



**GALLIARD**  
Capital Management, Inc.

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

THIRD QUARTER 2019 PORTFOLIO REVIEW

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

Third Quarter 2019

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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.*

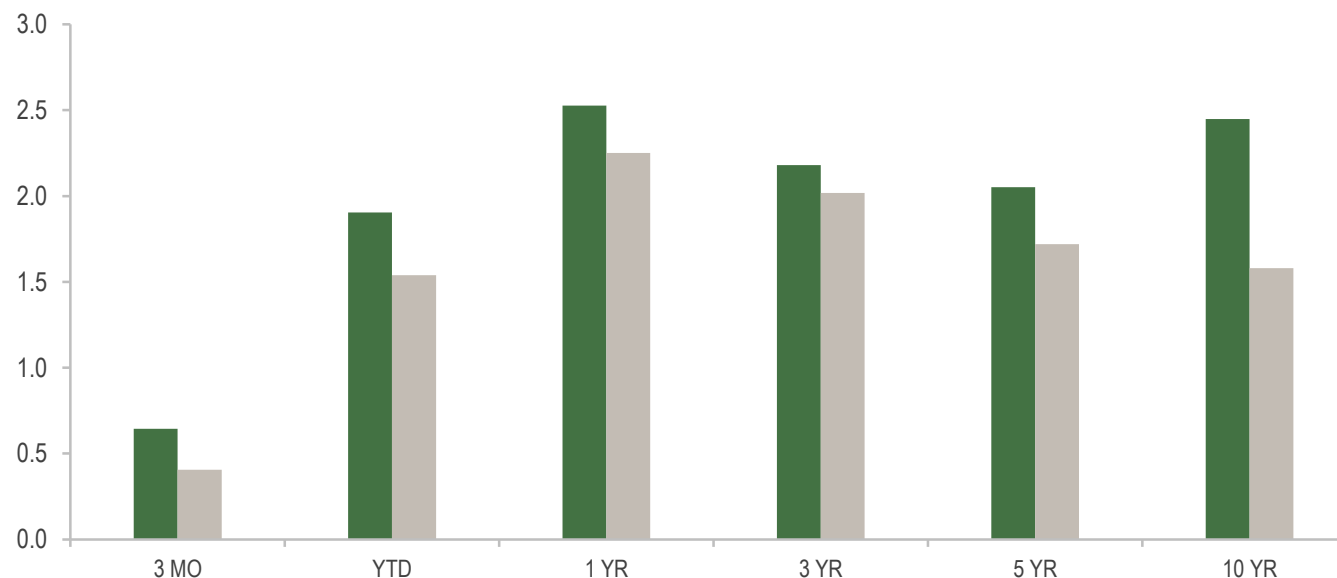
**STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND**

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Third Quarter 2019

## ANNUALIZED INVESTMENT PERFORMANCE AS OF 9/30/19<sup>1</sup>



	3 Mo.	YTD	1 Yr.	3 Yr.	5 Yr.	10 Yr.
■ Portfolio (net of all fees - NAV level) <sup>2</sup>	0.64	1.90	2.53	2.18	2.05	2.45
■ Linked Benchmark <sup>3</sup>	0.41	1.54	2.25	2.02	1.72	1.58
<b>Value Added (net of all fees - NAV level)<sup>4</sup></b>	<b>0.24</b>	<b>0.37</b>	<b>0.28</b>	<b>0.16</b>	<b>0.33</b>	<b>0.87</b>

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

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

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

4: May not add due to rounding.

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

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## WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

### ACCOUNT SUMMARY

<b>Benchmark</b>	3 Year Constant Maturity Treasury
<b>Galliard Inception Date</b>	July 1, 1998
<b>Net Asset Value</b>	\$682,563,072

### PORTFOLIO CHARACTERISTICS

	Portfolio 6/30/19	Portfolio 9/30/19
<b>Average Quality - Book Value<sup>1</sup></b>	A+	A+
<b>Average Quality - Market Value<sup>2</sup></b>	AA	AA
<b>Number of Contract Issuers</b>	5	5
<b>Blended Yield (after all fees)<sup>3</sup></b>	2.59%	2.56%
<b>Yield to Maturity</b>	2.30%	2.10%
<b>Effective Duration</b>	2.96 years	2.95 years
<b>Market/Book Value Ratio</b>	101.58%	101.94%

1: Average holdings quality of the contracts and other book value assets in the portfolio. 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 individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

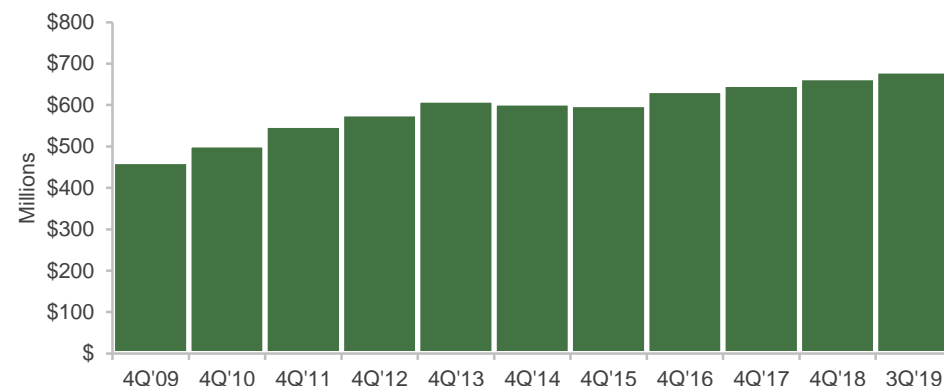
2: Average holdings quality of the underlying assets of the portfolio. The Weighted Average Quality of the portfolio has NOT been assessed by a nationally recognized statistical rating organization. The Weighted Average Quality shown represents an average quality of the individual holdings' Composite Ratings, as rated by S&P, Moody's and Fitch.

