Fourth Quarter 2018

WISCO
Investment Management

DEAR CLIENTS & FRIENDS;

The Wisco-managed portfolios were down across the risk-spectrum in the fourth quarter. Our lower risk portfolios (Conservative & Balanced) declined in the mid-single digit range while our higher-risk portfolios (Growth & Aggressive) fell in the low double-digits. Sharp declines in the U.S. and International stock markets were a drag on portfolio performance this period.

Our riskier portfolios were most impacted by the equity market sell-off due to their higher allocations to global stock markets. The U.S. stock market declined 14% this quarter as the market grew increasingly concerned over the Fed's quantitative tightening plan (increasing short-term rates and shrinking its balance sheet) and souring trade negotiations with China (which could be detrimental to global growth). The U.S. stock market ended the year down 5%, our first down year since 2008. With that said, we believe the U.S. economy remains relatively healthy and economic forecasts for 2019 are robust. Real GDP is expected to grow 3% in 2018 and 2.5% in 2019, inflation expectations are within target ranges, and the job market is stronger than it's been in decades.

International equity markets, in aggregate, were down 11% this period. International markets have been under pressure this year as trade negotiations and tariffs have taken center stage, the European Central Bank (ECB) ended their economic stimulus program in December and economic growth has slowed in many regions.

On a positive note, our fixed income and commodity exposures were up in the quarter. The Barclays aggregate bond index rose 2% this period benefiting from falling rates. The 10-year treasury yield fell from 3.1% at the beginning of the quarter to 2.7% at the end (fixed income prices and interest rates generally move inversely with each other). In addition, our commodity exposures were limited to precious metals this period with both gold and silver rising mid-single digits. Wisco uses commodity exposures in our ETF-portfolios as they tend to improve portfolio diversification relative to traditional stock and bond investments in most environments.

As a reminder, our policy is to rebalance client portfolios on a semi-annual basis (in January & July). This allows us to realign the positioning of your portfolio with our current market expectations. To that end, we plan to complete our January rebalancing over the course of the next few weeks. As always, feel free to contact us to discuss the rebalancing of your portfolio, your targeted risk level, or any other life changes that may be relevant to how your portfolio is invested. Also, the IRA contribution deadline is approaching (Monday April 15th) so let us know if we can help.

At Wisco, we believe our approach of designing well-diversified, low-cost investment portfolios is the best way to produce favorable results over time. We would like to thank you for providing us with the opportunity to work with you as your investment adviser. We appreciate your business!

Sincerely,

*The **Wisco** Team*

Investment Advisors: **Stephen Share** sshare@wiscoinvest.com **Greg Schroeder** gschroeder@wiscoinvest.com

Wisco Investment Management

Wisco-managed portfolios are constructed using five asset classes; Domestic Equity, International Equity, Domestic Fixed Income, Alternative Investments and Cash. Our current managed portfolio asset class allocations are as follows:

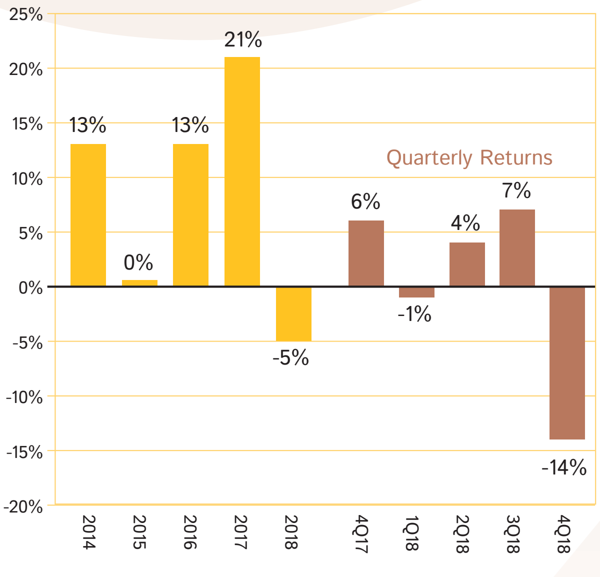
WISCO MANAGED PORTFOLIOS

	Conservative	Balanced	Balanced Growth	Growth	Aggressive
Domestic Equity	28%	40%	52%	60%	73%
International Equity	5%	5%	5%	10%	15%
Domestic Fixed Income	50%	38%	27%	16%	0%
Alternative Investments	7%	9%	10%	10%	10%
Money Market	10%	8%	6%	4%	2%
Total	100%	100%	100%	100%	100%
Target Volatility*	6%	8%	10%	12%	15%

