WISCO
Investment Management

Third Quarter 2022

DEAR CLIENTS & FRIENDS;

The Wisco-managed ETF portfolios declined in the 3Q 2022. Our lower risk portfolios (Conservative & Balanced) declined in the 5-6% range while our higher risk portfolios (Growth & Aggressive) fell in the 6-7% range. The sell-off this quarter was broad-based as all our core asset classes were down.

The U.S. and International stock markets fell 5% and 11%, respectively this quarter. The decline can be attributed to elevated inflation across the globe and lowered growth expectations. The U.S. Fed (along with other G7 Central Banks) began raising rates early this year to slow demand and bring down inflation. The Fed Funds rate has moved up to 3.0%-3.25% currently from 0% seven months ago with expectations for a 4.25% rate by March of 2023. The Fed's aggressive stance on slowing inflation impacted valuations last month (September was down 9%) as market expectations for a recession heightened. We believe inflation will begin to moderate in the fourth quarter and return to the 3-4% level by the end of 2023. In our view, attractive valuations and improving sentiment as inflation falls will create buying opportunities in stocks. Generally, the most attractive returns from equities come in the early stage of an economic cycle *(i.e. exiting recessions).*

The Aggregate Bond index declined 5% in the quarter and has tumbled 15% year-to-date. This has been the largest pullback in 100-years for bonds and marks an end to a 40-year secular bull market. We attribute the decline to a spike in U.S. treasury rates (inflation-driven) and a widening in credit risk spreads (investors are requiring more compensation for taking risk). The 10-year treasury has jumped from 1.5% at the beginning of the year to 3.8% at the end of the third quarter. Treasury yields and bond returns generally move in opposite directions. The yield curve is also slightly inverted today implying the bond market is pricing in some recession risk. On a positive note, we are starting to see more attractive yields in short-term fixed income instruments. Schwab's prime money market is currently yielding 2.9% and likely to move higher.

Our commodities exposures were also down this quarter. Our position in a broad-based commodities ETF was down in the mid-signal digits due partially to the pullback in energy prices. Crude oil prices fell 28% this quarter and are back to levels similar to the beginning of the year. Our gold ETF was down high-single digits mainly due to higher rates and a strong dollar.

Lastly, we know how challenging and stressful market corrections can be. We're also aware that during periods of high volatility it's 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 "stay the course". **The one thing history has proven is that financial markets return to normal with time. Stay patient.**

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!*

Sincerely,

*The **Wisco** Team*

Learn More: wiscoinvest.com

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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:

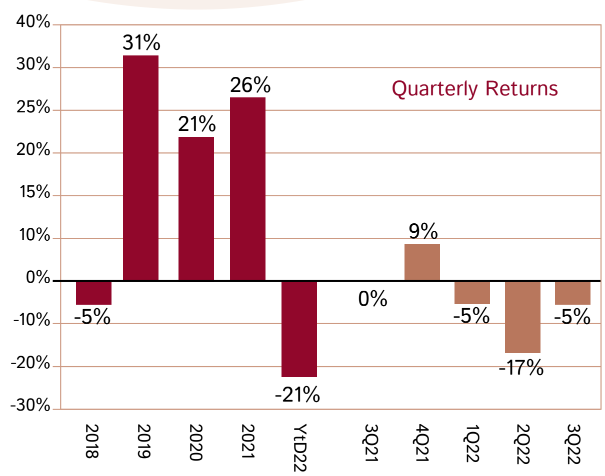
WISCO MANAGED PORTFOLIOS

	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%
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

