

5th Annual

ECONOMIC OUTLOOK LUNCHEON

Bulls, Bears and the Federal Reserve in the New Year



Disclosures



Wealth Management

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 - **Are Not a Deposit**
 - **Are Not FDIC-insured**
 - **Are Not Guaranteed by The Bank**
 - **Are Not Insured by Any Federal Government Agency**
 - **May Go Down in Value**

Today's Presenter



Damian Howard, CFA

VP, Senior Investment Officer

MBA – Indiana University

BA – Wabash College

30+ years of experience with mergers and acquisition and investment management for individual and institutional customers



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Investment Staff



Damian Howard, CFA
Vice President,
Senior Investment
Officer



Brent Boyce, CFA
Assistant Vice
President/Trust
Investment Officer



Casey Kerr, CFA
Investment Officer



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Our Trust Leadership

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Douglas Oldaker, J.D.
Executive Vice
President, Wealth
Management Division



Jim Kerkhove, J.D. CFP
Senior Vice President/
Trust Services Manager



Jon Jacobsen, J.D.
Vice President/
Wealth Management
Sales



Janet Melchior-Kopp, J.D.
Vice President/
Trust Administration Manager

Our Trust Officers



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Kevin Poots
Assistant Vice
President/Trust Officer



David Shrader, CRPS
Employee Benefits
Trust Officer



Joseph Borghoff, J.D.
Trust Officer



Katie Lambert, J.D.
Trust Officer



Dylan Dinkla, J.D.
Trust Officer

Last Year's Forecast

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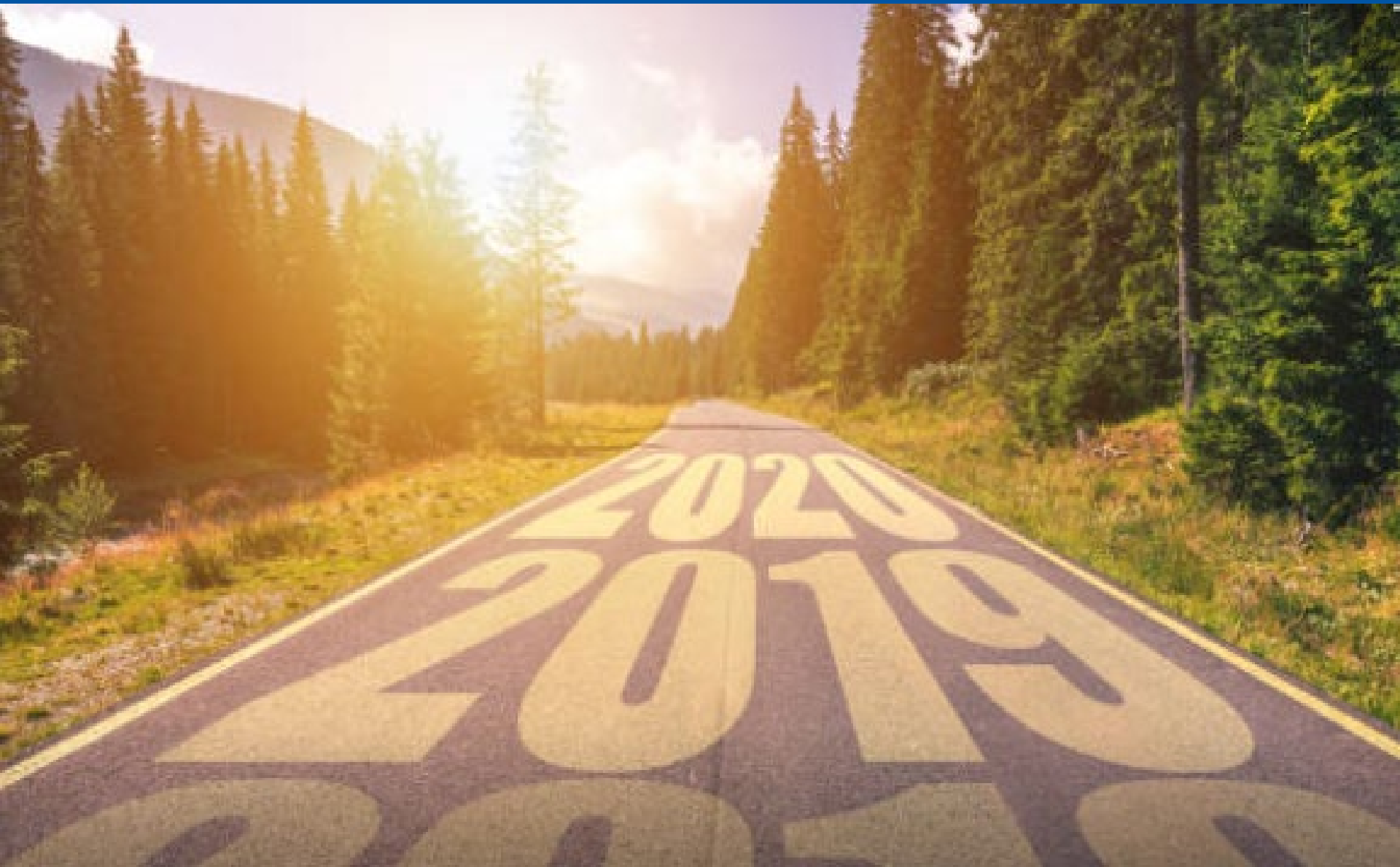
Last Year's Forecast

| | 2018 | | |
|---------------------------|----------------------|--------|----------|
| | Last Year's Forecast | Actual | Variance |
| GDP Growth | 2.8% | 3.0% | -0.2% |
| Change in Consumer Prices | 2.0% | 1.9% | +0.1% |
| Fed Funds Target Rate | 2.25% | 2.50% | +0.25% |
| 10-Year Treasury Yield | 2.95% | 2.69% | 26 bp |
| S&P 500 EPS | \$145 | \$162 | -11% |
| S&P 500 Ending Value | 2,763 | 2,507 | +10% |

