WISCO
Investment Management

Fourth Quarter 2024

DEAR CLIENTS & FRIENDS;

The third quarter was a mixed one for investors. After board-based gains in the third quarter, positive returns in the domestic stock market this quarter were largely offset by losses in international stocks and fixed income. Solid earnings growth helped domestic companies, but sticky inflation and tepid international growth hurt fixed income and international stocks.

The United States stock market increased 3% in the quarter, but international stock markets declined 7%. For the year, both the U.S and international stocks increased, up 25% and 6%, respectively. There are a couple reasons for the wide performance gap between domestic and international markets. Domestically, leadership in Artificial Intelligence, the potential for lower taxes, a more favorable regulatory environment and accelerating earnings helped push stocks higher. Overseas, weakening currencies, geopolitical tensions and worries that higher tariffs could further hinder an already sluggish growth environment weighted on performance.

The U.S. Aggregate Bond Index decreased 3% in the third quarter. For the year, the index was up 4%. Despite the Federal Reserve cutting the Fed funds rate range by 0.5% to 4.25%-4.5% this quarter, higher long-term rates resulted in a decline in bond values. The 10-year treasury yield increased from 3.8% at the beginning of the quarter to 4.6% at quarter-end (bond prices generally decrease as rates increase). These higher long-term rates can be attributed to increasing inflation (2.5% to 2.7%), expectations for economic strength, and more government debt offerings. Short-term investments like CDs, Treasury Bills, and money markets offer returns in the 4% range, however, these yields have started to decline in line with lower Fed funds rates and may continue to decline as Fed voting members expect the fed funds rate will be under 4% at the end of 2025.

The Dow Jones-UBS commodity index was flat in the quarter, with corn and oil increasing in price while wheat, soybeans and silver decreased in price. Currently, gold is the only commodity in Wisco client portfolios. **Gold was flat in the quarter and was up 27% in 2024.** In our January rebalancing, we are going to initiate a position in a bitcoin ETF in our more aggressive portfolios (Growth and Aggressive), while our more conservative portfolios will add a silver ETF.

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, your targeted risk level, or any other life changes that may be relevant to your long-term investment strategy. **Finally, any Roth or Traditional IRA contributions for the 2024 tax year are due by April 15, 2025.**

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*

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Fourth 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 Funds. Our current asset class allocations are as follows:

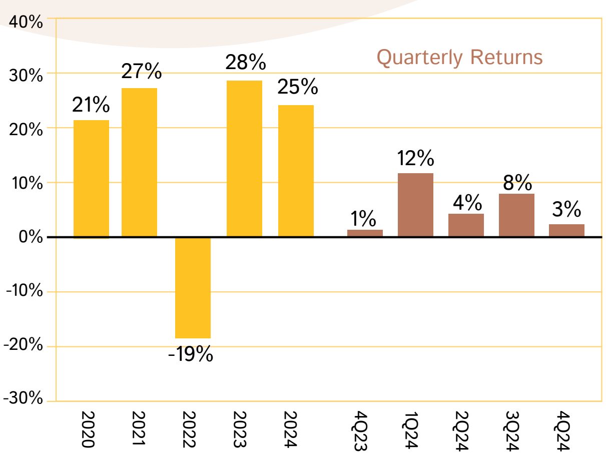
WISCO MANAGED PORTFOLIOS (as of January 2025 rebalancing)

	Conservative	Balanced	Balanced Growth	Growth	Aggressive
Domestic Equity	27%	36%	45%	55%	65%
International Equity	5%	9%	12%	17%	21%
Domestic Fixed Income	49%	38%	28%	16%	5%
Alternative Investments	8%	8%	8%	7%	7%
Prime Money Funds	11%	9%	7%	5%	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

