WISCO
Investment Management

Second Quarter 2022

DEAR CLIENTS & FRIENDS;

The Wisco-managed ETF portfolios experienced a challenging second quarter. Our lower risk portfolios (Conservative & Balanced) declined 8-9% this period while our higher risk portfolios (Growth & Aggressive) fell in the 12-14% range. Both stock and bond markets posted their worst first halves of a year in over fifty years. Agricultural commodities and medals, in aggregate, also declined in the quarter.

The U.S. and International stock markets declined 17% and 12%, respectively this quarter. The sell-off was driven by lowered global economic growth forecasts and heightened inflation concerns. In response to forty-year high inflation in the U.S., the Fed began a tightening cycle (arguably a little late) in March and has raised the Fed funds rate to 1.75% currently (from 0% a few months ago) with expectations for a 3% rate by year end. With the pullback in equity prices, we believe the market is already discounting a recession this year. Equity markets may tread water in coming months but signs of abating inflation by year end may serve as a catalyst for equity investors. Historically, equity returns coming out of recessions are often the most rewarding to investors throughout an economic cycle.

The Aggregate Bond index declined 5% this quarter. The 10-year treasury yield began the quarter at 2.3% and edged up to 3.0% at quarter-end. Fixed income returns generally move in opposite directions with treasury yields so rising rates had a negative impact on our bond allocations. In addition, U.S. treasuries posted their worst first half since 1788 which impacted even the most risk-adverse portfolios. The yield curve is slightly inverted at the current time implying that the bond market is likely pricing in some recession risk this year. Both investment grade and high yield corporate spreads widened out over the period as investors are requiring more yield for taking corporate credit risk in this environment.

As a reminder, our policy is to rebalance client portfolios on a semi-annual basis. This allows us to realign the positioning of your portfolio with our current market expectations. To that end, we will be working on rebalancing portfolios over the course of the next few weeks. As always, feel free to contact us to discuss how your portfolio is positioned, your targeted risk level, or any other life changes that may be relevant to your investment strategy. *Also, per our annual requirements, we have enclosed a copy of Wisco's privacy policy and will send you a copy of our Company Brochure upon request.*

Wisco welcomed Abbie Robinson as an intern this Summer. Abbie is a UW Madison student with an interest in pursuing a career as a financial planner. We also wanted to let you know that we will be offering an option to receive your quarterly reports from us electronically by the end of the year. Details are forthcoming.

Lastly, we know how challenging and stressful market corrections can be. We're also aware that during periods of high volatility its natural for investors to second guess their investment choices. With that said, we would like to reinforce how important it is to remain disciplined to your long-term investment strategy and to 'stay the course'. The one thing history has proven is that financial markets return to normal with time.

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 advisor. We appreciate your business!

Wall Street to Wisconsin

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 Prime Money Funds. Our current asset class allocations are as follows:

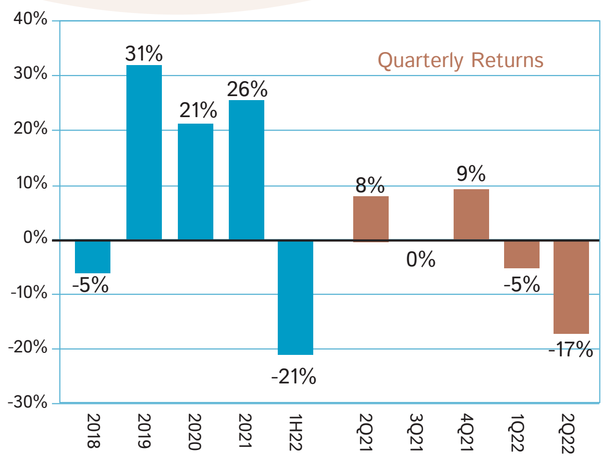
WISCO MANAGED PORTFOLIOS

	Conservative	Balanced	Balanced Growth	Growth	Aggressive
Domestic Equity	28%	37%	45%	54%	63%
International Equity	9%	13%	16%	21%	26%
Domestic Fixed Income	47%	36%	27%	15%	3%
Alternative Investments	6%	6%	6%	6%	6%
Prime Money Fund	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 2022 Market Review

