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Economic Update – Prepared for IUPAT DC7

September, 2022



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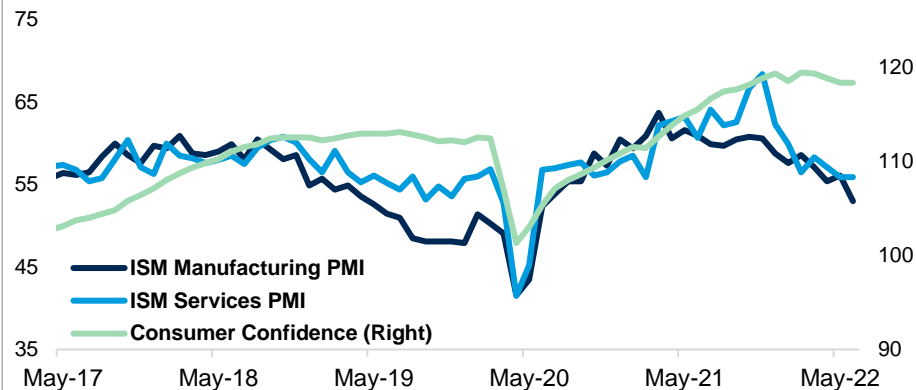


Market Themes

1. Capital markets continued to exhibit high volatility as investors contend with the rising odds of a recession. Returns across asset classes were broadly negative for the quarter.
2. The Fed's more hawkish stance and intensified commitment to combat high inflation comes at the risk of accelerating the onset of an economic slowdown.
3. Recessions and the volatility that typically accompanies them often sets the stage for better forward-looking opportunities in the market with lower entry prices.

Higher Recession Risk

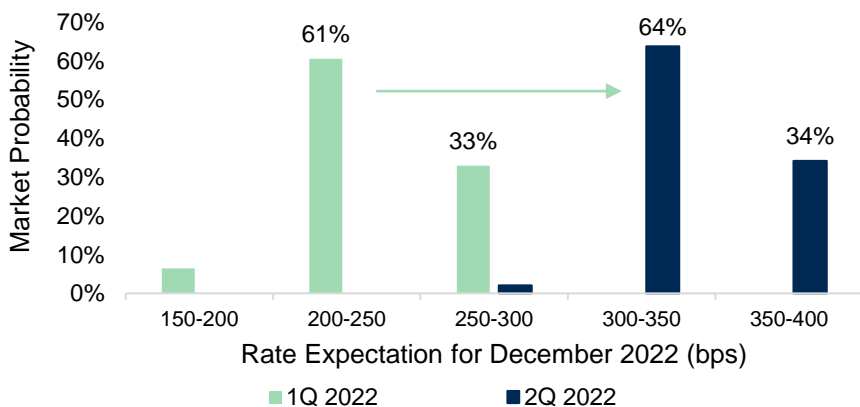
Softening economic data, including data from both producers and consumers, reveals the rising probability of an economic slowdown with the three-pronged challenge of high inflation, supply chain issues and an aggressive Fed.



Source: FactSet, ISM, Conference Board. As of June 30, 2022.

Markets Moving Ahead of the Fed

Markets have moved quickly, reacting to the Fed's increasingly hawkish posture by adjusting their rate expectations for the Fed's final meeting of the year in December 2022. Markets have priced in significantly higher terminal rates for this year than the current level of 1.50 – 1.75%.



Source: CME FedWatch Tool, Fiducient Advisors. As of June 30, 2022.

Staying Invested is Key

Although the probability of a recession may be rising, trying to predict its start date may prove to be a fool's errand. Equity markets see the most volatility before and during a recession; yet returns following the onset of a recession are typically strong given the forward-looking nature of markets.

S&P 500 Returns around a Recession				
Year	6 months before -			
	- Onset	Onset - End	Onset + 3yr	Onset + 5yr
1973	-1.2%	-33.1%	5.5%	33.1%
1980	7.7%	8.8%	87.0%	117.4%
1981	-1.0%	-1.3%	70.6%	221.9%
1990	3.1%	6.1%	49.6%	110.2%
2001	-17.7%	-11.8%	-3.3%	18.5%
2007	-2.3%	-33.9%	4.6%	46.4%
2020	9.3%	-23.1%	N/A	N/A
Average	-0.3%	-12.6%	35.7%	91.3%