Fourth Quarter 2024 Market Review

DOMESTIC EQUITY

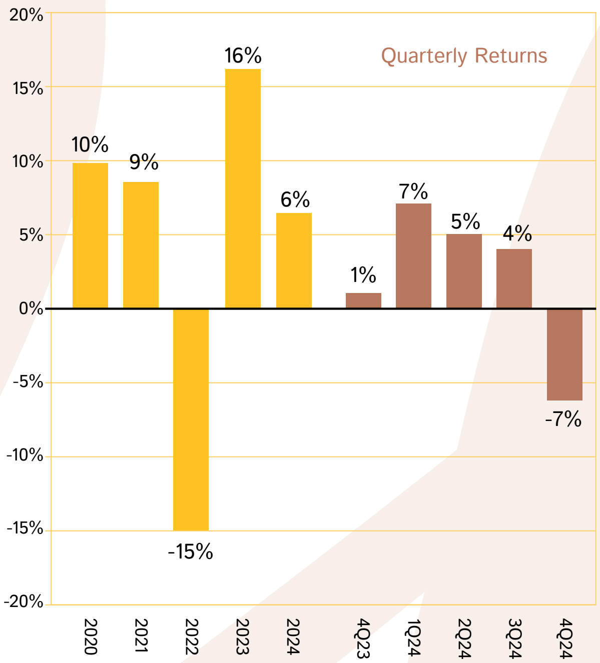


Source: Dow Jones U.S. Broad Stock Market Index and Wisco.

The stock market increased 3% in the fourth quarter and finished the year up 25%. The S&P 500 surged after the election reaching an all-time high of 6100 December 6th before trading off for much of December and closing the year at 5882. Large cap stocks (up 3% in 4Q24 and 27% in 2024) outperformed small cap stocks (up 1% and 12%). The United States 3Q24 GDP increased 3.1%, which was helped by strong consumer spending and exports but partially offset by weaker housing and business investment. The S&P 500's earnings increased 12% in 3Q24, with strength in Communications Services (+23%) and Health Care (+14%) partially offset by weakness in Materials (-11%) and Energy (-25%). Analysts are forecasting S&P 500 earnings growth of 10% in 2024, with growth expected to accelerate to 15% in 2025. This optimism is driven by three factors. First, favorable tax policies and a business-friendly regulatory environment could boost corporate earnings growth. Second, a robust labor market and moderating inflation could support consumer spending growth. Finally, advancements in artificial intelligence could improve productivity and profit margins, especially in the Technology sector.

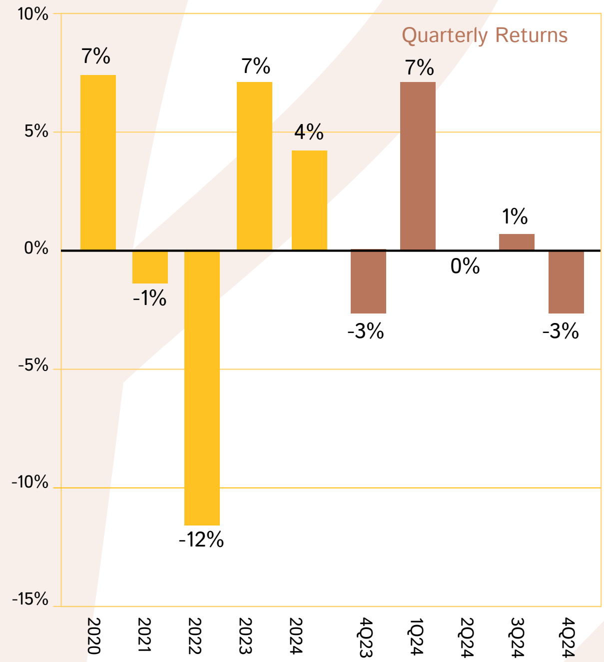
With the Presidential election behind us, investors now have a better idea of what to expect in terms of policies and taxes. That, combined with solid earnings and moderate inflation resulted in a positive return for stocks in the quarter. The S&P 500 is trading at 21x forward earnings, which is on the expensive side. However, stocks generally react positively to accelerating earnings, which along with declining interest rates could drive stock prices higher. We continue to hold domestic stocks in all client portfolios.

