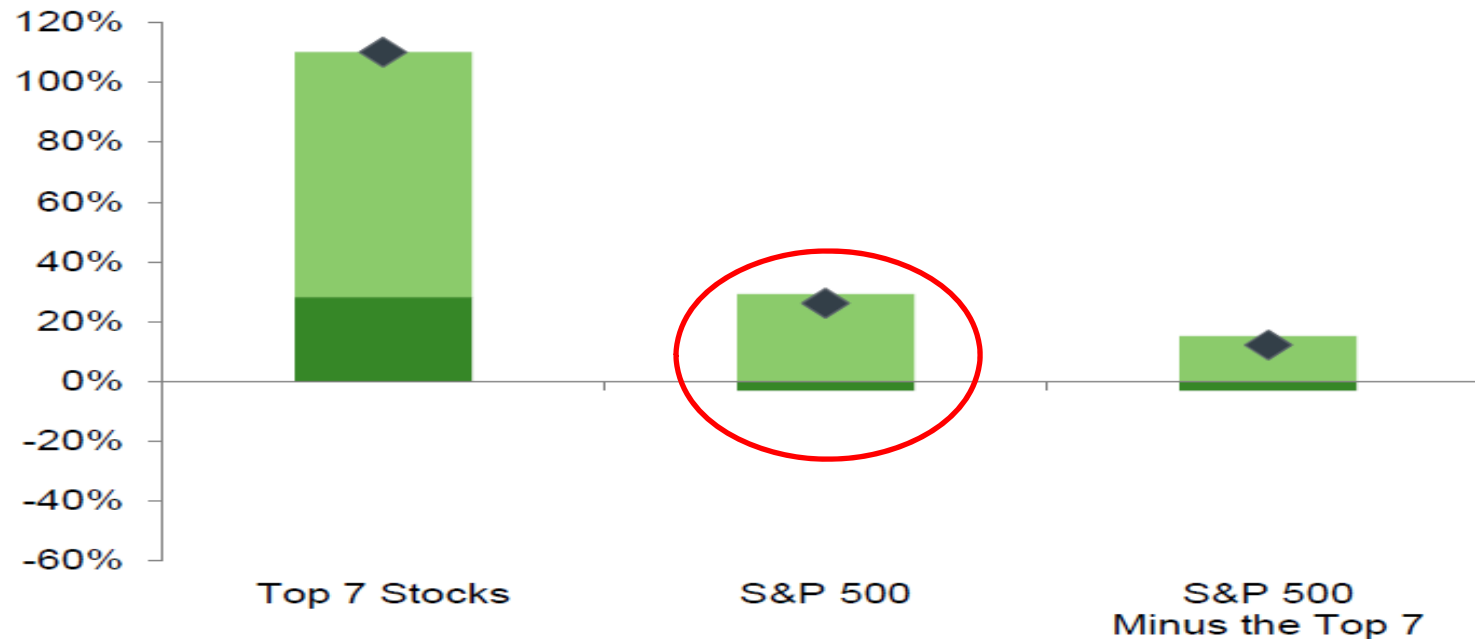


Valuation Expansion Drove Equity Returns

Composition of U.S. Equity Returns (2023)

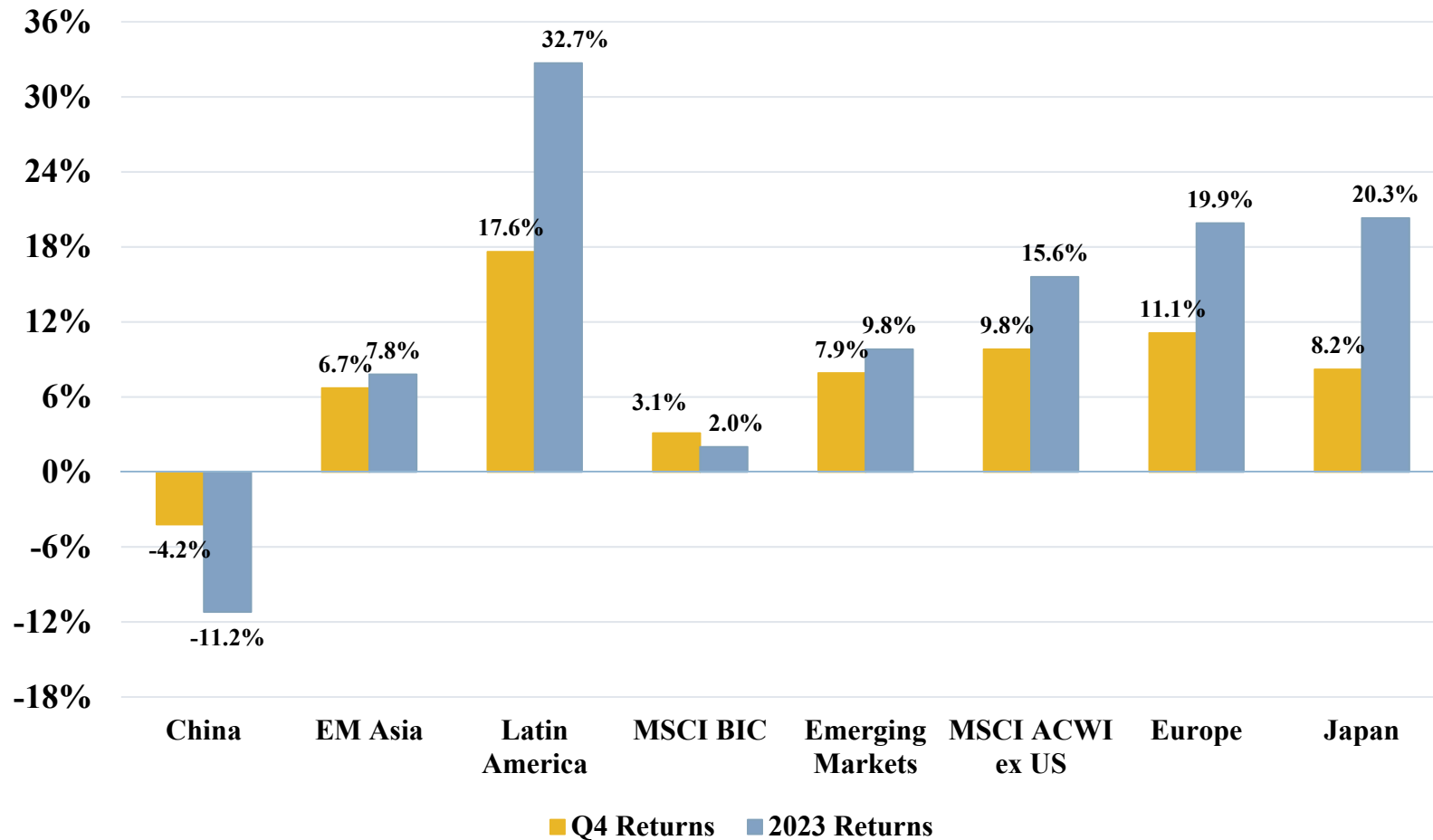
■ Earnings ■ P/E Multiple ◆ Total Return

Cumulative Total Return



Largest seven U.S. stocks by market capitalization: Nvidia, Alphabet, Meta, Microsoft, Apple, Amazon, and Tesla. Earnings: Trailing 12-month diluted earnings per share growth. P/E Multiple: Price-to-Earnings ratio for trailing 12-month diluted earnings. P/E Multiple and earnings use street estimates for Q4-2023. Calculation of P/E multiple returns excludes impact of dividends. Source: Bloomberg Financial LP, Fidelity Investments, as of 12/31/23.

