



**GALLIARD**  
Capital Management, Inc.

## **WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND**

FOURTH QUARTER 2017 PORTFOLIO REVIEW

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# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Fourth Quarter 2017

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*The information contained in this report is for informational purposes only. It is intended to provide a summary of portfolio performance and characteristics, and an accounting based view of transactions and holdings. This is a standardized report and is not intended to be used for compliance purposes. Individual portfolio compliance requirements may not be captured in this report.*

## STABLE VALUE PORTFOLIO REVIEW

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# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Fourth Quarter 2017

<b>GALLIARD INCEPTION DATE</b>	July 01, 1998										
<b>INVESTMENT OBJECTIVE</b>	The primary investment objective of the Account is preservation of principal. The secondary objective is to provide a competitive, stable crediting rate.										
<b>BENCHMARK</b>	3 Year Constant Maturity Treasury Yield										
<b>STABLE VALUE PORTFOLIO COMPONENTS</b>	<table><thead><tr><th><u>COMPONENTS</u></th><th><u>MAX ALLOCATION</u></th></tr></thead><tbody><tr><td>Liquidity Buffer (Cash/Cash Equivalents, Money Market Funds, STIF Vehicles, Stable Value Funds)</td><td>50%</td></tr><tr><td>Guaranteed Investment Contracts (GICs)</td><td>10%</td></tr><tr><td>Separate Account GICs</td><td>50%</td></tr><tr><td>Synthetic GICs</td><td>95%</td></tr></tbody></table>	<u>COMPONENTS</u>	<u>MAX ALLOCATION</u>	Liquidity Buffer (Cash/Cash Equivalents, Money Market Funds, STIF Vehicles, Stable Value Funds)	50%	Guaranteed Investment Contracts (GICs)	10%	Separate Account GICs	50%	Synthetic GICs	95%
<u>COMPONENTS</u>	<u>MAX ALLOCATION</u>										
Liquidity Buffer (Cash/Cash Equivalents, Money Market Funds, STIF Vehicles, Stable Value Funds)	50%										
Guaranteed Investment Contracts (GICs)	10%										
Separate Account GICs	50%										
Synthetic GICs	95%										
<b>KEY PORTFOLIO GUIDELINES</b>											
<b>Portfolio Duration</b>	3.5 Year Maximum										
<b>Minimum Portfolio Quality</b>	AA- (underlying portfolio level)										
<b>Minimum Issuer Quality</b>	A- (contract level) at time of purchase										

# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Fourth Quarter 2017

## ANNUALIZED INVESTMENT PERFORMANCE<sup>1</sup>

Period Ending December 31, 2017

	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr
<b>Portfolio (before inv. mgmt. fees)<sup>2</sup></b>	0.54	2.05	2.05	2.06	3.04
<b>Portfolio (net of inv. mgmt. fees)<sup>3</sup></b>	0.50	1.90	1.88	1.90	2.87
<b>Linked Benchmark<sup>4</sup></b>	0.45	1.58	1.35	1.37	1.60

## CALENDAR YEAR PERFORMANCE

	2017	2016	2015	2014	2013
<b>Portfolio (before inv. mgmt. fees)<sup>2</sup></b>	2.05	2.06	2.03	1.91	2.27
<b>Portfolio (net of inv. mgmt. fees)<sup>3</sup></b>	1.90	1.90	1.85	1.73	2.10
<b>Linked Benchmark<sup>4</sup></b>	1.58	1.01	1.45	1.64	1.17

## MARKET INDICES

<b>BofAML US 3-Mon T-Bill</b>	0.86	0.33	0.05	0.03	0.07
<b>Consumer Price Index</b>	2.17	2.07	0.73	0.76	1.51

1: Returns for periods of less than one year are not annualized.

2: Returns are net of book value contract fees only.

3: Returns are net of book value contract, Galliard investment management fees, and, if applicable, external manager fees and Wells Fargo collective fund administrative fees.

4: Linked benchmark: 5 Year Constant Maturity Treasury; Prior to 11/1/15 was the 3 Year Constant Maturity Treasury.

# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Fourth Quarter 2017

## PORTFOLIO CHARACTERISTICS

<b>Total Assets</b>	\$650,070,528	<b>Blended Yield (before fees)<sup>1</sup></b>	2.12%
<b>Average Holdings Quality<sup>2</sup></b>	A1/A+	<b>Effective Duration</b>	2.88 years
<b>Number of Contract Issuers</b>	5	<b>Market/Book Value Ratio</b>	99.98%

1: Blended yield is before investment management fees and after wrap fees.

2: The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the contracts and cash held by the portfolio as rated by S&P and Moody's.

## SECTOR DISTRIBUTION

PORTFOLIO DISTRIBUTION	CONTRACT VALUE (\$)	% OF PORTFOLIO 12/31/2017	% OF PORTFOLIO 09/30/2017
<b>Cash &amp; Equivalents<sup>1</sup></b>	<b>3,999,464</b>	<b>0.6</b>	<b>1.0</b>
<b>Stable Value Funds</b>	<b>35,954,322</b>	<b>5.5</b>	<b>6.0</b>
<b>Security Backed Investment Contracts</b>	<b>610,116,742</b>	<b>93.9</b>	<b>93.0</b>
Short Portfolio	294,302,790	45.3	46.9
Intermediate Portfolio	315,813,953	48.6	46.2
<b>Total</b>	<b>\$650,070,528</b>	<b>100.0%<sup>2</sup></b>	<b>100.0%<sup>2</sup></b>

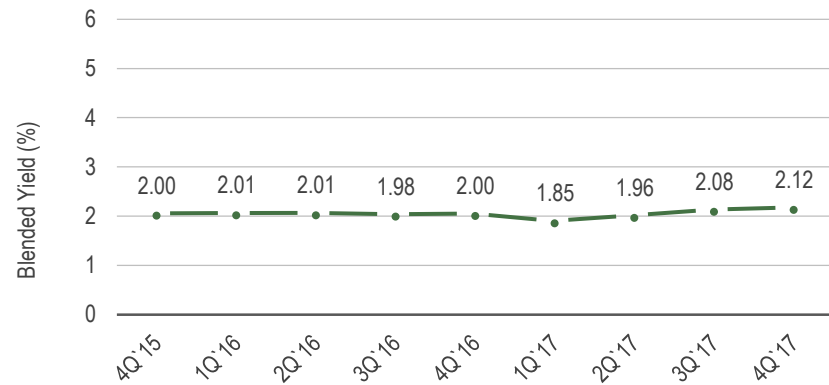
1: Includes Receivables and Payables.