**Target Volatility is our estimate for the annual standard deviation of portfolio returns.*
Source: Wisco Investment Management LLC

Fourth Quarter 2018 Market Review

DOMESTIC EQUITY

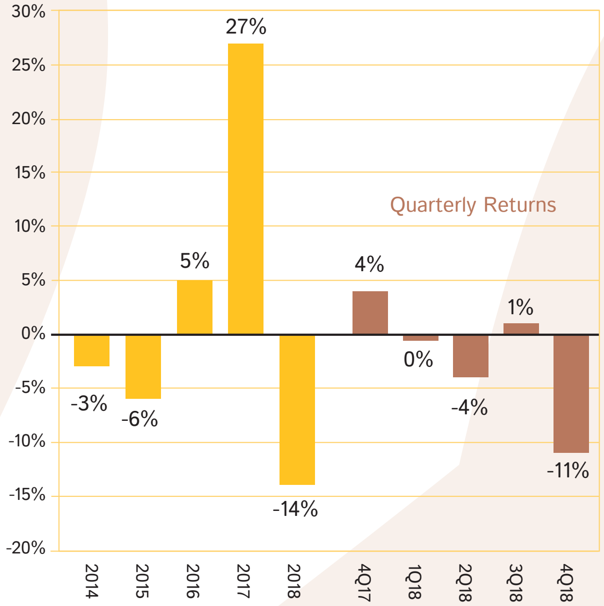


Source: Dow Jones U.S. Broad Stock Market Index and Wisco.

The domestic equity market declined 14% in 4Q18. After reaching a high mark of 2941 on September 21, the S&P 500 declined throughout the quarter bottoming December 26 at 2347, before recovering to 2507 to end the year. The market decline was board based with mid-cap stocks down 17% and small cap stocks down 20% in the quarter. Investors have become concerned that a hawkish Federal Reserve and a weak global economy will impact domestic companies, slowing growth and perhaps even causing a recession in 2019. Despite these concerns, domestic growth has been strong. In 3Q18, GDP increased at an annual rate of 3.4%, while S&P 500's earnings growth was up 26% versus last year. Going forward, it will be hard for corporate earnings to grow at a similar rate in 2019 as higher short-term interest rates, tariff disputes, and higher inflation could be a headwind to earnings growth. That said, low unemployment, a strong consumer and less regulatory burden should help corporate earnings. Under this scenario, we feel S&P 500 earnings could grow in the mid-to-high single digit range in 2019.

The S&P 500 is now trading at 14.3x 2019 consensus operating earnings. This is the most attractive valuation we have seen in six years. While it can be unsettling to see markets and account values decline, in the long run investors that add to positions after a decline are generally rewarded. For this reason, Wisco is increasing our exposure to the domestic equity market in all our managed portfolios. We prefer large cap and dividend paying companies to mid and small cap stocks.

INTERNATIONAL EQUITY

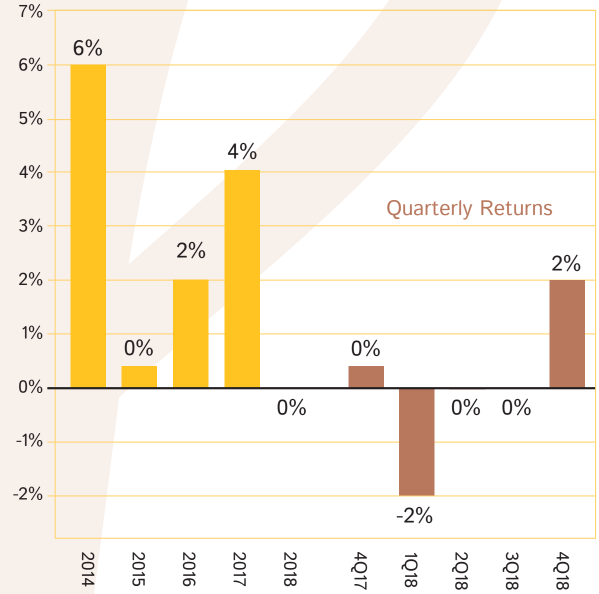


Source: MSCI ACWI ex USA and Wisco

The MSCI All World Index declined 11% in 4Q18, with the FTSE Developed Large Cap Index down 13%, FTSE Developed Small Cap Index down 16% and FTSE Emerging Market Index down 6%. In Europe, most markets were down with Norway (down 21%) and Austria (down 19%) among the worst performers. Hungary was able to buck the trend increasing 4% in 4Q18. In Asia, Japan declined 14% and Korea was down 13%. Shanghai fell 11% in the quarter and finished the year down 28%. Other notable emerging market results are Brazil (up 14%) and Mexico (down 20%).