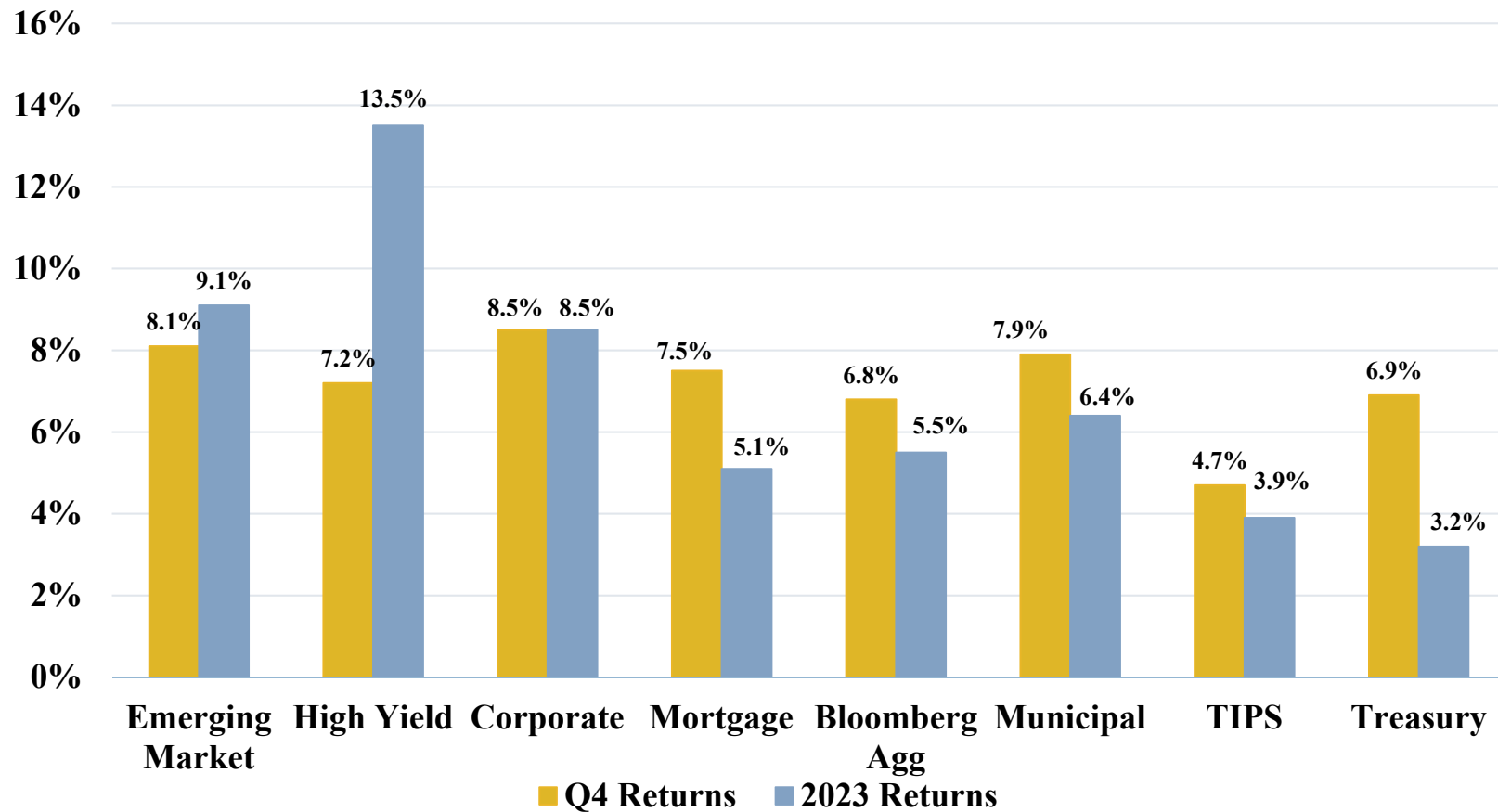
International Performance



Past performance is no guarantee of future success. As of 12/31/2023

Returns in US dollars.

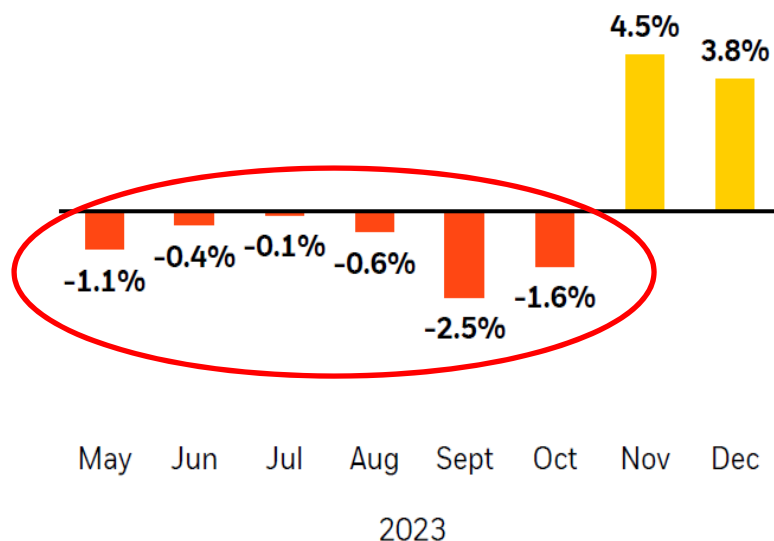
Bond Returns Rebounded in Q4



2023 Also A Historic Year for Bonds

Bonds bounced back after losing money in 6 consecutive months (first time in history)

2023 monthly returns (%)



Top 10 best 2-month returns for bonds since 1926

Total return (%)

Top 10 best bond months	Return	1 Year Later
Apr-May 1980	16.6	-3.1
Oct-Nov-1981	14.9	25.2
Mar-Apr 1981	11.4	-2.1
Jul-Aug-1982	10.0	16.4
Aug-Sept 1982	9.7	15.6
Sept-Oct 1982	9.6	10.1
Nov-Dec 2023	8.5	?
Apr-May 1985	7.4	18.2
Feb-Mar 1986	7.2	8.7
Nov-Dec 2008	7.1	5.9

Morningstar as of 12/31/23. U.S. bonds represented by the IASBBI US Gov IT Index from 1/1/26 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 12/31/23. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.