DOMESTIC EQUITY

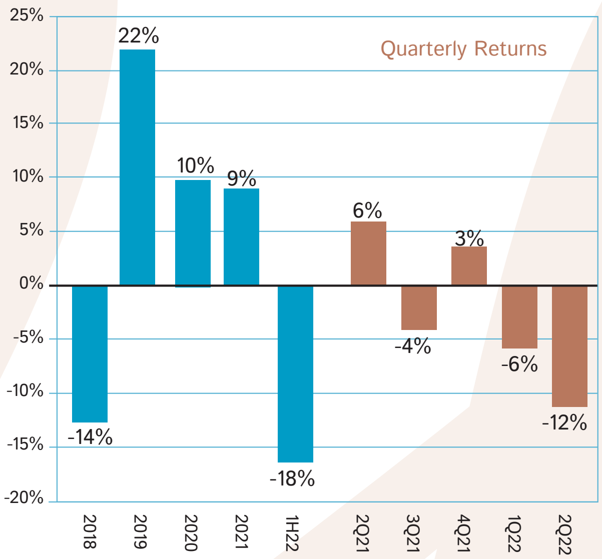


Source: Dow Jones U.S. Broad Stock Market Index and Wisco.

The stock market declined 17% in the second quarter. The S&P 500 ended the quarter at 3785, 21% below its January 4th all-time high of 4819. 2022 has been the worse start of the year for the S&P 500 since 1970. Large-cap stocks and small-cap stocks posted similar performance (down 17%). However, large cap high dividend stocks posted better relative performance (down 8%). The United States 1Q22 GDP declined 1.6%, which was a surprisingly weak result. S&P 500's earnings increased 9% in 1Q22, with strength in Energy (+267%) and Materials (+42%) partially offset by weakness in Financials (-20%) and Consumer Discretionary (-33%). Wall Street analysts are projecting S&P 500 earnings will grow 10% in 2022, which seems a little aggressive to us, however, we still think we could see mid-single digit earnings growth in 2022. Supply chain issues could improve in the second half of the year as China reopens, covid concerns fade and business returns to a more normal environment. Plus, government spending on infrastructure could add to growth. These growth drivers will be somewhat offset by inflation, especially in energy and food, and the Federal Reserve's continued campaign to reduce inflation by raising rates and slowing money supply growth.

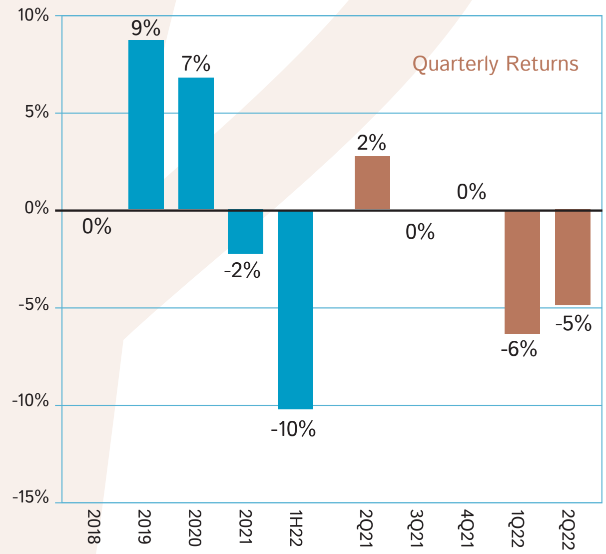
Slowing growth along with high inflation have resulted in stocks slipping into a painful bear market. The silver lining is that domestic stocks look more attractive on a valuation basis than they have the last few years. The S&P 500 is trading at 16.5x 2022's earnings estimate, compared to 21x at the start of the year. Given this attractive valuation, we are increasing our domestic equity allocation in all our client portfolios and are focused on adding exposure to large cap dividend payers with less exposure to small cap growth 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 decreased 12% in 2Q22, with FTSE Developed Large Cap Index down 14%, FTSE Small Cap Index down 18% and FTSE Emerging Market Index down 8%. In Europe, most markets were down with some of the most severe declines in Hungary (-24%), Poland (-23%) and Germany (-18%). In Asia, Hong Kong was able to post a modest gain (+1%), however both South Korea (-21%) and Japan (-15%) declined. In emerging markets, Brazil declined 25% and South Africa was down 22%, however, Shanghai saw only a modest 1% decline.