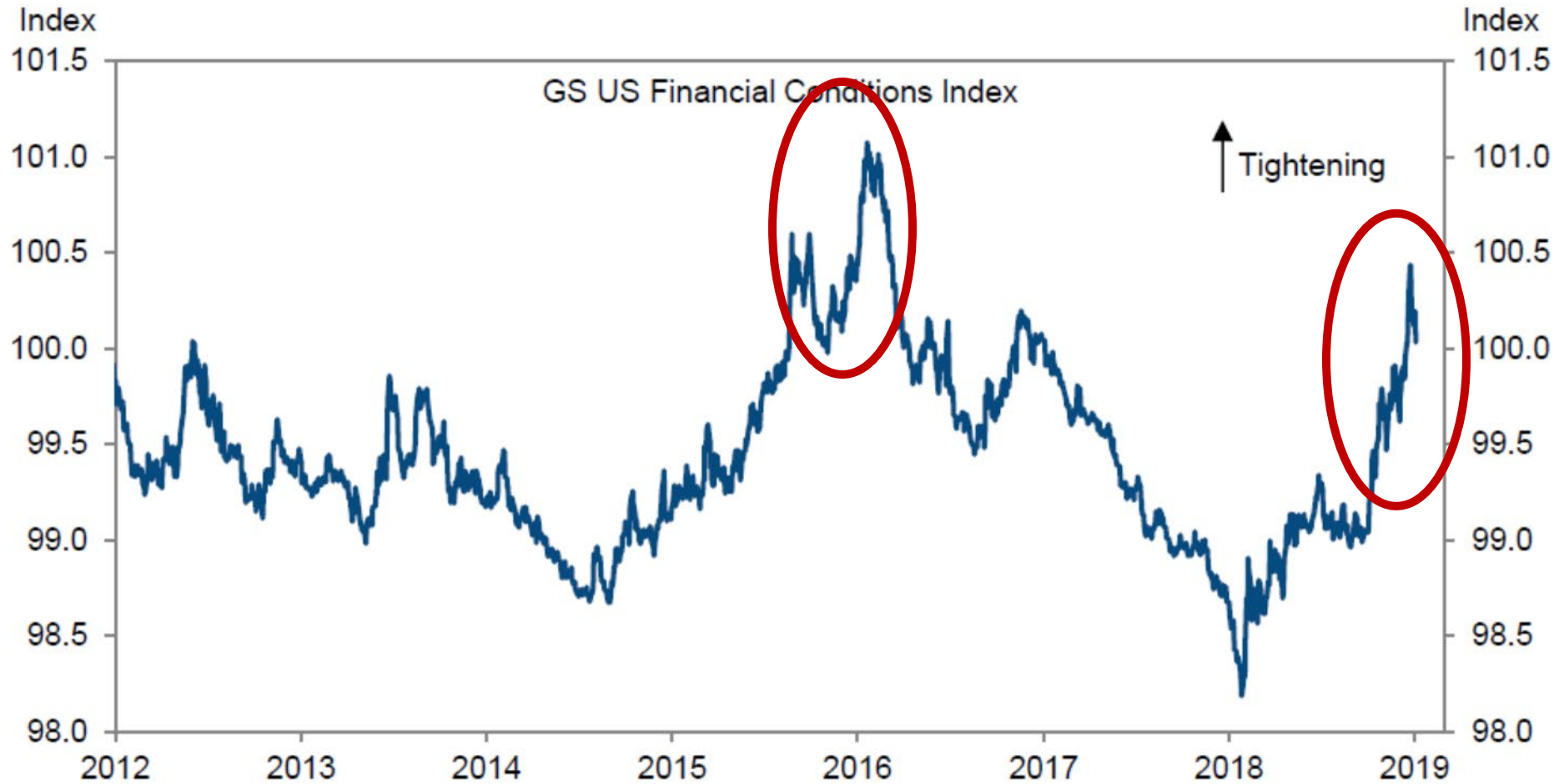
Our Economic Outlook

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Financial Conditions



It Really is the Fed

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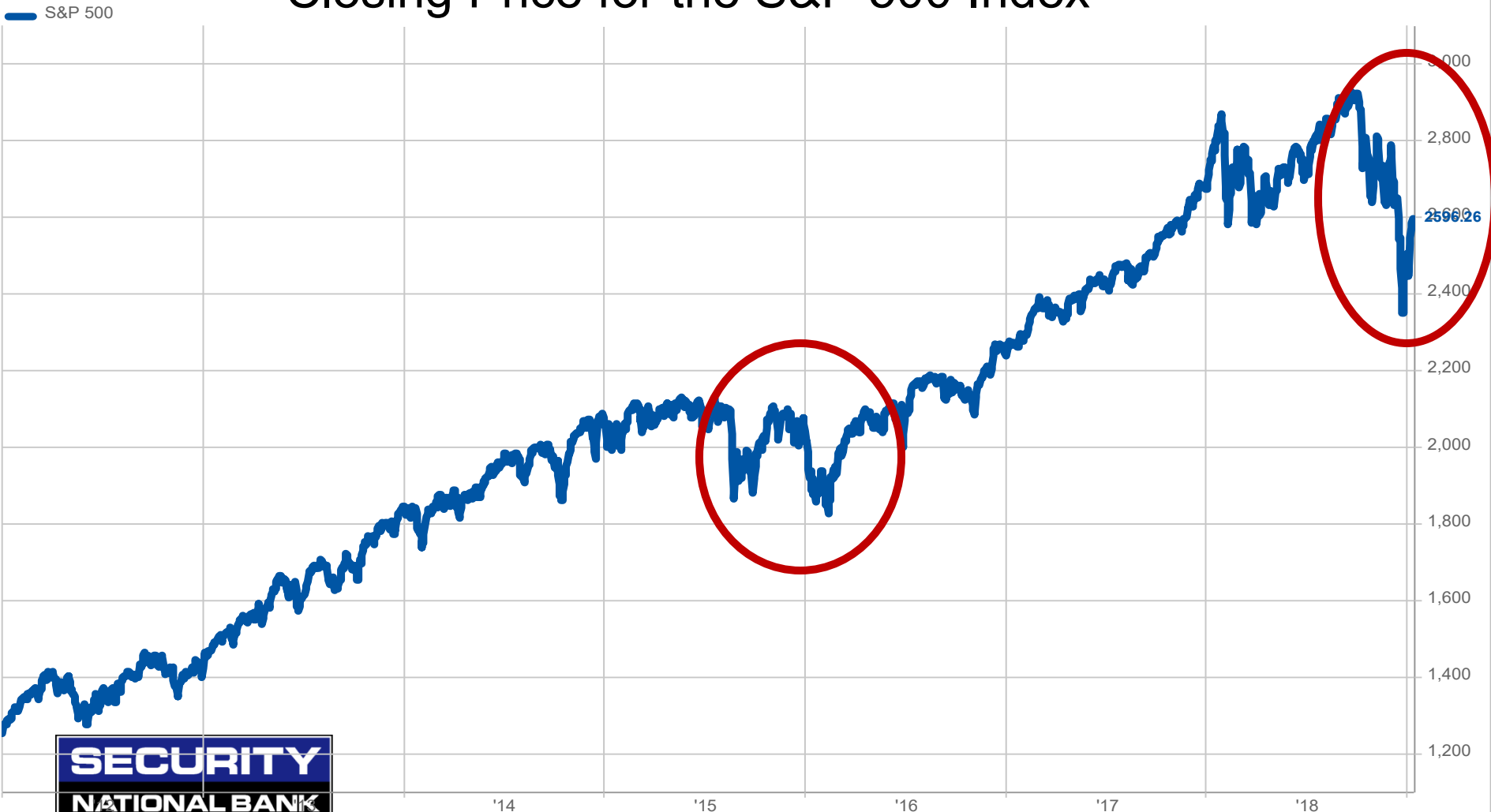
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Closing Price