SilverOak's Outlook

SilverOak's Economic Outlook

■ U.S. Economy

- “Sticky” service inflation could be problematic for Fed
 - Fed likely to begin cutting rates later in the year
 - Market rate-cut expectations might be too aggressive
- Risks to the “soft landing” consensus includes:
 - Lag in rate hikes hit and economic slowdown occurs as consumer spending falls and the labor market weakens
 - Potential upside inflation risks

■ International Economy

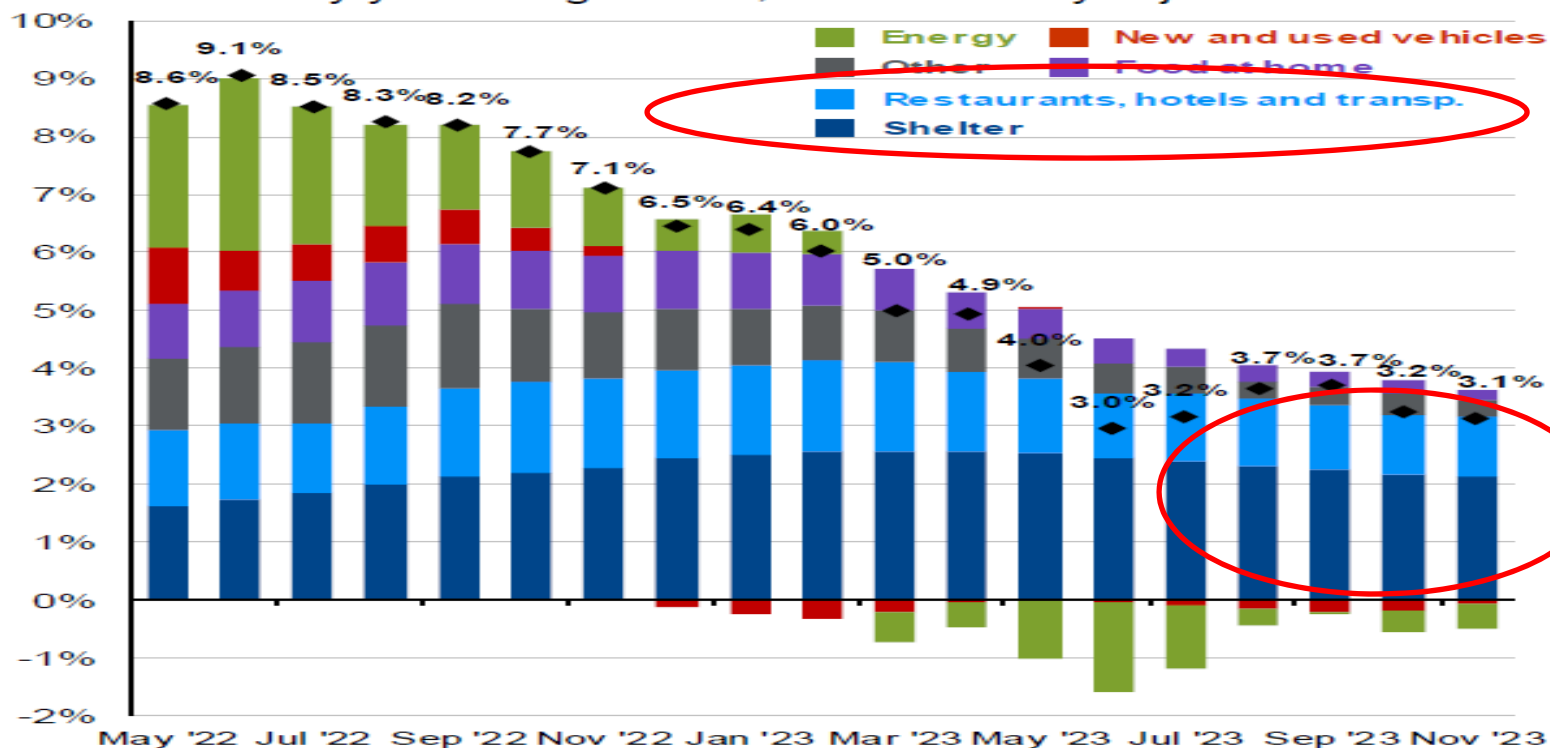
- Global expansion likely to continue but faces many hurdles
- Global monetary tightening cycle likely over
 - Pace and magnitude of cuts still uncertain
- Geopolitical wild cards adds to uncertainty



Components of Inflation

Contributors to headline CPI inflation

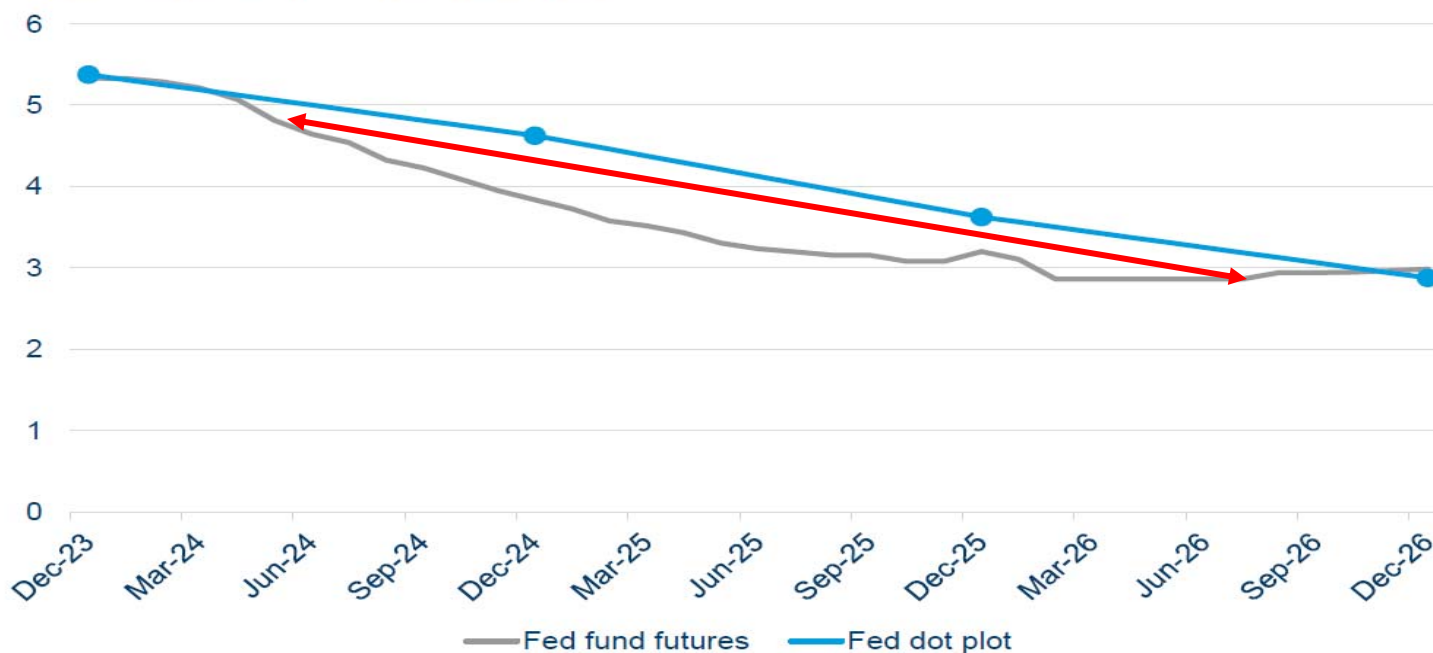
Contribution to y/y % change in CPI, non-seasonally adjusted



