



**WISCO**  
Investment Management

*Second Quarter 2025*

**DEAR CLIENTS & FRIENDS;**

**"All's well that ends well."** This Shakespeare quote sums up the second quarter for investors because despite a lot of turbulence during the quarter, by the end of the quarter it was a profitable one for investors. Domestic stocks, international stocks, fixed income, gold, silver and bitcoin all posted positive returns in the quarter, despite fears about tariffs, slowing growth, and inflation.

**International stocks increased 12% in the quarter, while the United States stock market increased 11%.** For the first half of the year international stocks are up 19%, which is its best first half performance in nearly 40 years. There were a number of reasons for this strong performance. First, international stocks trade at a significant valuation discount compared to domestic stocks. Second, GDP growth has been strong for most foreign economies. Finally, a weakening U.S. dollar boosts international returns when they are denominated in U.S. dollars. Domestic stocks benefited from the Trump Administration's tariff pause and excitement around artificial intelligence (AI).

**The U.S. Aggregate Bond Index increased 1% in the first quarter.** The 10-year treasury yield was little changed in the quarter, both starting and ending the period at 4.2%. While soft economic growth (U.S. GDP was -0.5% in 1Q25) and reduced earnings growth expectations (S&P 500 2025 earnings are now expected to grow 9% versus expectations of 15% growth six months ago) would suggest lower rates, these forces were likely offset by inflationary potential of tariffs and continued deficit spending by the government. Short-term investments like CDs, Treasury Bills, and money markets continue to offer returns in the 4% range. However, it is possible that short-term rates will move lower in the second half of the year, especially if the Federal Reserve cuts the Fed funds rate.

**The Dow Jones-UBS commodity index decreased 4% in the quarter.** Both gold and silver increased 6%, while Bitcoin increased 31% in the quarter. A weak U.S. dollar, geopolitical tensions, and tariff uncertainty all helped drive gold, silver, and bitcoin higher. Agricultural commodity prices were mixed in the quarter, and oil prices declined by around 8%.

**As a reminder, our policy is to rebalance client portfolios on a semi-annual basis.** This allows us to realign the positioning of your portfolio to our current market expectations, and we will be working on rebalancing portfolios over the course of the next few weeks. To that end, feel free to contact us to review your current investment strategy, portfolio performance, targeted risk level, financial goals and/or any other life changes that may be relevant to your investment strategy. Finally, per our annual requirements, we have attached a copy of Wisco's privacy policy and will send you a copy of our Company Brochure upon request. This information is also available at [www.wiscoinvest.com](http://www.wiscoinvest.com).

**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*



## Second Quarter 2025

# 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:

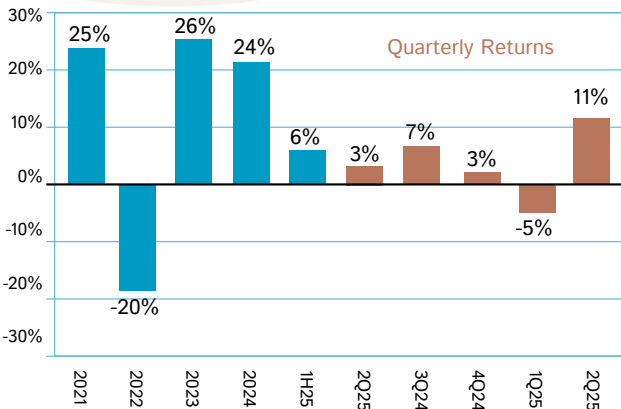
### WISCO MANAGED PORTFOLIOS

as of July 2025 rebalancing	Conservative	Balanced	Balanced Growth	Growth	Aggressive
Domestic Equity	27%	36%	44%	54%	64%
International Equity	5%	9%	13%	17%	21%
Domestic Fixed Income	50%	39%	29%	17%	5%
Alternative Investments	8%	8%	8%	8%	8%
Prime Money Funds	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