30-Dec-2011 to 11-Jan-2019 (Daily)

Closing Price for the S&P 500 Index

Price (Local Currency)

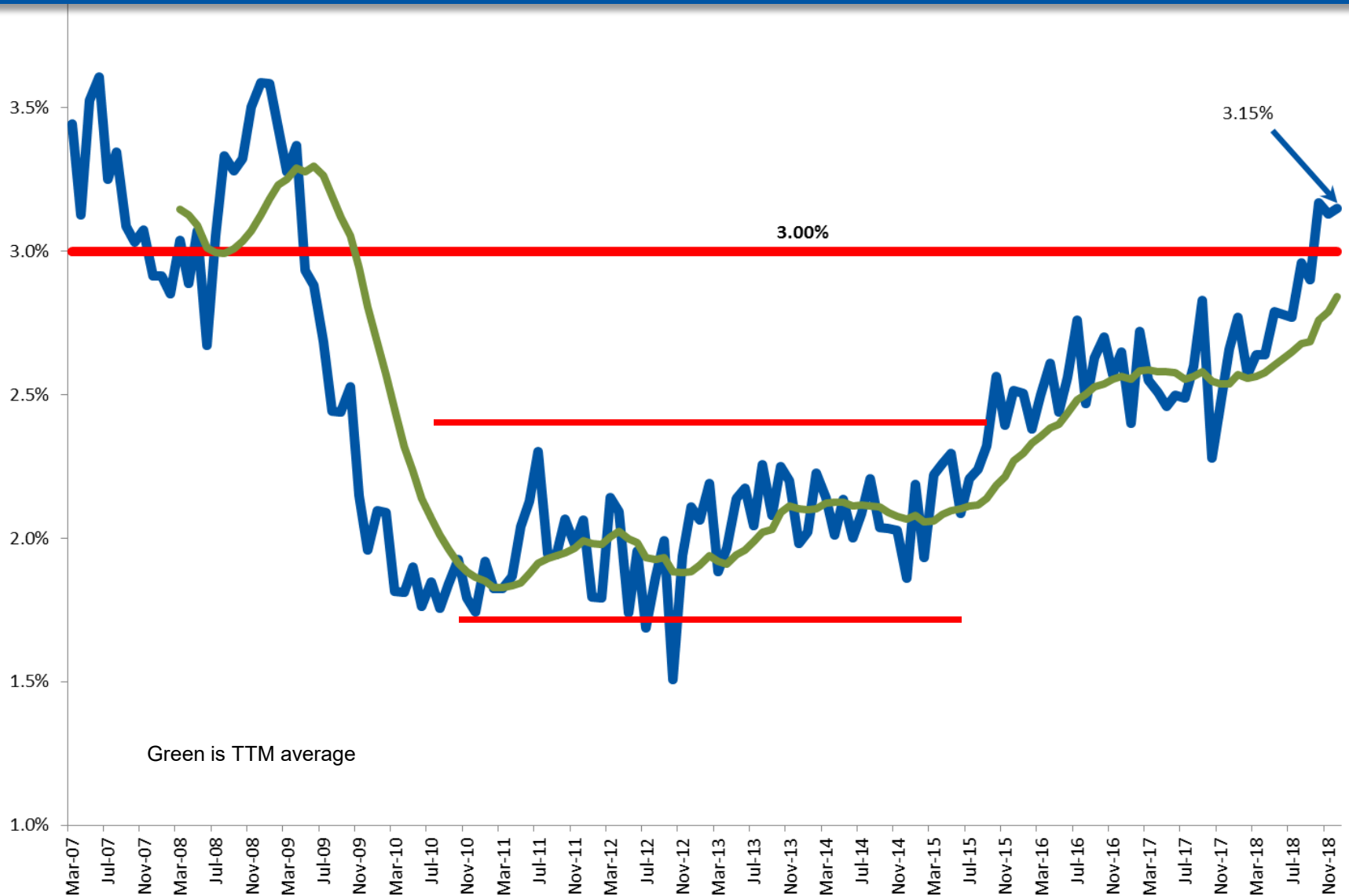


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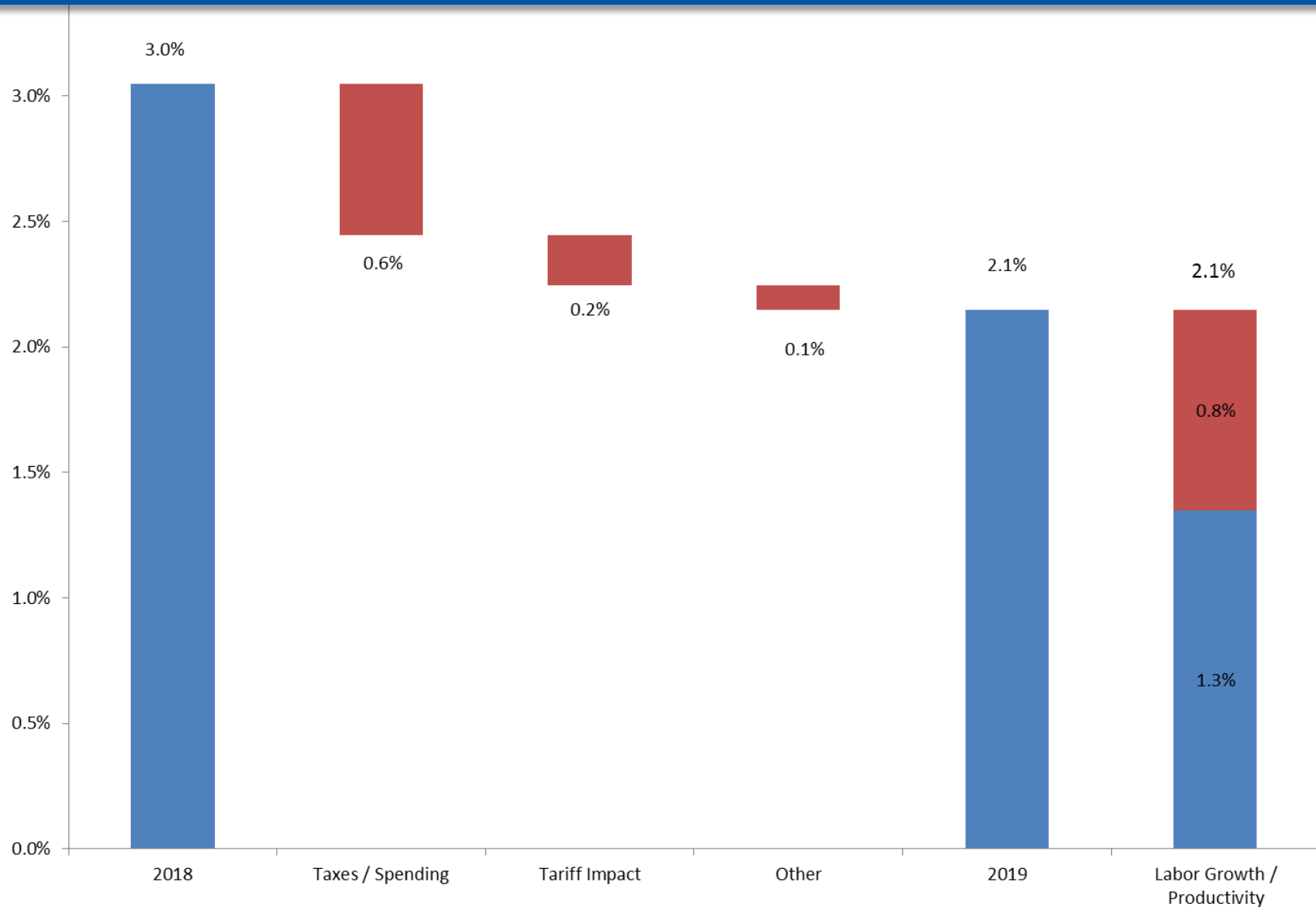
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Source: FactSet Prices

