WISCO
Investment Management

Fourth Quarter 2023

DEAR CLIENTS & FRIENDS;

The fourth quarter was a rewarding one for investors. After mixed results for the first nine months of 2023, the Fed appears to have gotten inflation under control pushing interest rates lower and resulting in positive results for domestic equity, international equity, fixed income, and gold.

The U.S. and International stock markets both increased in the fourth quarter, up 12% and 10%, respectively. Lower capital costs around the world resulted in investors seeking out higher risk/return investments. In addition, low unemployment and respectable GDP growth helped corporate earnings. Going forward, more government spending on infrastructure could help accelerate growth in 2024. Plus, a more dovish Federal Reserve could improve the outlook for interest rate sensitive stocks around the world. It now appears the Feds' tightening cycle ended in July and historically, stocks have performed well following the end of a tightening cycle.

Fixed Income performance was positive in the fourth quarter with the aggregate bond index up 7% and long duration corporate bonds up 14%. The 10-year treasury yield decreased from 4.6% at the beginning of the quarter to 3.9% at quarter-end (bond prices generally increase as rates decrease). This decline in yields was likely driven by annual CPI falling from 3.7% in August to 3.1% in November. Safe short-term investments like CDs, Treasury Bills, and money markets, continue to look attractive yielding in the 5% range.

The Dow Jones-UBS commodity index declined 5% in the quarter and was down 10% for the year, however, Wisco's only commodity exposure was gold which increased 12% in the quarter. Crude oil, corn, soybeans, wheat, and silver all experienced price declines in 2024.

As a reminder, our policy is to rebalance client portfolios on at least a semi-annual basis. To that end, we plan to complete our January rebalancing over the next few weeks. Feel free to contact us to discuss the rebalancing of your portfolio, to review your investment strategy including your targeted risk level, or any other life changes that may be relevant to your long-term investment strategy. 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. Finally, any Roth or Traditional IRA contribution for the 2023 tax year are due April 15, 2024.

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

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:

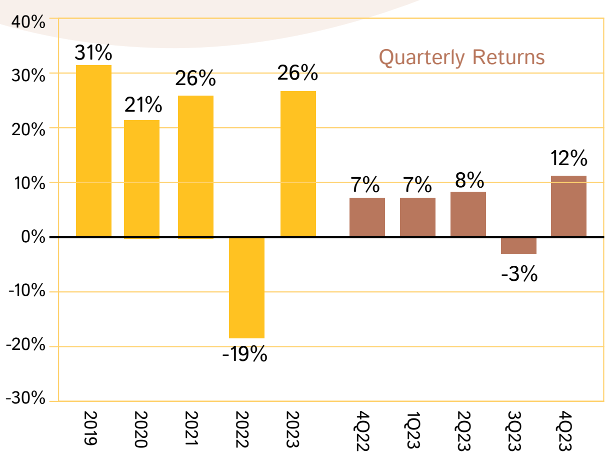
WISCO MANAGED PORTFOLIOS

	Conservative	Balanced	Balanced Growth	Growth	Aggressive
Domestic Equity	27%	36%	45%	54%	64%
International Equity	8%	12%	15%	20%	25%
Domestic Fixed Income	49%	38%	28%	16%	4%
Alternative Investments	4%	4%	4%	4%	4%
Money Market	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

