



SilverOak

WEALTH MANAGEMENT LLC

Quarterly Webinar
April 26, 2019

Presented by:
Shannon King and
Jonathan Scharlau



SilverOak
WEALTH MANAGEMENT LLC

Introduction

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

Agenda

- Economic data
- Market data
- SilverOak's outlook
- SilverOak updates and important reminders
- Questions

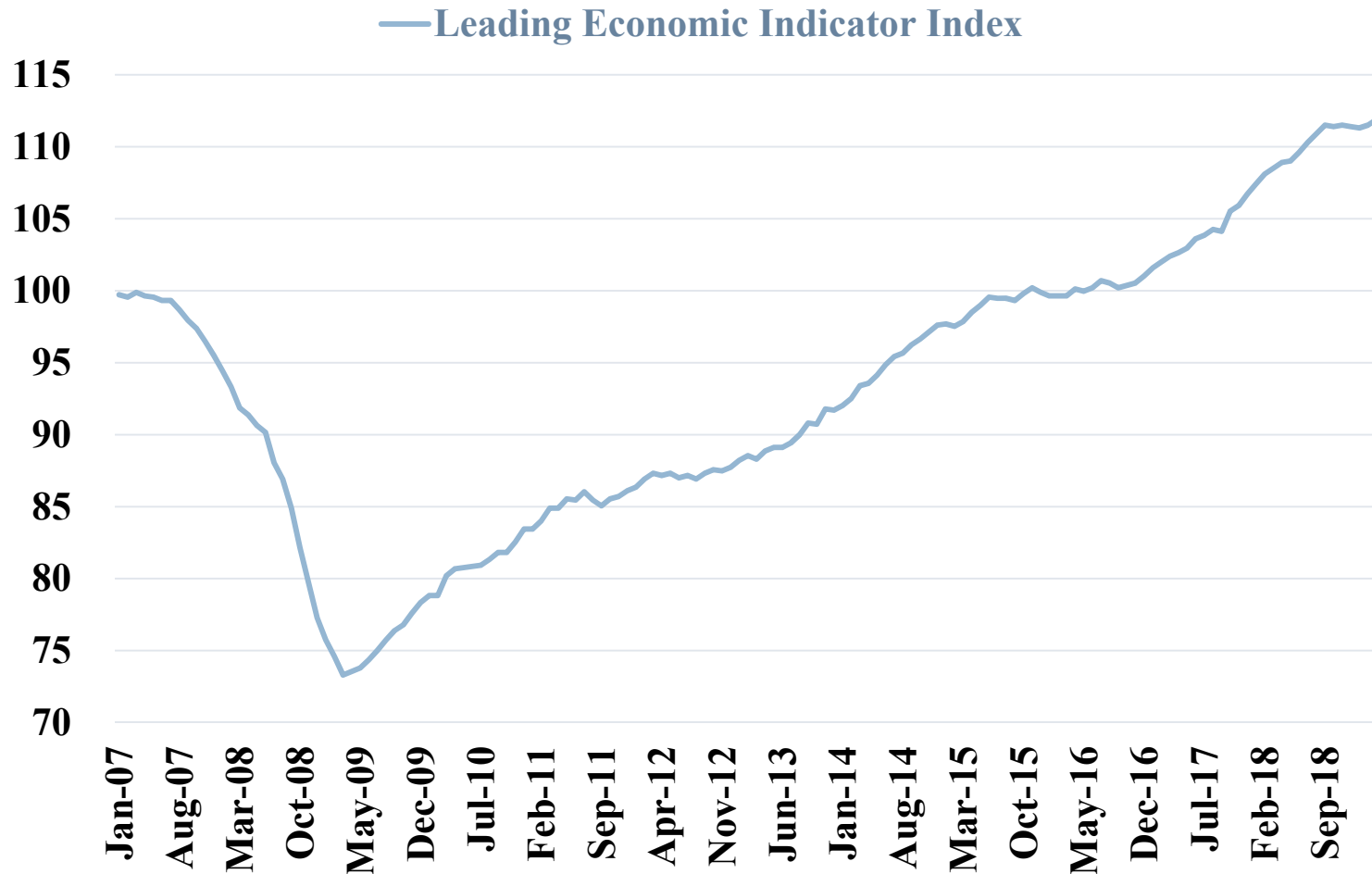




*Economy:
Growth Moderated As
Expected During the
First Quarter*

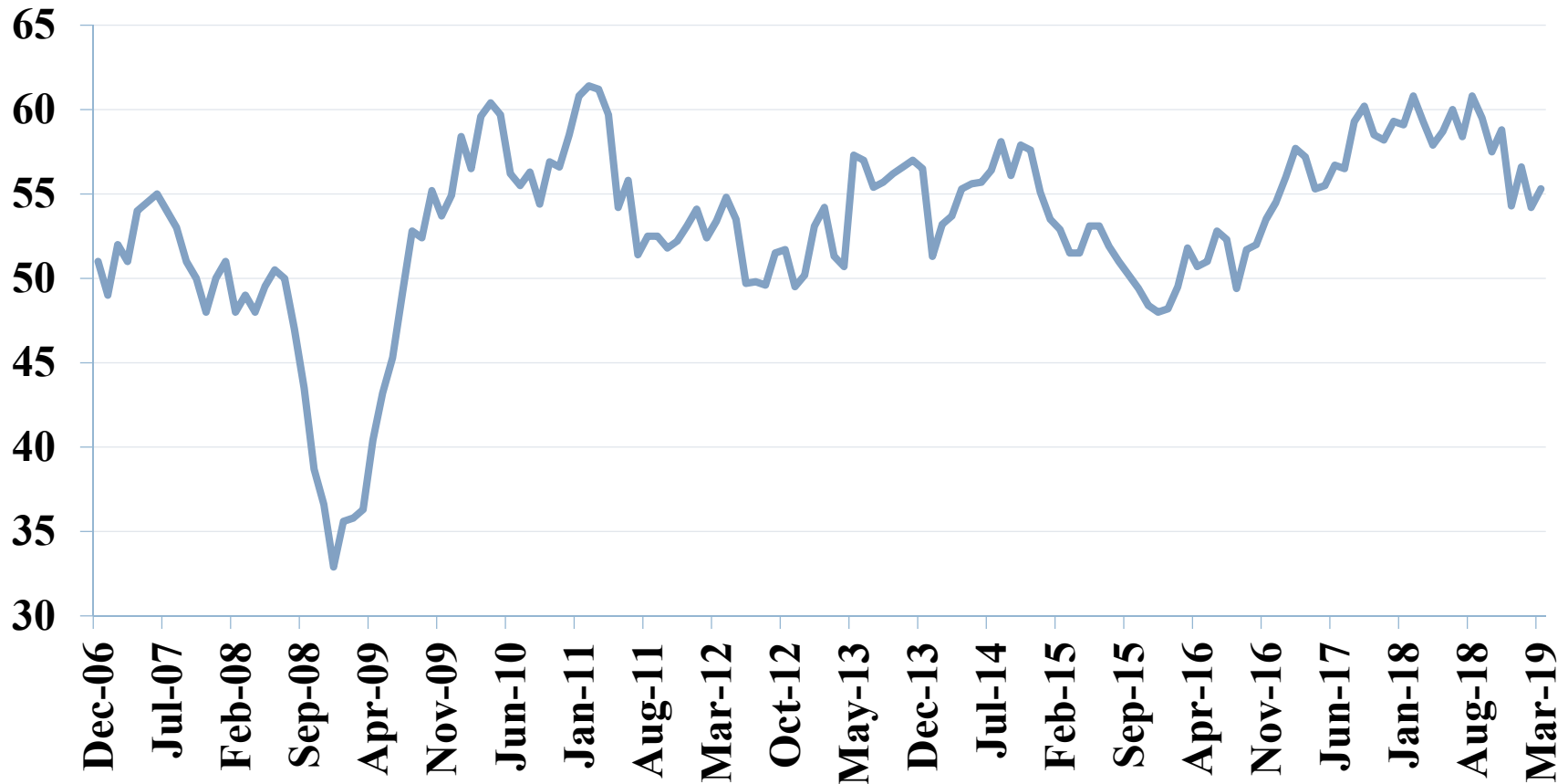


Leading Indicators Tick Higher in March

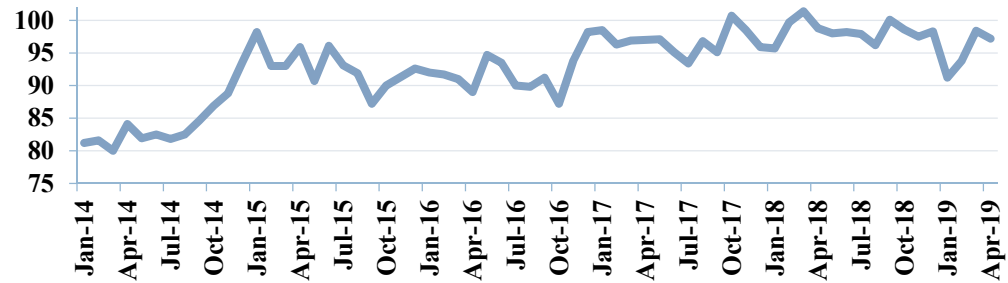


Manufacturing Growth Stabilizing

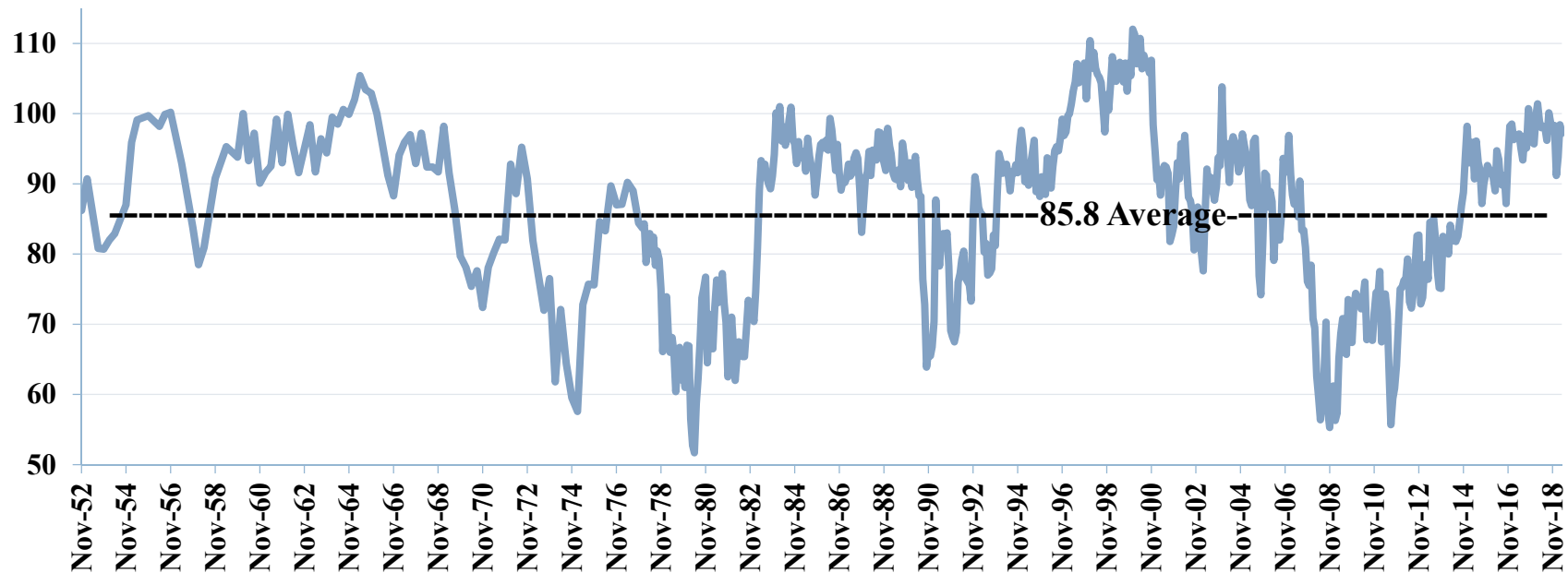
Purchasing Managers Index (PMI)