Source: BLS, FactSet, 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. *Core services ex-shelter CPI is a custom index using CPI components created by J.P. Morgan Asset Management. (Left) "Shelter" includes owners' equivalent rent and rent of primary residence; "Other" primarily reflects household furnishings, apparel, education and communication services, medical care services and other personal services. (Right) "Transportation services" primarily includes leased cars and trucks, motor vehicle insurance and motor vehicle maintenance and repair. Airline fares are broken out from transportation services.
 Guide to the Markets – U.S. Data are as of December 31, 2023.

Market Expectations for Rate Cuts vs. Fed

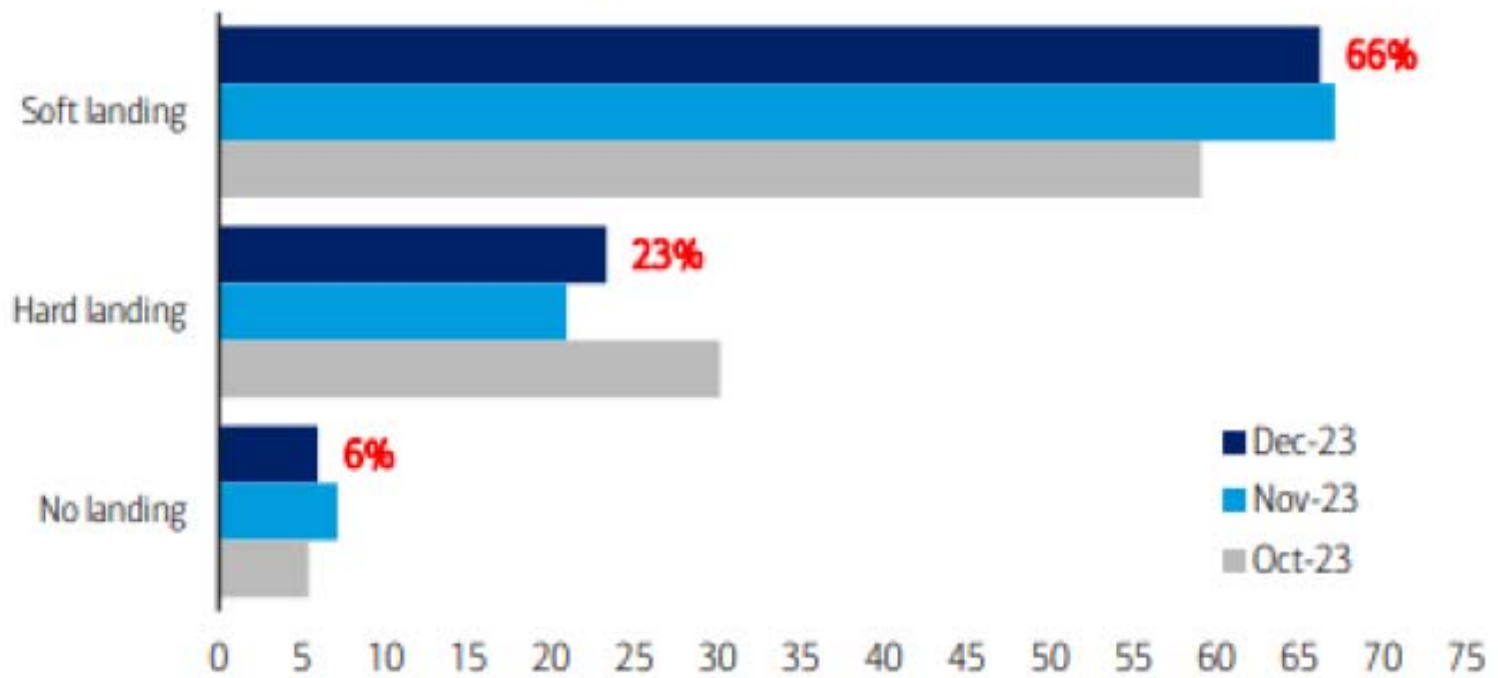
► The Fed dot plot projects a cumulative 2.5-point reduction in the fed funds rate by the end of 2026. Fed funds futures are pricing a sharper reduction than the dot plot. (Fed funds dot plot and futures, %)



Source: Columbia Threadneedle Investments. Data as of 12/31/23

Soft Landing Consensus Viewpoint for 2024

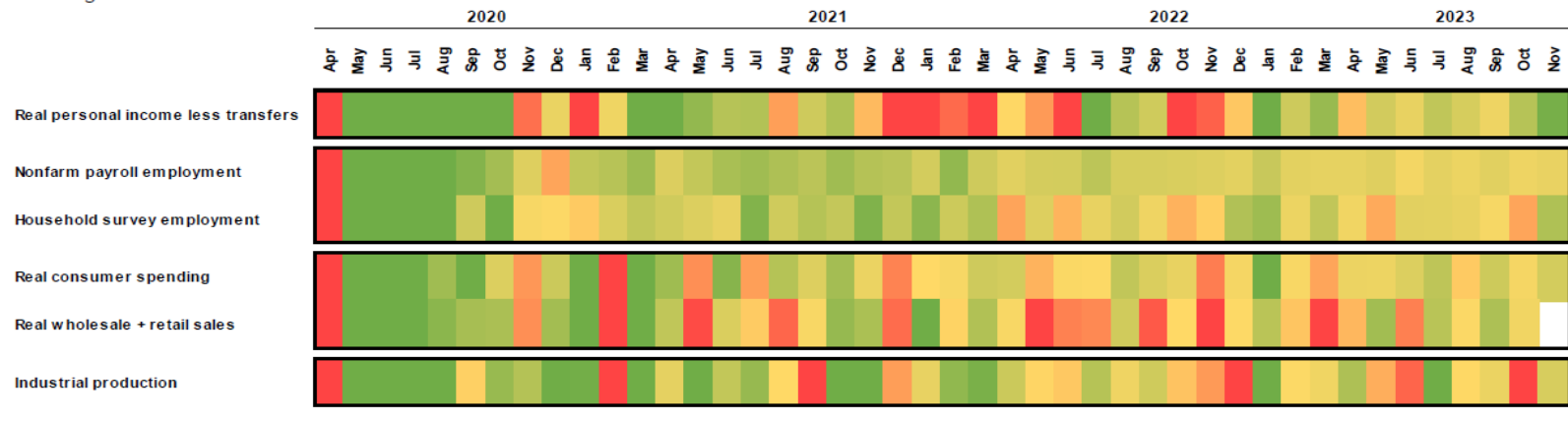
What is the most likely outcome for the global economy in the next 12 months?



