WISCO
Investment Management

Third Quarter 2023

DEAR CLIENTS & FRIENDS;

The third quarter was a challenging one for investors. After positive results in the first half of 2023, more restrictive government policies pushed interest rates higher, which resulted in negative returns in domestic equity, international equity, and fixed income. Only money funds produced positive results in the quarter.

The U.S. and International stock markets both declined in the third quarter, down 3% and 5%, respectively. Capital costs increased around the world this quarter as yields on low risk assets such as government bonds rose to pre-financial crisis levels. This combined with weak corporate earnings and lackluster economic growth in most of the world resulted in declining stock prices. Looking forward, more government spending on infrastructure could help accelerate growth in 2024. Plus, the Federal Reserve is signaling that they are just about done with the rate tightening cycle that started in March 2022. An end to the tightening cycle would be welcome news to investors because, historically, stocks have performed well following the end of a tightening cycle.

Fixed Income performance was negative in the third quarter with the aggregate bond index down 3%. The 10-year treasury yield increased from 3.8% at the beginning of the quarter to 4.6% at quarter-end. The strong jobs market along with the perception that rates will need to stay at a higher level for a longer period likely led to the increase in rates. (Bond prices generally decrease as rates increase). One bright spot in the market has been safe short-term investments like CDs, Treasury Bills, and money markets, are now earning yields in excess of 5%, the highest levels we have seen in over a decade.

In the commodity markets, oil was strong, but most other commodities declined in value. Oil prices increased 28% in the quarter, however, corn, soybeans and wheat all experienced mid-teen percentage declines in price. Our only commodity exposure this quarter was a gold ETF, which decreased 3% in price.

Finally, we know the last 21 months have been a challenging time for investors and it's human nature to second guess your investment choices. That said, **we would reinforce how important it is to remain committed to your long-term investment strategy and "stay the course".** If you would like to review your investment strategy, targeted risk level, financial goals and/or any other life changes, please contact us. We can also help you organize accounts, consolidate old retirement accounts, and may be able to improve the income you are getting from your checking and savings accounts.

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,

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:

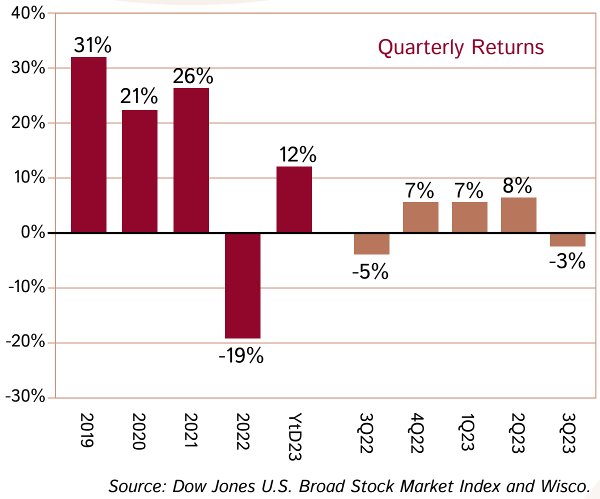
WISCO MANAGED PORTFOLIOS

as of July 2023 rebalancing	Conservative	Balanced	Balanced Growth	Growth	Aggressive
Domestic Equity	27%	36%	45%	54%	64%
International Equity	9%	13%	16%	21%	26%
Domestic Fixed Income	49%	38%	28%	16%	4%
Alternative Investments	3%	3%	3%	3%	3%
Prime Money Fund	12%	10%	8%	6%	3%
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 2023 Market Review

