WISCO

Investment Management

Second Quarter 2019

DEAR CLIENTS & FRIENDS;

The Wisco-managed ETF portfolios performed well in the second quarter of 2019. **All five portfolios (across the risk spectrum) were up in the low-single digits in the quarter and are up double-digits year-to-date. The stock market has recovered after a tumultuous end to 2018.** An important message here is that staying discipline to a long-term investment strategy generally results in the best results over time (rather than trying to time the market). It's normal to get anxious during market swings but we believe that staying committed to your investment plan during times of uncertainty is the best course of action.

The U.S. stock market gained 4% in the quarter as Fed policy became increasingly dovish. Fed fund futures are now pricing in a 70% chance of a rate cut at the July 31st meeting and a 60% chance of second-rate cut at the September 18th meeting (25 basis points each). This was not the case to start the year when the Fed was indicating rate hikes in 2019. Lower interest rates generally serve to stimulate economic activity and corporate profits.

International equities, in aggregate, also performed well, posting a 3% return in the quarter. This has been a solid six months for the MSCI World Index which is now up 14% YTD. We believe money flowed back into many foreign equity markets on the heels of the U.S. market recovery and improving expectations for stabilizing global growth (particularly as trade negotiation concerns dissipate).

Our fixed income exposures also performed well in the quarter. **The Barclays aggregate bond index rose 3% this period benefiting from falling rates.** The 10-year treasury yield fell from 2.4% at the beginning of the quarter to 2.0% at the end (fixed income prices and interest rates generally move inversely with each other).

Our commodity exposures this quarter consisted of a gold and crude oil fund. Gold was up 9% while crude oil fell 4%. We use alternative exposures (like commodities) in our ETF portfolios as they tend to improve portfolio diversification when combined with traditional investments.

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 July 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.

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*

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Second Quarter 2019

Wisco Investment Management

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

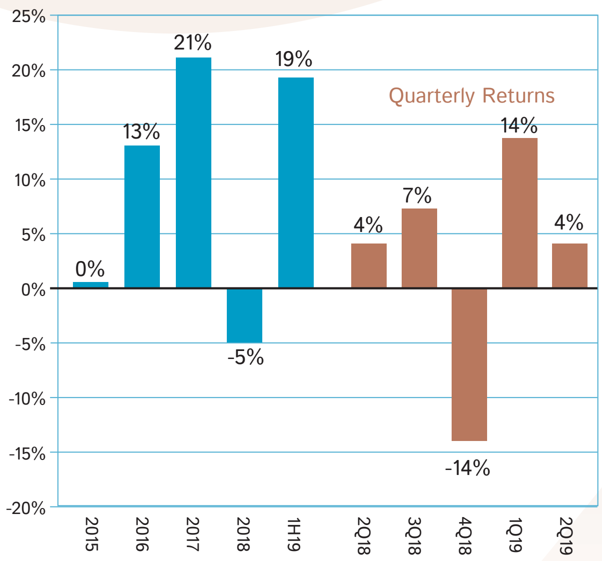
WISCO MANAGED PORTFOLIOS

	Conservative	Balanced	Balanced Growth	Growth	Aggressive
Domestic Equity	24%	37%	47%	55%	67%
International Equity	5%	9%	10%	15%	18%
Domestic Fixed Income	50%	38%	29%	18%	5%
Alternative Investments	8%	8%	8%	8%	8%
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

Second Quarter 2019 Market Review

DOMESTIC EQUITY

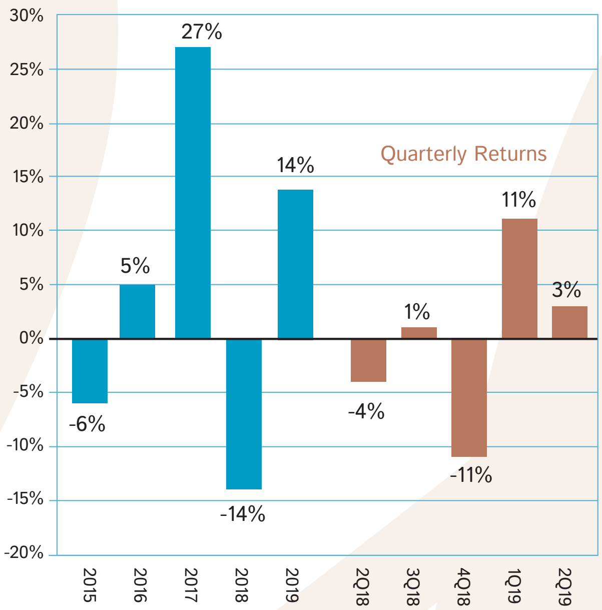


Source: Dow Jones U.S. Broad Stock Market Index and Wisco.

Despite a May downdrift, the domestic equity market returned 4% in 2Q19. In late April, the S&P 500 reached a new all-time high for the first time since September, then fell in May, before recovering to reach a new high June 21st of 2964. The S&P 500 closed the quarter at 2942. In the quarter, large cap stocks modestly outperformed mid-cap stocks and small cap stocks which were both up 3%. In 1Q19, GDP growth reaccelerated to an annual rate of 3.1%, however, the S&P 500's earnings growth stalled up less than a percent year over year. Strength in Health Care (up 9%) and Real Estate (up 6%) were offset by weakness in Technology (down 6%) and Energy (down 27%). The lackluster earnings performance was at least partially responsible for the Federal Reserve turning more dovish at its June 19th meeting indicating rate cuts are now more likely than rate increases. Going forward, earnings growth will certainly be slower in 2019 than 2018, given the tailwind of lower tax rates is gone and global trade tensions exist. That said, unemployment is low, the domestic consumer is in good shape and the Fed is more dovish. Under this scenario, we feel S&P 500 earnings could grow in the low-to-mid-single digit range this year.