3: Blended Yield is net of all fees, including book value contract fees, Galliard investment management fees, and, if applicable, external manager fees, Wells Fargo collective fund administrative fees, and plan administrative reimbursement.

4: Includes Receivables and Payables.

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

## HISTORICAL FUND ASSETS



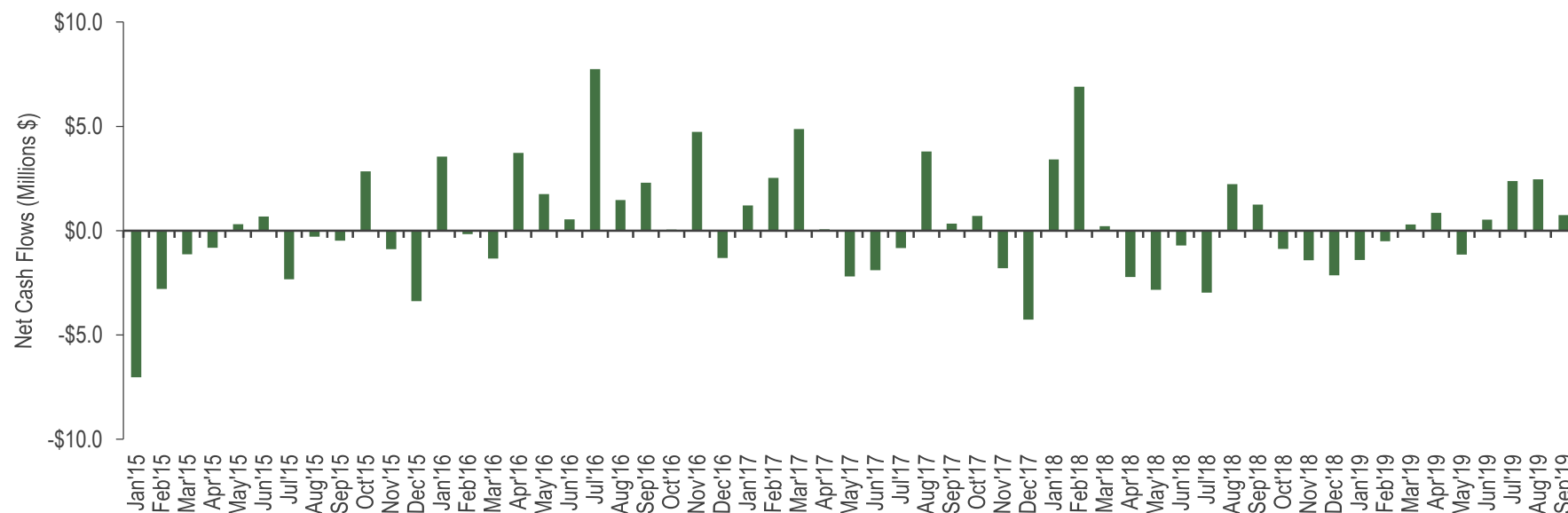
## PORTFOLIO DISTRIBUTION

	% Portfolio 6/30/19	% Portfolio 9/30/19
<b>Liquidity Buffer: Cash &amp; Equivalents<sup>4</sup></b>	1.3	2.1
<b>Short Portfolio</b>	40.0	39.6
<b>Intermediate Portfolio</b>	58.6	58.3
<b>Total</b>	<b>100.0%<sup>5</sup></b>	<b>100.0%<sup>5</sup></b>

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

Third Quarter 2019

## HISTORICAL CASHFLOWS



	2015	2016	2017	2018	1Q'19	2Q'19	3Q'19	2019 YTD
Beginning Assets	\$605.0	\$600.7	\$635.4	\$650.1	\$665.7	\$668.2	\$672.6	\$665.7
Net Cash Flow (\$) <sup>1</sup>	-\$15.3	\$23.1	\$2.5	\$0.9	-\$1.6	\$0.2	\$5.6	\$4.2
Net Cash Flow (%)	-2.53%	3.84%	0.40%	0.13%	-0.24%	0.03%	0.84%	0.63%
Estimated Investment Earnings	\$11.0	\$11.6	\$12.2	\$14.8	\$4.1	\$4.3	\$4.4	\$12.7
Ending Assets <sup>2</sup>	\$600.7	\$635.4	\$650.1	\$665.7	\$668.2	\$672.6	\$682.6	\$682.6