Fourth Quarter 2023 Market Review

DOMESTIC EQUITY

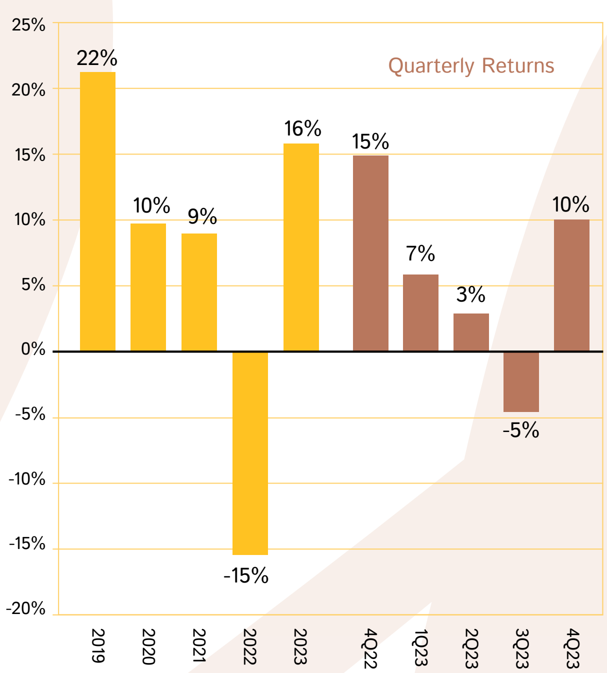


Source: Dow Jones U.S. Broad Stock Market Index and Wisco.

The stock market increased 12% in the fourth quarter and finished the year up 26%. The S&P 500 ended the quarter at 4770, 1% below its Jan. 4, 2022, all-time high. Unlike the first three quarters of the year, this strong performance was broad-based with small-cap stocks (up 15%) outperforming large-caps (up 12%). The United States 3Q23 GDP increased 4.9%, which was helped by strong consumer and government spending. S&P 500's earnings increased 5% in 3Q23, with strength in Communication Services (+42%) and Consumer Discretionary (+42%) partially offset by weakness in Energy (-16%) and Materials (-10%). Wall Street analysts are forecasting S&P 500 earnings growth of 11% in 2024 after minimal earnings growth in 2023. While double-digit growth in 2024 may be a little aggressive, there are reasons for optimism. First, interest rate sensitive companies should see better results in 2024 than 2023, as inflation seems to be under control and the Federal Reserve becomes less restrictive. Second, low unemployment could bode well for consumer spending in the new year, helping consumer-facing companies. Finally, government spending on infrastructure will likely ramp up in 2024 especially given it is an election year.

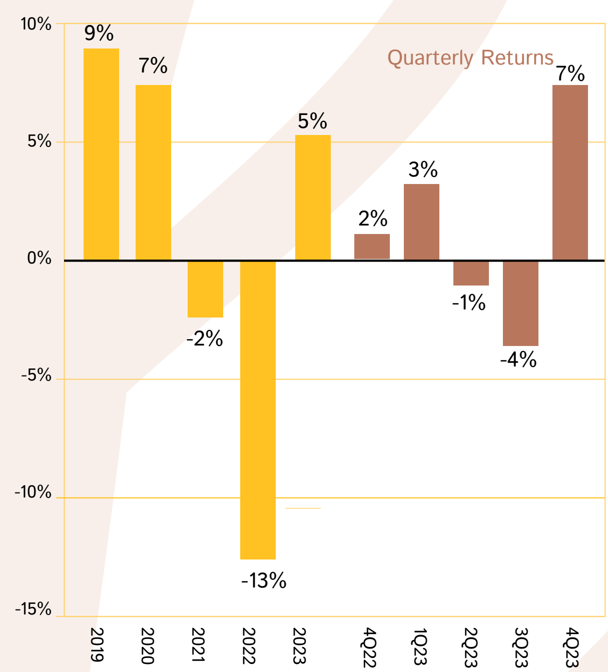
After 20 months of raising rates and fighting inflation, the Fed appears to have gotten inflation under control. While the S&P 500 is trading at a relatively high PE (19x 2024 earnings), historically the stock market has performed well once the Fed stops raising rates. We feel the Fed is done increasing rates for the foreseeable future. This, combined with a better earnings environment, makes us want to hold domestic stocks in all our client portfolios. Furthermore, we prefer small-cap growth stocks to large-cap value stocks.