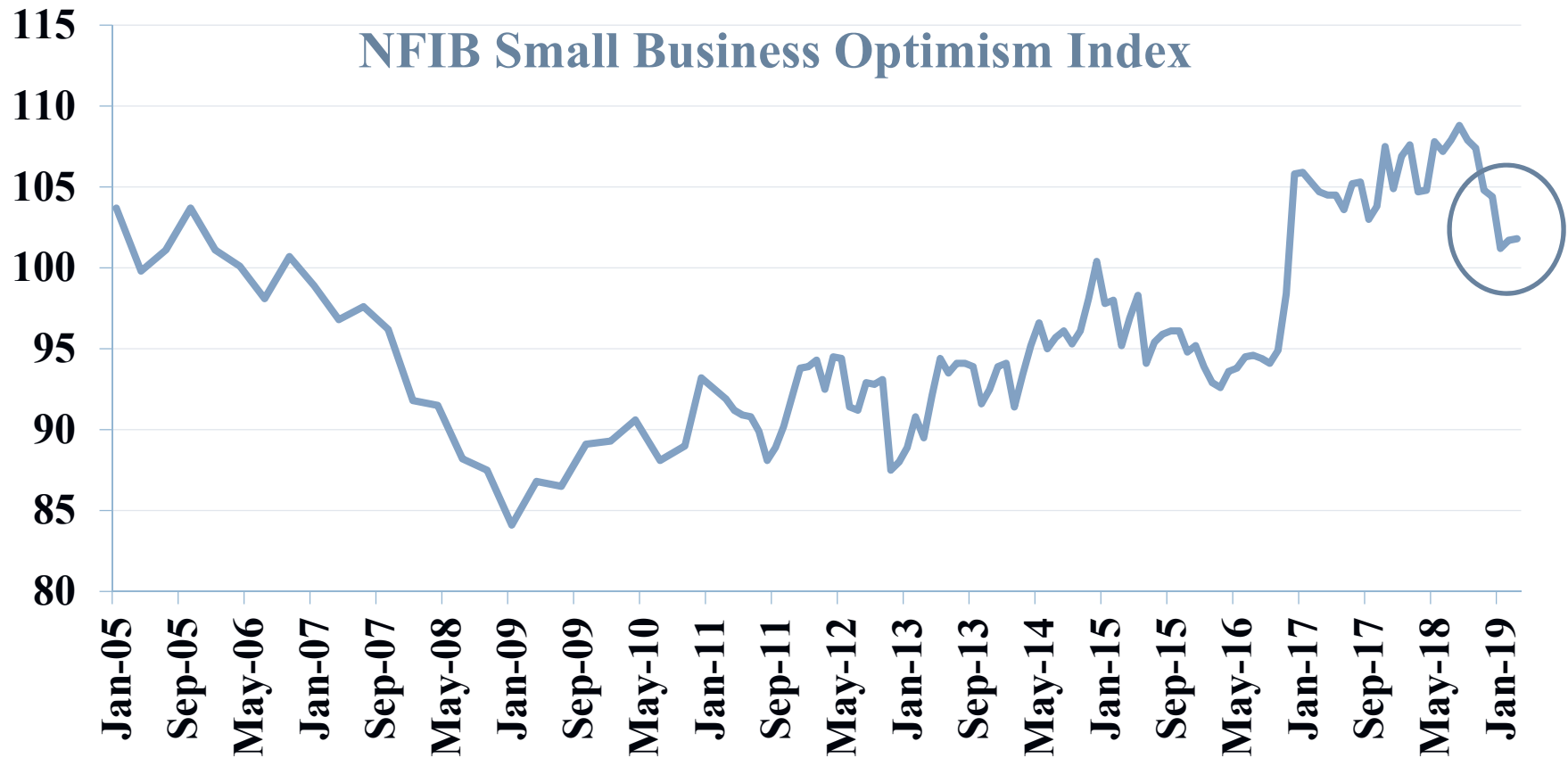
Consumer Sentiment Remains Solid



University of Michigan Consumer Sentiment Index



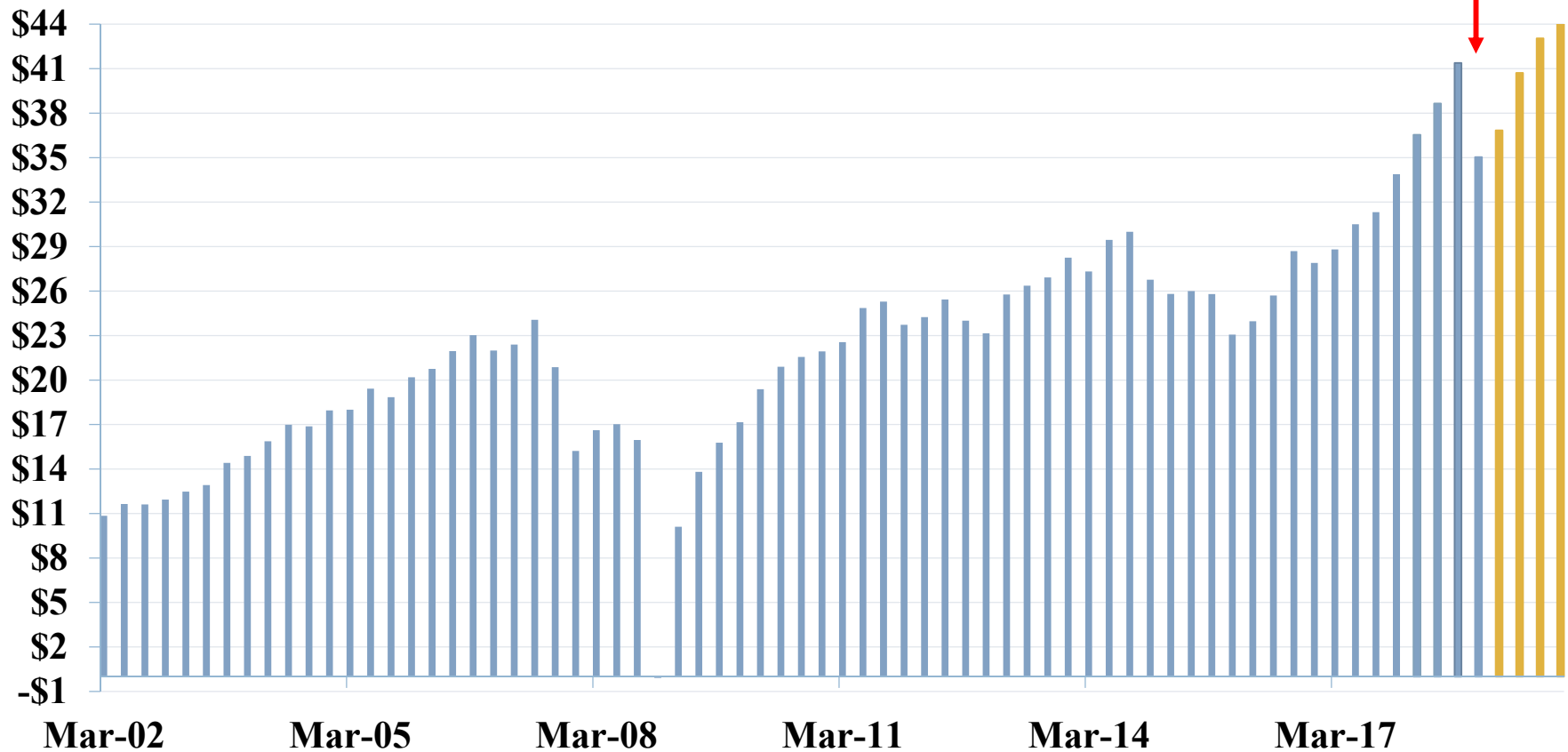
Small Business Confidence Ticks Up



Earnings Growth Set to Moderate in 2019

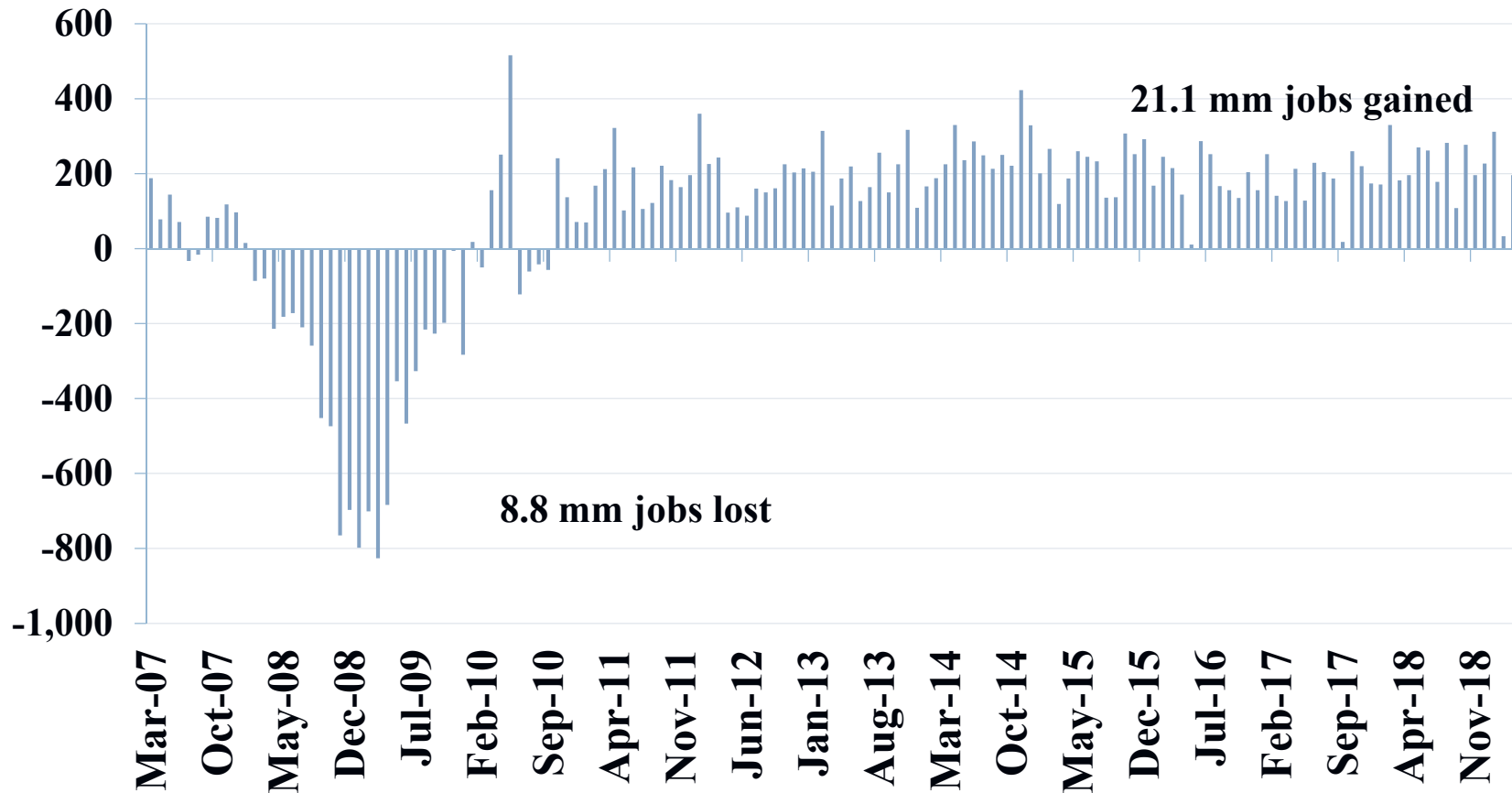
S&P 500 Quarterly Operating Earnings

Q4 2018A:
\$35.03

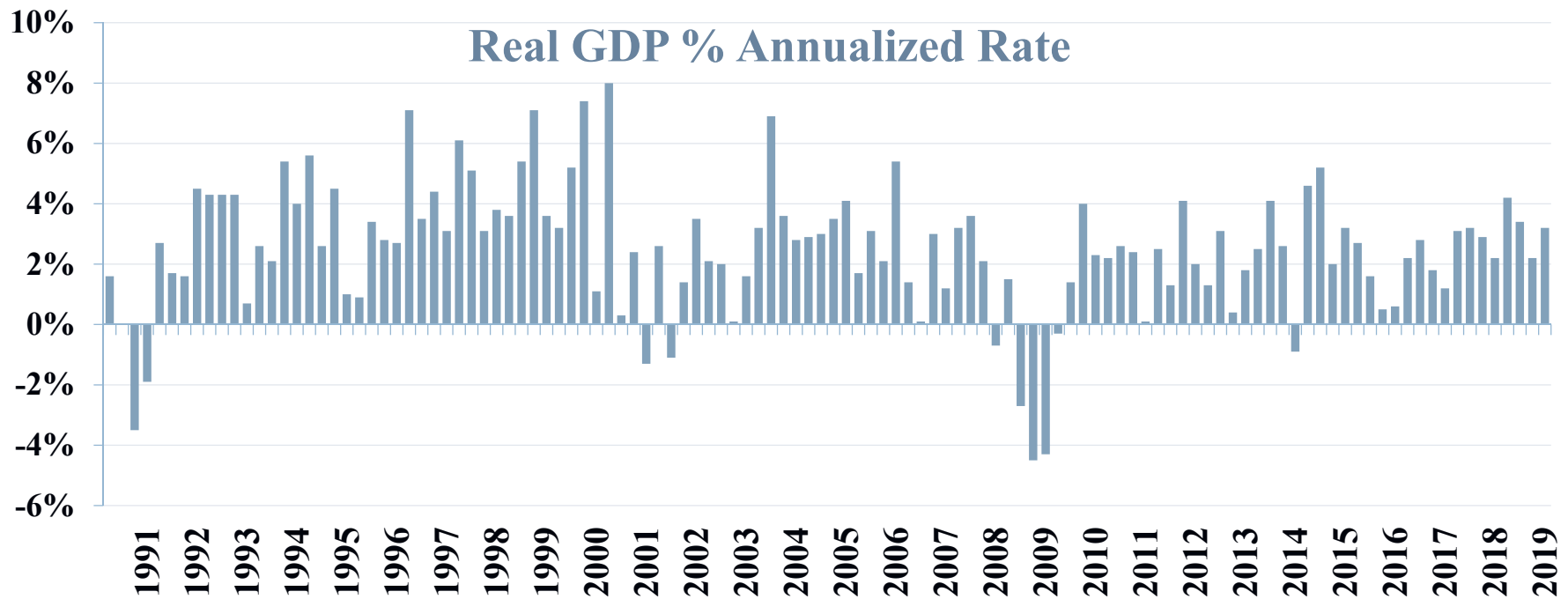
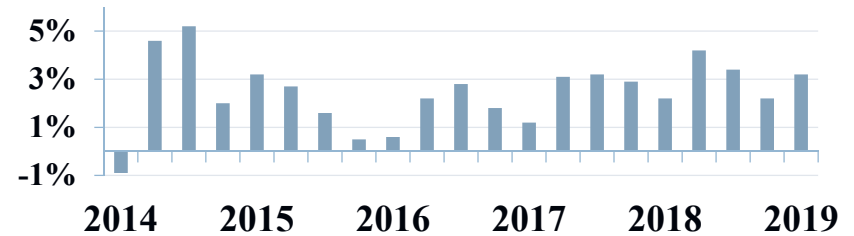


Continued Strong Job Growth

Monthly Change in Thousands of Jobs



Growth Rebounds in the First Quarter



Current Economic Factors Scorecard

Positive

Credit Conditions

Housing ↓

Consumer Confidence

Employment ↑

Corporate Sector ↓

Fiscal Policy

Neutral

Commodity Prices

Interest Rates ↑

U.S. Politics

U.S. Dollar

U.S. Inflation

Global Growth

China

Negative

Geopolitics

Tariffs

Eurozone

Market Dashboard

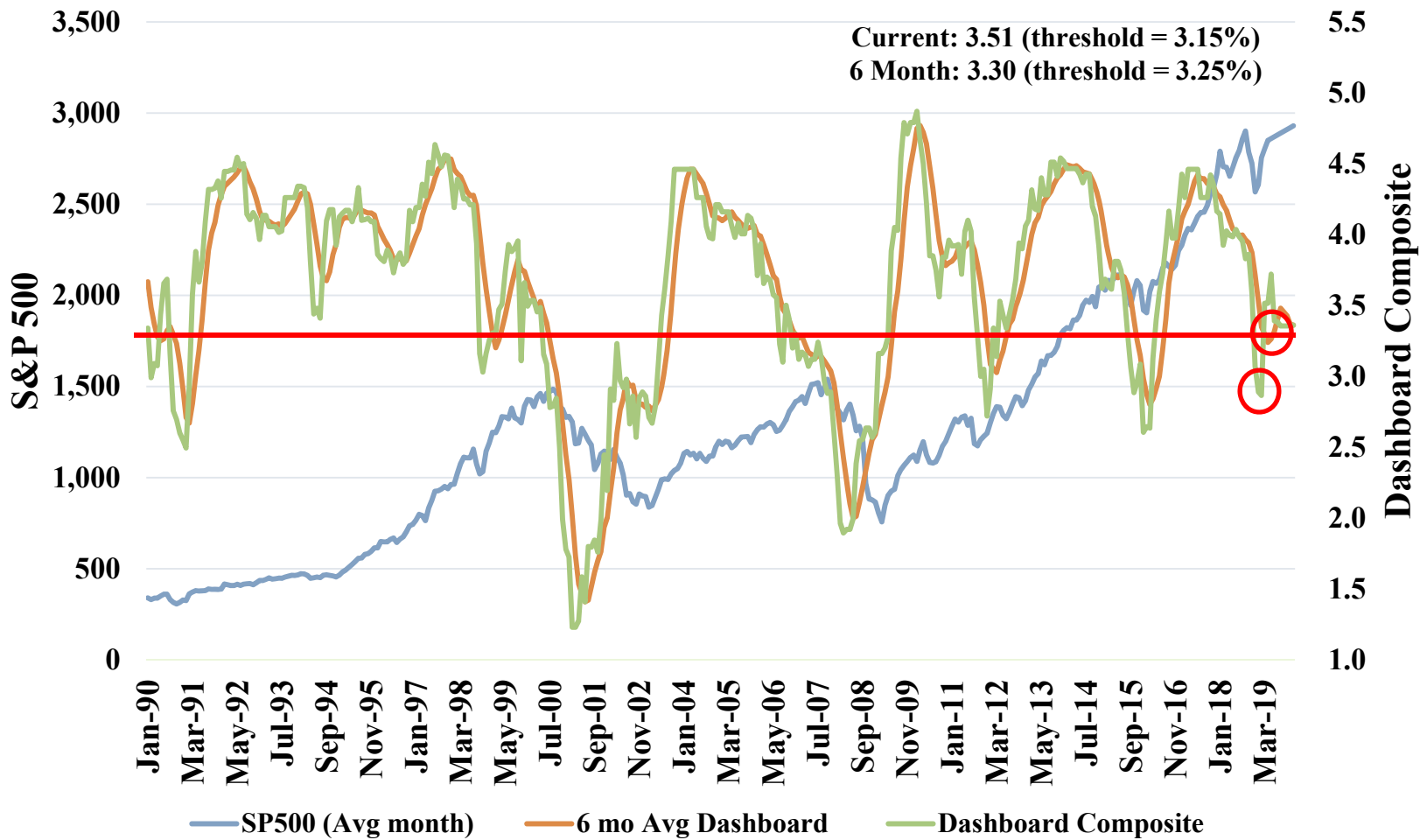
Projected



	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019	2Q 2019
Economy	Green	Grey	Grey	Grey	Grey	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Grey
Credit Markets	Grey	Grey	Grey	Grey	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Grey	Green
Valuations	Grey	Grey	Grey	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Grey	Grey	Grey
Market Sentiment	Grey	Grey	Red	Green	Green	Green	Green	Green	Green	Green	Green	Grey	Green	Grey	Grey	Green
Composite	Grey	Grey	Red	Grey	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Grey	Grey



Market Dashboard





Markets:
Strong Recovery Across All
Asset Classes

Market Summary

■ Equity market performance

	<u>Q1 2019</u>	<u>Q4 2018</u>
– US large cap		
• S&P 500	+13.6%	-13.5%
– US mid cap		
• Russell Midcap	+16.5%	-15.4%
– US small cap		
• Russell 2000	+14.6%	-20.2%
– International equities		
• MSCI ACWI ex US	+10.3%	-11.5%
– International small cap		
• MSCI ACWI ex US SMID	+10.3%	-14.0%
– Emerging markets		
• MSCI Emerging Markets	+9.9%	-7.5%