2: Total % of portfolio may not add to 100% due to rounding.

# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

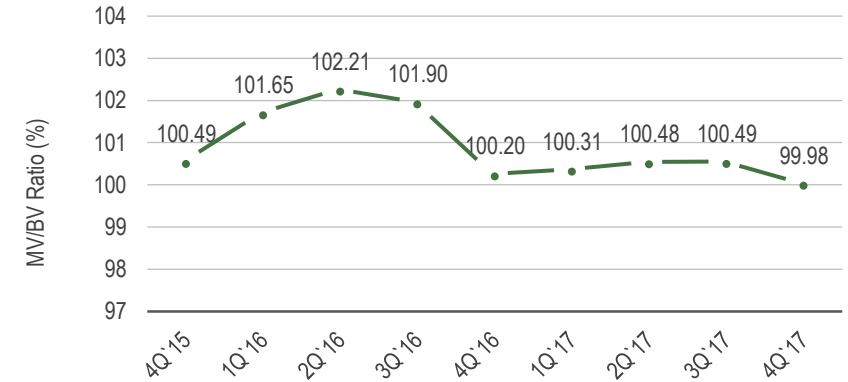
Fourth Quarter 2017

## HISTORICAL BLENDED YIELD<sup>1</sup>

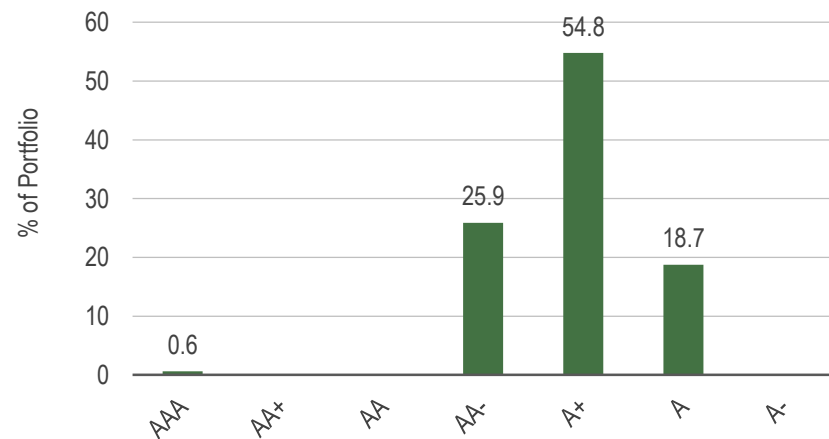


1: As of quarter end. Blended yield is before investment management fees and after wrap fees.

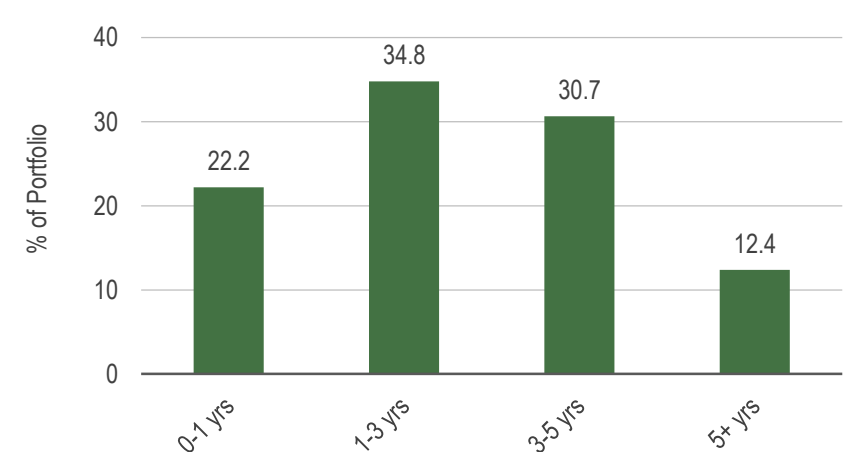
## HISTORICAL MARKET VALUE TO BOOK VALUE RATIO



## CONTRACT QUALITY DISTRIBUTION<sup>1</sup>



## UNDERLYING DURATION DISTRIBUTION<sup>2</sup>



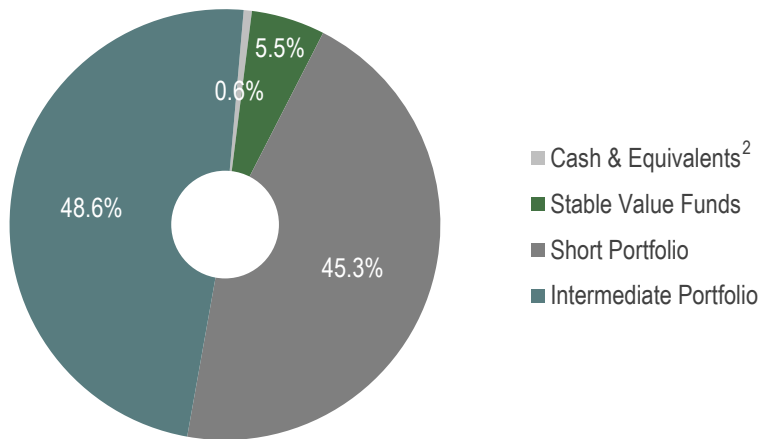
1: Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

2: Total % of portfolio may not add to 100% due to rounding. Duration distribution of the externally managed portfolios is provided by the external manager.

# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

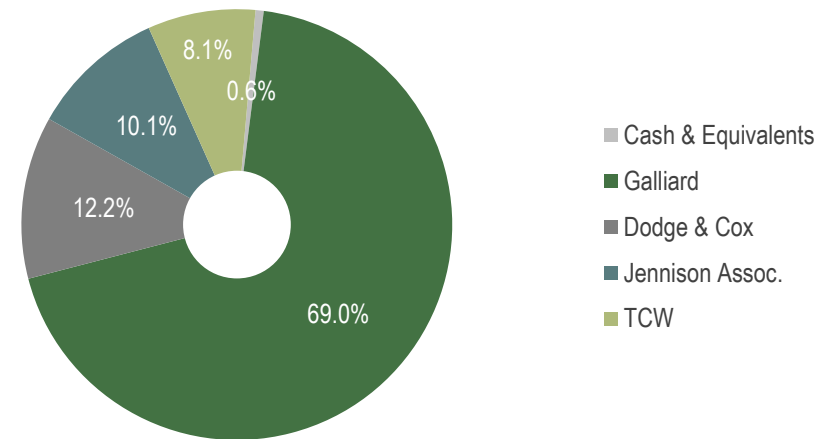
Fourth Quarter 2017

## PORTFOLIO DISTRIBUTION<sup>1</sup>

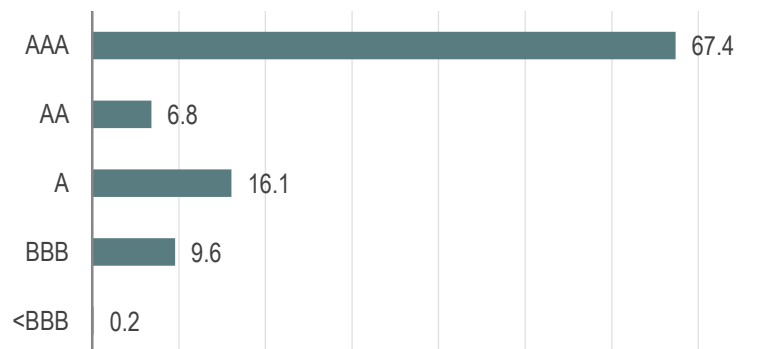


1: Book value. Total % of portfolio may not add to 100% due to rounding.  
2: Includes Receivables and Payables.

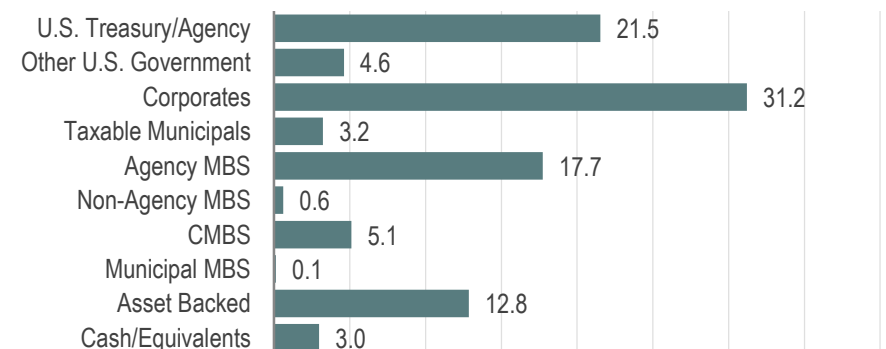
## MANAGER DISTRIBUTION<sup>1</sup>



## UNDERLYING FIXED INCOME CREDIT QUALITY<sup>1</sup>



## UNDERLYING FIXED INCOME ASSET ALLOCATION<sup>2</sup>



1: Market value. Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings. The external managers provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology

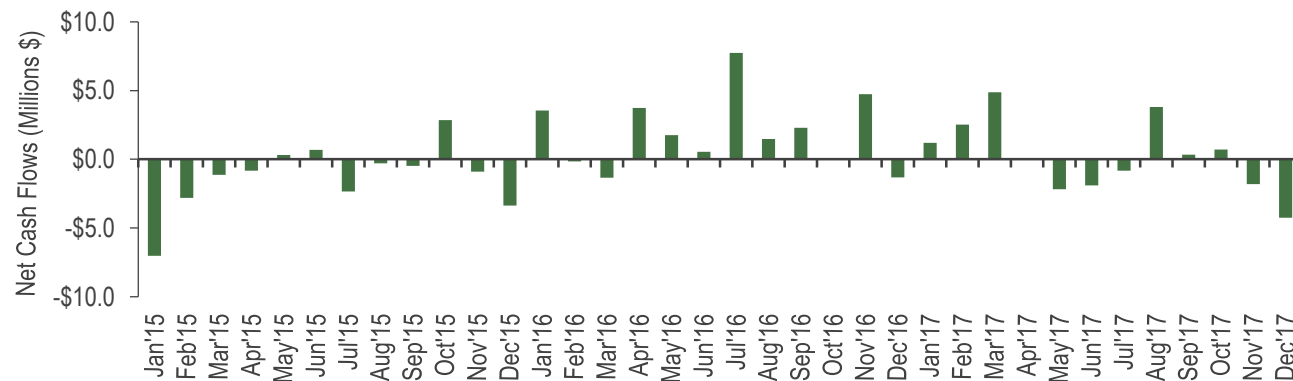
2: Market value. Total % of portfolio may not add to 100% due to rounding. The external managers provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology for maximum comparability across managers.



# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Fourth Quarter 2017

## HISTORICAL CASHFLOWS



	2017	2016	2015	2014
<b>Beginning Assets</b>	\$635.4	\$600.7	\$605.0	\$611.7
<b>Net Cash Flow (\$)¹</b>	\$2.5	\$23.1	-\$15.3	-\$17.2
<b>Net Cash Flow (%)</b>	0.40%	3.84%	-2.53%	-2.82%
<b>Estimated Investment Earnings</b>	\$12.2	\$11.6	\$11.0	\$10.5
<b>Ending Assets²</b>	\$650.1	\$635.4	\$600.7	\$605.0

1: Contributions, Withdrawals and Investment Transfers

2: Cashflows may not net to final assets due to rounding.

# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Fourth Quarter 2017

## ISSUER RATING SUMMARY

	<u>S &amp; P RATING</u>		<u>MOODY'S RATING</u>	
	<u>12/31/2017</u>	<u>9/30/2017</u>	<u>12/31/2017</u>	<u>9/30/2017</u>
American General Life Ins. Co.	A+	A+	A2	A2
Nationwide Life Ins. Co.	A+	A+	A1	A1
Prudential Ins. Co. of America	AA-	AA-	A1	A1
Transamerica Premier Life Ins. Co.	AA-	AA-	A1	A1
Voya Ret. Ins. and Annuity Co.	A	A	A2	A2

The information contained herein reflects the views of Galliard Capital Management, Inc. & sources believed to be reliable by Galliard as of the date of publication. The views expressed here may change at any time subsequent to the date of publication. This publication is for informational purposes only.

For institutional investors only.

# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Fourth Quarter 2017

## ISSUER RATING SUMMARY

### AMERICAN GENERAL LIFE INS. CO.

- Solid capital levels
- Leading positions in most Life and Annuity products
- Brian Duperreault was appointed the new CEO of AIG (AGL's parent). Formerly CEO of Hamilton Insurance Group, Bermuda, he's also held senior leadership positions at Marsh & McLennan, ACE, and AIG and its affiliates. AIG is committed to its' turnaround strategy and not splitting the company.
- AIG's designation as a systemically important financial institution (SIFI) was removed by U.S. regulators, relieving it of additional oversight and capital rules that were still being finalized

### NATIONWIDE LIFE INS. CO.

- Part of a leading mutual group that includes a leading Property & Casualty company
- Strong history of earnings

### PRUDENTIAL INS. CO. OF AMERICA

- A leading diversified U.S. life insurer
- Continue to maintain above average capital ratios versus lower ratios following 2015 captive reinsurance transaction
- Prudential, as the last non-bank institution designated as a systemically important financial institution (SIFI), is expected to pursue relief from the U.S. Financial Stability Oversight Council following the FSOC's recent removal of AIG's SIFI-designation

### TRANSAMERICA PREMIER LIFE INS. CO.

- Part of a large diverse insurance group which uses significant intercompany reinsurance, which results in the appearance of a higher operating leverage than is the case
- Fitch recently lowered Transamerica's Insurer Financial Strength ratings to A+ from AA-, citing margin compression due to the shift from capital intensive spread products to low capital intense fee-based businesses

### VOYA RET. INS. AND ANNUITY CO.

- Large-scale retirement, employee benefits and universal life presence
- Operating performance solid in core businesses with an improved outlook due to the sale of Voya's closed-block of variable annuity business to Venerable Holdings, Inc., an investment vehicle owned by a consortium of investors led by affiliates of Apollo Global Management, Crestview Partners and Reverence Capital Partners.

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# WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND PORTFOLIO HOLDINGS

December 31, 2017

Asset ID	Security Description	Manager	Contract Value (\$)	Market Value (\$)	Market/Book Value Ratio (%)	% of Portfolio	Yield (%)	Maturity <sup>1</sup>	Effective Duration (yrs)	S&P Rating	Moody's Rating	Wrap Fees (bps)
<b>CASH &amp; EQUIVALENTS</b>												
FUNDAVAIL	Cash Receivable / (Payable)		-446,842	-446,842	100.0	-0.1	1.49		0.10	AAA	Aaa	
9983008\$P	WF/BlackRock Short Term Investment Fund S		4,446,306	4,446,306	100.0	0.7	1.49		0.10	AAA	Aaa	
<b>TOTAL CASH &amp; EQUIVALENTS</b>			<b>3,999,464</b>	<b>3,999,464</b>	<b>100.0</b>	<b>0.6</b>	<b>1.49</b>		<b>0.10</b>	<b>AAA</b>	<b>Aaa</b>	
<b>STABLE VALUE FUNDS</b>												
94988K104	Wells Fargo Stable Value Fund W	Galliard	35,954,322	35,954,322	100.0	5.5	2.11		2.64	AA-	Aa3	
<b>TOTAL STABLE VALUE FUNDS</b>			<b>35,954,322</b>	<b>35,954,322</b>	<b>100.0</b>	<b>5.5</b>	<b>2.11</b>		<b>2.64</b>	<b>AA-</b>	<b>Aa3</b>	
<b>SECURITY BACKED INVESTMENT CONTRACTS</b>												
<b>Short Portfolio</b>												
946996EP6	American General Life Ins. Co.	Galliard	66,475,354	66,389,339	99.9	10.2	2.15	N.S.M.	1.86	A+	A2	20.0
896994DP2	Nationwide Life Ins. Co.	Galliard	36,171,014	36,073,330	99.7	5.6	2.09	N.S.M.	1.86	A+	A1	21.0
744999ZU0	Prudential Ins. Co. of America	Galliard	66,336,784	66,394,517	100.1	10.2	2.03	N.S.M.	1.86	AA-	A1	20.0
600996CC4	Transamerica Premier Life Ins. Co.	Galliard	56,010,228	56,301,219	100.5	8.6	2.44	N.S.M.	1.86	AA-	A1	20.0
75999UNG9	Voya Ret. Ins. and Annuity Co.	Galliard	69,309,409	68,911,122	99.4	10.7	1.84	N.S.M.	1.86	A	A2	20.0
<b>Total Short Portfolio</b>			<b>294,302,790</b>	<b>294,069,528</b>	<b>99.9</b>	<b>45.3</b>	<b>2.10</b>		<b>1.86</b>	<b>A+</b>	<b>A1</b>	
<b>Intermediate Portfolio</b>												
946996EP6	American General Life Ins. Co.	Galliard	64,406,593	64,323,255	99.9	9.9	2.15	N.S.M.	3.92	A+	A2	20.0
896994DP2	Nationwide Life Ins. Co.	Galliard	36,164,675	36,067,007	99.7	5.6	2.09	N.S.M.	3.92	A+	A1	21.0
744999ZU0	Prudential Ins. Co. of America	Jennison Assoc.	65,973,019	66,030,435	100.1	10.1	2.03	N.S.M.	4.16	AA-	A1	20.0
600996CC4	Transamerica Premier Life Ins. Co.	Galliard	17,395,322	17,485,696	100.5	2.7	2.44	N.S.M.	3.92	AA-	A1	20.0
600996CC4	Transamerica Premier Life Ins. Co.	Dodge & Cox	79,298,534	79,710,515	100.5	12.2	2.44	N.S.M.	3.70	AA-	A1	20.0
75999UNG9	Voya Ret. Ins. and Annuity Co.	TCW	52,575,810	52,273,683	99.4	8.1	1.84	N.S.M.	3.76	A	A2	20.0
<b>Total Intermediate Portfolio</b>			<b>315,813,953</b>	<b>315,890,593</b>	<b>100.0</b>	<b>48.6</b>	<b>2.16</b>		<b>3.89</b>	<b>A+</b>	<b>A1</b>	
<b>TOTAL SECURITY BACKED INVESTMENT CONTRACTS</b>			<b>610,116,742</b>	<b>609,960,121</b>	<b>100.0</b>	<b>93.9</b>	<b>2.13</b>		<b>2.91</b>	<b>A+</b>	<b>A1</b>	
<b>TOTAL PORTFOLIO</b>			<b>650,070,528</b>	<b>649,913,907</b>	<b>100.0</b>	<b>100.0</b>	<b>2.12</b>		<b>2.88</b>	<b>A+</b>	<b>A1</b>	

