WISCO
Investment Management

First Quarter 2020

DEAR CLIENTS AND FRIENDS;

The first quarter was a painful one for investors as financial markets experienced broad-based losses resulting from the outbreak of the COVID-19 pandemic and its impact on global economies. As a result, our lower risk portfolios (Conservative & Balanced) experienced declines in the 9-12% range this quarter while our higher risk portfolios (Growth & Aggressive) were down in the 17-21% range.

We know it doesn't feel good to see your portfolio fall in value and its natural for investors to second guess their investment choices during periods of contraction. That said, market corrections are for better or worse a normal part of investing and can create opportunities for repositioning portfolios for an early-cycle recovery. As we continue to navigate through this investment environment, we encourage you not to panic and 'stay the course' with your investment strategies. Based on our prior experiences, we believe the economy will normalize and markets should improve over the course of the next twelve months.

The U.S. and international stock markets plummeted 21% and 23% respectively in the first quarter as concerns surrounding the spread of the coronavirus heightened around the world. In the U.S., fears began to escalate in mid-February and resulted in a historic market decline. However, the market has rebounded double-digits off its March 23 low as investors have been comforted, to an extent, by the launch of the largest stimulus package in U.S. history, the Fed's decision to reduce the overnight borrowing rate to 0%, and early signs COVID-19's spread is abating in China and Italy.

The Barclays U.S. Aggregate Bond Index was up 2% this quarter benefiting from a rally in the treasury markets as investors fled to safety. The 10-year treasury yield fell from 1.9% at the beginning of the quarter to 0.7% at the end (hitting an all-time low on March 8 of 0.32%). The rapid decline in treasury rates implied declining expectations for inflation and economic growth. On the flip side, investment grade and high yield corporate bonds didn't fare as well as spreads widened out substantially in March.

The Dow Jones-UBS Commodity Index fell 28% this quarter. Gold gained 4%, however, Crude Oil spot prices fell an alarming 66% in the quarter as a negotiations between Saudi Arabia and Russia faltered at the same time demand was under pressure.

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

First Quarter 2020

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:

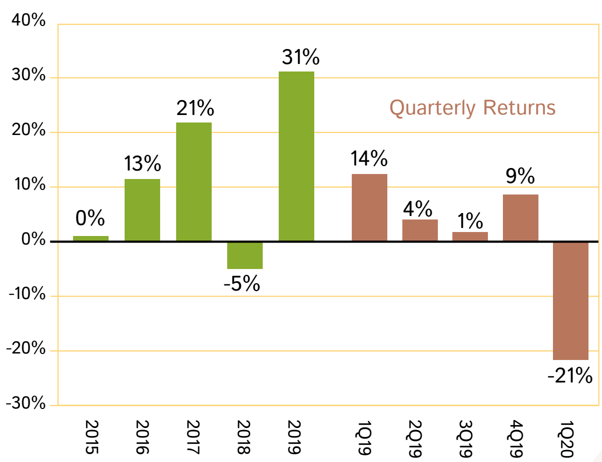
WISCO MANAGED PORTFOLIOS

	Conservative	Balanced	Balanced Growth	Growth	Aggressive
Domestic Equity	25%	35%	43%	50%	60%
International Equity	5%	9%	12%	18%	23%
Domestic Fixed Income	50%	38%	29%	18%	5%
Alternative Investments	10%	10%	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

First Quarter 2020 Market Review

DOMESTIC EQUITY

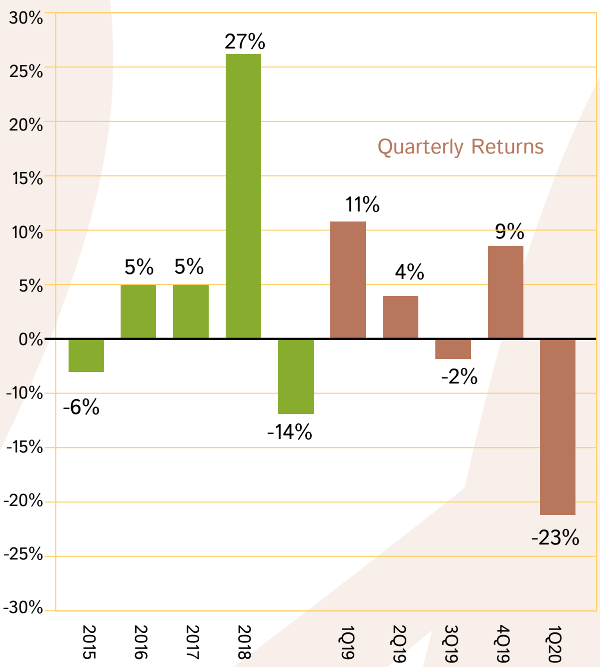


Source: Dow Jones U.S. Broad Stock Market Index and Wisco.

The bull market in domestic equities ended this quarter with a 21% decline. The S&P 500 reached an all-time high on February 19th at 3394 before turning down and bottoming March 23rd at 2192. The S&P 500 did bounce off this low to finish the quarter at 2585. In the quarter, large cap stocks returned -20%, midcap stocks returned -30%, and small cap stocks returned -32%. This sell-off was caused by COVID-19 moving from an Asian centric virus into a global pandemic. While significant economic damage from the virus is a near certainty, to date the impact hasn't yet been seen in GDP growth (4Q19 = 2.1%) or S&P 500 earnings growth (+1% in 4Q19). Going forward, the consensus estimates are 2Q20 GDP will be negative and S&P 500 earnings will decline in the high single digits range, before recovering in late 2020. We suspect near term earnings could be even worse than these estimates. However, a late 2020 recovery which leads to growth in 2021 is possible. The CARES Act is unprecedented in its size of $2.2 trillion (about 10% of GDP) and the Federal Reserve has been very aggressive in backstopping several markets. While these moves should stabilize the economy during the crisis, they could be very simulative after the crisis has passed.