Market Summary

■ Bonds and other asset class performance

	<u>Q1 2019</u>	<u>Q4 2018</u>
– US fixed income		
• Barclay’s Aggregate	+2.9%	+1.6%
– Global fixed income		
• Barclay’s Global ex US	+1.5%	+0.9%
– Commodities		
• Bloomberg Commodity TR	+6.3%	-9.4%
– Long short		
• Morningstar Long Short	+5.8%	-8.6%
– REITS		
• MSCI US REIT NR	+15.9%	-7.1%

Equity Market Conditions

■ First Quarter

	<u>Value</u>	<u>Blend</u>	<u>Growth</u>
Large	+11.9%	+13.6%	+16.1%
Mid	+14.4%	+16.5%	+19.6%
Small	+11.9%	+14.6%	+17.1%

■ 1-Year

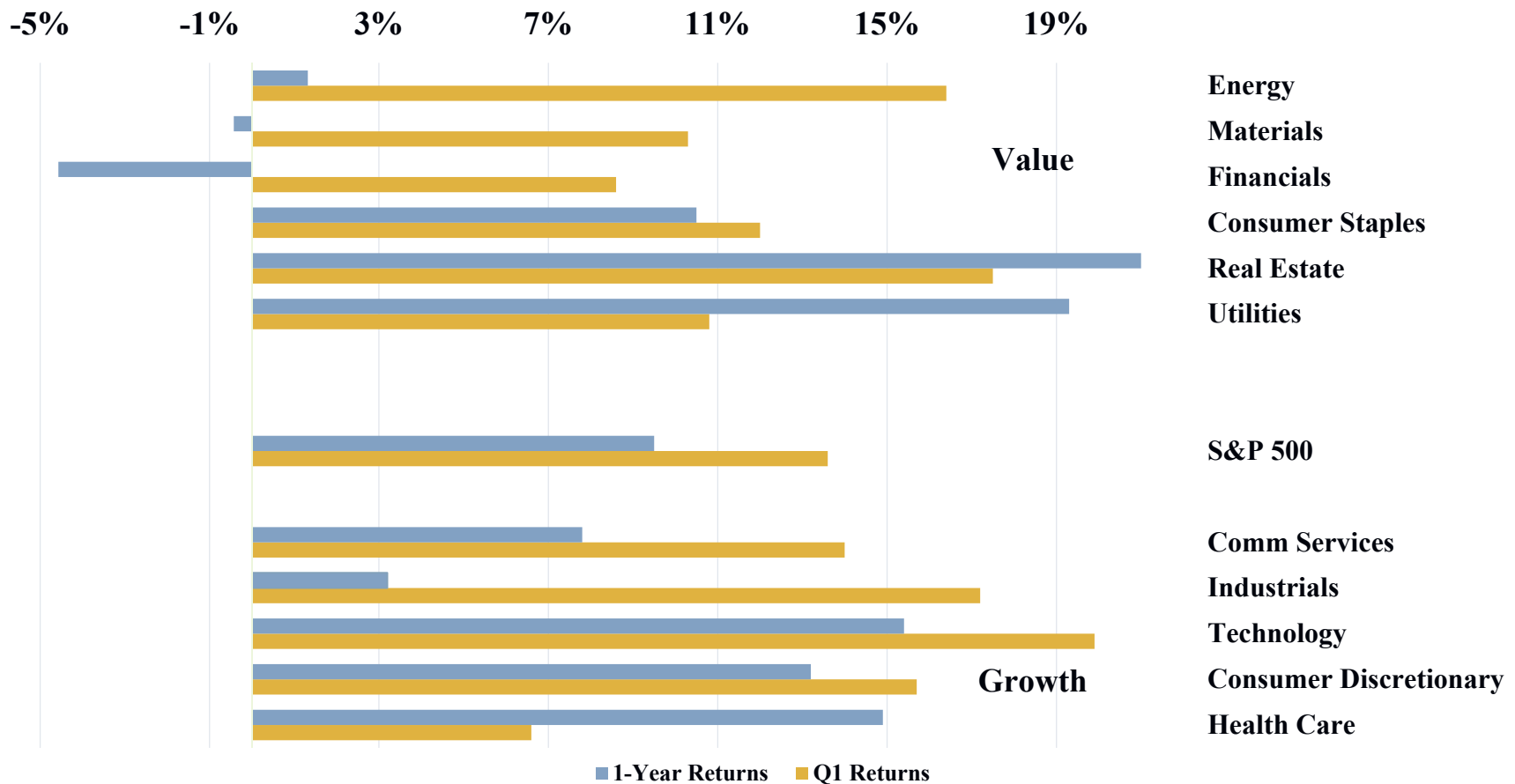
	<u>Value</u>	<u>Blend</u>	<u>Growth</u>
Large	+5.7%	+9.5%	+12.8%
Mid	+2.9%	+6.5%	+11.5%
Small	+0.2%	+2.1%	+3.9%

All calculations are cumulative total return as of 3/31/2019.

Russell style indices utilized for all performance with the exception of large blend, which reflects the S&P 500 Index.

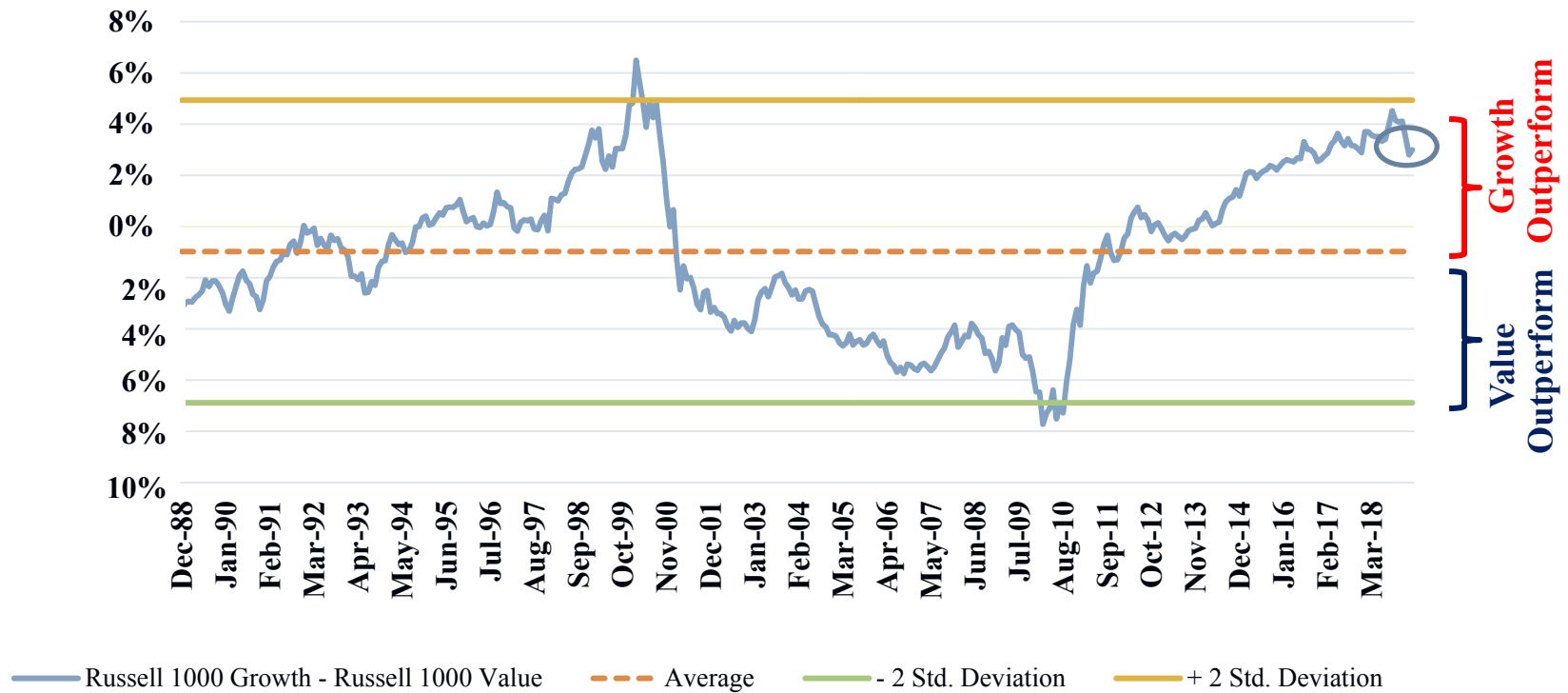
Past performance is no guarantee of future success.