INTERNATIONAL EQUITY



Source: MSCI ACWI ex USA and Wisco

DOMESTIC FIXED INCOME



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

International markets increased 10% in the quarter, with the FTSE Developed Large Cap Index up 11%, FTSE Small Cap Index up 10%, and FTSE Emerging Market Index up 7%. For the year, international markets were up 16%. In Europe, the Euro Stoxx 50 increased 13% in the 4Q23 and 27% for the year. In Asia, South Korea gained 13%, Japan increased 11%, while Hong Kong declined 4%. For the year, Japan's Nikkei 225 increased 28%. Taiwan increased 17% in the quarter and 25% in 2024, while the Shanghai composite declined 2% in 4Q23 and declined 4% in 2024. GDP was strong in China (+5.3%), Taiwan (+7.8%), and South Korea (+2.5%). Australia had moderate GDP growth (+0.9%), but Japan (-2.9%), the Euro zone (-0.5%), Britain (-0.1%) and Canada (-1.1%) all had negative GDP.

After outperforming domestic stocks in 2022, international stocks underperformed domestic stocks this year although they still had solid returns. International stocks trade at a 38% valuation discount to domestic stocks and emerging markets trade at a 7% discount to developed markets despite better growth prospects. Wisco holds international stocks in all our portfolios and plans to increase our emerging markets exposure in the January rebalancing.

The Barclays U.S. Aggregate Bond Index increased 7% in 4Q23. Intermediate Treasuries were up 5%, Short-term Investment Grade was up 4%, Long-term Investment Grade was up 14%, and High Yield was up 7%. The 10-year treasury yield started the quarter at 4.6%, increased to 5% on October 18th, then declined to 3.8% on December 21st, before finishing the year at 3.9%. Annual inflation (CPI) continued to moderate in November coming in at 3.1%, down from June 2022's 9.1% peak. The November unemployment rate was 3.7%. The Fed held its target rate range at 5.25%-5.50%. The Fed now holds $7.7T of assets (of which $4.8T are Treasuries) down from its April 2022 peak of $9.0T. The money supply (M2) now stands at $20.8T down $0.9T from its March 2022 peak.

The 10-year treasury yield's rapid November and December decline rallied fixed income markets and produced positive returns for the year. The Fed's dot plot suggests the Fed is more likely to cut interest rates than raise them. We feel the tightening cycle has ended. This fact, along with attractive short-term yields, suggests it might be a good time to hold fixed income and we prefer short-term corporates to long-term government bonds.

ALTERNATIVE INVESTMENTS

The Dow Jones-UBS Commodity Index decreased 5% in the quarter and finished the year down 10%. In agriculture, grain prices were lower for the year. Soybean prices increased 1%[1] for the quarter but declined 15%[1] in 2023. Wheat prices increased 16%[1] in the quarter but were still down 20%[1] for the year. Corn prices were down 1%[1] in the quarter and down 31%[1] for the year. Favorable weather along with softening demand hurt prices.

Precious metal prices were higher in the quarter. Gold increased 12%[2] in the quarter and were up 13%[2] for the year. Silver increased 7%[3] for the quarter, but still finished the year down 1%. Precious metals likely benefited from the Feds' more dovish policy stance.

The Cushing, Oklahoma spot price for WTI crude oil decreased 16% in the quarter and finished the year down 5%. Softer demand along with ample domestic production likely hurt prices.

We are going to increase our gold exposure in all our portfolios this month. Gold is not as economically sensitive as other commodities, protects against geopolitical risk and helps diversify portfolios. We plan on avoiding broad-based commodity funds until we see more signs of accelerating economic growth.

PRIME MONEY FUND

The prime money fund continues to produce positive returns for clients. The fund currently yields 5.2%. While it is unlikely to go much higher, we feel this is an attractive return for a very low risk investment. If the Fed starts to cut interest rates, we will consider redeploying these funds in other investments.

OUR SERVICES

FINANCIAL ADVISORY

RETIREMENT PLANNING

INVESTMENT MANAGEMENT

LIFE INSURANCE & ANNUITIES

FINANCIAL PLANNING

401K ROLLOVERS

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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Wall Street to Wisconsin