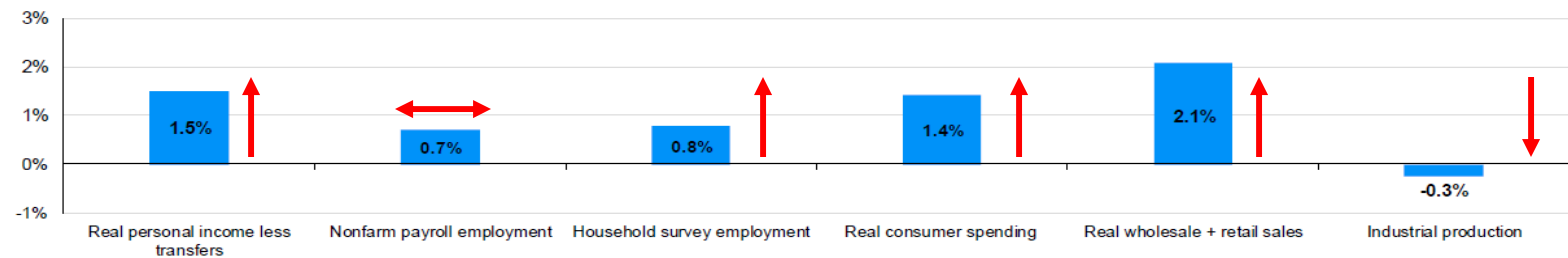
Source: BofA Global Fund Manager Survey

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 12/31/2023.

SilverOak's Market Outlook

■ Equities

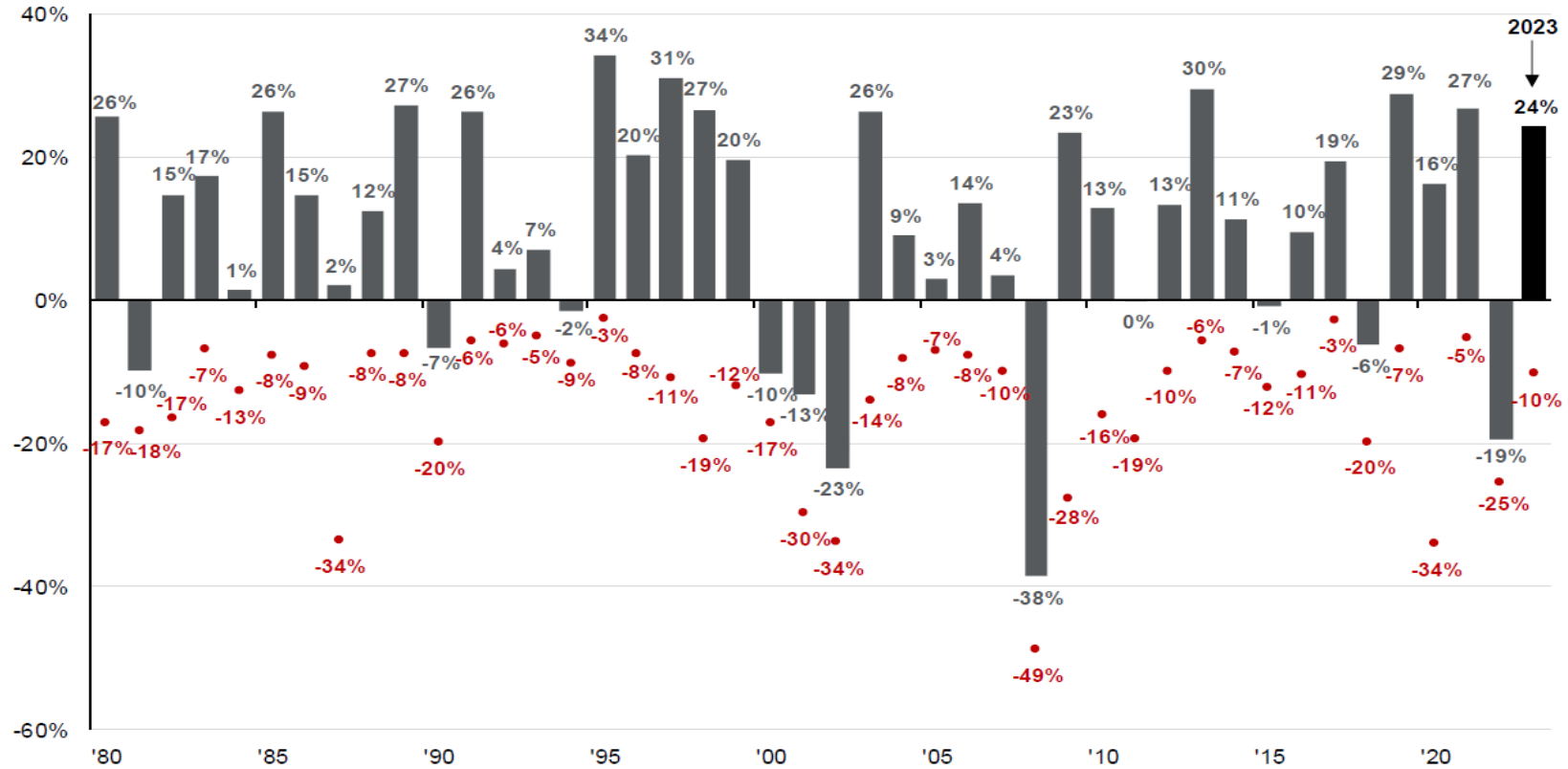
- Equities enter year amid easing financial conditions and strong momentum
- Volatility risk likely to continue in 2024
 - Recession risk remains despite current economic data
 - Election years have typically been more volatile
- The market continues to expect an earnings rebound in 2024
 - With valuation expansion, earnings growth likely needed to fuel further US equity gains
 - Upside surprises likely harder with elevated valuation
 - Historically expectations fall throughout the year
- Opportunities potentially outside of US Large Cap stocks
 - International equities
 - Small caps
- An intra-year pullback in 2024 is likely, and normal, especially during a Presidential election year



Intra-Year Declines are Common

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

Despite average intra-year drops of 14.2%, annual returns were positive in 33 of 44 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 2023, over which time period the average annual return was 9.0%.