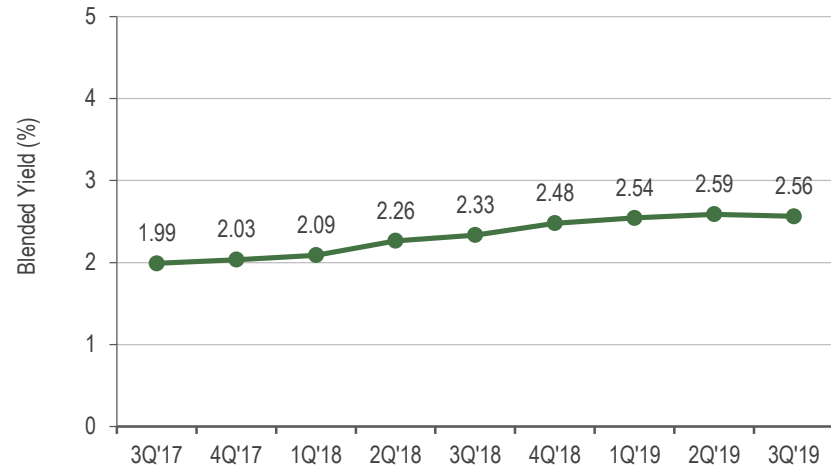
1: Contributions, Withdrawals and Investment Transfers

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

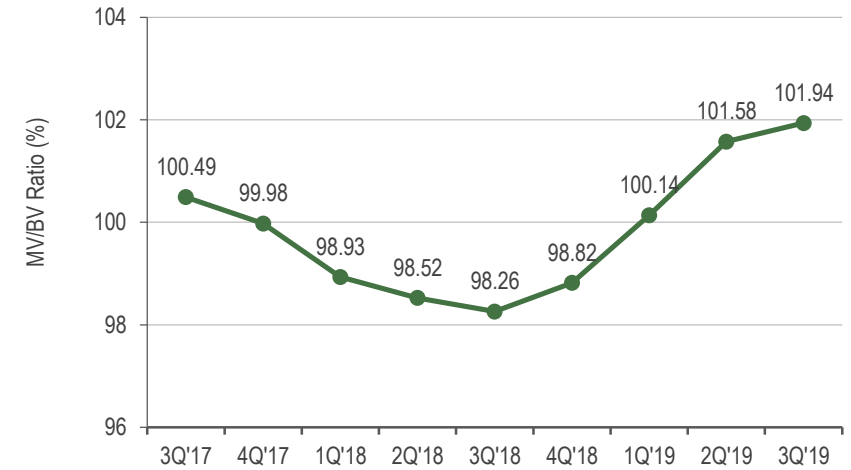
# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Third Quarter 2019

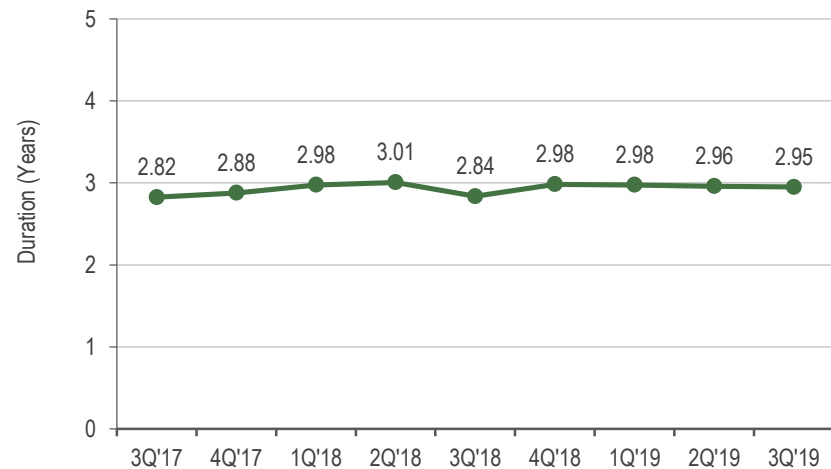
### HISTORICAL BLENDED YIELD<sup>1</sup>



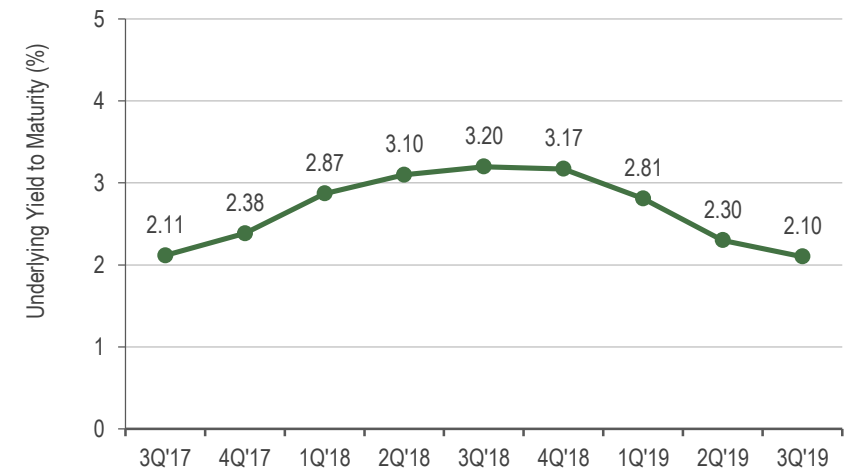
### HISTORICAL MARKET VALUE TO BOOK VALUE RATIO



### HISTORICAL DURATION



### HISTORICAL UNDERLYING YIELD TO MATURITY



<sup>1</sup>: Blended Yield is net of all fees, including book value contract fees, Galliard investment management fees, and, if applicable, external manager fees, Wells Fargo collective fund administrative fees, and plan administrative reimbursement.