Wage Growth Surpasses 3%



2019 GDP Growth



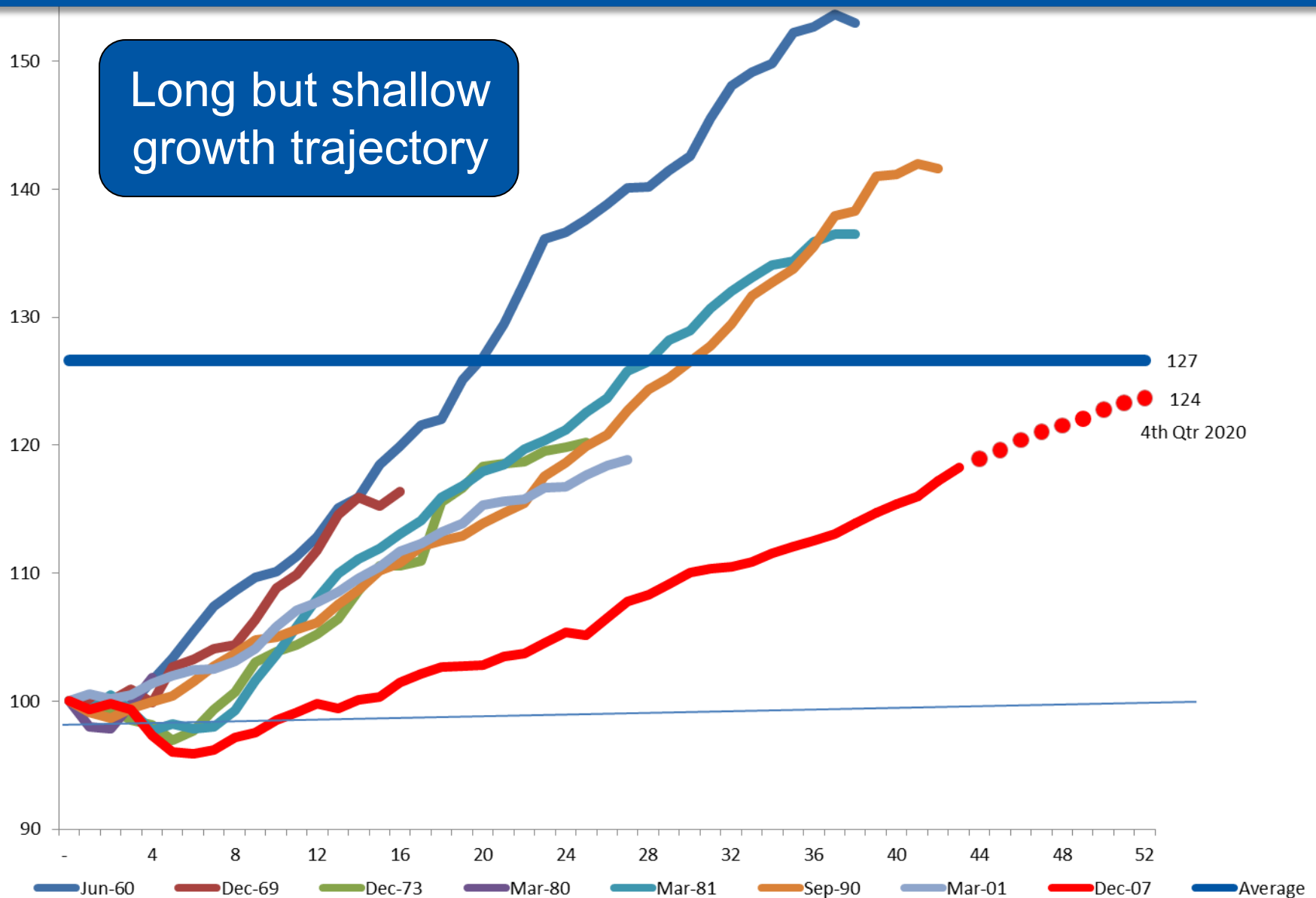
Inflation Remains Subdued

FRED — 10-Year Breakeven Inflation Rate



Implies what market participants expect inflation to be in the next 10 years, on average.