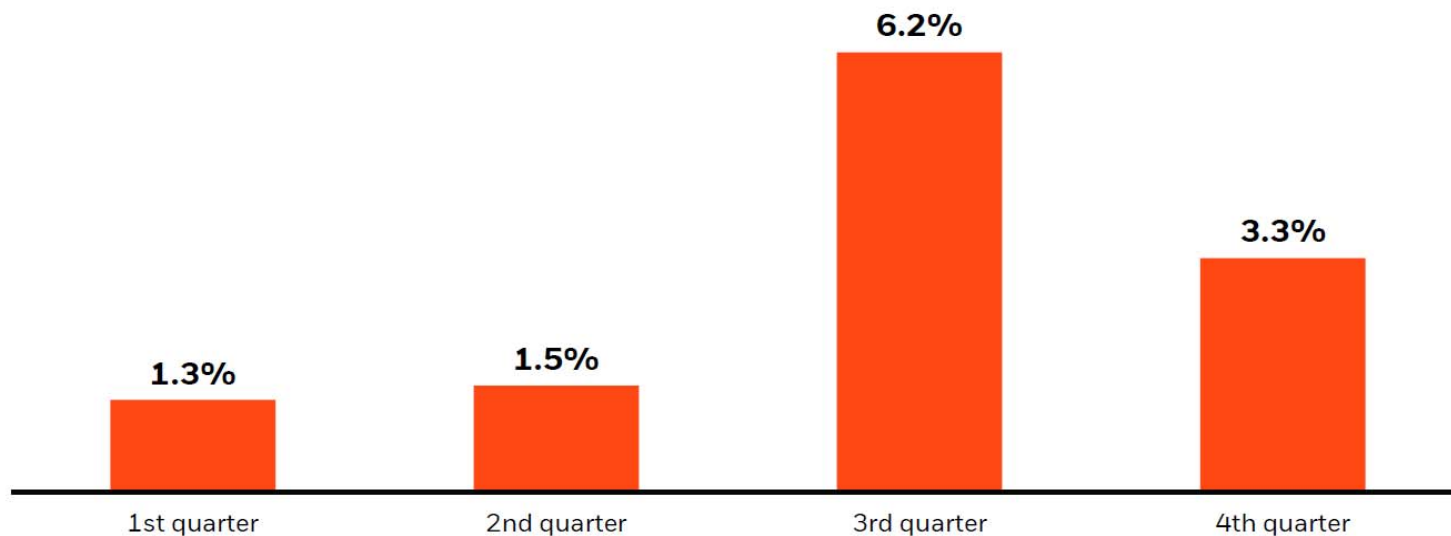
Guide to the Markets – U.S. Data are as of December 31, 2023.



Presidential Election Year in 2024

First half of presidential election years tends to be sluggish, followed by a big second half

Average return, 1/1/26 – 12/31/23

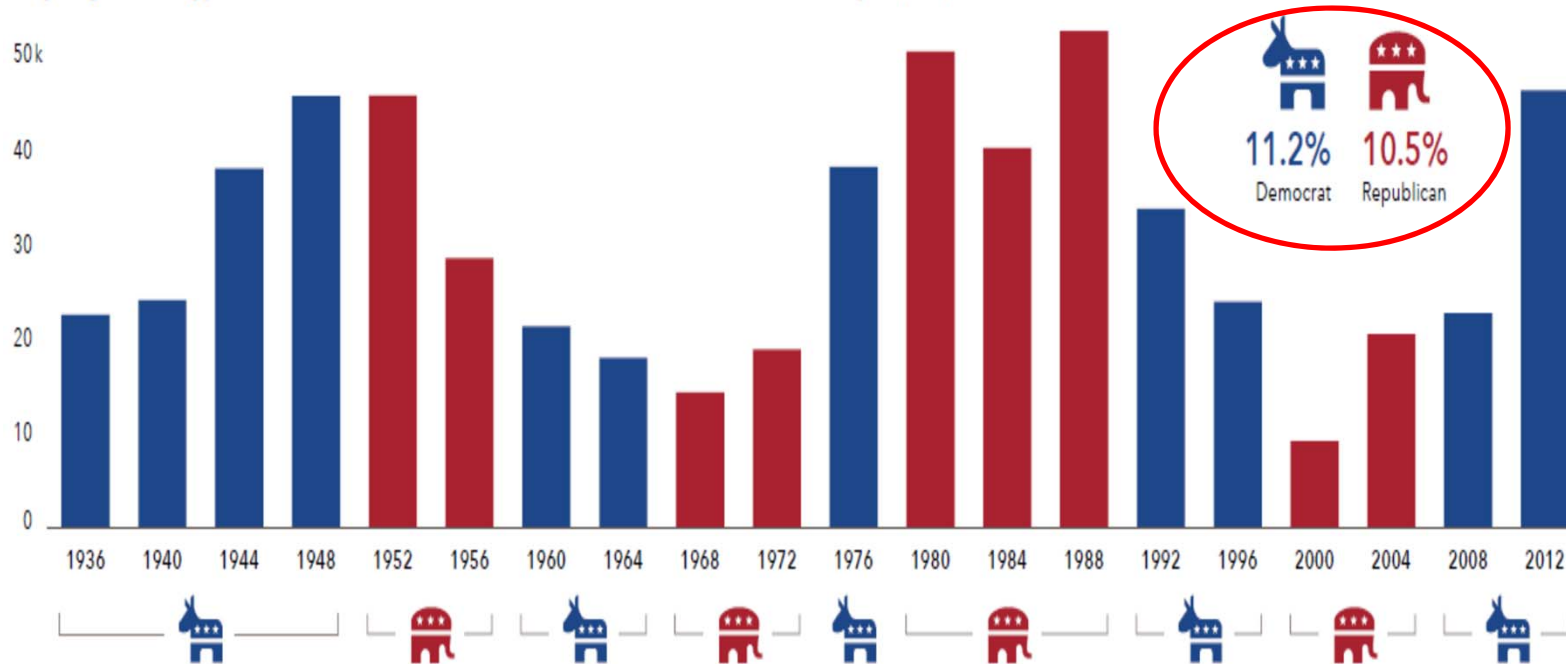


Morningstar as of 12/31/23. Stock market represented by the S&P 500 Index from 1/1/70 to 12/31/23 and IA SBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Returns Very Similar No Matter Who Wins

Long-term returns have been similar whether a Democrat or Republican won
 10-year growth of hypothetical 10k investment in the S&P 500 Index made at start of election year (USD)

AVERAGE 10-YEAR
 ANNUALISED RETURN



Past results are not a guarantee of future results.

Sources: Capital Group, Standard & Poor's. Each 10-year period begins on 1 January of the first year shown and ends on 31 December of the tenth year. For example, the first period listed (1936) covers 1 January 1936 to 31 December 1945. Returns in US dollar terms.