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

Third Quarter 2019

## CONTRACT ISSUER DISTRIBUTION & RATING SUMMARY<sup>1</sup>

	% Portfolio 6/30/19	% Portfolio 9/30/19	Rating 6/30/19	Rating 9/30/19
American General Life Ins. Co.	20.2	20.1	A+	A+
Nationwide Life Ins. Co.	15.0	14.9	A+	A+
Prudential Ins. Co. of America	20.6	20.4	AA-	AA-
Transamerica Premier Life Ins. Co.	23.9	23.7	A+	A+
Voya Ret. Ins. and Annuity Co.	19.0	18.8	A	A

<sup>1</sup>: The quality rating shown represents 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.



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

Third Quarter 2019

## MANAGER DISTRIBUTION

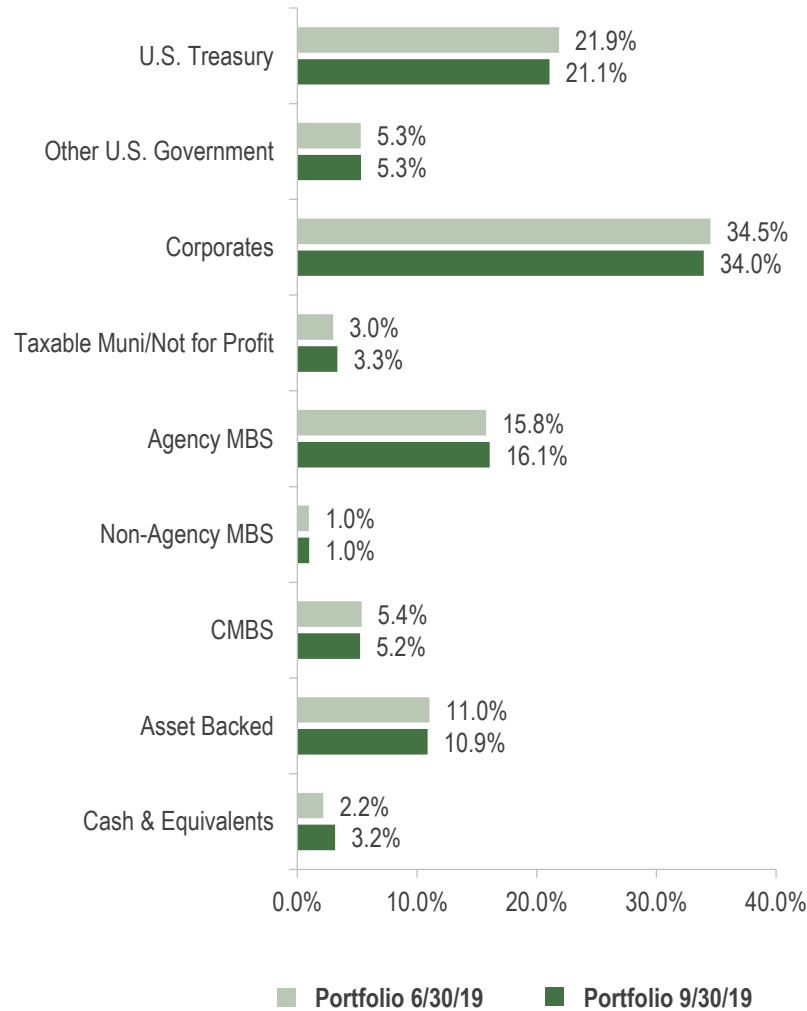
	Strategy	Benchmark	% of Portfolio 6/30/19	% of Portfolio 9/30/19
Liquidity Buffer: Cash & Equivalents	STIF/Money Market		1.3	2.1
Galliard	Short	Bloomberg Barclays U.S. 1-3 Year Government/Credit Bond Index	40.0	39.6
Galliard	Intermediate	Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index	27.8	27.7
Dodge & Cox	Intermediate	Bloomberg Barclays U.S. Intermediate Aggregate Bond Index	10.2	10.2
Jennison Assoc.	Intermediate	Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index	10.3	10.2
TCW	Intermediate	Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index	10.3	10.2
Total			100% <sup>1</sup>	100% <sup>1</sup>

<sup>1</sup>: Total % of portfolio may not add to 100% due to rounding.

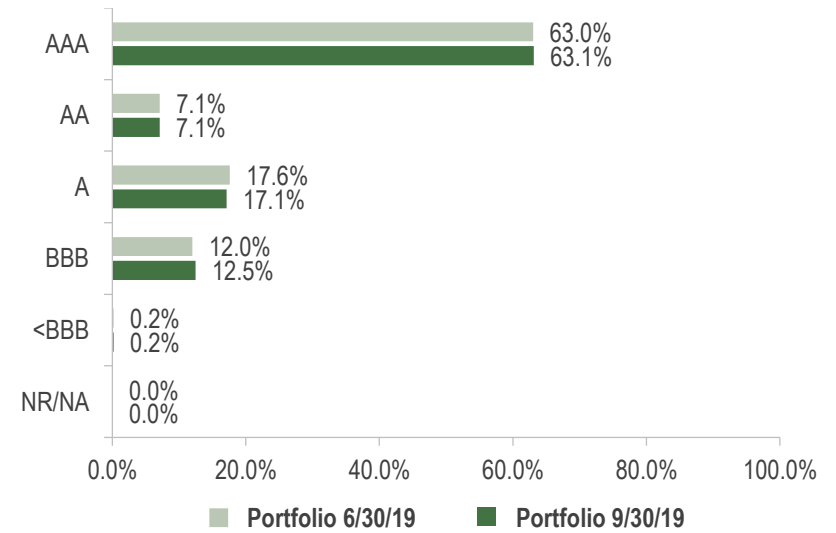
# STABLE VALUE PORTFOLIO REVIEW - WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND

Third Quarter 2019

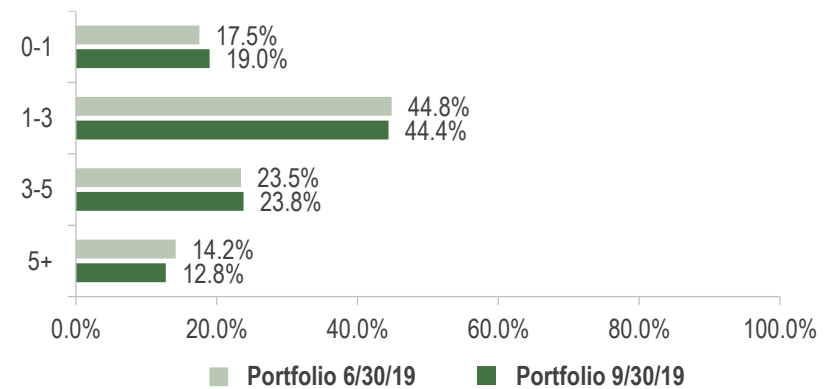
## UNDERLYING FIXED INCOME ASSET ALLOCATION<sup>1</sup>



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



## UNDERLYING DURATION DISTRIBUTION<sup>1</sup>



<sup>1</sup>: Market Value. Total % of portfolio may not add to 100% due to rounding. The external managers provide holdings and the securities are classified using Galliard's analytics methodology for maximum comparability across managers. 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. Distributions represent the portfolio positions for reporting purposes only. Investment guideline compliance is reported in the appendix or separately through your Galliard relationship manager.

# WISCONSIN DEFERRED COMPENSATION PROGRAM - STABLE VALUE FUND PORTFOLIO HOLDINGS

September 30, 2019

Asset ID	Security Description	Manager	Contract Value (\$)	Market Value (\$)	Market/Book Value Ratio (%)	% of Portfolio	Crediting Rate (%) <sup>1</sup>	UCA Yield (%)	Effective Duration (yrs)	Galliard Composite Rating	Wrap Fees (bps)
<b>LIQUIDITY BUFFER</b>											
	Cash Receivable / (Payable)		-442,880	-442,880	100.0	-0.1	2.06	2.06	0.10	AAA	
9983008\$P	WF/BlackRock Short Term Investment Fund S		14,630,215	14,630,215	100.0	2.1	2.06	2.06	0.10	AAA	
<b>TOTAL LIQUIDITY BUFFER</b>			14,187,335	14,187,335	100.0	2.1	2.06	2.06	0.10	AAA	
<b>SHORT PORTFOLIO</b>											
946996EP6	American General Life Ins. Co.	Galliard	44,856,952	45,904,595	102.3	6.6	2.81	2.01	1.85	A+	17.0
896994DP2	Nationwide Life Ins. Co.	Galliard	31,191,198	32,041,944	102.7	4.6	2.93	2.01	1.85	A+	17.0
744999ZU0	Prudential Ins. Co. of America	Galliard	69,778,515	70,755,919	101.4	10.2	2.33	2.01	1.85	AA-	18.0
600996CC4	Transamerica Premier Life Ins. Co.	Galliard	65,979,203	67,238,484	101.9	9.7	2.81	2.01	1.85	A+	17.0
75999UNG9	Voya Ret. Ins. and Annuity Co.	Galliard	58,785,247	59,794,749	101.7	8.6	2.48	2.01	1.85	A	18.0
<b>TOTAL SHORT PORTFOLIO</b>			270,591,115	275,735,693	101.9	39.6	2.63	2.01	1.85	A+	
<b>INTERMEDIATE PORTFOLIO</b>											
946996EP6	American General Life Ins. Co.	Galliard	92,223,226	94,377,118	102.3	13.5	2.81	2.24	3.88	A+	17.0
896994DP2	Nationwide Life Ins. Co.	Galliard	70,459,259	72,381,051	102.7	10.3	2.93	2.24	3.88	A+	17.0
744999ZU0	Prudential Ins. Co. of America	Jennison Assoc.	69,707,434	70,683,842	101.4	10.2	2.33	1.86	4.16	AA-	18.0
600996CC4	Transamerica Premier Life Ins. Co.	Dodge & Cox	69,524,426	70,851,371	101.9	10.2	2.81	2.38	3.12	A+	17.0
600996CC4	Transamerica Premier Life Ins. Co.	Galliard	26,309,983	26,812,137	101.9	3.9	2.81	2.24	3.88	A+	17.0
75999UNG9	Voya Ret. Ins. and Annuity Co.	TCW	69,560,296	70,754,836	101.7	10.2	2.48	2.04	3.90	A	18.0
<b>TOTAL INTERMEDIATE PORTFOLIO</b>			397,784,623	405,860,355	102.0	58.3	2.69	2.17	3.80	A+	
<b>TOTAL PORTFOLIO</b>			<b>682,563,072</b>	<b>695,783,382</b>	<b>101.9</b>	<b>100.0</b>	<b>2.65</b>	<b>2.10</b>	<b>2.95</b>	<b>A+</b>	

<sup>1</sup>: Crediting rates are net of wrap fees and any other fees being netted out of the rates.