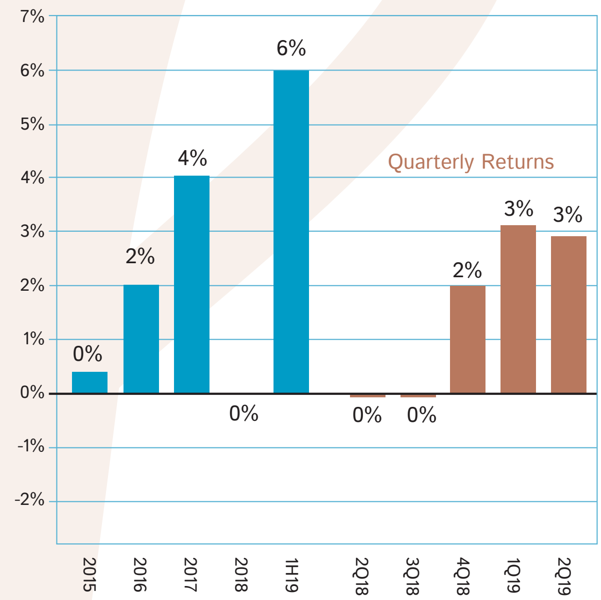
The S&P 500 is now trading at 17.6x 2019 consensus operating earnings, up from 14.3x at the start of the year, which suggests the market may no longer be undervalued. Given this higher valuation combined with slower growth, Wisco has decided to reduce exposure to the domestic equity market in all our managed portfolios. In addition, we prefer larger capitalization dividend paying companies to smaller capitalization non-dividend paying companies.

INTERNATIONAL EQUITY



Source: MSCI ACWI ex USA and Wisco

DOMESTIC FIXED INCOME



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

The MSCI All World Index increased 3% in 2Q19, with the FTSE Developed Large Cap Index up 3%, FTSE Developed Small Cap Index up 2% and FTSE Emerging Market Index up 2%. In Europe, most markets were positive with Greece continuing to show strong returns (up 23% in 2Q19 and up 43% this year). In Asia, Japan increased 3% and Australia was up 7%. Trade disputes hurt Shanghai, down 6%. Other notable emerging market results are Russia (up 15% in the quarter and 29% this year) and Brazil (up 7%).

The Eurozone's GDP in 1Q19 was decent at an annual rate of 1.6%. Japan posted solid GDP of 2.2% in 1Q19. China's GDP growth slowed to 5.7% despite the government aggressively growing the money supply (up 8.5% year over year at last reading). The ECB continues to be very accommodative suggesting they don't plan on increasing rates until at least mid-2020. We feel better GDP results in developed markets along with the ECB's easy monetary policy should be a positive for developed markets. However, trade tensions with China could be an issue for emerging markets. For these reasons, we are modestly increasing our client's exposure to international markets focusing on developed markets and avoiding emerging markets.

The Barclays U.S. Aggregate Bond Index increased 3% in 2Q19, with Intermediate Treasuries up 3%, Investment Grade Bonds up 5%, and High Yield Bonds up 2% in the quarter. The 10-year treasury yield started the quarter at 2.44%, topping April 17th at 2.61%, falling all the way to 1.98% June 20th before finishing the quarter at 2.00%. The Federal Reserve held its current fed funds rate steady at a range of 2.25% to 2.50%, but now expect to cut rates in 2019, significantly different than the two rate increases the Fed predicted at the beginning of the year. Going forward, we think short-term rates could go lower assuming inflation remains tame.

Fixed Income posted strong results as the yield curve inverted and the Fed appears to become more dovish. We have been surprised by the solid returns Fixed Income has produced and expect more modest returns in the second half of the year. That said, we do think there may be an opportunity in short duration bonds if the Fed starts cutting rates. Therefore, we aren't materially changing our Fixed Income allocations, however, we will shift away from longer duration ETFs to shorter duration ETFs. In addition, we continue to prefer investment grade corporate bonds to government bonds.

ALTERNATIVE INVESTMENTS

The Dow Jones-UBS Commodity Index declined 2% in the quarter. In agriculture, grain prices were up in 2Q19. Corn prices increased 15%[1], while soybean prices were up 2% in the quarter[1]. A very wet Spring caused delays in fields getting planted and likely led to the increase in grain prices. We continue to avoid grain investments as tariff headwinds could cap prices. Precious metal prices were also up nicely in the quarter. Gold prices increased 9%[2], while silver prices increased 1%[3] in 2Q19. Finally, after increasing 30%[4] in 1Q19 crude oil prices declined 4% in 2Q19. Strong domestic production and uncertainty about the global economy has resulted in oil being more range bound the last three months.

Wisco moved into a crude oil ETN and out of a silver ETF in January and the crude oil ETN returned 24% year-to-date, while the silver ETF declined 1%. Going forward, we are moving back into silver and out of oil. We feel a softer economy should favor silver as should a more dovish Federal Reserve. We will also continue to hold gold in our client portfolios. Both gold and silver are less correlated assets that can provide some protection during times of geopolitical and economic uncertainty. They also can protect a portfolio from high levels of inflation.

MONEY MARKET

Money market yields increased substantially over the last two years with a current yield of 2.2%. Given this higher yield, Wisco has money market exposure in all our client portfolios. We feel this rate should stay at current levels until the Federal Reserve starts to cut short-term interest rates.

1. *Return calculation based on the near future contract as quoted in the Wall Street Journal.*
2. *Return calculation uses Aberdeen Physical Gold Shares (SGOL) as a proxy for gold.*
3. *Return calculation uses Aberdeen 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

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