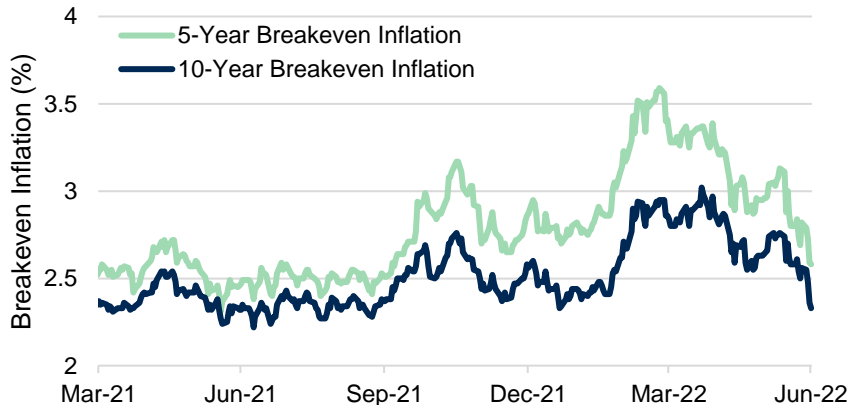
Source: Morningstar Direct, NBER, Fiducient Advisors. Returns shown are cumulative.



Economic Review

U.S. Breakeven Inflation Levels

While current inflation levels remain elevated relative to history, expectations for inflation over the medium- and longer-term have come down significantly in recent months.



Source: FactSet. As of June 30, 2022.

Leading Economic Indicators

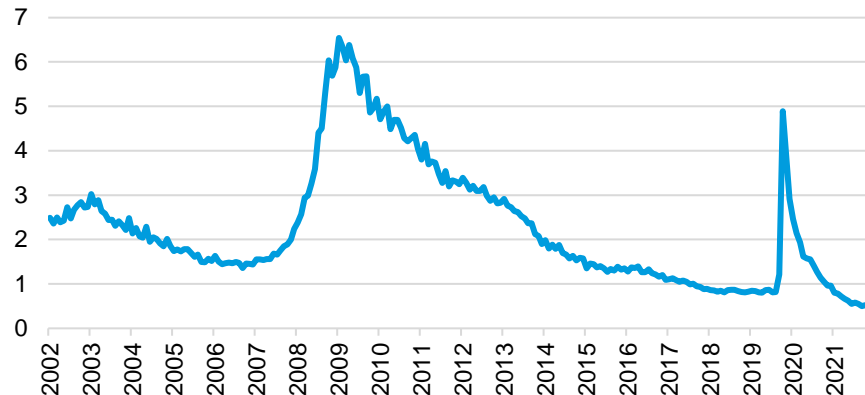
Leading economic indicators have fallen from peak levels but remain in positive territory supporting a positive outlook for economic growth in the near-term.



Source: FactSet, Conference Board. As of May 31, 2022.

U.S. Labor Market – Number of Unemployed per Job Opening

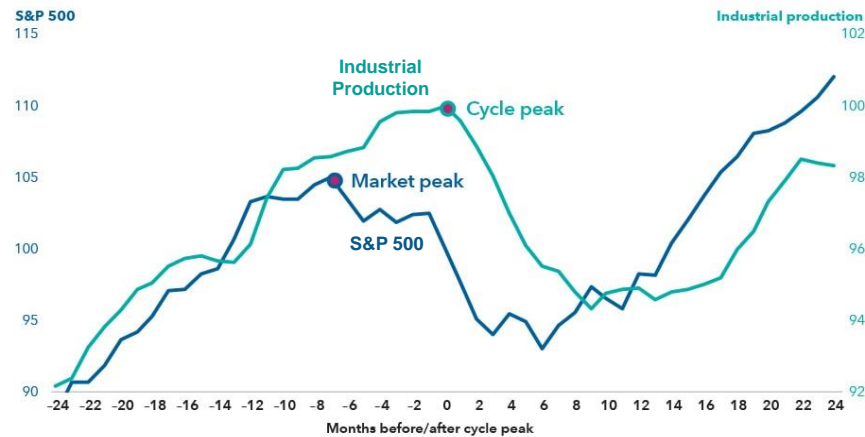
The U.S. labor market remains tight, with less than 1 job seeker for each job opening. This historic tightness in the job market may support wage growth.



Source: FactSet, DOL, BLS. As of June 30, 2022.

Markets and Cycles

Historically, markets have led the economy as indicated by industrial production, lending credence to their forward-looking nature.



Source: Capital Group. Data from 1950 – 2019.