# MARKET REVIEW

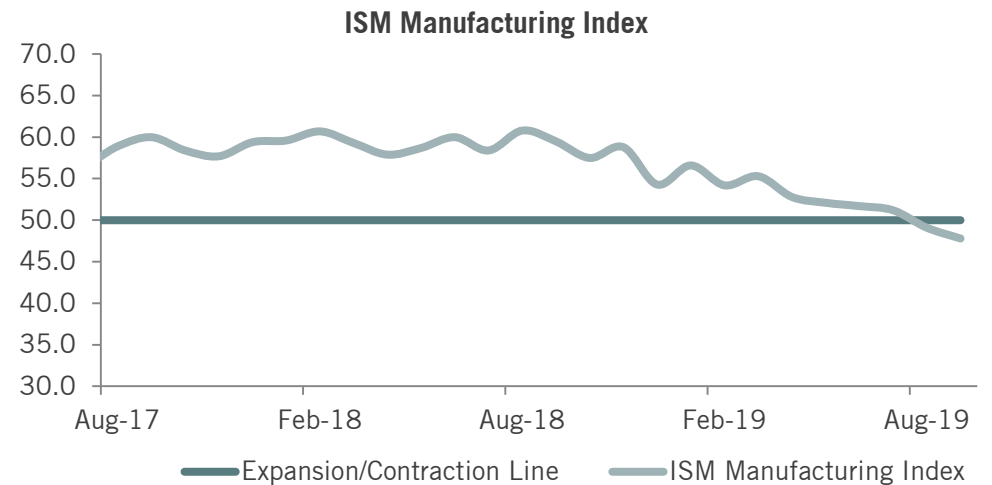
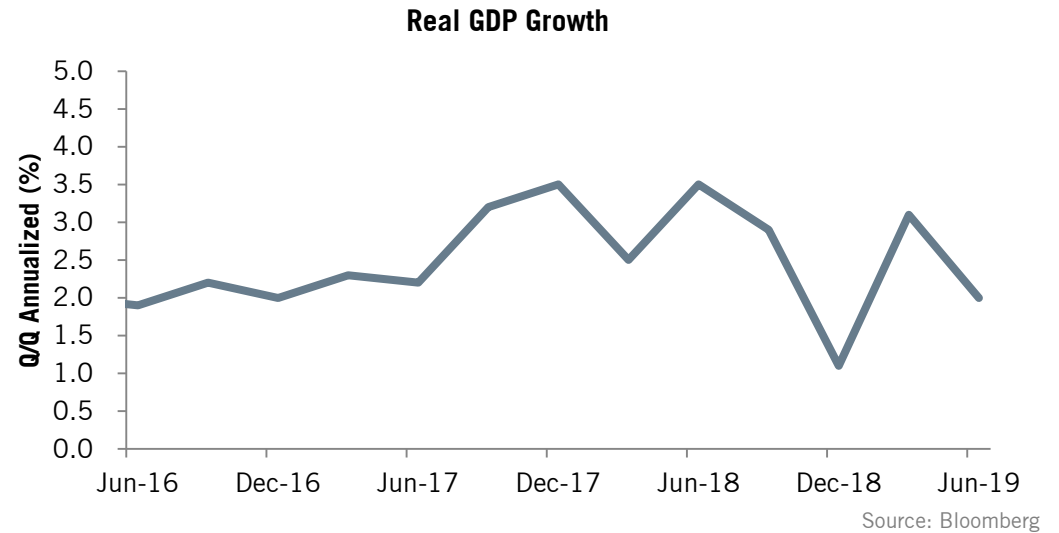
## THIRD QUARTER 2019

### GROWTH SLOWED IN 2Q...

- U.S. GDP growth slowed to 2.00% in second quarter. Personal consumption growth of 4.6%, the strongest in over a year, propped up the economy as broad measures of manufacturing and business output slipped into contractionary territory.
- Broadly speaking, data releases continue to highlight an economy that is a tale of two cities; business activity continues to slow while unemployment and consumer spending remain robust.

### ...AS BUSINESS SENTIMENT CONTINUES TO DECLINE

- The Institute for Supply Management (ISM) manufacturing index moved into contractionary territory, with the most recent reading of 47.8 marking a post-crisis low point. Similar trends have been emerging in measurements of business orders, construction spending, durable goods orders and business sentiment since mid-2018.
- Continued strength in retail sales confirms a healthy consumer, at least for the time being. Worryingly, consumer confidence measures have also started to slip, evidenced by the sharp drop in the University of Michigan Consumer Sentiment Index in August to the lowest level since 2016.
- Despite continued low unemployment, consistent wage gains and strong consumer spending, expectations for 3Q GDP growth are in the 1.8% to 2.1% range.
- Over the next several months the market will focus on consumer related data including non-farm payrolls, initial unemployment claims, average hours worked and consumer confidence for any sign of cracks in consumer spending.