Cyclicals Rebounded During Q1

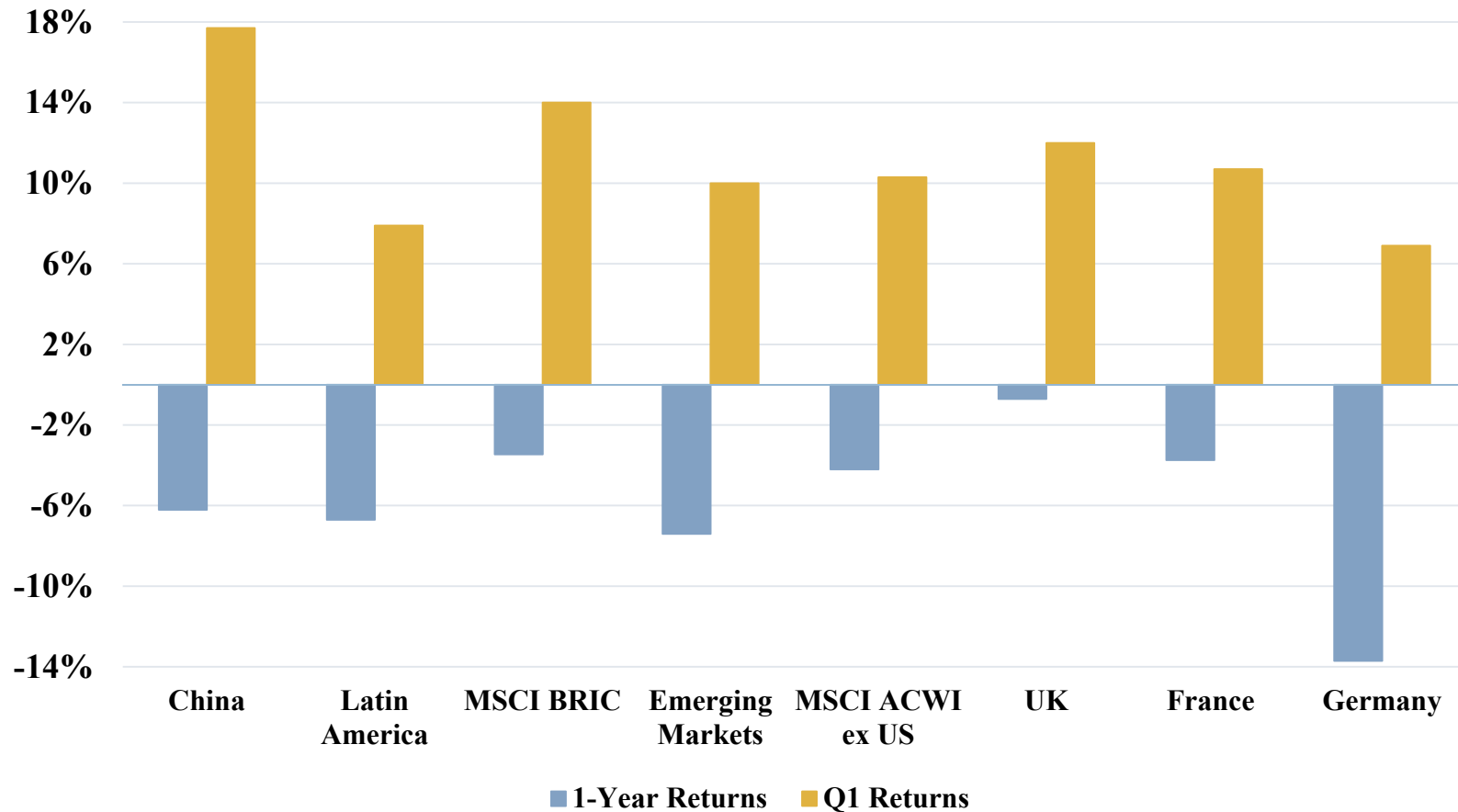


Growth Cycle Near a Peak?

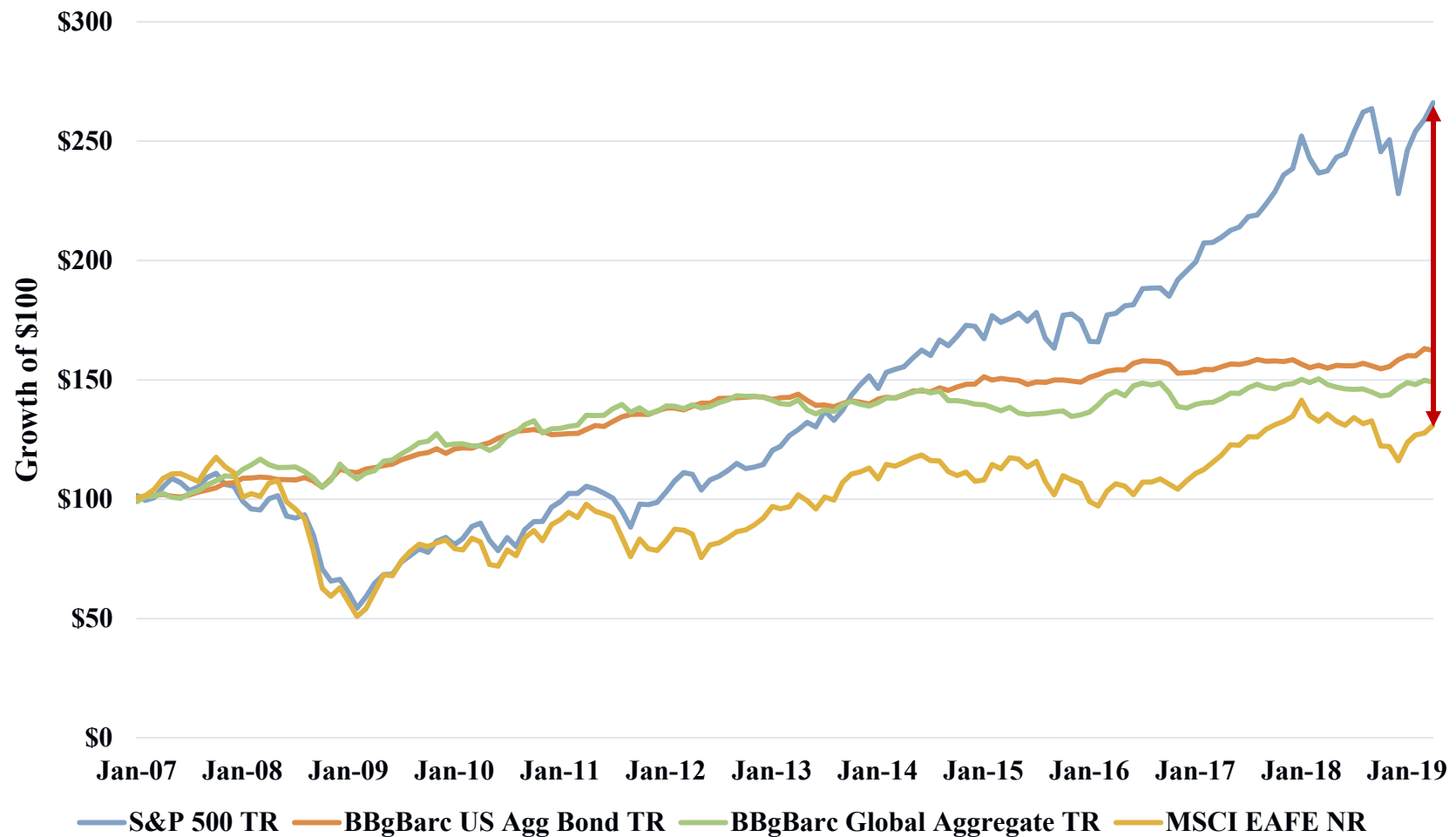
Annualized Trailing 10-Year Relative Total Return
Russell 1000 Growth – Russell 1000 Value



Int'l Continues to Lag Despite Q1 Rebound



Int'l Performance Gap Remains Wide

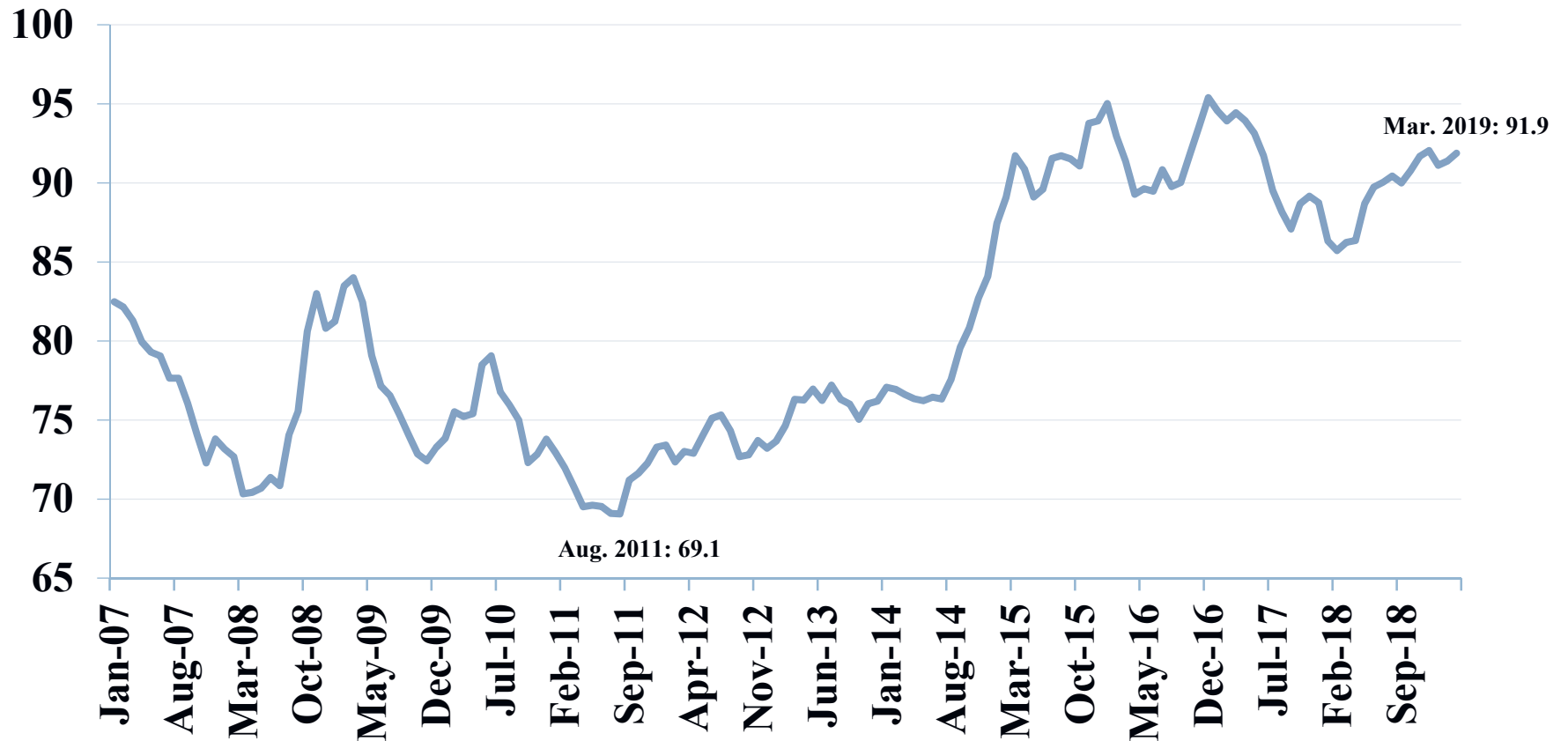


Past performance is no guarantee of future success.