Growth Continues in 2019



Recession Dashboard

| | <u>Rating</u> |
|--------------------------|---------------|
| Yield Curve | 18 |
| FFR / 10YR Threshold | -1.14% |
| Employment Trends | 252 |
| Leading Indicators | 5.9% |
| Corporate Results | 8.3% |
| ISM Services | 59.5 |
| Consumer Confidence | 134.1 |
| Investment Grade Spreads | 1.6% |
| High Yield Spreads | 5.0% |

Our Economic Forecast

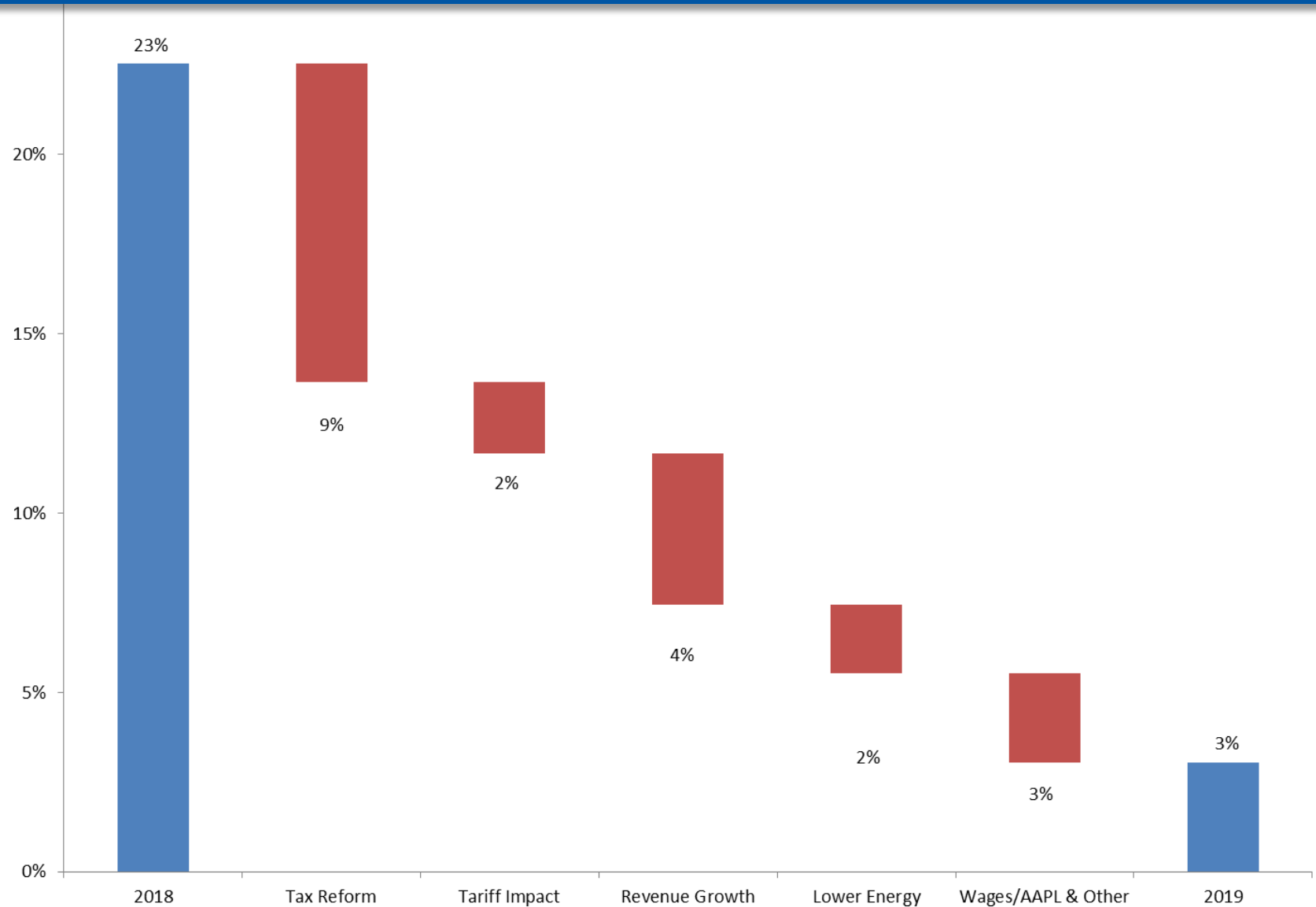
| | 2018 Est | 2019 Est | 2020 Est |
|------------------------|----------|----------|----------|
| GDP Growth | 3.0% | 2.1% | 1.7% |
| Consumer Prices | 2.0% | 2.0% | 2.0% |
| | | | |
| Fed Funds Target Rate | 2.50% | 2.75% | 2.75% |
| 10-Year Treasury Yield | 2.69% | 3.10% | 3.10% |