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# MARKET REVIEW

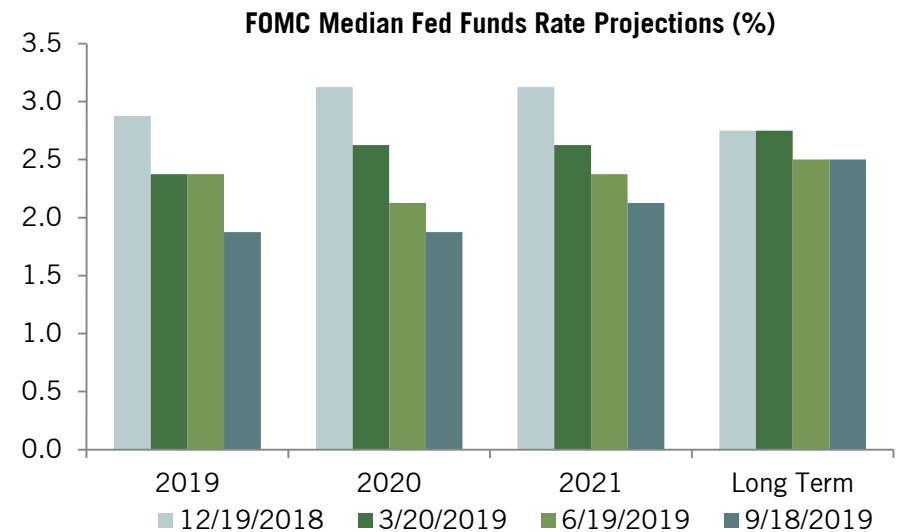
## THIRD QUARTER 2019

### FEDS PATH LOOKS UNCERTAIN...

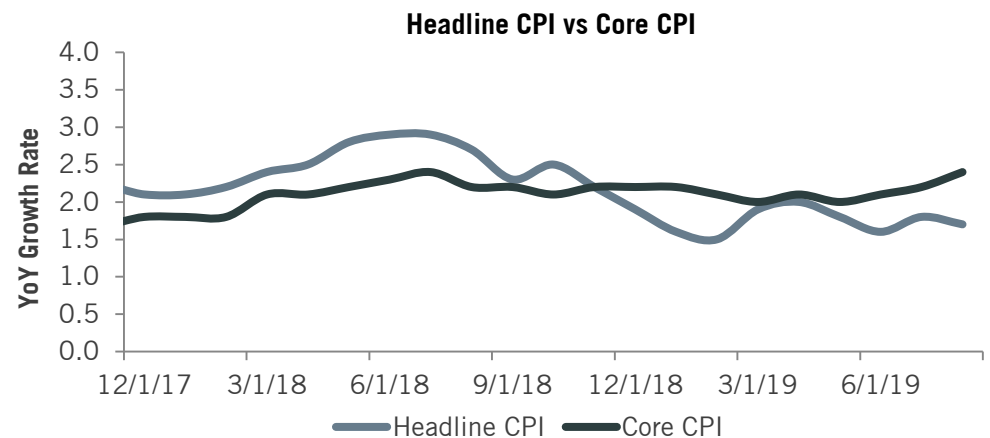
- The Fed started the quarter with a dovish tone, delivering a 25 basis point policy rate cut at the July meeting along with an announcement that quantitative tightening (balance sheet runoff) would end in August rather than September, as previously communicated.
- The Fed added a second 25 basis point rate cut at the September meeting, but the post-meeting message was slightly hawkish. Evidence from the meeting, including the non-unanimous vote and dot plot projections, indicated that the Fed is becoming more divided regarding the path of the economy and appropriate policy.
- Additionally, the fits and starts of the US/China trade war continues to muddy the Fed's signaling, making the process of detangling underlying economic forces from the effects of the trade war very difficult.

### ...AS UNEMPLOYMENT REMAINS LOW AND INFLATION SHOWS LIFE

- Even as the unemployment rate fell to 3.5% in September, its lowest level in 50 years, job creation moved along at a slower pace in 3Q. The three-month rolling average in non-farm payroll growth was 157k at the end of September; not unhealthy, but notably lower than anytime in 2018.
- While the Consumer Price Index (headline CPI) continues to underwhelm, core inflation is showing some signs of life as both Core CPI and Core PCE, the Fed's preferred inflation measure, trended upward.
- Hints of rising core inflation support the argument that multiple additional rate cuts by the Fed is not a foregone conclusion. However, it appears that the market believes inflation is tame and that easing monetary policy will likely continue in the near term. This disconnect has the potential to create volatility in the coming quarters.