Source: Morningstar; Returns in US dollars, as of 4/22/2019

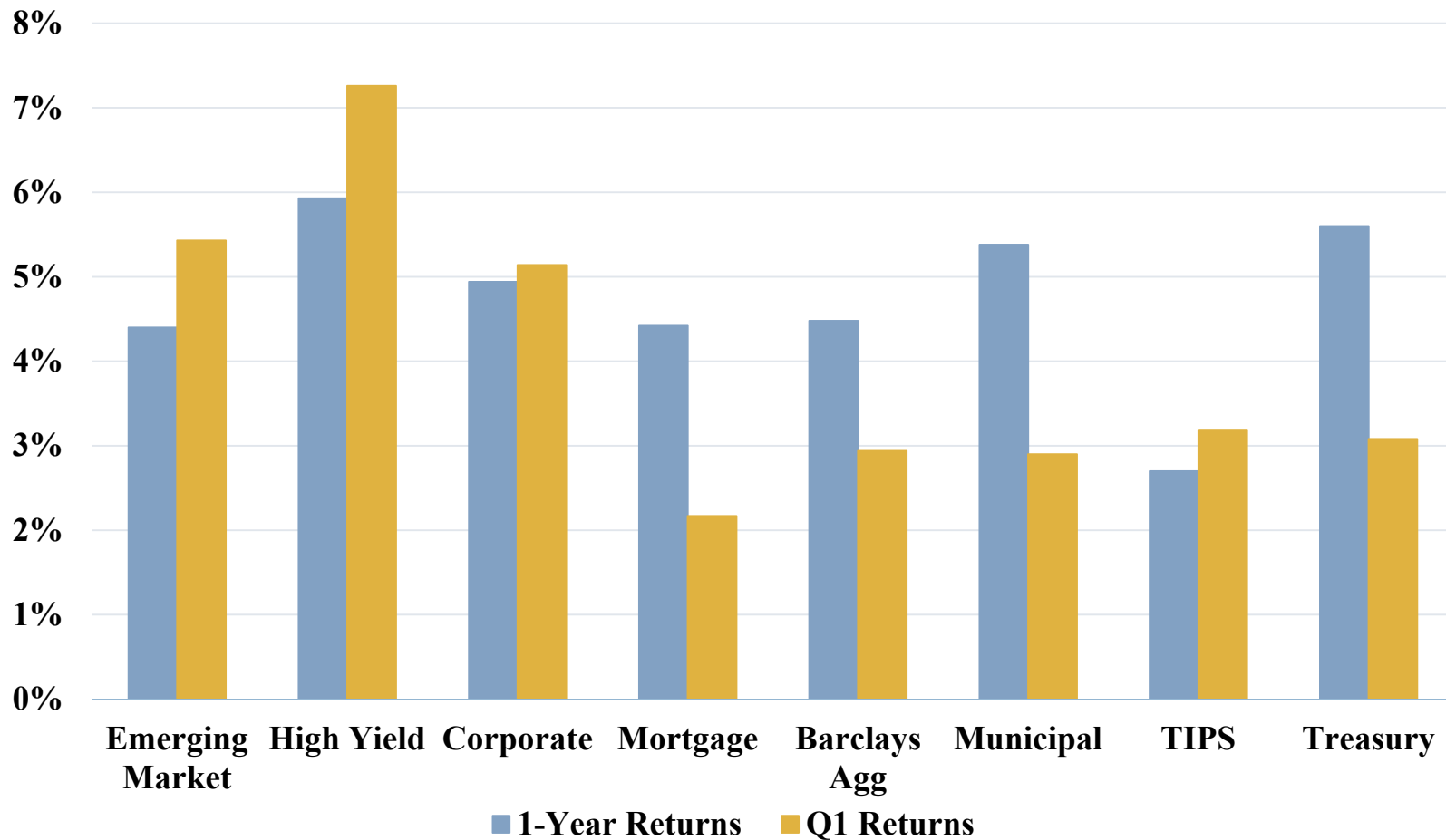
Recent US Dollar Strength Continues

U.S Dollar Index



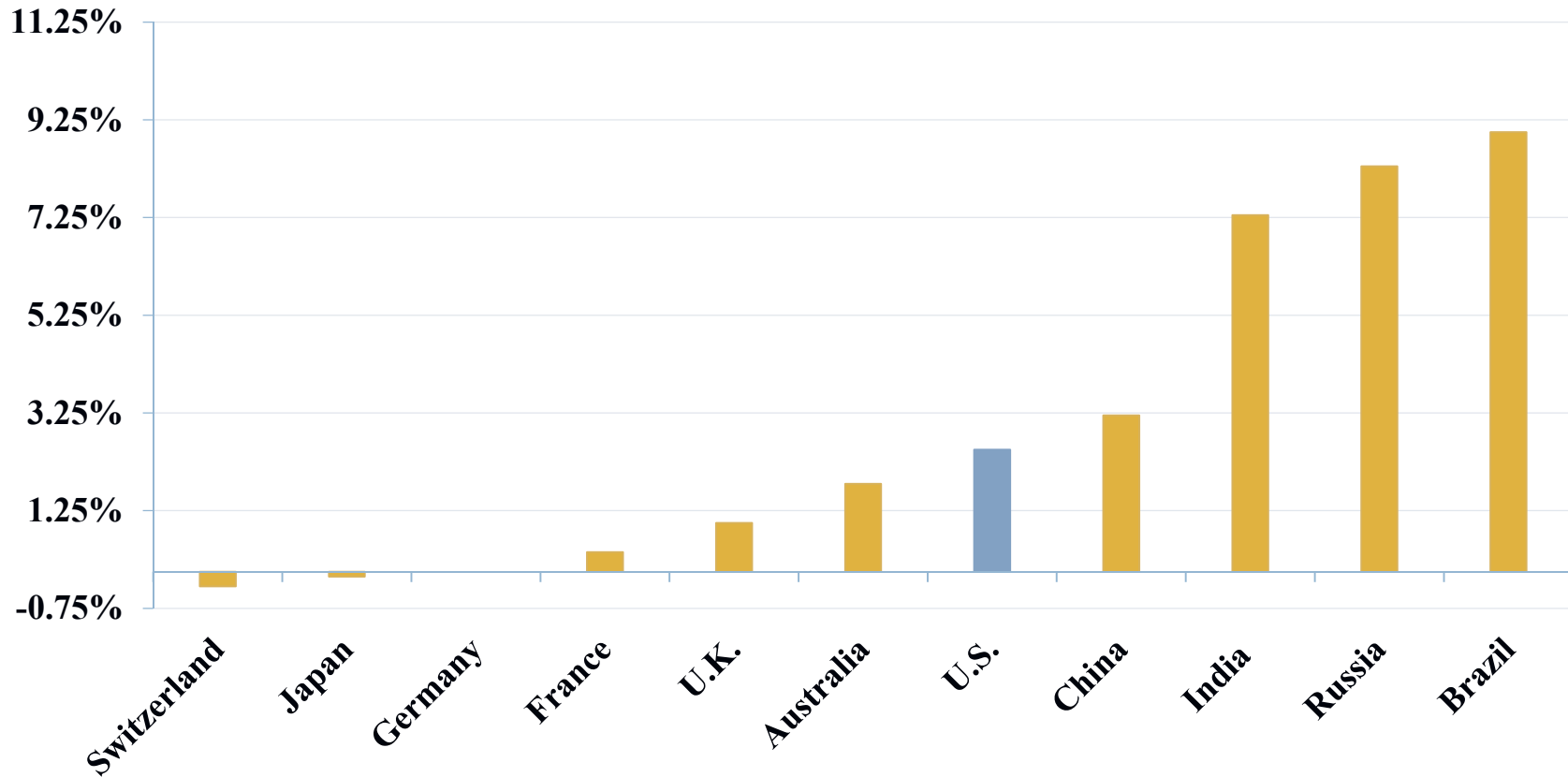
Trade Weighted U.S. Dollar Index: Major Currencies, as of 4/15/2019
Past performance is no guarantee of future success