Our Stock Market Outlook

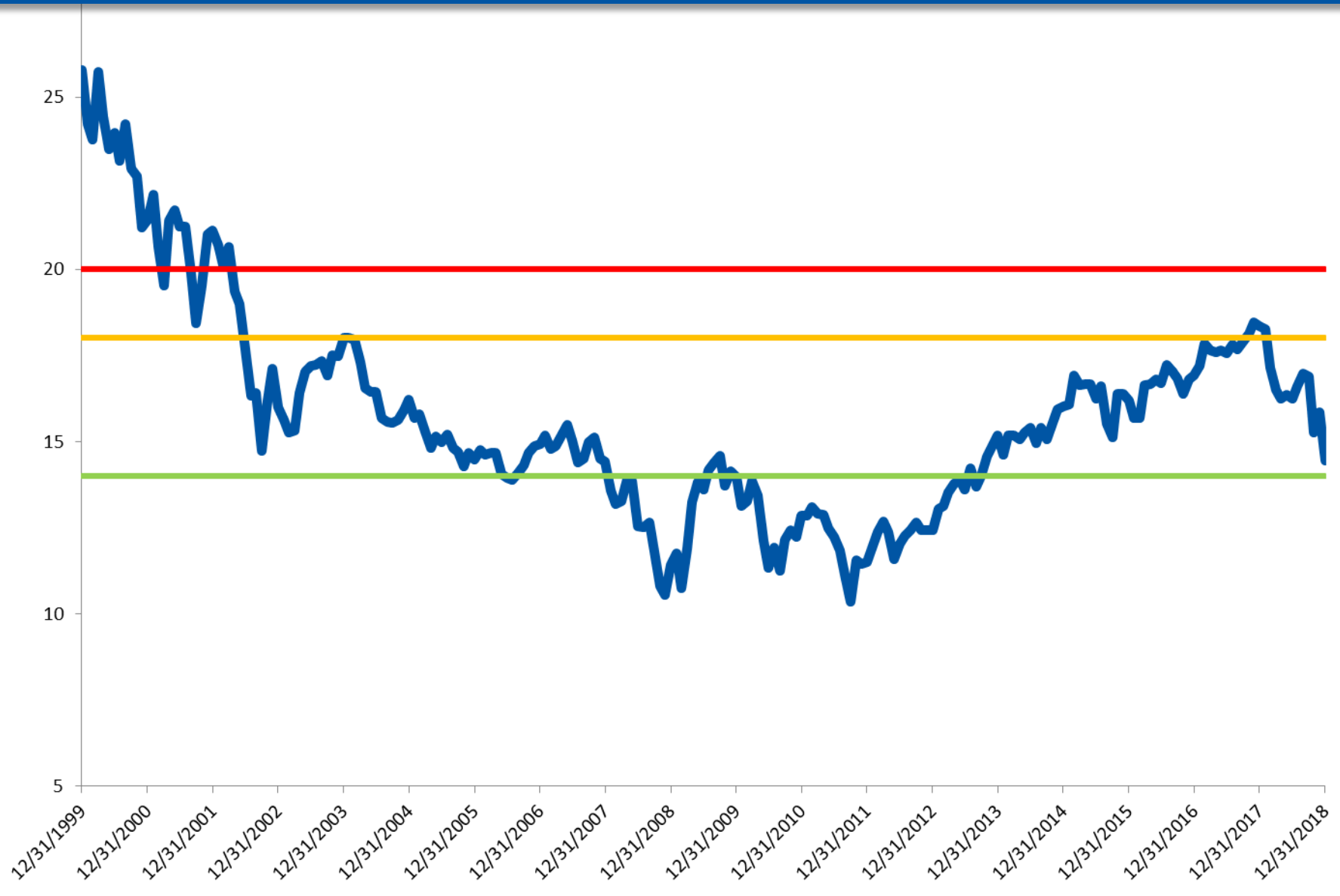


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S&P 500 Index – Earning Growth



S&P 500 Index – Forward P/E



Our Market Forecast

| | 2018 Est | 2019 Est | 2020 Est |
|---------------|----------|----------|----------|
| S&P 500 EPS | \$162 | \$168 | \$176 |
| Ending Value | 2,507 | 2,725 | |
| Current Value | | 2,596 | |

What has changed?



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Base Allocation Model

| Equity % up to | Current Allocation | Last Year |
|-------------------------------------|--------------------|-----------|
| Fixed Income - Domestic | | |
| Short Term | 5% | 0% |
| High (Investment) Grade | 35% | 30% |
| High Yield | 0% | 5% |
| Inflation Protection | 0% | 5% |
| Fixed Income - International | 0% | 0% |
| Equities - Domestic | | |
| Large | 43% | 43% |
| Mid | 5% | 5% |
| Small | 5% | 5% |
| Equities - International | | |
| Developed | 5% | 5% |
| Emerging Market | 2% | 2% |
| Alternative | 0% | 0% |
| Cash | 0% | 0% |
| Total | 100% | 100% |

The Good and the Bad

| Company | | Ticker |
|--|------|-----------------|
| Investments that Worked – 50%+ Total Return | | |
| Red Hat | RHT | Acquired |
| Merck | MRK | Immuno Oncology |
| Resmed | RMD | Rising earnings |
| Palo Alto Networks | PANW | Cyber Threats |
| Investments that Did Not – Lost Money | | |
| Heritage Commerce | HTBK | Interest Rates |
| Activision Blizzard | ATVI | Fortnite |
| NVIDIA Corp | NVDA | Crypto |
| Ameris Bancorp | ABCB | Interest Rates |

10th Annual Value Investing Dinner

Proudly Hosted by



Event Details

DATE May 2, 2019

TIME 5:30 - 9:00pm

LOCATION Omaha Marriott
10220 Regency Circle
Omaha, NE 68114

PRICE Regular Table of 10 – \$750
Individual Ticket Price – \$75

SPECIAL GUEST SPEAKERS

Beini Zhou

Portfolio Manager for Matthews Asia

Robert Hagstrom

Portfolio Manager for EquityCompass Strategies, a Stifel Financial Corp subsidiary and author of numerous books about Warren Buffett, including the bestselling *The Warren Buffett Way*.

TOPIC

"What would Warren buy in Asia?"