Third Quarter 2022 Market Review

DOMESTIC EQUITY

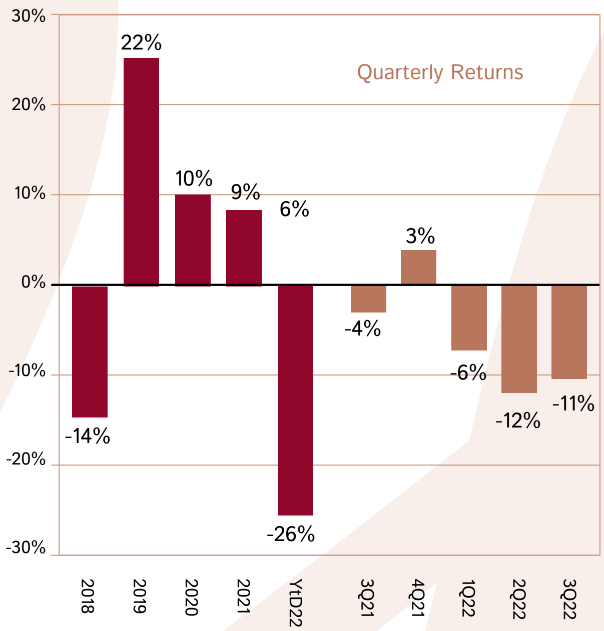


Source: Dow Jones U.S. Broad Stock Market Index and Wisco.

The stock market declined 5% in the third quarter. The S&P 500 ended the quarter at 3585, 26% below its January 4th all-time high of 4819. Small-cap stocks outperformed large-cap stocks in the quarter (-3% vs. -5%), however, small-cap stocks have underperformed large-caps year-to-date (-26% vs. -25%). Large cap high dividend stocks declined 6% in 3Q22 and are down 16% year-to-date. The United States 2Q22 GDP declined 0.6%, its second negative result in as many quarters, which suggests we may be close to or in a recession. S&P 500's earnings increased 6% in 2Q22, with strength in Energy (+293%) and Industrials (+27) partially offset by weakness in Financials (-23%) and Consumer Discretionary (-18%). Wall Street analysts are projecting S&P 500 earnings will grow 8% in 2022 and then grow another 8% in 2023. While 2022's growth seems possible, growing 8% in 2023 seems aggressive to us, as the Ukraine War and the Federal Reserve's fight against inflation could limit growth over the next 12 months. Longer-term, we continue to feel domestic earnings can grow in the mid-single digit range, as covid concerns fade, government spending on infrastructure ramps up in 2023 and supply chains become more resilient.

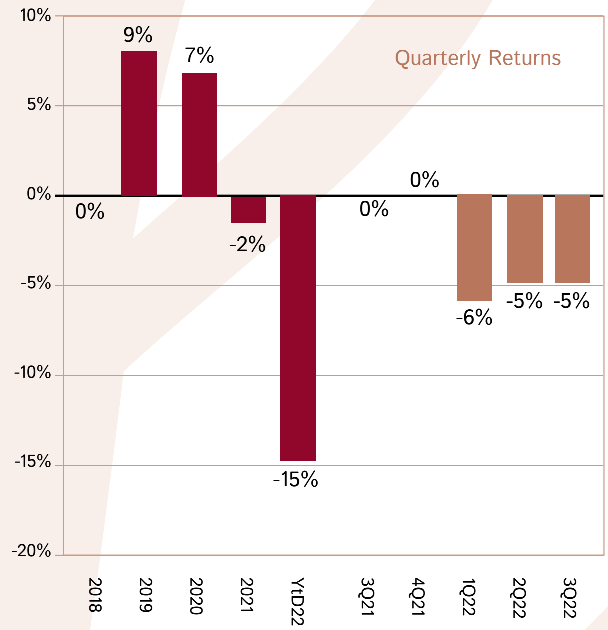
The Fed has raised interest rates and limited money supply growth to reduce inflation. This has resulted in a painful year for stocks and slowed the economy. On the bright side, domestic stocks look more attractive on a valuation basis than they have the last few years. The S&P 500 is trading at 16x 2022's earnings estimate, compared to 21x at the start of the year. Given this attractive valuation, we added domestic equity exposure to all our client portfolios in July and we prefer large cap dividend payers to small cap growth companies that pay little or no dividends.