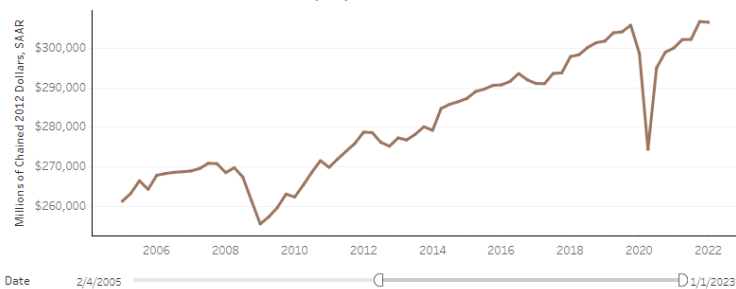
Wisconsin Economic Update



Wisconsin Real GDP

Wisconsin Real GDP

Millions of Chained 2012 Dollars, Seasonally Adjusted at Annual Rates

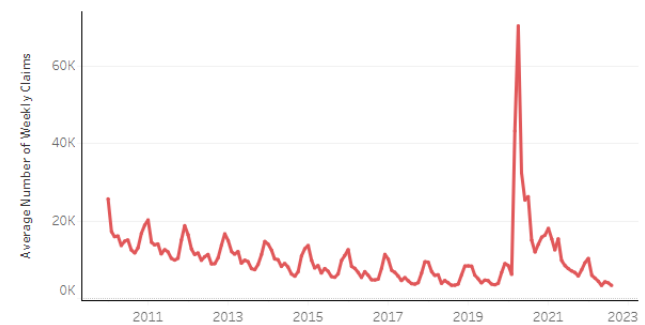


Claims for Unemployment

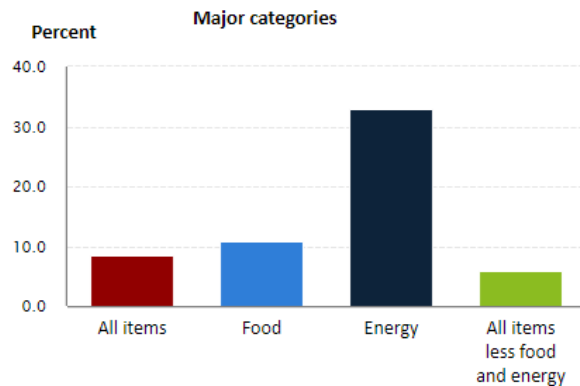
Initial Claims for Unemployment Insurance in Wisconsin

Average Weekly Claims

Source: U.S. Department of Labor, Employment and Training Administration



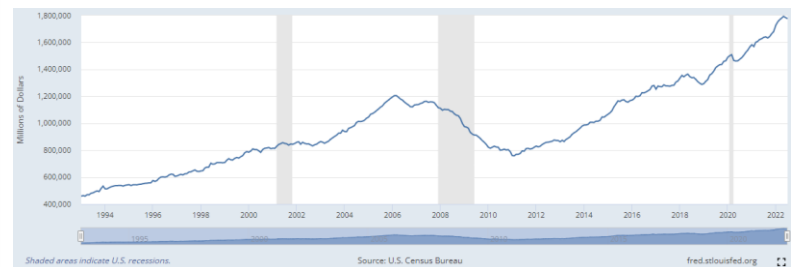
12-month percentage change, Consumer Price Index, selected categories, July 2022, not seasonally adjusted



CPI July 2022

Source: U.S. Bureau of Labor Statistics.

Total U.S. Construction Spending



Shaded areas indicate U.S. recessions.

Source: U.S. Census Bureau

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Wisconsin Trends

- Wisconsin ranks 20th in the nation for innovation, but is lagging behind neighboring states.
- Compared to the nation, Wisconsin is less active in the most innovative industries. This could limit the potential for sustained economic growth and development.
- Wisconsin faces a potential labor shortage driven primarily by an aging demographic.
- Projected job growth is at the high end and low end of skill distribution.
- We have a skill mismatch and need more skilled trades and education beyond a high school diploma to fill future needs.
- Only 29% of businesses in WI have payroll employees. This means we have a lot of self-employed workers.
- In Wisconsin only 51.6% of new start-ups survive five years.

Economic Policy Suggestions

- Community attitudes
- Mentorship and Networking
- Educational Programming
- Available Financing
- Long term view of economic growth

*Wisconsin economy and policy options, we have undertaken a series of studies which are reported here. These are a joint effort of the Department of Agricultural and Applied Economics, University of Wisconsin-Madison, the Center for Community and Economic Development, University of Wisconsin-Extension, and the EDA University Center at the University of Wisconsin-Extension