DOMESTIC EQUITY

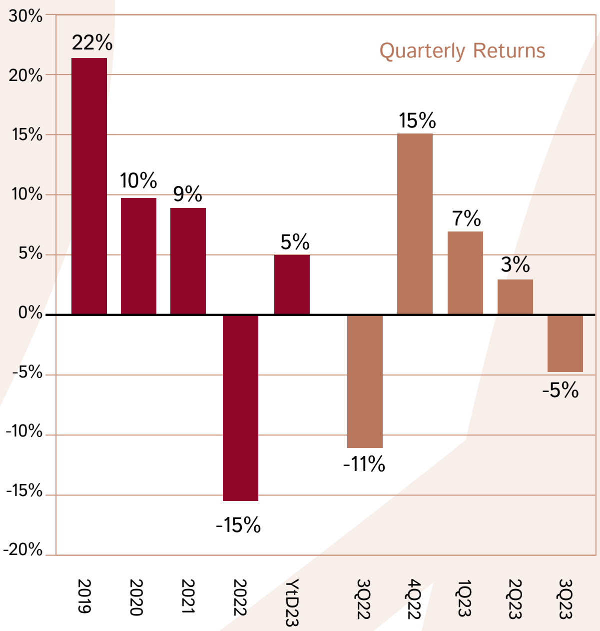


Source: Dow Jones U.S. Broad Stock Market Index and Wisco.

The stock market decreased 3% in the third quarter. The S&P 500 ended the quarter at 4288, or 11% below its Jan. 4, 2022, all-time high. Once again, large-cap stocks (down 3%) outperformed small-cap stocks (down 5%) in the quarter. High dividend stocks declined 2% in the quarter. The United States 2Q23 GDP increased 2.1%, helped by a strong labor market and healthy business investment. S&P 500's earnings declined 4% in 2Q23, with weakness in Energy (-51%), Materials (-29%), and Health Care (-27%) partially offset by strength in Consumer Discretionary (+54%) and Communication Services (+19%). Wall Street analysts are forecasting S&P 500 earnings growth of just 1% in 2023 but expect growth to accelerate to 12% in 2024. Modest earnings growth in 2023 seems likely, however, the forecast for double-digit growth in 2024 seems a little aggressive given higher interest rates are still working their way through the economy. On the positive side, government spending on infrastructure will likely ramp up over the next 12 months and the consumer, helped by a strong job market, appears to be in good shape. Furthermore, should inflation continue to trend lower, we think the Federal Reserve will be less restrictive in 2024 than in the last two years.

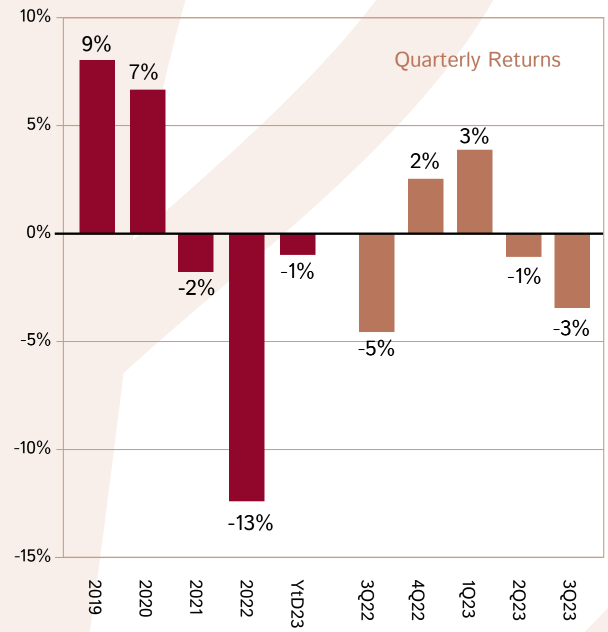
After doubting the Fed most of the year, the market now appears to believe the Fed's "interest rates will be higher for longer" mantra, which increased longer-term rates and resulted in stock market declines. The S&P 500 is trading at 19x and 17x 2023 and 2024 EPS estimates, respectively. We reduced our domestic equity exposure in July because of higher multiples, however, should the market valuation continue to fall and/or fundamentals improve faster than expected, we may increase our domestic equity exposure early in 2024.