## Second Quarter 2025 Market Review

### DOMESTIC EQUITY



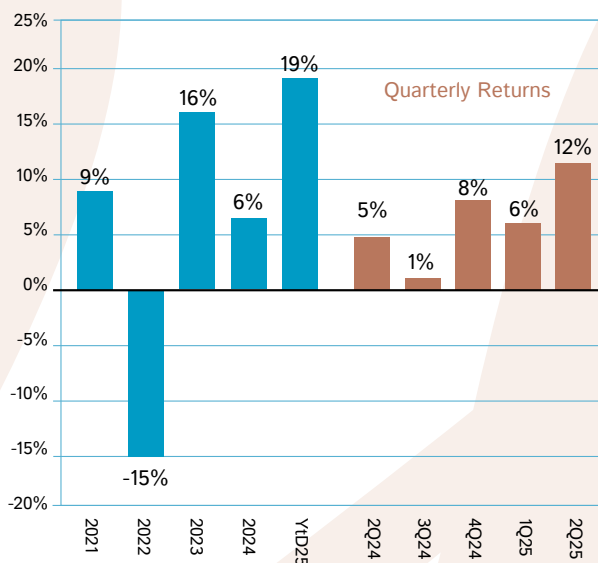
Source: Dow Jones U.S. Broad Stock Market Index and Wisco.

The stock market rebounded from its first quarter decline, increasing 11% in the second quarter. Despite the strong results, the quarter started chaotically with the announcement of “Liberation Day” tariffs. The S&P 500 fell 14% in the first 7 days of 2Q25. On April 9th, President Trump announced a 90-day pause on the tariffs, easing investor concerns. The S&P 500 reached an all-time high on the last day of the quarter closing at 6205, a 28% increase from its April low. The S&P 500 currently trades at 23x forward

earnings. The United States 1Q25 GDP decreased 0.5%, driven by a nearly 40% surge in imports as businesses increased foreign good inventories before tariffs went into effect. The S&P 500's earnings increased 13% in 1Q25. Analysts are forecasting S&P 500 earnings growth of 9% in 2025, down from 15% six months ago. Reduced expectations were driven by three factors. First, there is more trade uncertainty with the ever-changing tariff policy. Second, energy earnings' expectations have fallen nearly 20% in the face of lower gas and oil prices. And third, a cautious consumer is impacting revenue growth forecasts. On the upside, Fed rate cuts could be a tailwind for earnings and, longer-term, advancements in artificial intelligence (AI) could improve productivity.

Tariff panic at the start of the quarter gave way to AI enthusiasm at the end of the quarter. While high valuations and investor euphoria for certain stocks are a concern, we take solace that the economy, employment and corporate earnings all look to be in good shape. We are modestly reducing our exposure to higher PE growth stocks and increasing our exposure to lower PE value stocks in our July rebalancing.

## INTERNATIONAL EQUITY

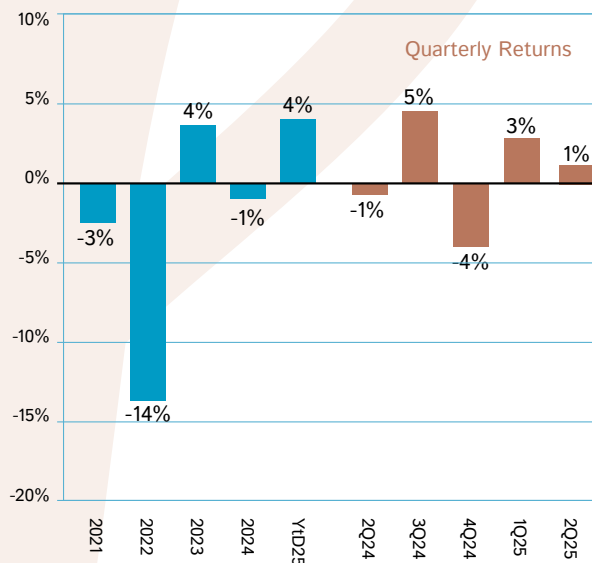


Source: MSCI ACWI ex USA and Wisco.

For the second quarter in a row, international stocks outperformed domestic stocks. International stocks increased 12%. The FTSE Developed Large Cap Index was up 13%, FTSE Small Cap Index was up 19%, and FTSE Emerging Market Index was up 9%. In Europe, the Euro Stoxx 50 increased 12% in 2Q25. Greece (up 24%), Austria (up 23%) and Germany (up 16%) were among the top performers. In Asia, South Korea was up 35%, Japan was up 18%, Hong Kong was up 5%, and the Shanghai composite was up 5%. In general, a weak dollar boosted international dollar-denominated returns. China's 1Q25 GDP was strong at 4.9%, GDP in Britain, the Euro zone, and Canada were all solid up 3.0%, 2.5% and 2.2% respectively. Japan, like the U.S. saw GDP contract in the quarter (-0.2%).