INTERNATIONAL EQUITY



Source: MSCI ACWI ex USA and Wisco

DOMESTIC FIXED INCOME



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

It was a challenging quarter for international markets as they declined 7%. The FTSE Developed Large Cap Index was down 8%, FTSE Small Cap Index was down 8%, and FTSE Emerging Market Index was down 6%. For the year, international markets increased 6%. In Europe, the Euro Stoxx 50 declined 9% in 4Q24, for the year the index was up 4%. In Asia, most markets were down in the quarter but up for the year, with Hong Kong (down 5% in 4Q24 and up 24% in 2024), Shanghai composite (down 3%, up 9%) and Japan (down 4%, up 8%) all following this pattern. Taiwan bucked the trend (up 4%, up 36%), while South Korea declined both in the quarter and the year (-18% and -21%). China's 3Q24 GDP improved to 3.6%, while Britian (+0.6%), the Euro zone (+1.7%) and Canada (+1.0%) posted soft yet positive results.

For the second year in a row, international stocks underperformed domestic stocks. While international stocks valuation discount to domestic stocks is greater than normal, we are concerned that higher tariffs could negatively impact global growth in 2025. For this reason, Wisco is reducing our exposure to international stocks in all our client portfolios, and we prefer large-cap stocks to small-cap stocks.

The Barclays U.S. Aggregate Bond Index was down 3% in 4Q24. Treasuries were down 3%, Short-term Investment Grade was slightly down, Long-term Investment Grade was down 6%, and High Yield was flat. The 10-year treasury yield started the quarter at 3.8%, and steadily rose throughout the quarter finishing around the quarterly high at 4.6%. Annual inflation (CPI) rose modestly in November coming in at 2.7%, however, inflation is well below the June 2022 peak of 9.1%. November's unemployment rate was unchanged at 4.2%. The Fed reduced its target rate range 0.5% this quarter to 4.25%-4.50%. However, they anticipate reducing rates by only 0.5% in 2025, less than previous expectations. The Fed now holds $6.9T of assets down from its April 2022 peak of $9.0T. The money supply (M2) now stands at $21.4T up $0.7T over the last 12 months.

Fixed income was hurt by lingering inflation and concerns about continued deficit spending by government. We feel the Fed could continue to cut rates in 2025, plus yields now trade around 20-year highs. For these reasons, bonds could have a nice tailwind in 2025, and we continue to hold fixed income in all our portfolios, preferring short-term corporates to long-term government bonds.

ALTERNATIVE INVESTMENTS

The Dow Jones-UBS Commodity Index declined 1% in the quarter. In agriculture, grain prices were mixed. Corn prices increased 8%[1] this quarter, however, wheat and soybean prices both declined 6%[1] in the quarter. For the year, corn, wheat, and soybeans prices are all lower down 3%[1], 12%[1], and 23%[1], respectively. Strong export demand helped corn, while a record Brazilian harvest hurt soybeans.

Precious metal prices were lower in the quarter. Gold declined less than 1%, while silver was down 7%[3]. For the year, gold increased 27%[2] and silver was up 21%[3]. The post-election price decline was likely due to a strong dollar and rising rates.

The WTI spot Crude Oil price increased 5%[4] in the quarter and was up 1%[4] in 2024. OPEC+ delayed production increases likely lowered expected supply.

Digital currencies posted strong returns in the quarter, with Bitcoin up 47%[5] and Ethereum up 28%[6]. For the year, Bitcoin increased 114%[5] and Ethereum increased 44%[6]. This increase was likely due to the expectation that the Trump administration will view cryptocurrency more favorably.

We are planning on adding a bitcoin ETF in our more aggressive portfolios, while volatile we feel a more favorable regulatory environment will be a tailwind for cryptocurrencies. In our more conservative portfolios, we plan on adding a silver ETF. We will continue to hold gold in all our portfolios albeit at a lower allocation.

PRIME MONEY FUND

The prime money fund continues to produce positive; yet, declining returns for clients. The fund current yield declined from 4.7% to 4.2% this quarter, as the Fed reduced short term interest rates. While this rate will likely decline as the Fed continues to cut rates, we feel this is an attractive return for a very low risk investment.

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.
5. Return calculation uses Grayscale Bitcoin ETFs (GBTC and BTC) as a proxy for Bitcoin.
6. Return calculation uses Grayscale Ethereum ETFs (ETHE and ETH) as a proxy for Ethereum.

Wall Street to Wisconsin