Strong Bond Performance Across the Board



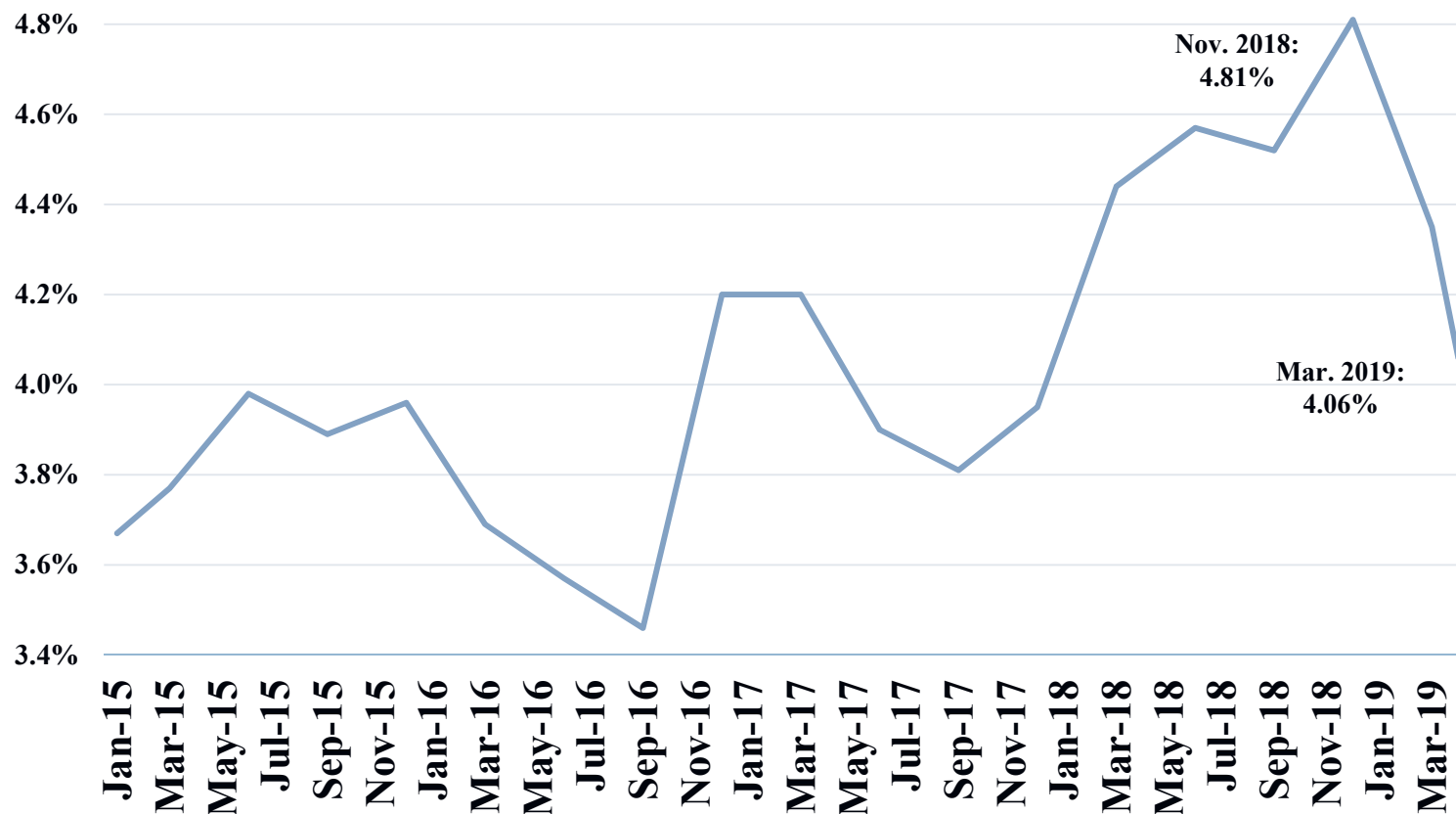
Comparison Of Yield Globally

10-Year Sovereign Bond Yields



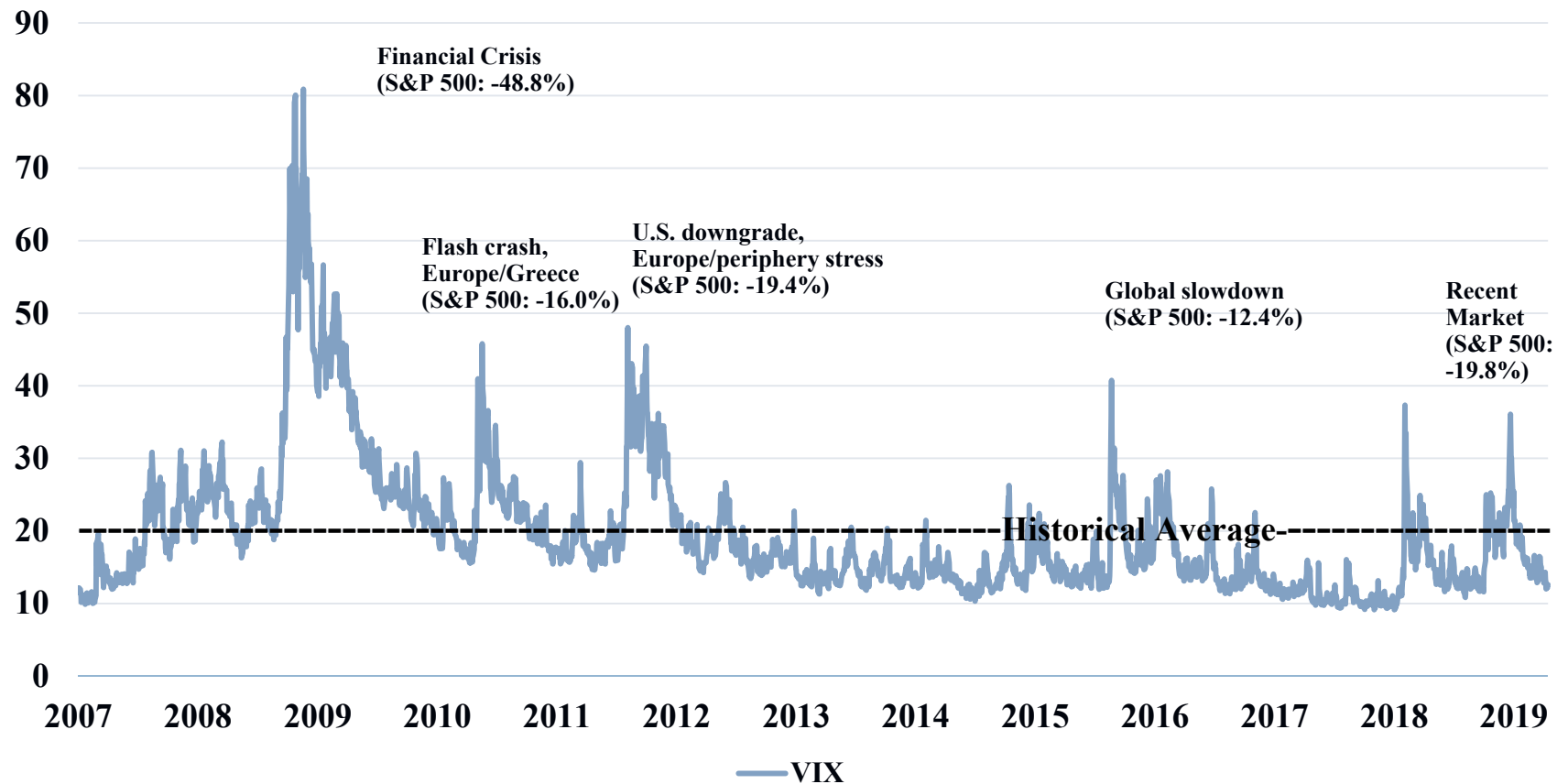
Mortgage Rates Have Decreased Recently

—30-Year Mortgage Rates



Increase in Volatility

CBOE Market Volatility Index (VIX) Level





SilverOak's Outlook

SilverOak's Outlook

■ U.S. Economy

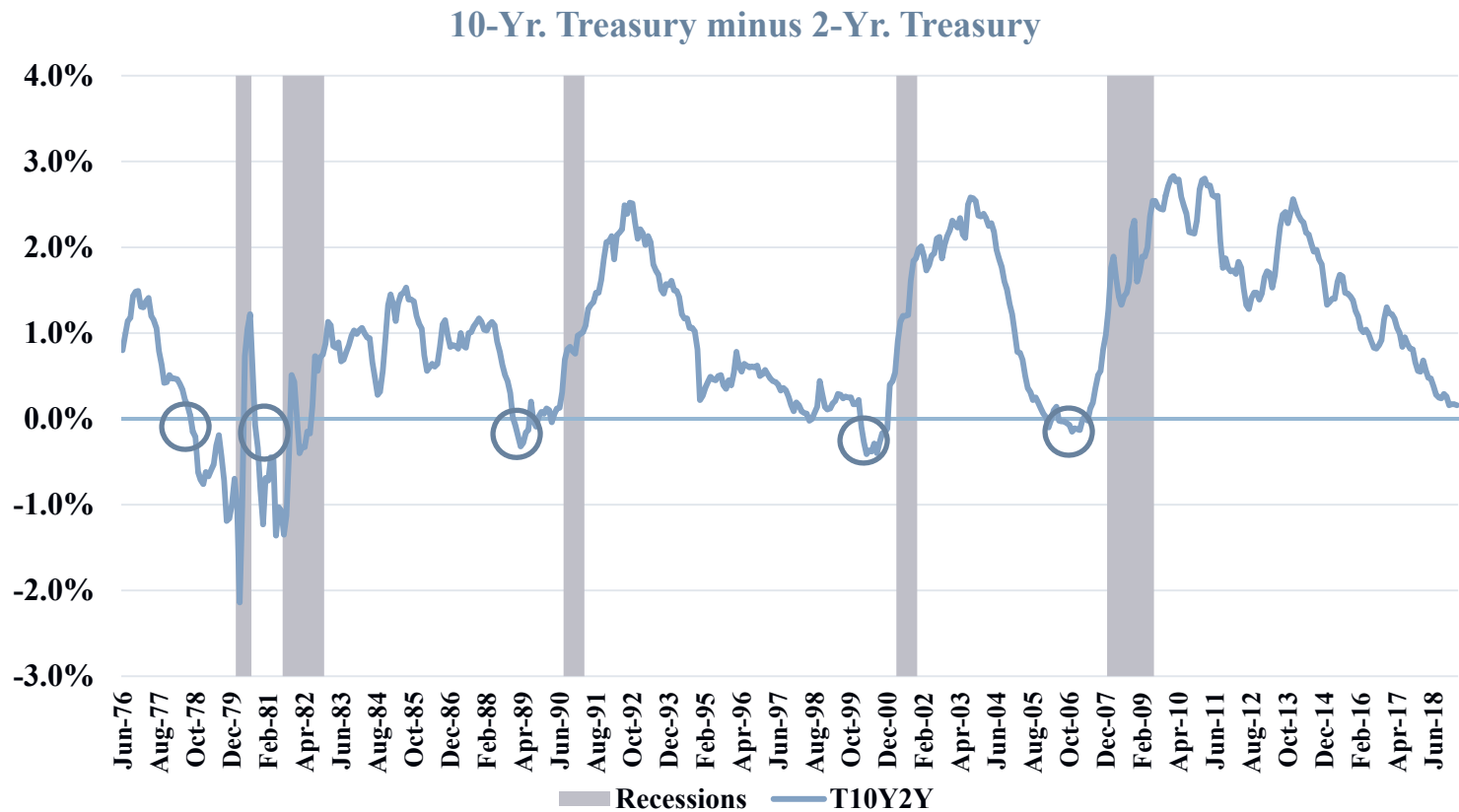
- US is in the late-cycle phase but near-term recession risk remains low
 - Despite recent, but short-lived inversion in the yield curve
- Slowing growth and continued low inflation helped spur the Federal Reserve to shift to a more dovish stance
 - Soft landing to roughly 2% GDP growth and mid-single digit corporate earnings growth likely

■ International Economy

- Slowing global growth but recent signs of stabilization in China
- Recent manufacturing data in Germany points to continued softening of growth in Europe
- Brexit continues to be a big variable in 2019



Historical Inversions of the Yield Curve



Source: Federal Reserve St. Louis, as of 3/31/2019

S&P 500 Corrections After Past Five Inversions

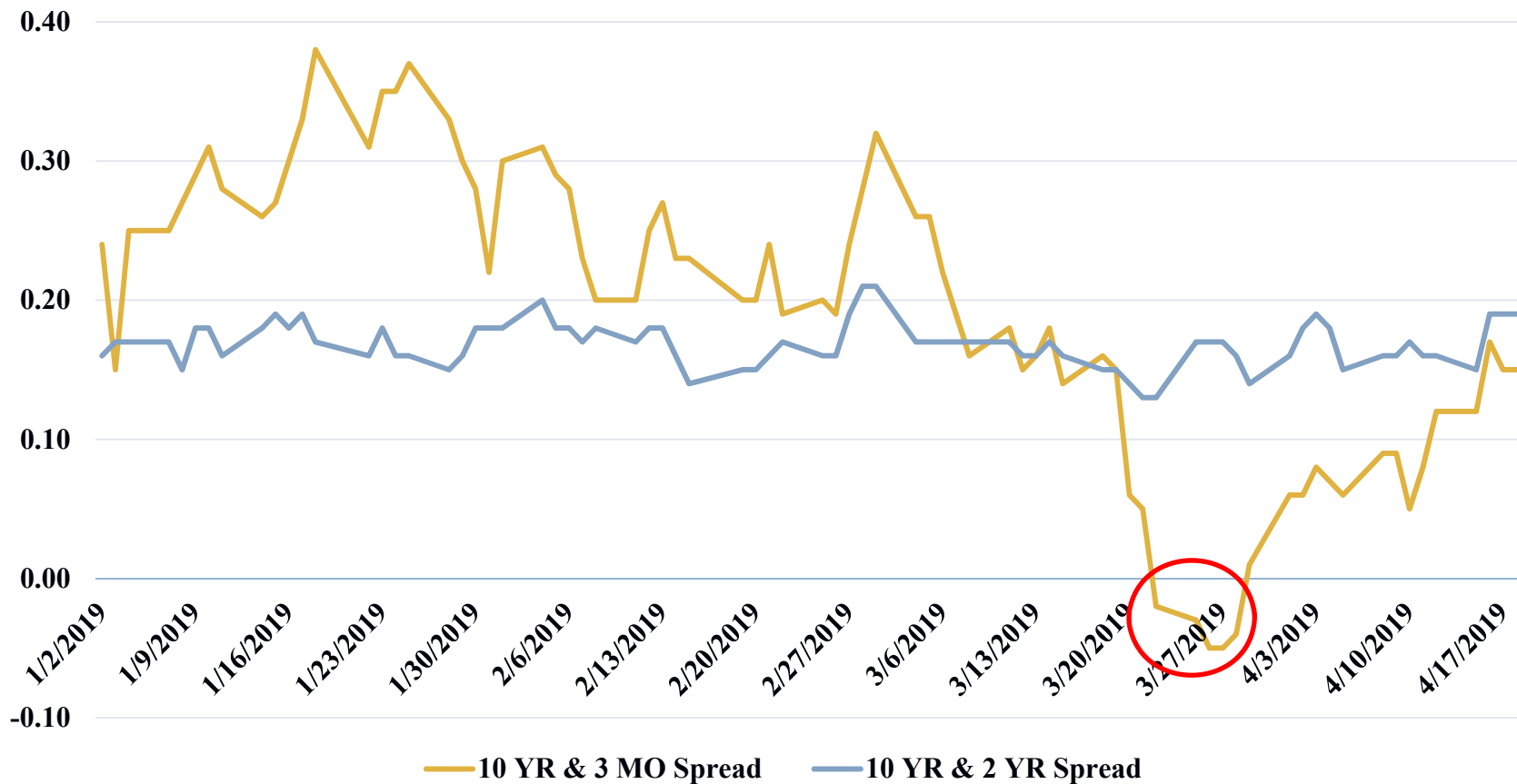
Start of Inverted Yield Curve	Start of Market Correction	Lag Time (Months)	S&P 500 Correction Returns
Aug. 1978	Feb. 1980	19	-17.1%
Sept. 1980	Nov. 1980	3	-27.1%
Jan. 1989	Jul. 1990	19	-19.9%
Feb. 2000	Mar. 2000	2	-49.1%
Feb. 2006	Oct. 2007	21	-56.8%