1: N.S.M. = No Stated Maturity

## STABLE VALUE PORTFOLIO REVIEW

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# STABLE VALUE PORTFOLIO REVIEW - WELLS FARGO STABLE VALUE FUND W

Fourth Quarter 2017

## PORTFOLIO CHARACTERISTICS

<b>Total Assets</b>	\$27,323,256,510	<b>Blended Yield (before fees)<sup>1</sup></b>	2.11%
<b>Average Holdings Quality<sup>2</sup></b>	Aa3/AA-	<b>Effective Duration</b>	2.64 years
<b>Number of Contract Issuers</b>	11	<b>Market/Book Value Ratio</b>	99.99%

1: Blended yield is before investment management fees and after wrap and trustee fees

2: The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the contracts and cash held by the portfolio as rated by S&P and Moody's.

## SECTOR DISTRIBUTION

PORTFOLIO DISTRIBUTION	CONTRACT VALUE (\$)	% OF PORTFOLIO 12/31/2017	% OF PORTFOLIO 09/30/2017
<b>Cash &amp; Equivalents<sup>1</sup></b>	<b>1,663,758,861</b>	<b>6.1</b>	<b>8.1</b>
<b>Separate Account GICs</b>	<b>3,119,126,550</b>	<b>11.4</b>	<b>16.4</b>
<b>Security Backed Investment Contracts</b>	<b>22,540,371,099</b>	<b>82.5</b>	<b>75.4</b>
<b>Total</b>	<b>\$27,323,256,510</b>	<b>100.0%<sup>2</sup></b>	<b>100.0%<sup>2</sup></b>

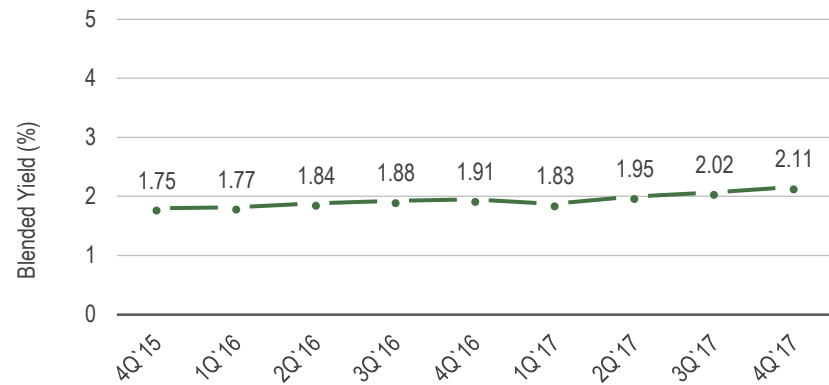
1: Includes Stable Value Collective Funds, Receivables, and Payables.

2: Total % of portfolio may not add to 100% due to rounding.

# STABLE VALUE PORTFOLIO REVIEW - WELLS FARGO STABLE VALUE FUND W

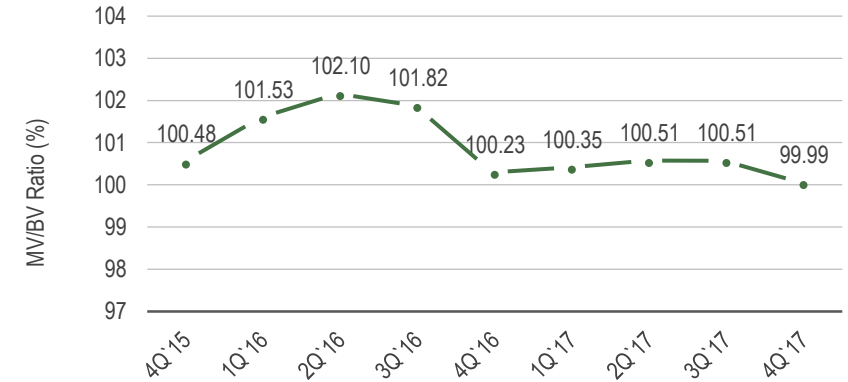
Fourth Quarter 2017

## HISTORICAL BLENDED YIELD<sup>1</sup>

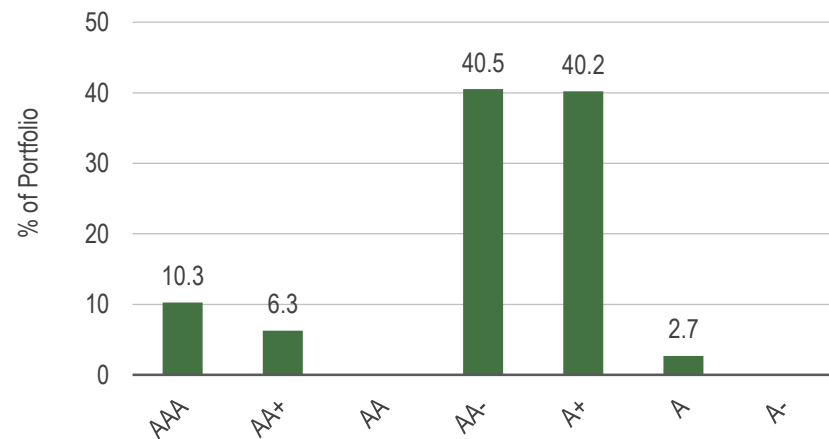


1: As of quarter end. Blended yield is before investment management fees and after wrap and trustee fees.