Source: Federal Reserve, Bloomberg



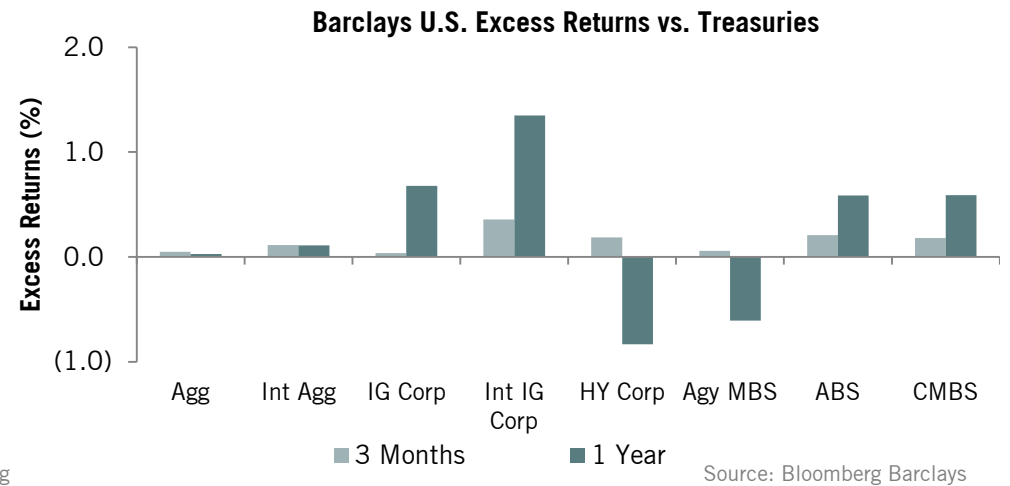
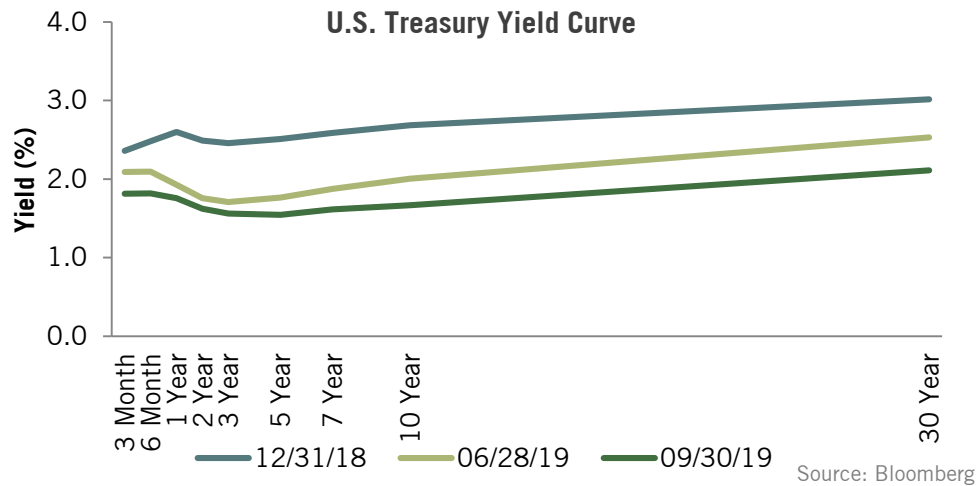
Source: Bloomberg

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# MARKET REVIEW

## THIRD QUARTER 2019

### INTEREST RATES FALL FURTHER AS MOST NON-TREASURY SECTORS OUTPERFORM DURING THE QUARTER



- The combination of deteriorating economic data, both at home and abroad, the dovish policy actions from the Federal Reserve, and the escalation of the trade war lead to a significant Treasury market rally in August. However, a series of positive economic data releases in September quickly calmed fears and resulted in a partial re-tracing of the August rally.
- Overall, interest rates declined across maturities during the quarter, with 10-year rates ending at roughly 1.7% and 30-year rates finishing just north of 2%. While the 2s/10s curve inverted briefly in August before finishing the quarter positive, the 3-month T-Bill versus 10-year Treasury curve has been inverted since late May.
- Spreads tightened modestly across most sectors, pushing excess returns positive for the quarter. Within credit, Long Corporates underperformed intermediate and shorter maturities, which was a drag on overall IG Corporate performance. BBB and crossover names continued to outperform AA/A rated bonds.
- Corporate valuations finished the quarter in the fair-to-full range as supply, which surprised to the upside in September, continues to lag the same time period in 2018.
- CMBS remains one of the best performing securitized sectors; while non-Agency CMBS sector performance continues to be highly correlated with intermediate IG Corporates, the defensive, secured nature of CMBS has resulted in lower excess return volatility throughout the year. New issuance continues to lag last year, down -14%, which has contributed to spread tightening year-to-date.
- ABS also performed well, aided by a continued rally in swap spreads and flat supply versus the first three quarters of 2018.
- Agency MBS, which saw excess returns oscillate between positive and negative over the quarter, posted slightly positive excess performance for the third quarter. Year-to-date excess returns remain negative on continued convexity concerns, as mortgage rates steadily march lower.

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

Third Quarter 2019

### CALENDAR YEAR INVESTMENT PERFORMANCE

	2014	2015	2016	2017	2018
Portfolio (net of all fees - NAV level) <sup>1</sup>	1.73	1.85	1.90	1.90	2.26
Linked Benchmark <sup>2</sup>	1.64	1.45	1.01	1.58	2.63
<b>Value Added (net of all fees – NAV level)<sup>3</sup></b>	<b>0.09</b>	<b>0.40</b>	<b>0.90</b>	<b>0.32</b>	<b>(0.37)</b>

### MARKET INDICES

ICE BofAML U.S. 3 Month Treasury Bill	0.03	0.05	0.33	0.86	1.87
Consumer Price Index	0.76	0.73	2.07	2.11	1.67

### GUIDELINE COMPLIANCE

We have not become aware of any investment guideline compliance issues occurring in the portfolio during the quarter.

1: Returns are net of all fees, including book value contract fees, Galliard investment management fees, and, if applicable, external manager fees, and plan administrative reimbursement.

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

3: May not add due to rounding.

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

Third Quarter 2019

### 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 9/30/19	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>	0.170%	\$1.70
Acquired Fund Fees <sup>2</sup>	0.059%	\$0.59
- Investment Contract Fees	None	None
- Other Acquired Fund Fees and Non-Affiliated Investment Management Fees paid to Non-Affiliated Investment Advisors <sup>3</sup>	0.059%	\$0.59
12b-1 Distribution Fee	None	None
Other Expenses	None	None
<b>Total Annual Fund Operating Expenses<sup>4</sup></b>	<b>0.317%</b>	<b>\$3.17</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).

Excluding STIF or money market allocations, non-affiliated investment advisors include Dodge & Cox , Jennison Assoc., TCW.