



# WISCO

Investment Management

First Quarter 2024

## DEAR CLIENTS AND FRIENDS;

**The first quarter resulted in positive returns for investors.** The strong rally that started with the Fed's decision to stop increasing rates back in September 2023 continued through the first quarter. Investors seem more confident that the Fed has gotten inflation under control without pushing the economy into a recession. We saw positive results for domestic equity, international equity and gold.

**The U.S. and International stock markets both increased in the first quarter, up 10% and 5%, respectively.** Low unemployment and solid GDP growth helped consumer-related companies grow earnings. The Inflation Reduction Act has increased government spending which has helped industrial companies post strong results. Furthermore, this combination of low unemployment and more infrastructure spending could accelerate corporate earnings growth later in the year. Another factor helping stocks is the Fed's shift from increasing rates to potentially cutting rates in the second half of 2024. At the Federal Reserve's last meeting, they projected cutting rates three times in 2024 putting the year end Fed funds rate range at 4.50%-4.75% down from the current range of 5.25%-5.50%. Lower interest rates should benefit equity investors around the world.

**Fixed Income performance was mixed in the first quarter with the aggregate bond index down 1% and high yield bonds up 2%. The 10-year treasury yield increased from 3.9% at the beginning of the quarter to 4.2% at quarter-end (bond prices generally decrease as rates increase).** This increase in yields was likely caused by strong GDP results along with low unemployment. Safe short-term investments like CDs, Treasury Bills, and money markets, continue to look attractive yielding in the 5% range. (If you are earning less than 4% in your bank savings account it might be worth looking for a higher yielding alternative.)

**The Dow Jones-UBS commodity index increased 2% in the quarter. Wisco's only commodity exposure this quarter was gold which increased 8%.** Corn, soybeans, and wheat experienced price declines, while crude oil and silver increased in price for the first quarter.

**Tax Day is April 15th.** Roth and/or Traditional IRA contributions for the 2023 tax year must be received before that date. Tax season can also be a good time to review your current investment strategy. Feel free to contact us to review your financial goals, targeted risk level, or any other life changes that may be relevant to your long-term investment strategy. We can also help you organize and review insurance policies including term life, whole life, and annuity products.

**We have been nominated by Madison Magazine's Best of Madison in the Wealth Management category. Vote for us in June!**



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*



## First Quarter 2024

# Wisco Investment Management

Wisco-managed portfolios are constructed using five asset classes: Domestic Equity, International Equity, Domestic Fixed Income, Alternative Investments and Prime Money Fund. Our current asset class allocations are as follows:

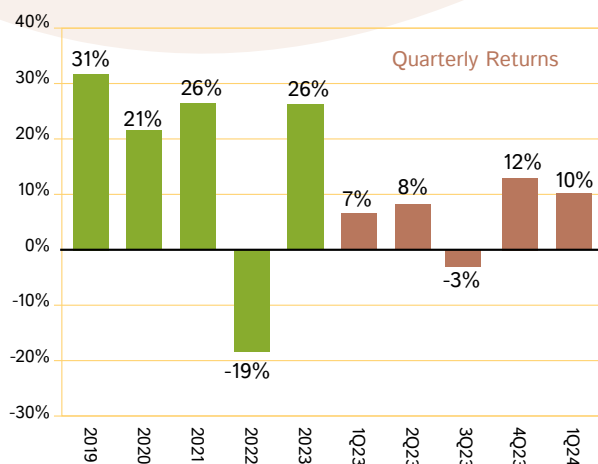
### WISCO MANAGED PORTFOLIOS

as of January 2024 rebalancing	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%
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

## First Quarter 2024 Market Review

### DOMESTIC EQUITY



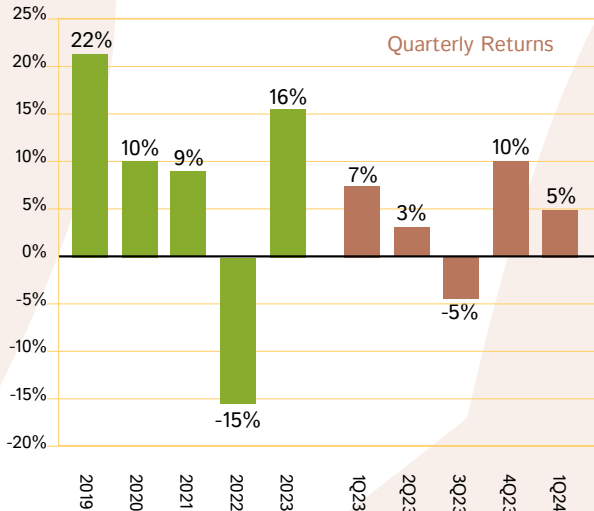
Source: Dow Jones U.S. Broad Stock Market Index and Wisco.

The stock market increased 10% in the first quarter with the S&P 500 closing at an all-time high. Prior to this quarter, the last record high was reached in January 2022. Just like 2023, the first quarter saw much better performance from large cap stocks (up 10%) versus small-cap stocks (up 5%). The United States 4Q23 GDP increased 3.4%, which was helped by strong consumer and government spending. The S&P 500's earnings increased 4% in 4Q23, with strength in Communication Services

(+45%) and Consumer Discretionary (+34%) partially offset by weakness in Energy (-25%) and Materials (-20%). Wall Street analysts are forecasting S&P 500 earnings growth of 11% in 2024 after growing less than 1% in 2023. Growth is expected to accelerate in the 2nd half of 2024, and while double-digit growth may be challenging, there are some positive signs in the economy. First, low unemployment could bode well for consumer spending which would provide a boost to retailers. Second, the Inflation Reduction Act could increase government spending on clean energy infrastructure. Finally, interest rate sensitive companies should see better results in 2024 as inflation moderates and the Federal Reserve becomes less restrictive.