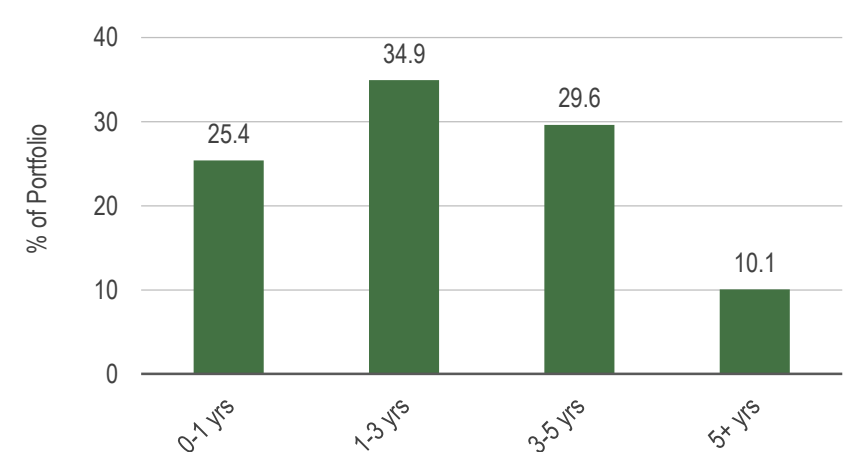
## HISTORICAL MARKET VALUE TO BOOK VALUE RATIO



## CONTRACT QUALITY DISTRIBUTION<sup>1</sup>



## UNDERLYING DURATION DISTRIBUTION<sup>2</sup>



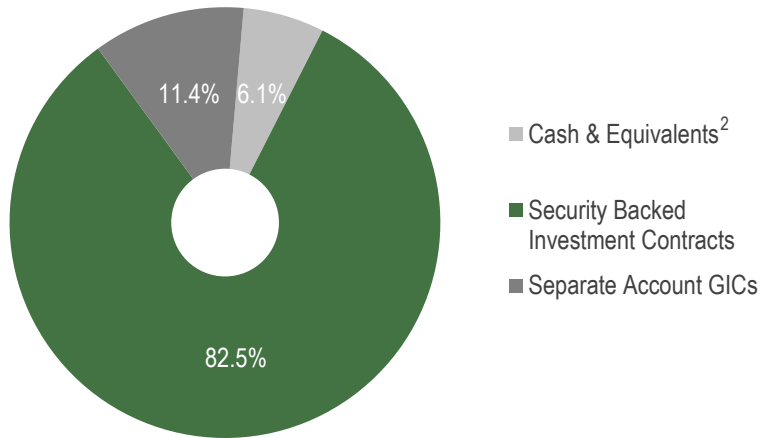
1: Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

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# STABLE VALUE PORTFOLIO REVIEW - WELLS FARGO STABLE VALUE FUND W

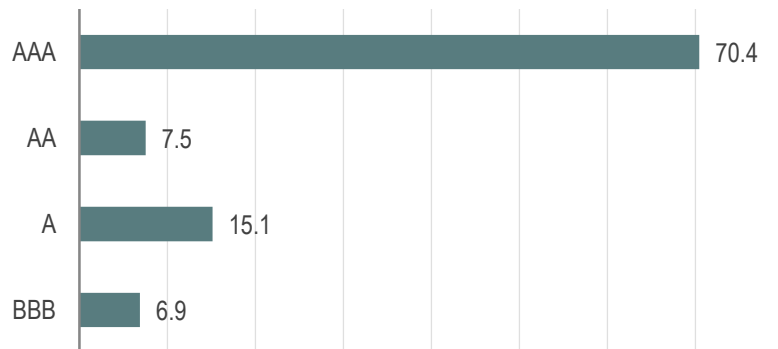
Fourth Quarter 2017

## PORTFOLIO DISTRIBUTION<sup>1</sup>

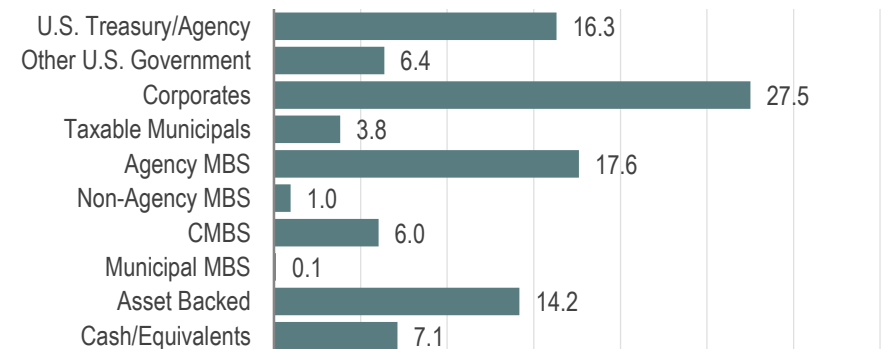


1: Book value. Total % of portfolio may not add to 100% due to rounding.  
 2: Includes Receivables and Payables.

## UNDERLYING FIXED INCOME CREDIT QUALITY<sup>1</sup>



## UNDERLYING FIXED INCOME ASSET ALLOCATION<sup>2</sup>



1: Market value. Total % of portfolio may not add to 100% due to rounding. The quality distribution shown represents the distribution of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch. Ratings shown as NR/NA are not rated or not available security ratings. The external managers provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology.

2: Market value. Total % of portfolio may not add to 100% due to rounding. The external managers provide portfolio holdings, and the securities are classified using Galliard's analytics and methodology for maximum comparability across managers.