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FIRST QUARTER 2017 MARKET OUTLOOK



Our Outlook

| | <u>2014</u> | <u>2015</u> | <u>2016 Est</u> | <u>2017 Est</u> | <u>2018 Est</u> |
|---------------------------|-------------|-------------|-----------------|-----------------|-----------------|
| GDP Growth | 2.5% | 1.9% | 1.9% | 2.0% | 2.0% |
| Change in Consumer Prices | 1.2% | 0.4% | 1.7% | 2.1% | 2.2% |
| Fed Funds Target Rate | 0.25% | 0.50% | 0.75% | 1.25% | 1.75% |
| 10-Year Treasury Yield | 2.17% | 2.28% | 2.43% | 2.60% | 2.80% |
| S&P 500 EPS | \$117 | \$116 | \$118 | \$128 | \$136 |
| Ending Value | 2,059 | 2,044 | 2,239 | 2,304 | 2,377 |
| Total return | 13.7% | 1.4% | 12.0% | 5.2% | 5.2% |

GDP and consumer prices are Dec y/y change

Security National Bank's Wealth Management Department maintains an economic forecast that provides our Investment Committee background assumptions for use in our investment decisions. Our general

- ✓ Connect with me on LinkedIn



1st

Damian Howard

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Greater Omaha Area • 367 [28](#)

We appreciate referrals!

We'll speak at your events



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Questions?

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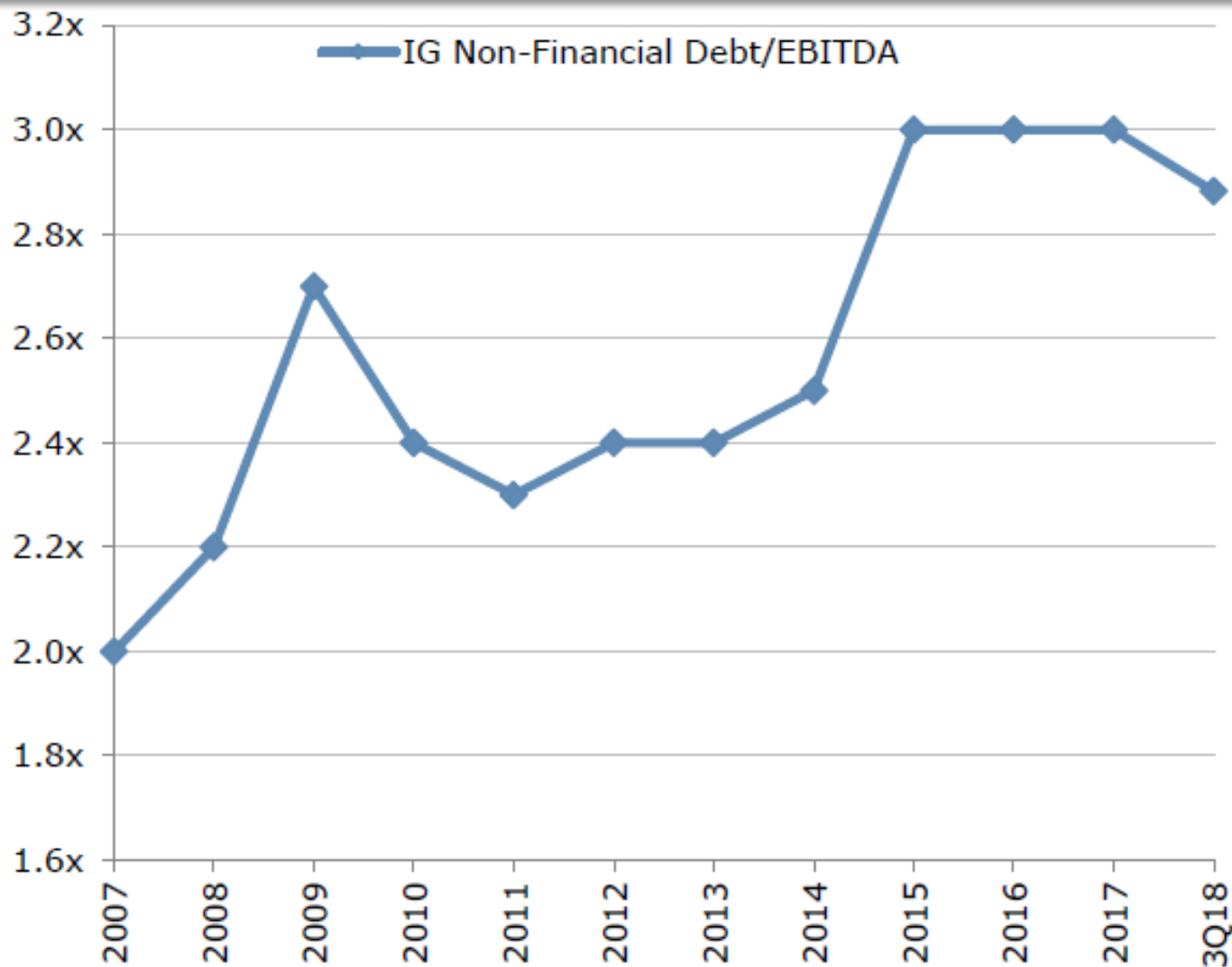
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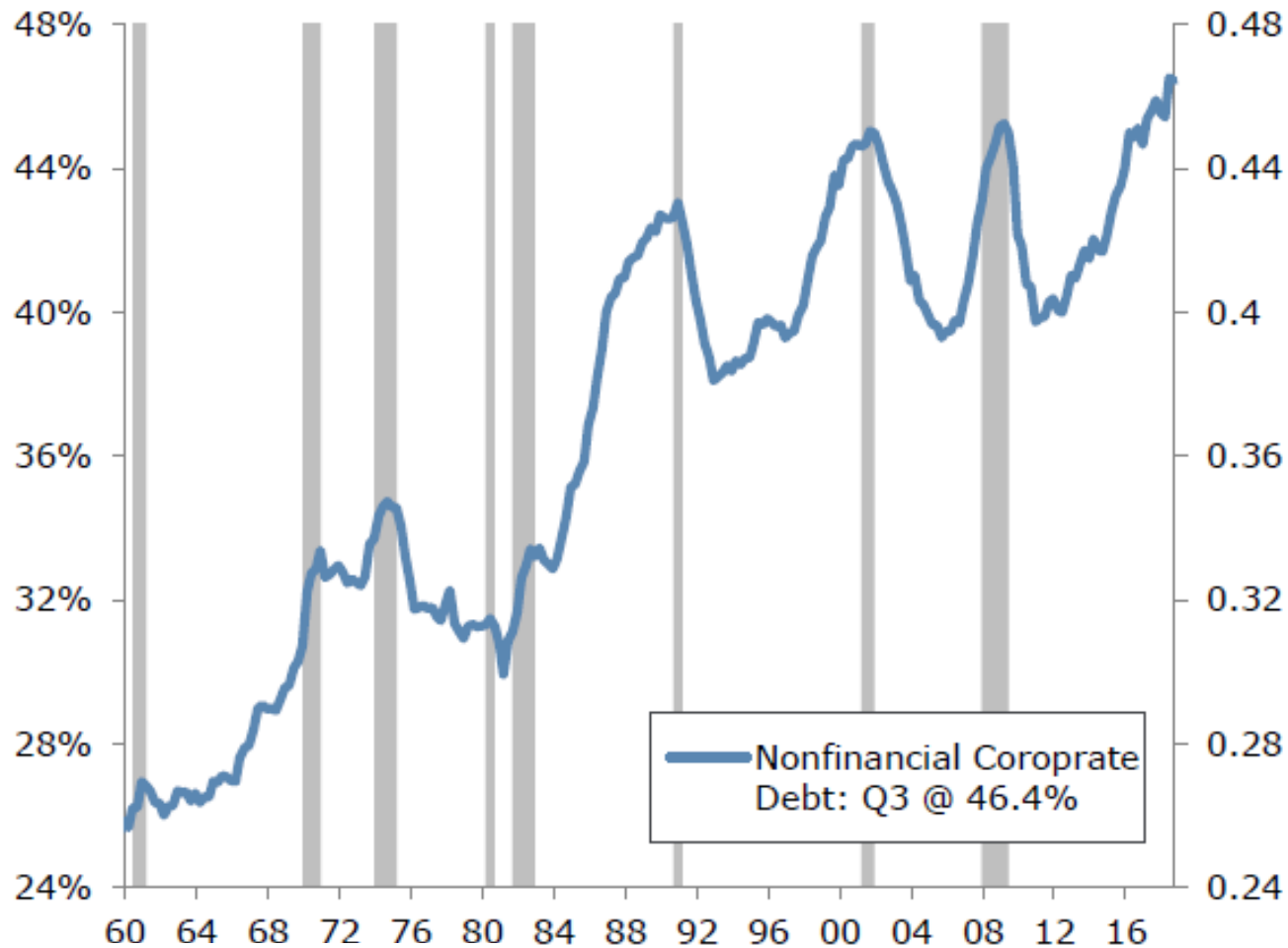
Supporting Material



