State of Wisconsin Stable Value Fund

Portfolio Commentary – Fourth Quarter 2015

Investment Performance

During the fourth quarter, the State of Wisconsin Stable Value Fund continued its positive performance with a quarterly return of 0.49% (net of all fees), which was in line with the third quarter's return of 0.48% (net of all fees). The current net blended yield for the Fund remained in line with the net blended yield at the end of the last quarter during the quarter at 1.91% (net of all fees). In the coming quarter, we expect the Fund's blended yield to remain near current levels.

Portfolio Commentary

The Fund had net outflows of $1.4 million during the quarter, which represented a decrease of 0.2% in total Fund assets. The overall duration of the Fund was 2.70 years at the end of the quarter, in line with the duration at the end of the previous quarter. The average credit quality at the contract level remains strong at A1/A+.

The Fund's market-to-book-value ratio decreased during the quarter to 100.5%, due to higher interest rates and continued amortization of the Fund's market value premium. The credit quality of the underlying bond portfolios remains strong with 72.5% of the portfolio's securities rated AAA on average, as rated by S&P, Moody's, and Fitch.

Economic Commentary

U.S. GDP grew at a 2.0% annualized rate during the third quarter, and although expectations for Q4 growth are somewhat lower, the pace of hiring and final consumer demand has remained quite strong. Low inflation, driven in part by significant declines in commodity prices and a stronger U.S. dollar, which makes imported goods less expensive, helped to keep consumer confidence at near-cycle highs during the quarter. After careful consideration of the balance of economic data and expectations for the future paths of employment, inflation and GDP growth, the Fed decided by unanimous vote at its December FOMC meeting to raise its policy interest rate by 0.25%, thereby ending a seven-year period at the so-called "zero-bound". Outside of the U.S., central bankers in most other economic regions remain focused on policy easing and additional stimulus measures, trying to maintain tepid growth and prevent backsliding into recession.

U.S. interest rates experienced a level shift higher during the last few months of the quarter. Yields on shorter maturity Treasuries rose the most, with the 2-year Treasury rising about 42 basis points. Longer maturities rose somewhat less, however, with the yield on the 10-year Treasury rising about 23 bps and the 30-year Treasury inching up by just 16 bps.

Investment grade corporate spreads overall were largely unchanged during the fourth quarter while spreads on ABS, CMBS and high yield credit widened somewhat. Agency MBS and taxable municipals both held steady during the quarter, producing positive excess returns from both carry (yield) and spread tightening. Within the corporate sector, industrials were the main laggard, led into negative territory by energy and metals and mining.

Compliance

The account was in compliance with the new guidelines put in place November 3, 2015.

Board	Mtg Date	Item #
DC	3.8.16	10c1

GALLIARD
CAPITAL MANAGEMENT, INC.

Laura Sell, CFA
Senior Director
612.667.3029
Laura.D.Sell@Galliard.com