Both the Eurozone and Britain posted solid GDP growth in 1Q22 with GDP of 2.5% and 3.0%, respectively. In Asia, countries experienced more mixed GDP results with strength in China (+5.3%) and the Philippines (+7.8), while Japan (-0.5%) and Hong Kong (-11%) saw GDP declines. International stocks were able to outperform domestic stocks in the first half of 2022 and they still trade at a substantial 28% PE discount to United States' stocks. While some discount is justified given domestic stocks stronger growth rate, we feel international stocks offer a compelling value proposition and hold foreign equities in all our client portfolios. We prefer large cap stocks to small cap stocks oversees.

The Barclays U.S. Aggregate Bond Index declined 5% in 2Q22 and has declined 10% in 1H22 its worse start to a year ever. Intermediate Treasuries were down 3%, Short-term Investment Grade declined 2%, Long-term Investment Grade were down 12% and High Yield declined 9%. The 10-year treasury yield increased from 2.33% at the start of 2Q22, to 3.48% on June 14th before finishing the quarter at 2.97%. Annual inflation (CPI) in May came in at 8.6%, its highest level since 1981. The Fed increased its interest rate range 75 basis points to 1.5%-1.75% in June, its largest increase since 1994. The Fed holds $8.9T in fixed income securities and expects to reduce these holdings in the second half of the year. The money supply (M2) now stands at $21.8T up 6% YoY.

Fixed Income results have been hurt by the Feds efforts to reduce inflation and since the Fed has little choice but to continue with this hawkish stance, it seems unlikely Fixed Income will produce strong returns in the second half of 2022. Therefore, we are modestly reducing Fixed Income exposure in all client accounts, however we still hold Fixed Income for its diversification benefits. We prefer short duration bonds to long duration bonds.

ALTERNATIVE INVESTMENTS

The Dow Jones-UBS Commodity Index decreased 6% in 2Q22 but is still up 21% year-to-date. In agriculture, grain prices were mixed. Soybean prices were up 4%[1], corn prices decreased 1%[1] and wheat prices fell 14%[1] in 2Q22. Year-to-date, all three grains have increased in price with soybeans, corn and wheat up 26%, 25% and 13%, respectively. All of these grains are experiencing supply shocks from the war in Ukraine.

Precious metal prices were down in the quarter. Silver decreased 18%[3] and gold prices decreased 7%[2] in 2Q22. Higher rates and a strong dollar likely hurt results. Silver was also impacted by a softening economy.

The Cushing, Oklahoma spot price for WTI crude oil increased 11%[4] in the quarter and is up 48%[4] year-to-date. Higher demand and the supply shock from the Ukraine War have resulted in these higher prices.

Wisco is going to reduce commodity exposure in all our client portfolios. Given the groups strong first half performance, we think it is a good time to take profits. In addition, the Fed's aggressive rate increases, and a strong dollar could negatively impact this group. We will still hold a board-based commodity and gold ETF as these two funds are less correlated with stocks and bonds and can improve overall risk-adjusted returns.

PRIME MONEY FUND

Prime money funds currently yield 1.3% and this yield will likely continue to go higher as the Fed continues to raise rates. Therefore, we are going to purchase prime money funds for all our clients with a higher allocation for more conservative 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.*

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