# WELLS FARGO STABLE VALUE FUND W PORTFOLIO HOLDINGS

December 31, 2017

## PORTFOLIO HOLDINGS

### SECURITY BACKED INVESTMENT CONTRACTS

Issuer	% of Portfolio	Moody's Rating	S&P Rating
American General Life Ins. Co.	15.03%	A2	A+
Massachusetts Mutual Life Ins. Co.	6.30%	Aa2	AA+
Nationwide Life Ins. Co.	1.89%	A1	A+
Pacific Life Ins. Co.	8.76%	A1	AA-
Prudential Ins. Co. of America	15.45%	A1	AA-
Transamerica Premier Life Ins. Co.	14.51%	A1	AA-
Voya Ret. Ins. and Annuity Co.	2.72%	A2	A
New York Life Ins. Co.	4.18%	Aaa	AA+
Royal Bank of Canada	9.57%	A1	AA-
State Street Bank and Trust Co.	4.08%	Aa3	AA-
<b>Total Security Backed Investment Contracts</b>	<b>82.49%</b>	<b>A1</b>	<b>AA-</b>

### CASH & EQUIVALENTS

	% of Portfolio	Moody's Rating	S&P Rating
Short Term Investment Fund	6.09%	Aaa	AAA
<b>Total Cash &amp; Equivalents</b>	<b>6.09%</b>	<b>Aaa</b>	<b>AAA</b>

### SEPARATE ACCOUNT GICs

Issuer	% of Portfolio	Moody's Rating	S&P Rating
Metropolitan Life Ins. Co.	11.42%	Aa3	AA-
<b>Total Separate Account GICs</b>	<b>11.42%</b>	<b>Aa3</b>	<b>AA-</b>

## MARKET REVIEW

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# MARKET REVIEW

## FOURTH QUARTER 2017

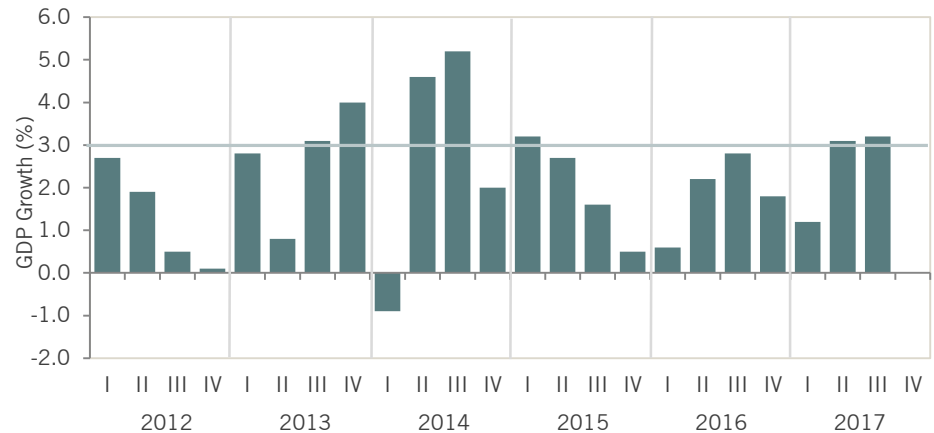
### U.S. ECONOMY SHRUGS OFF HURRICANE DISRUPTION TO POST STRONG GDP GROWTH IN Q3

- U.S. GDP growth advanced by +3.2% in 3Q17, posting a second consecutive quarter of above 3% growth.
- Growth during the quarter was driven by solid personal consumption, business investment and exports.
- Employers added an average of 204,000 jobs per month over the quarter, bouncing back from hurricane-related disruptions in Q3. The unemployment rate fell to 4.1%
- The Institute for Supply Management's (ISM) survey of manufacturing activity rose to 59.7 in December. Meanwhile, the ISM services index fell back to 55.9 from readings near 60 last quarter.

### TAX REFORM, STRONGER GLOBAL GROWTH SPUR BUSINESS INVESTMENT

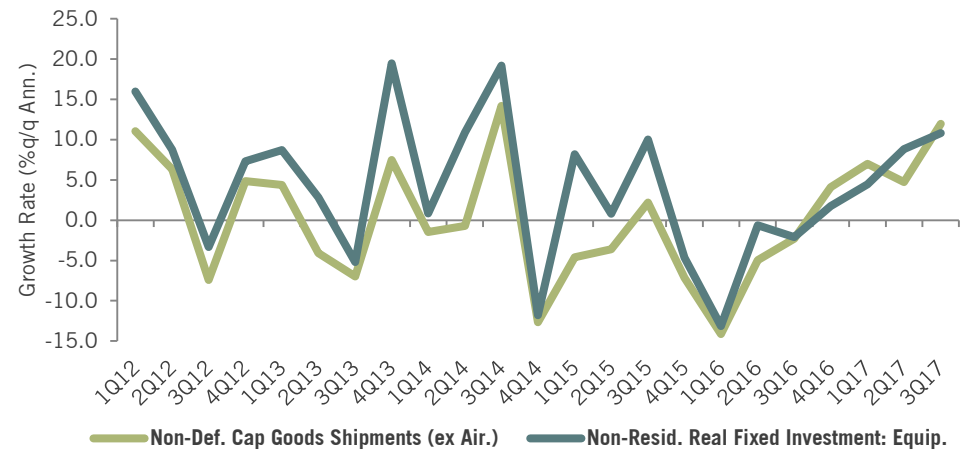
- Republicans passed significant tax cut legislation at the end of 2017. The tax cut package slashes the corporate income tax rate to 21% from 34% and provides for more modest cuts at the individual level.
- Global growth indicators point to a continuation of above-trend growth in the U.S., Europe, and developed Asia. JPMorgan/Markit's global composite of purchasing manager indices (Global Composite PMI) rose to 54.4 in December.
- The tight labor market, strong growth outlook, and expectations for tax cuts all spurred a rebound in business investment. Business investment in equipment rose at a +10.8% annualized pace over Q3, contributing nearly +0.6 pts to overall GDP during the quarter.