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 11% in 3Q22, with FTSE Developed Large Cap Index down 11%, FTSE Small Cap Index down 11% and FTSE Emerging Market Index down 12%. In Europe, most markets were down with some of the most severe declines in Poland (-22%) and Hungary (-15%). In Asia, markets were weak, Hong Kong declined 20%, South Korea dropped 16% and Japan was down 7%. In emerging markets, Brazil was a highlight up 8%, however, Shanghai (-16%), Taiwan (-17%) and Mexico (-6%) all struggled.

The Eurozone posted solid GDP growth in 2Q22 up 3.1%, however, Britain's GDP declined 0.3%. In Asia, GDP was negatively impacted by covid lockdowns with China (-10%) and Taiwan (-7%) posting weak results. However, Japan (+3.5%), Hong Kong (+4.1%) and India (+9.5%) all had strong 2Q22 GDP. International stocks underperformed domestic stocks in the quarter, as the Ukraine War and the resulting energy and food shortages hit international markets harder than domestic markets. That said, international stocks trade at a substantial 40% PE discount to United States' stocks. We continue to feel international stocks offer a compelling value proposition and hold foreign equities in all our client portfolios.

The Barclays U.S. Aggregate Bond Index declined 5% in 3Q22 and has declined 15% year-to-date. Intermediate Treasuries were down 4%, Short-term Investment Grade declined 2%, Long-term Investment Grade were down 9% and High Yield declined 2%. The 10-year treasury yield increased from 2.97% at the start of 3Q22, to 3.99% on September 27th before finishing the quarter at 3.80%. Annual inflation (CPI) in August came in at 8.3%. The Fed increased its interest rate range 75 basis points in September to 3%-3.25% and signaled that they will likely continue to raise rates for the balance of 2022. The Fed has reduced its balance sheet $170B from its April peak and now holds $8.8T in fixed income securities. The money supply (M2) now stands at $21.7T up 4% YoY and down slightly from its March peak.

The Feds efforts to reduce inflation has resulted in one of the worst Fixed Income market performances in the last 100 years. Furthermore, the Fed has little choice but to continue with its hawkish stance, which suggests a near-term recovery is unlikely. We reduced our clients Fixed Income exposure in July; however, we still hold Fixed Income for its diversification benefits and prefer short duration bonds to long duration bonds.

ALTERNATIVE INVESTMENTS

The Dow Jones-UBS Commodity Index decreased 5% in 3Q22 but is still up 15% year-to-date. In agriculture, grain prices were mixed. Wheat prices were up 6%[1], but corn prices decreased 9%[1] and soybean prices fell 19%[1] in 3Q22. Year-to-date, all three grains have increased in price with corn, soybeans, and wheat up 14%, 3% and 20%, respectively. Strong demand has been somewhat offset by high yields in North America for all three grains. Supply shocks from the Ukraine War have supported higher wheat and corn prices.

Precious metal prices were down in the quarter. Silver decreased 6%[3] and gold prices decreased 8%[2] in 3Q22. Higher rates and a strong dollar likely hurt results.

The Cushing, Oklahoma spot price for WTI crude oil decreased 28% in the quarter and is up 2% year-to-date. In the first half of the year, supply shocks from the Ukraine War drove prices higher, however, the gains were largely offset by softening global demand in the third quarter.

Wisco reduced commodity exposure for all our client portfolios in July. Strong first half performance, the Fed's aggressive rate increases, and a strong dollar suggested it was a good time to take profits. We continue to hold a broad-based commodity and a gold ETF, as these two funds are less correlated with stocks and bonds and can improve overall risk-adjusted returns.

PRIME MONEY FUND

The prime money fund currently yields 2.9% and this yield will likely continue to go higher as the Fed continues to raise rates. We hold a prime money fund in all our client accounts, with more exposure in conservative accounts.

Learn More: wiscoinvest.com

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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