After struggling in 2022 and much of 2023, the stock market has posted strong results for the last six months, as the Fed appears more dovish. The S&P 500 is trading at a PE of 22x 2024 earnings, which is a little stretched. However, the stock market generally performs well once the Fed stops raising rates. A more accommodative Fed, combined with the potential for accelerated earnings growth in the 2nd half of the year, should be a catalyst for stocks this year. We hold a broad basket of stocks in all client portfolios.

## INTERNATIONAL EQUITY

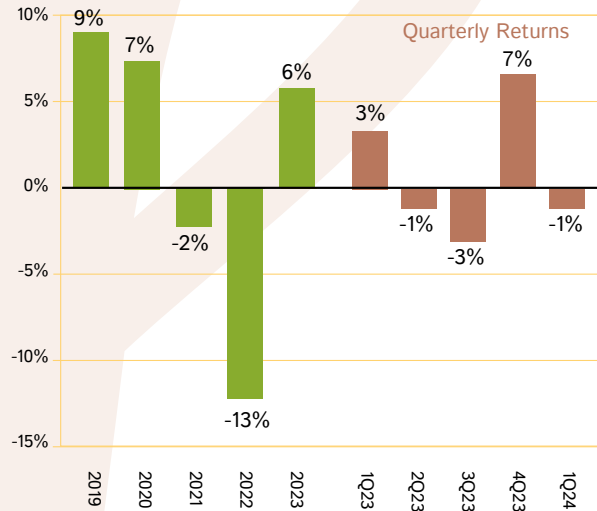


Source: MSCI ACWI ex USA and Wisco

International markets increased 5% in the quarter, with the FTSE Developed Large Cap Index up 6%, FTSE Small Cap Index up 3%, and FTSE Emerging Market Index up 2%. In Europe, the Euro Stoxx 50 increased 9% in the first quarter. In Asia, Japan increased 13%, while South Korea (-1%) and Hong Kong (-3%) both declined. Taiwan increased 14% in the quarter, while the Shanghai composite was flat. Fourth quarter GDP was strong in China (+4.1%), Taiwan (+9.7%) and India (+8.0%) but saw only modest growth in Canada (+1.0%) and Japan (+0.4%). The Euro zone (-0.2%) and Britain (-1.4%) had negative GDP. In Israel, the October 7 attack and subsequent war resulted in a 21% 4Q GDP decline.

International stocks had solid returns in the quarter although they were not able to keep up with domestic stocks. Like the domestic market, large-cap stocks outperformed smaller cap stocks and developed markets outperformed emerging markets. International stocks are currently trading at a 30% valuation discount to domestic stocks with emerging markets at an even greater discount, despite promising growth prospects. Wisco holds international stocks in all our portfolios with exposure to both developed and emerging markets.

## DOMESTIC FIXED INCOME



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

The Barclays U.S. Aggregate Bond Index decreased 1% in 1Q24. Intermediate Treasuries were down 1%, Short-term Investment Grade was up 1%, Long-term Investment Grade was down 2%, and High Yield was up 2%. The 10-year treasury yield started the quarter at 3.9%, increasing to 4.4% on February 22, before finishing the quarter at 4.2%. Annual inflation (CPI) held steady in February coming in at 3.2%, while significantly lower than June 2022's 9.1% peak, over the last nine months inflation has been between 3.7% and 3.0%. February's unemployment rate was 3.9%. The Fed held its target rate range at 5.25%-5.50%. The Fed now holds \$7.5T of assets 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, but flat over the last 12 months.

After a strong 4Q23, the fixed income markets softened in the first quarter. While stronger than expected economic conditions have some investors worried interest rates will stay elevated, we still 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 increased 2% in the quarter. In agriculture, grain prices were lower. Soybean prices decreased 8%<sup>1</sup>, corn prices were down 8%<sup>1</sup> and wheat prices decreased 11%<sup>1</sup> in the quarter. One notable agricultural commodity bucking the downward trend was cocoa. Crop disease, poor weather and farmers exiting the business in the Ivory Coast and Ghana has resulted in supply disruptions. These two countries account for 60% of global cocoa production and these disruptions resulted in a price increase of 133% in the quarter.

Precious metal prices were higher in the quarter. Gold increased 8%<sup>2</sup> and silver increased 5%<sup>3</sup>. Precious metals likely benefited from the Feds' more dovish policy stance, sticky inflation, and geopolitical tensions.

The Cushing, Oklahoma spot price for WTI crude oil increased 15% in the quarter. Stronger global GDP growth likely helped prices.

We hold gold in all our client portfolios. Gold is not as economically sensitive as other commodities, protects against geopolitical risk and helps diversify portfolios. We may increase our commodity exposure in July if the economy continues to look strong and we can find reasonably priced commodities.

## PRIME MONEY MARKET

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 may redeploy these funds into other investments.

## OUR SERVICES

Financial Advisory

Investment Management

Financial Planning

Retirement Planning

Life Insurance & Annuities

401K Rollovers

## 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.

## DISCLAIMER:

Wisco Investment Management LLC is a registered investment adviser. Information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities product, service, or investment strategy. Investments involve risk and unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser, tax professional, or attorney before implementing any strategy or recommendation discussed herein.

*Wall Street to Wisconsin*