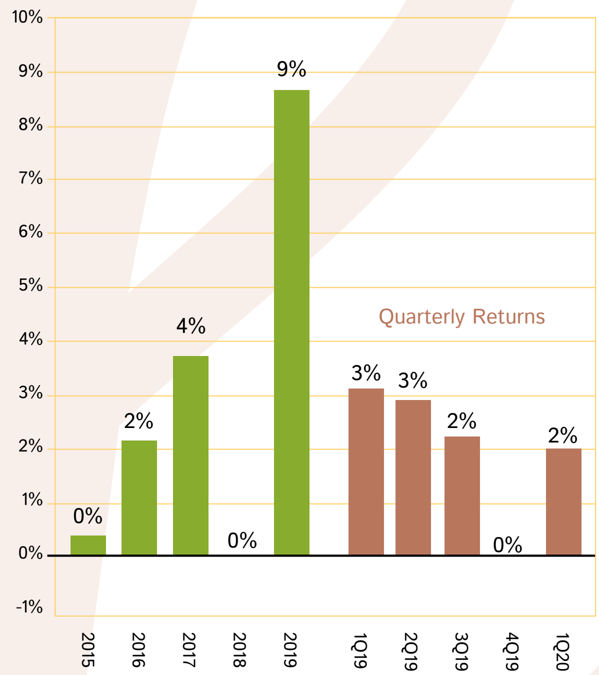
The S&P 500 is now trading at 15.9x trailing operating earnings. Wisco reduced all our client's domestic equity exposure in January based on valuation. Given the downturn in the market, we now feel domestic equity is reasonably priced and will look to add domestic equity exposure in our client portfolios should the opportunity arrive.

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 decreased 23% in 1Q20, with the FTSE Developed Large Cap Index down 23%, FTSE Small Cap Index down 30% and FTSE Emerging Market Index down 24%. In Europe, virtually all markets declined with Greece down 40% and Italy down 30%. Asia also had across the board declines with Japan down 19%, Hong Kong down 16% and South Korea down 24%. Emerging markets had declines in Shanghai (-11%), Brazil (-51%), Russia (-35%) and Taiwan (-19%).

The Eurozone's GDP in 4Q19 held steady at an annual rate of 0.5%, as COVID-19 had yet to hit results. Just like in the United States, it is likely the Eurozone will post negative GDP numbers in 2Q20. Japan's GDP fell 7.1% and Hong Kong had a 1.3% decline. China posted 4Q19 GDP growth of 6.1%, although there is some skepticism about the validity of China's reported GDP. One bright spot is new COVID-19 cases have started to deaccelerate in some Western Pacific nations (China, Malaysia, Singapore etc.) suggesting the "flatten the curve" strategy can work. Wisco continues to believe international equity exposure is an important component of a diversified portfolio and we maintain international equity positions in all our client portfolios, preferring large cap stocks to small cap stocks.

The Barclays U.S. Aggregate Bond Index was up 2% in 1Q20, with Intermediate Treasuries up 7%, Investment Grade Bonds down 3%, and High Yield Bonds down 12%. The 10-year treasury yield started the quarter at 1.92%, however, the pandemic caused a dramatic flight to safety driving rates down throughout the quarter before finishing at 0.70%. Despite this dramatic drop in treasury yields, corporate debt yields increased with investment grade bond yields increasing 0.1% to 3.4%[5] and high yield bond yields increasing 0.6% to 5.6%[6], as investors sought out the highest quality assets. With a crisis upon us, the Federal Reserve cut the fed funds rate from a range of 1.50% to 1.75% to 0%.

Treasuries were one of the only positive returning assets this quarter, as even corporate bonds posted negative returns. Going forward, we feel corporate investment grade bonds will outperform treasuries because they offer greater yields and there is the potential for spreads to tighten. In addition, the Fed announced that they would buy corporate bonds in the commercial paper market which we feel could mitigate defaults especially in the investment grade market. For this reason, we hold investment grade corporate bonds in all our client portfolios.

ALTERNATIVE INVESTMENTS

The Dow Jones-UBS Commodity Index decreased 28% in the quarter. In agriculture, grain prices were mixed in 1Q20. Corn prices declined 12%[1] and soybean prices were down 6%[1], however, wheat prices increased 1%[1]. Grains demand was negatively impacted by soft Chinese demand, but we feel that could improve in the months ahead.

Gold prices were one of the few bright spots in the quarter increasing 4%[2], however silver declined 22%[3]. Gold benefited from its safe haven status, while the weak global economy hurt industrial demand for silver.

The Cushing, Oklahoma spot price for WTI crude oil fell a shocking 66%[4] in the quarter. The breakdown in OPEC+ negotiations resulted in the removal of supply restraints at the same time global demand was drastically reduced by COVID-19.

Wisco clients' currently hold silver, gold and a Grain ETN in their portfolios. Precious metals we feel could benefit from geopolitical uncertainty and global monetary leaders desperate to stimulate fragile economies by creating more fiat currency. We continue to like Grains because they are uncorrelated to stocks and bonds. Plus, as China recovers from COVID-19, they could increase agricultural purchases from the United States.

Finally, while oil is currently not part of our model portfolios, we may add exposure in our aggressive accounts if we feel fundamentals are improving.

MONEY MARKET

Money market yields decreased in the quarter from 1.5% to a current yield of 0.7%. Wisco has money market exposure in all our client portfolios.

FOOTNOTES:

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.
5. Based on iBoxx Liquid Investment Grade Index (LQD)
6. Based on iBoxx Liquid High Yield Index (HYG)

DISCLAIMER:

Wall Street to Wisconsin

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