Your Dedicated Service Team



Jeff Benoit, CIMA®, Director of Taft-Hartley Consulting

- 33 years industry experience; 22 years with Fiducient Advisors
- Provides investment consulting services by giving advice and information on the manager search process, fund selection for portfolios and overall investment management
- Leads the firm's Taft-Hartley Business Council
- Prior to joining the firm, he was President of the Benoit Division at LaSalle Street Securities, L.L.C.
- Northern Illinois University, BS; Investments & Wealth Institute™ Accreditation Program at Wharton Business School, CIMA®
- Advisory Board, "Made in America"
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Tim Black, Senior Consultant Taft-Hartley

- 20 years of industry experience, joined Fiducient Advisors in 2022
- Services institutional clients by providing counsel and guidance on portfolio design, asset allocation, manager selection, investment policy statements and overall performance monitoring
- Carroll University, BS
- Is a Certified Investment Management Analyst (CIMA®) from the Investments & Wealth Institute™ accreditation program at the University of Chicago Booth and is a Chartered Retirement Plans Specialist (CRPS).
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When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. Each index is unmanaged and unmanaged index returns assume reinvestment of any and all distributions and do not reflect our fees or expenses. Indices cannot be invested in directly:

- TIPS: Bloomberg US Treasury US TIPS TR USD
- Municipals 5-Year: Bloomberg Municipal Bond 5 Year (4-6) TR USD
- U.S. Core Bond: Bloomberg US Aggregate Bond TR USD
- High Yield Municipals: Bloomberg HY Muni TR USD
- High Yield: Bloomberg US Corporate High Yield TR USD
- U.S. Long Duration: Bloomberg U.S. Long Government/Credit TR USD
- Foreign Bond: Bloomberg Global Aggregate ex-USD TR USD (50/50 blend of hedged and unhedged)
- EM Debt (unhedged): J.P. Morgan GBI-EM Global Diversified Composite Unhedged TR USD
- U.S. Large Cap: Russell 1000 TR USD
- U.S. Small Cap : Russell 2000 TR USD
- International Developed: MSCI EAFE NR USD
- Emerging Markets: MSCI Emerging Markets NR USD
- U.S. Equity REITs: FTSE Nareit Equity REITs TR USD
- Real Assets: S&P Real Assets TR USD
- Commodities: Bloomberg Commodity TR USD
- Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite USD
- Foreign Bond Unhedged: Bloomberg Global Aggregate ex USD TR USD unhedged
- U.S. MBS: Bloomberg US MBS (30Y) TR USD
- Balanced: 18% U.S. Large Cap, 6% U.S. Small Cap, 5% U.S. Equity REITs, 16% International Developed, 4% High Yield, 8% Emerging Markets, 3% TIPS, 33% U.S. Core Bond, 2% Foreign Bond, 3% Commodities, 2% EM Debt (unhedged).

Equity valuations are based on trailing 12-month P/E ratios for S&P 500 Index (U.S.), MSCI EAFE Index (Int'l Developed), and MSCI EM Index (Emerging Markets)

S&P 500 sector performance based on the following indices: S&P 500 Sec/Commun Services TR USD, S&P 500 Sec/Financials TR USD, S&P 500 Sec/Energy TR USD, S&P 500 Sec/Industrials TR USD, S&P 500 TR USD, S&P 500 Sec/Health Care TR USD, S&P 500 Sec/Cons Disc TR USD, S&P 500 Sec/Utilities TR USD, S&P 500 Sec/Cons Staples TR USD, S&P 500 Sec/Materials TR USD, S&P 500 Sec/Information Technology TR USD, S&P 500 Sec/Real Estate TR USD

Equity country returns based on the following indices: U.S.: MSCI USA NR USD, China: MSCI CHINA NR USD, Japan: MSCI Japan NR USD, Germany: MSCI Germany NR USD, United Kingdom: MSCI NR USD, India: MSCI India NR USD, France: MSCI France NR USD, Italy: MSCI Italy NR USD, Canada: MSCI Canada NR USD, Korea: MSCI Korea NR USD, Energy:

Commodity Performance based on the following indices: Energy: Bloomberg Sub Energy TR USD, Industrial Metals: Bloomberg Sub Industrial Metals TR USD, Precious Metals: Bloomberg Sub Precious Metals TR USD, Agriculture: Bloomberg Sub Agriculture TR USD

REIT sector performance is based on the following indices: FTSE Nareit Equity Health Care TR, FTSE Nareit Equity Lodging/Resorts TR, FTSE Nareit Equity Office TR, FTSE Nareit Equity Data Centers TR, FTSE Nareit Equity Diversified TR, FTSE Nareit Equity Specialty TR, FTSE Nareit Equity Retail TR, FTSE Nareit Equity Residential TR, FTSE Nareit Equity Industrial TR, FTSE Nareit Equity Self Storage TR