INTERNATIONAL EQUITY



Source: MSCI ACWI ex USA and Wisco

DOMESTIC FIXED INCOME



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

International markets decreased 5% in the quarter, with FTSE Developed Large Cap Index down 5%, FTSE Small Cap Index down 5%, and FTSE Emerging Market Index down 3%. In Europe, most markets moved lower with Poland down 10%, Netherlands down 8% and Germany down 8%. Norway bucked the trend up 9%. Asian markets were mostly lower in the quarter, with Hong Kong down 4%, South Korea down 6%, and Japan down 6%. Emerging markets were also mostly lower, with Taiwan down 9%, Mexico down 6% and Shanghai down 3%. Malaysia increased 5%. Around the world, 2Q23 GDP was generally solid if not spectacular. In Asia, China (+3.2%) and Australia's (+1.4%) growth moderated, while Japan (+4.8%) and South Korea's (+2.5%) growth accelerated. The Euro zone (+0.5%) and Britain (+0.8%) showed very little growth.

International stocks outperformed domestic stocks last year but have underperformed year-to-date, returning 5% vs. 12% in the U.S. That said, international stocks trade at a 43% valuation discount to domestic stocks, which is greater than the 30% median discount over the last decade. We feel international stocks offer a compelling valuation and we hold international equity in all our client portfolios.

The Barclays U.S. Aggregate Bond Index decreased 3% in 3Q23. Intermediate Treasuries were down 2%, Short-term Investment Grade was flat, Long-term Investment Grade was down 8%, and High Yield was down slightly. The 10-year treasury yield increased rapidly throughout the quarter starting at 3.8% climbing all quarter to close near its high of 4.6%. Annual inflation (CPI) in August came in at 3.7%, down from June 2022's 9.1% peak. The September unemployment rate was 3.8%. The Fed increased rates by 0.25% in the quarter and its target rate range now stands at 5.25%-5.50%. The Fed's balance sheet is at $8.0T below its April 2022 peak of $9.0T as the Fed is no longer replacing maturing government securities. The money supply (M2) now stands at $20.9T down 4% YoY.

The 10-year treasury reached its highest yield in over 16 years resulting in another down quarter for bonds. That said, the Fed's dot plot implied an expectation for one more rate hike this year. We feel the end of the tightening cycle, along with some of the most attractive yields in the past twenty years, suggests it might be a good time to hold Fixed Income securities and we continue to hold Fixed Income in all our client portfolios.

ALTERNATIVE INVESTMENTS

The Dow Jones-UBS Commodity Index increased 5% in the quarter but is down 5% year-to-date. In agriculture, grain prices were lower. Wheat prices declined 15%[1] in the quarter and are down 32%[1] y-t-d, corn prices were down 14%[1] in the quarter and are down 30%[1] for the year, soybean prices have declined 18%[1] for the quarter and are down 16% so far in 2023. Unexpectedly high stockpiles have hurt agricultural commodity prices.

Precious metal prices were lower in the quarter. Gold prices decreased 4%[2] but are still up 1%[2] for the year. Silver is down 3%[3] for the quarter and down 7% for the year. Precious metals may have been hurt by higher yields in the treasury market.

The Cushing, Oklahoma spot price for WTI crude oil increased 28% in the quarter and is up 13% for the year. Saudi Arabia's July production cut and sanctions against Russia along with stable demand likely resulted in higher prices.

Wisco continues to hold a gold ETF in all our client accounts, as gold is not as economically sensitive as other commodities, protects against geopolitical risk and helps diversify portfolios. We would consider a board-based commodity fund if inflation shows signs of reaccelerating.

PRIME MONEY FUND

The prime money fund continues to produce positive returns for clients. The fund currently yields 5.2% and this yield will likely go higher if/when the Fed increases its short-term rate target. We increased our exposure to the prime money fund in all our client accounts in July.

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