Supporting Material

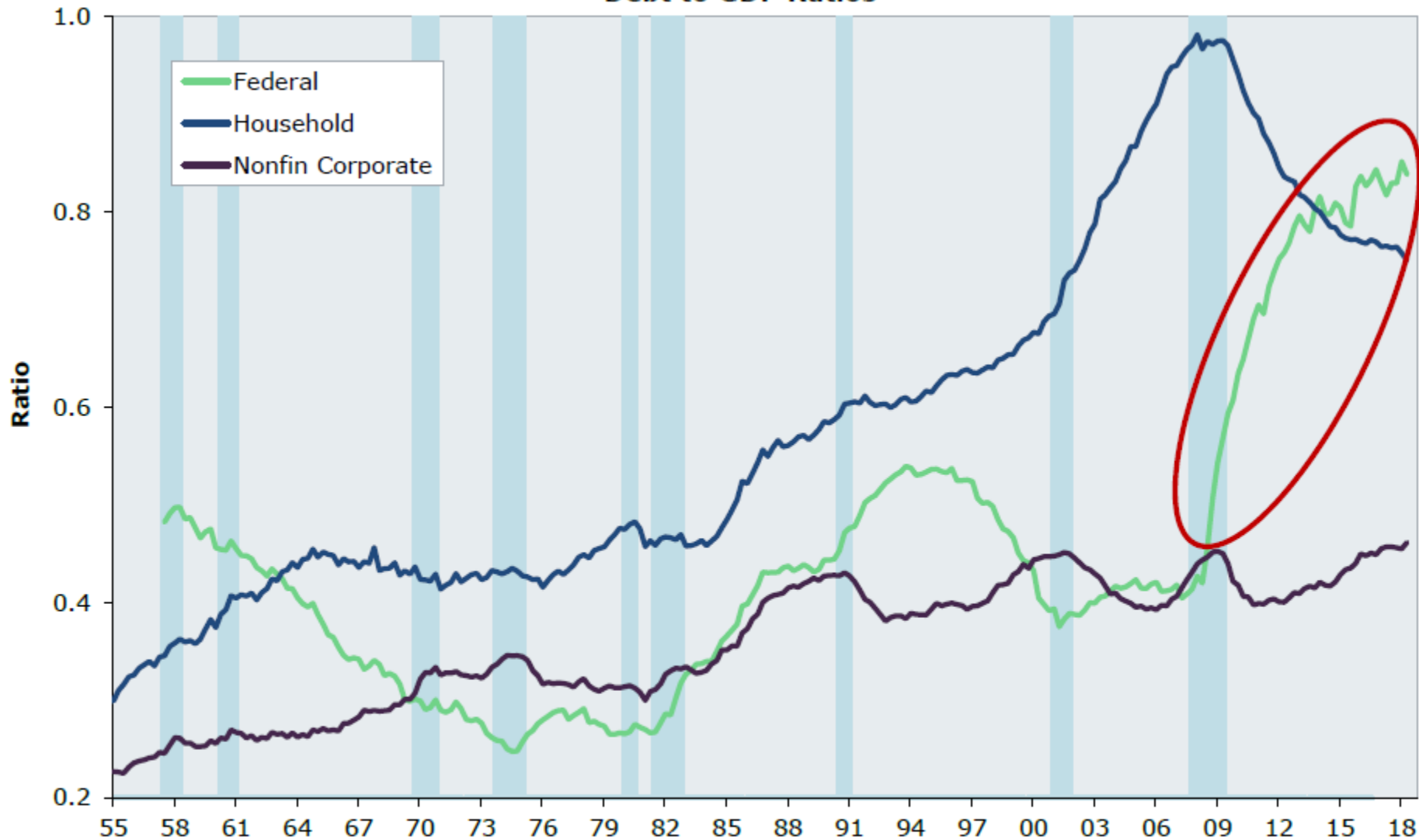
Corporate Sector Leverage Cyclical Peak

Nonfinancial Corporate Debt as a Share of GDP



Supporting Material

Debt to GDP Ratios



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