U.S. GDP Growth by Quarter (Annualized Rate)



Source: Bloomberg, U.S. Bureau of Economic Analysis

Capital Goods Shipments and Business Investment



Source: Federal Reserve Bank of St. Louis, U.S. Census Bureau, U.S. Bureau of Economic Analysis

The information contained herein reflects the views of Galliard Capital Management, Inc. & sources believed to be reliable by Galliard as of the date of publication. The views expressed here may change at any time subsequent to the date of publication. This publication is for informational purposes only. For institutional investor use only.

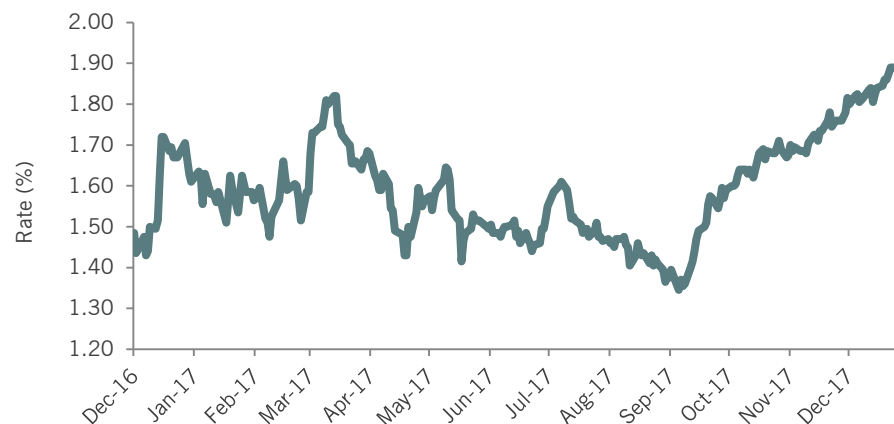
## MARKET REVIEW

### FOURTH QUARTER 2017

#### FED RAISES POLICY RATE IN DECEMBER, YIELD CURVE FLATTENS FURTHER

- The Fed raised its policy rate by 25 bps at its December meeting, bringing its policy rate to a range of 1.25% to 1.50%. Policymakers' median forecasts for the policy rate calls for three more hikes in 2018.
- Fed officials' median estimate of GDP growth in 2018 rose to 2.5% in December from 2.1% at the September meeting. Officials saw the unemployment rate declining to 3.9% over 2018, down from 4.1% in September.
- Market reaction to the rate hike was muted. Over the quarter, front-end interest rates rose to price-in the hike, while yields on intermediate maturities were less affected. At the long-end (30-year maturity) yields actually declined, resulting in a significant flattening of the yield curve.

Fed Funds Futures – December 2018 Contract (%)

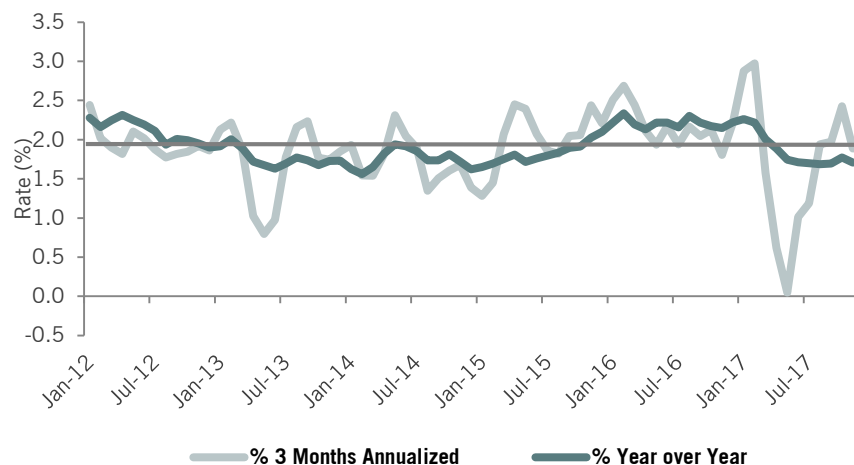


Source: Bloomberg

#### INFLATION MAY HOLD THE KEY TO FED RATE PATH IN 2018

- Monthly readings for core consumer price inflation have rebounded from the first half of 2017, when declines in wireless phone services, used car prices and certain healthcare services contributed to a significant decline in the year-over-year figures.
- The breakeven inflation level priced into 10-year TIPS rose sharply during the quarter, reaching 2.0% at the end of December from as low as 1.7% in June.
- With the U.S. economy at full employment, we believe that inflation readings are likely to be more important than the pace of incremental job gains or rate of GDP growth rate in terms of the Fed's rate hike decisions this year.

Core Consumer Prices



Source: U.S. Bureau of Labor Statistics, Federal Reserve Board of St. Louis

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## APPENDIX

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## APPENDIX - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Fourth Quarter 2017

### TOTAL ANNUAL FUND OPERATING EXPENSES

Total Annual Operating Expenses are deducted directly from the Fund's net asset value and reduce the investment option's rate of return.

Expense	Expense Ratio 12/31/17	Per \$1000
Investment Management Fees paid to Galliard	0.088%	\$0.88
Investment Management fees paid to Non-Affiliated Investment Advisors	None	None
Investment Contract Fees* <sup>1</sup>	0.189%	\$1.89
Acquired Fund Fees <sup>2</sup>	0.071%	\$0.71
-Investment Contract Fees	0.010%	\$0.10
-Other Acquired Fund Fees and Non-Affiliated Investment Management Fees paid to Non-Affiliated Investment Advisors <sup>3</sup>	0.061%	\$0.61
12b-1 Distribution Fee	None	None
Other Expenses	None	None
<b>Total Annual Fund Operating Expenses<sup>4</sup></b>	<b>0.349%</b>	<b>\$3.49</b>

\*Changes have occurred to the fee schedule structure since the prior period. Please contact your Galliard representative if you have additional questions.

1: These are fees paid to create and maintain the investments used by a stable value fund.

2: These are fees borne indirectly by the Fund when it acquires an interest in another fund which pays its own separate fees.

3: Includes audit fees for the cost of producing a report by a qualified auditor.

4: Total Annual Fund Operating Expenses are reflected daily in the Fund's net asset value (NAV).