Don't Mix Politics With Your Investments

\$1,000 Invested in S&P 500 Since Eisenhower Inaugurated in 1953



Source: Bespoke Premium. Past performance is no guarantee of future success

SilverOak's Market Outlook

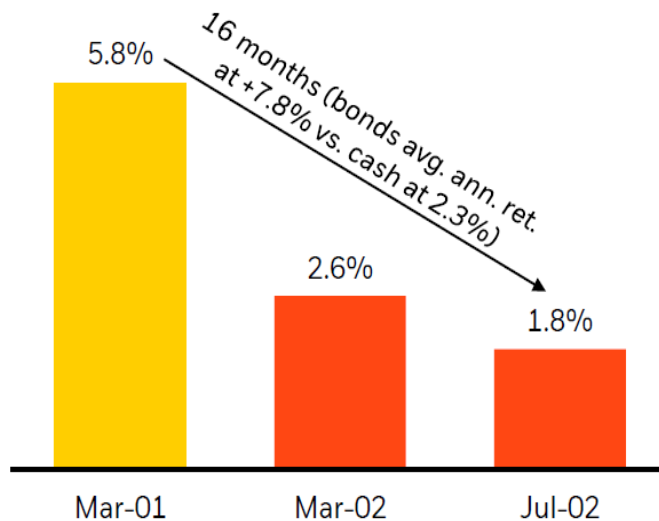
■ Bonds

- Yields continue to be at historically attractive levels
- Bond rally will likely continue if interest rates stay steady or fall further in 2024
- Consider allocating to longer-duration bonds
 - Short-term yields in the process of peaking
 - By not locking in, you will be subject to re-investment risk
- Bonds continue to have a favorable risk/reward profile
- Bonds will likely provide a diversification benefit if slowing economic growth impacts stock returns
- With growth slowing, stay away from riskier bonds

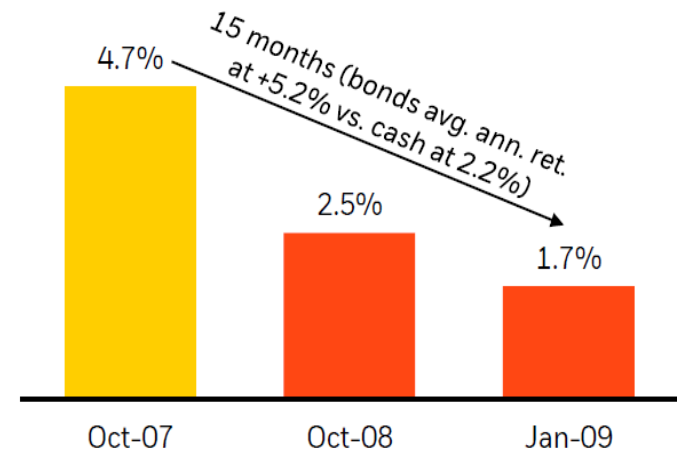


How Fast Do Cash Yields Fall?

Money market fund returns fell from a high of 5% in March 2001 to <2% in July 2002



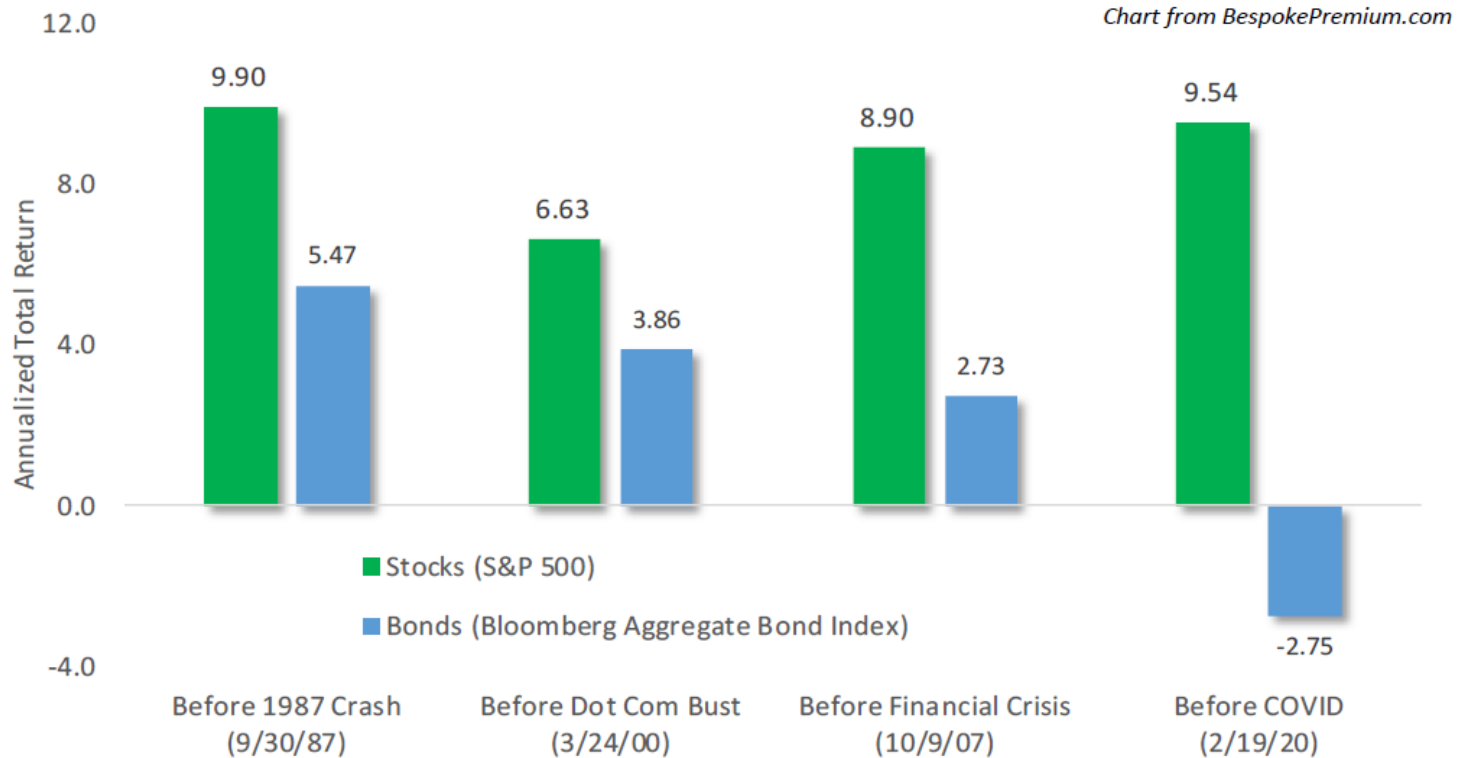
Money market fund returns fell from a high of 4% in October 2007 to <2% in January 2009



Morningstar as of 12/31/23. U.S. bonds represented by the IA SBBI US Gov IT Index from 1/1/26 to 1/3/89 and the Bloomberg U.S. Agg Bond TR Index from 1/3/89 to 12/31/23. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Time Heals, Even if Your Timing is Off