The Eurozone's GDP in 3Q18 was barely positive at 0.6%. In Asia, China's GDP growth slowed to 6.6% and Japan posted declining GDP of -2.5%. Despite this slowdown, the ECB confirmed it ended its bond buying program at the end of December. Slowing economic growth combined with tightening monetary policy suggest a mixed outlook for international equity. Therefore, Wisco is reducing our client's exposure to international markets and prefer large capitalization stocks to small cap stocks. Longer-term, Wisco continues to believe that international equity is an important component of a well-diversified portfolio.

DOMESTIC FIXED INCOME



Source: Barclays Capital U.S. Aggregate Bond Index and Wisco.

The Barclays U.S. Aggregate Bond Index was up 2% in 4Q18, with Intermediate Treasuries up 3%, Investment Grade Bonds were flat, while High Yield Bonds decreased 4% in the quarter. The 10-year treasury yield moved lower in the quarter starting at 3.06%, peaking at 3.25% on October 5th, then fell the rest of the quarter closing at the quarter-low yield of 2.69%. The Federal Reserve once again increased its current fed funds rate to a range of 2.25% to 2.50% and estimated they would raise rates 2 times in 2019. Going forward, we think the Fed may not be as aggressive as they are projecting given inflation is tame and global growth is decelerating.

Fixed Income posted solid results especially relative to equity. Going forward, we feel fixed income will be hard pressed to produce much better than low single digit returns. Therefore, we are reducing our exposure to Fixed Income in all our managed portfolios and eliminating Fixed Income completely from our most aggressive portfolios. While fears of a slowdown have caused government bonds to outperform corporate bonds, we feel these slowdown fears may be overblown and prefer investment grade corporate bonds and their higher yields to government bonds.

ALTERNATIVE INVESTMENTS

The Dow Jones-UBS Commodity Index declined 11% in the quarter. In agriculture, grain prices were up in the quarter. Corn prices increased 5%[1], while soybean prices increased 4%[1] in the quarter. Grain prices are low compared to their 2008 levels, however, a strong growing season and foreign tariffs are likely to keep prices low going into 2019. Precious metal prices were strong in the quarter, as global economic weakness and geopolitical risk caused investors to buy metals. Gold prices increased 7%[2], and silver prices went up 6%[3] in 4Q18. Finally, crude oil prices decreased 39%[4] in 4Q18. Increased supply from domestic oil firms along with OPEC's underwhelming supply cuts combined with a softening global demand environment likely caused this substantial drop. Wisco's managed portfolios performance benefited in 4Q18 from holding both gold and silver. Going forward, we are going to continue to hold gold as it is a non-correlated asset that can provide some protection during times of geopolitical and economic uncertainty. It also can protect a portfolio from high levels of inflation. Wisco is going to take a position in a Crude Oil ETN in all our managed portfolios when we rebalance in January. We feel oil producers will adjust supply to support a positive price trend and that the commodity has been oversold.

MONEY MARKET

Money market yields increased substantially in 2018 with a current yield of 2.3%. Given this higher yield, Wisco has money market exposure in all our client portfolios. We feel this rate should stay at current levels or increase if the Federal Reserve continues to increase short-term interest rates.

1. Return calculation based on the near future contract as quoted in the Wall Street Journal.
2. Return calculation uses ETFS Physical Gold Shares (SGOL) as a proxy for gold.
3. Return calculation uses ETFS Physical Silver Trust ETF (SIVR) as a proxy for silver.
4. Return calculation uses Cushing, OK WTI spot price FOB as a proxy for oil.

Wall Street to Wisconsin

402 Gammon Place, Suite 380 • Madison, WI 53719 • Office 608.442.5507 • Fax 608.237.2206