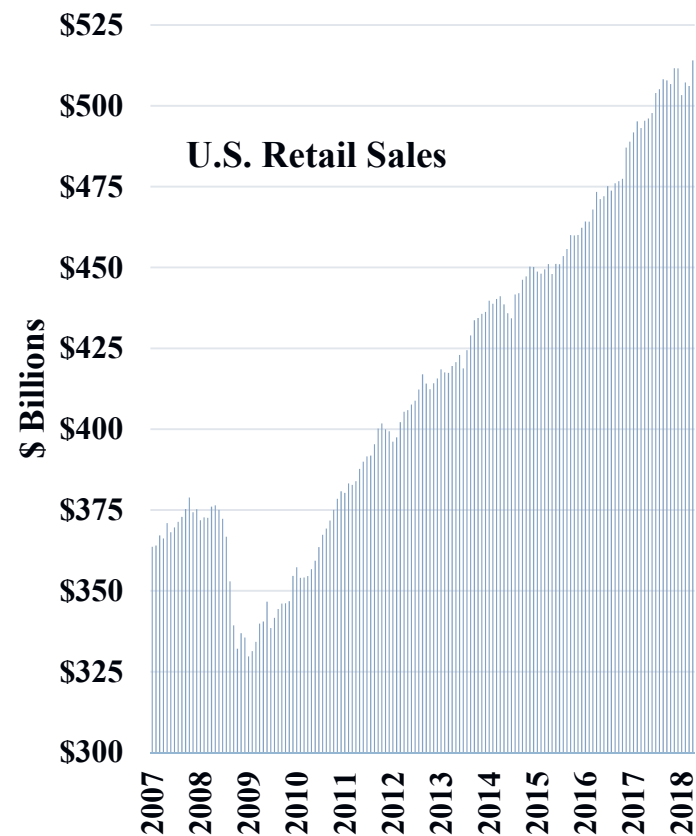
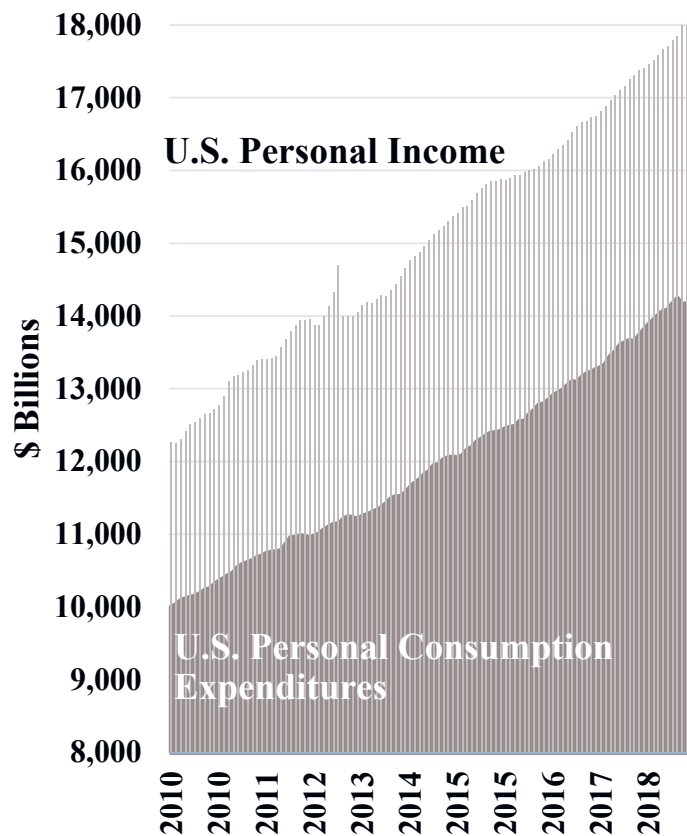
Source: Bloomberg

Recent Inversion was Short Lived

Recent Interest Rate Spreads



Consumers Account for 70% of GDP



Consumer Balance Sheet is Healthy

Household Net Worth

Not seasonally adjusted, USD billions



Household Debt Service Ratio

Debt payments as % of disposable personal income



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Source: Federal Reserve Bank of St. Louis, as of 3/2019

SilverOak's Outlook

■ Bonds

- With the shift in the Federal Reserve interest rate policy, bond yields likely to stay within a fairly narrow range
 - Returns should be much closer to the underlying bond yield
 - Credit spreads will be influenced by growth expectations
 - Higher growth could cause credit spreads to narrow
 - Higher growth likely to steepen the yield curve
- Bonds offer protection from equity volatility and potential downside risks
- Continue to focus on credit quality!



SilverOak's Outlook

■ Equities

- Valuations are not as attractive after such a dramatic shift in performance during the 1st quarter
 - However, the Federal Reserves more accommodative stance may support further appreciation
- With such a strong recent recovery in the U.S. equity markets, a pullback at some point would not be surprising
- Diversification and consistency is more important than ever
 - Stay away from making large asset allocation shifts



Maintain a Consistent Strategy

■ Equity market performance

	<u>Q4 2018</u>	<u>Q1 2019</u>
– US large cap		
• S&P 500	-13.5%	+13.6%
– US fixed income	+1.6%	+2.9%
• Barclays aggregate		



Maintain a Consistent Strategy

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Returns of S&P 500

Performance of a \$10,000 investment between January 2, 1996 and December 31, 2015



PLAN TO STAY INVESTED

Trying to time the market is extremely difficult to do consistently. Market lows often result in emotional decision making. Investing for the long term while managing volatility can result in a better retirement outcome.

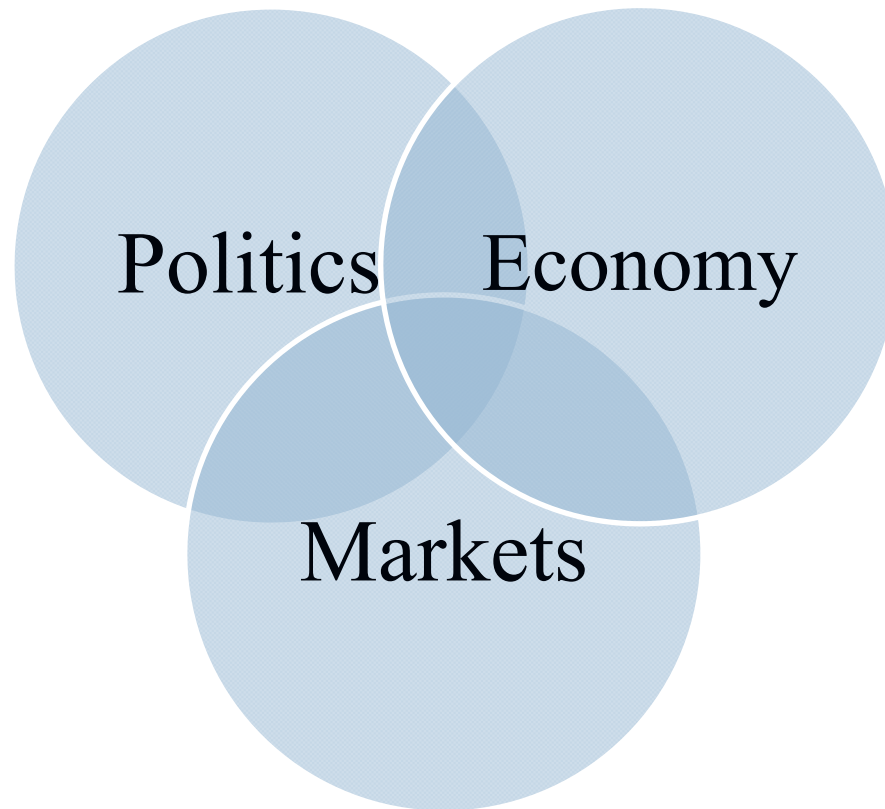
This chart is for illustrative purposes only and does not represent the performance of any investment or group of investments.

Source: J.P. Morgan Asset Management analysis using data from Morningstar Direct. 20-year annualized returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 31, 2015.



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Maintain a Consistent Strategy





SilverOak Update and Important Reminders

SilverOak Updates

- **SilverOak team**
 - Open search for an additional Associate Paraplanner and another Advisor
- **IQSStm (Investment Quality Scoring Systemtm)**
 - Merger of large cap growth position completed
 - In process of consolidating several positions that are not widely held
 - A number of our managers have been nominated for awards at Morningstar



2019
SilverOak's
20th Anniversary

Thank you!!!



Reminders

- **Take RMDs for the year (required minimum distributions)**
 - Consider gifting RMD to charity
- **First half Minnesota real estate taxes due in May**
- **Tax Season is over!**
 - Remember to keep good tax records for 2019
 - Complete a 2019 tax projection
 - Be sure to make quarterly estimated tax payments on time
 - Consider utilizing HSA accounts
 - Catch-up contributions if you have attained age 55
 - Max out 401(k) contributions
 - Catch-up contributions if you have attained age 50
 - Consider “bunching” charitable contributions, as discussed in previous webinars



Reminders

- **Request your annual credit report**
 - www.annualcreditreport.com
- **Consider freezing your credit with the three credit bureaus**

Equifax

https://www.freeze.equifax.com/Freeze/jsp/SFF_PersonalIDInfo.jsp

Experian

<https://www.experian.com/freeze/center.html>

TransUnion

<https://freeze.transunion.com/sf/securityFreeze/landingPage.jsp>



*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