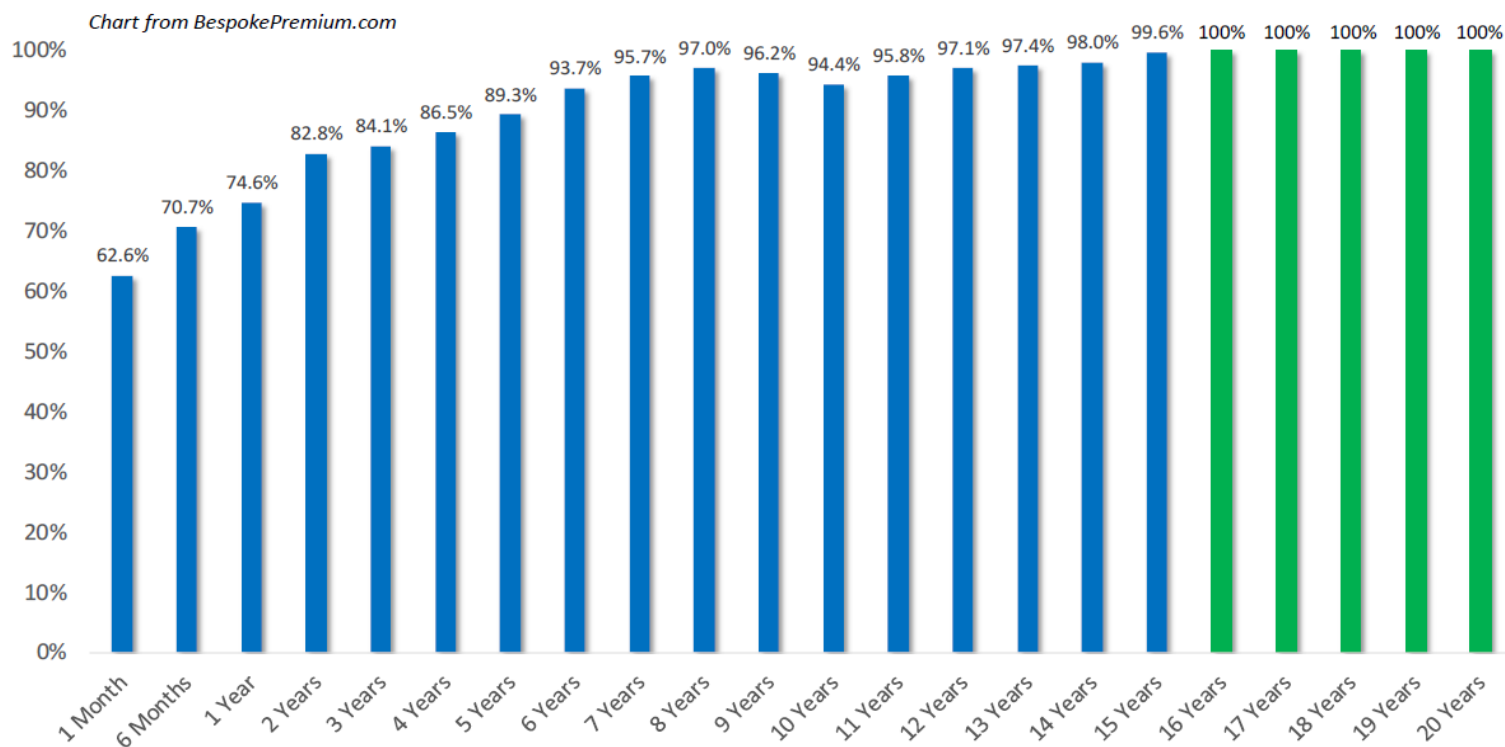
Performance of Stocks vs Bonds Since Previous Market Peaks



Source: Bespoke Premium. Past performance is no guarantee of future success

Your Odds Go Up the Longer You Invest










S&P 500 Total Return: % of Time Returns Have Been Positive Over Various Timeframes (Since 1928)



Source: Bespoke Premium. Past performance is no guarantee of future success

Diversified Portfolios

24% U.S. large stocks, 24% U.S. mid cap stocks, 5% international stocks, 2% U.S. small cap stocks, 5% emerging market stocks, 20% U.S. bonds, 20% high yield bonds

Years	S&P 500	Diversified Portfolio	
2000–2002*	-40.1%	-15.7%	 "I lost money"
2003–2007	82.9%	91.5%	 "Diversification worked"
2008	-37.0%	-28.5%	 "I lost money"
2009–2019	351.0%	237.2%	 "I didn't make as much"
Q1 2020†	-30.4%	-24.2%	 "I lost money"
Q2 2020–2021‡	119.0%	69.8%	 "I didn't make as much"
2022	-18.1%	-15.3%	 "I lost money"
2023	26.3%	15.9%	 "I didn't make as much"
Total Return	390.8%	391.4%	
Gr \$100K	\$490,770	\$491,430	 "Diversification can work even when it feels like its losing"

Source: Morningstar as of 12/31/23. *Performance is from 9/1/00 to 12/31/23. †Performance is from 1/1/20 to 3/23/20. ‡Performance is from 3/24/20 to 12/31/23. Diversified Portfolio is represented by 24% S&P 500 Index, 24% Russell Mid Cap Index, 5% MSCI EAFE Index, 2% Russell 2000 Index, 5% FTSE Emerging Stock Index, 20% Bloomberg US Aggregate Bond Index, 20% Bloomberg US Corporate High Yield Index. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.



SilverOak Updates

SilverOak Updates

- 2023 tax season is starting
 - Tax organizers being sent
- SilverOak personnel update
 - Looking to fill several roles, including at least 1 or 2 new roles
- IQSStm (Investment Quality Scoring Systemtm)
 - Performance update



“New Year” Planning Tips



“New Year” Planning Tips

- Don't adjust risk tolerance due to recent market performance
- Remember April 16th tax filing deadline
 - Make sure you have your tax information compiled
 - Get this information to your tax preparer
- Foreign bank account reporting
 - Two reporting requirements
 - Form 8938 (due with income tax return)
 - FBAR (due with income tax return – no longer due 6/30)



“New Year” Planning Tips

- Now is a great time to start tax planning for 2024
 - Adjust withholding and/or estimated tax payments
 - Create a good filing system for the year
 - Keep receipts for charitable donations above \$250
- Review 2023 spending
- Utilize HSAs for long-term investments
 - \$4,150 annual limit for individuals, \$8,300 for family
 - \$1,000 “catch-up” contribution for age 55 and over
- Confirm that you are maxing out your 401(k) contributions
 - \$23,000 annual contribution limit
 - \$7,500 “catch-up” contribution for age 50 and over



“New Year” Planning Tips

- Review your estate documents
- Confirm beneficiary designations
- Rebalance other investment accounts
- Ensure you have proper insurance coverage
 - Life, disability, auto, property and umbrella



“New Year” Planning Tips

- If it’s been awhile, get a copy of your credit report
 - www.annualcreditreport.com or 877-322-8228
- Consider freezing your credit with all three credit bureaus
 - https://www.freeze.equifax.com/Freeze/jsp/SFF_PersonalIDInfo.jsp
 - <https://www.experian.com/freeze/center.html>
 - <https://freeze.transunion.com/sf/securityFreeze/landingPage.jsp>
 - Retain your PINs!



“New Year” Planning Tips

- If you qualify, max out your IRA contribution
 - \$7,000 annual contribution limit for 2024
 - \$1,000 “catch-up” contribution for age 50 and over
- Review Social Security statement online
 - <https://www.ssa.gov/myaccount/>
- **New Disclosure in 2024 for LLCs and other entities!**
 - **Beneficial Ownership Information Reporting**



*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