The U.S. dollar index declined 11% in the first half of 2025, its largest first half devaluation since 1973. Despite this recent outperformance, international stocks still trade at a significant discount to domestic stocks (15x forward earnings vs 23x for U.S. stocks). In addition, we feel international equity is an important part of a diversified portfolio. For these reasons, we are going to maintain positions in international equities in all our portfolios during our July rebalancing.

## DOMESTIC FIXED INCOME



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

The Barclays U.S. Aggregate Bond Index was up 1% in 2Q25. Treasuries were up 2%, Short-term Investment Grade was up 2%, Long-term Investment Grade was up 2%, and High Yield increased 3%. The 10-year treasury yield traded in a narrow range this quarter. It began the quarter at 4.2%, trading as low as 3.9% and as high as 4.6%, before finishing the quarter unchanged at 4.2%. Annual inflation (CPI) continues to move towards the Fed's 2% target with May's reading coming in at 2.4%. There hasn't been a CPI reading above 3.0% since May 2024. Unemployment remains relatively benign, coming in at 4.2% in May. The Fed left its target rate range unchanged this quarter at 4.25%-4.50%. They anticipate reducing rates by 0.5% in 2025. The Fed now holds \$6.7T of assets down from its April 2022 peak of \$9.0T. The money supply (M2) reached an all-time high of \$21.9T surpassing the previous peak of \$21.7T reached in April 2022.

Moderating growth and the prospects of lower Fed funds rates helped Fixed income produce decent 1st half returns. We feel the Fed could resume cutting rates later in 2025. In addition, we feel 4%+ yields are attractive. For these reasons, we continue to hold Fixed Income in all our portfolios and prefer short duration to long duration.



## ALTERNATIVE INVESTMENTS

The Dow Jones-UBS Commodity Index decreased 4% in the quarter. In agriculture, grain prices were mixed. Soybean prices increased by 1%<sup>1</sup> this quarter, corn prices declined 8%, and wheat prices declined 2%<sup>1</sup>. The potential for higher-than-normal yields increased supply expectations, negatively impacting corn prices.

Precious metal prices once again had a strong quarter. Both gold and silver increased 6% in the quarter, while platinum increased 32%. For the year, gold is up 26%<sup>2</sup>, and silver is up 25%<sup>3</sup>. Precious metal prices likely benefited from U.S. dollar weakness as well as geopolitical and trade tensions.

The WTI spot Crude Oil price decreased 8%<sup>4</sup> in the quarter. Slowing global growth likely negatively impacted demand, while higher inventories suggests there is ample supply.

Digital currencies recovered after a weak first quarter. Bitcoin increased 31%<sup>5</sup> and Ethereum was up 37%<sup>6</sup>. Year-to-date, Bitcoin is up 14%<sup>5</sup>, while Ethereum is down 26%<sup>6</sup>.

We will continue to hold gold in all our portfolios because of its safe haven characteristics along with its low correlation to stocks and bonds. We are going to increase our bitcoin ETF exposure in our more aggressive portfolios, while it is volatile we feel a more favorable regulatory environment along with its limited supply characteristics will be a tailwind for bitcoin longer term. In our more

conservative portfolios, we hold a silver ETF along with gold. We also feel gold, silver and bitcoin provide protection against a weakening dollar.

## PRIME MONEY FUND

The prime money fund continues to produce positive returns for investors. The fund currently yields 4.1%. That said, we are reducing our exposure to money funds in most of our portfolios as we expect short-term rates to decline in the second half of 2025.

## OUR SERVICES

Financial Advisory

Investment Management

Financial Planning

Retirement Planning

Life Insurance & Annuities

401K Rollovers

Learn More: [wiscoinvest.com](https://www.wiscoinvest.com)

### 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.

### Disclaimer:

Wisco Investment Management LLC is a registered investment advisor. The 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*