

July 4, 2024



Clients,

The last week of June is our annual family vacation at Anderson's Cove on Leech Lake. It was a good time with family and I enjoyed long paddles, hikes and peddling around undeveloped lakes in state and federal forests. However, the timing is poor since it means coming back and trying to remember what my business is about as I immediately immerse myself in the complexities of assembling data and writing your reports.

One of my reflections as I had time away was how money is so ethereal. As a symbol of value it is merely a bunch of numbers stored and manipulated electronically. The numbers only have meaning and utility if we trust that the symbols and the parties to transactions are reliable. If laws don't matter, as political leaders are demonstrating, and institutional norms can be readily violated, the whole system falls apart. Money as a symbol and reflection of the value we attach to stocks and other property only is reliable and works so long as someone is willing to pay what the symbol represents. If no one will buy my stocks, property or honor contractual debts, the whole system falls apart. I live in a precarious world. Most of the precarity I either deny or is totally outside my awareness.

Our political, social and physical environments are very vulnerable. Climate change is already reflecting significant damage from burning fossil fuels. Yet we continue to burn fossil fuels. We continue to burn gas as if there isn't an impending crisis for habitation on earth. Our efforts, both individually and at scale, are often well-intentioned but are not engineered to provide a solution. When something is survive or not, a partial solution is a false reassurance that preempts a solution.

For example, solar and wind relate only to generating electricity, which is about 35% of our energy consumption. Many industrial needs for heat cannot be met with electricity. What about the other 65%? And even for electricity, solar and wind will never supply most of our electricity because of intermittency and the footprint required, to say nothing of the waste issues of equipment obsolete every thirty years with limited recycling capability.

Another example of ideologically driven solutions is investing or disinvesting in ESG stocks and funds, such as selling stocks related to fossil fuels. If we buy or sell on an exchange in the secondary market, we are exchanging ownership with another owner. The transaction only tangentially and minimally impacts the targeted company that originally issued the stock.

As most of you know, I've personally invested private equity in a company developing Small Modular Reactors (SMRs) and in a company to process nuclear fuel with isotopes instead of a centrifuge. These funds don't go to a previous

An alternative to mutual funds.

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owner but go directly to the startup issuing the stock. But am I doing enough? I don't think so.

So while the political, social and physical worlds are crumbling, I bury myself in crunching the very detailed numbers (symbols) of your reports.

Be that as it may, I'm proud of our financial returns, of the resilience offered by our income allocation, the content of what I choose to put in your returns, and the format of the returns.

Long-time clients will recognize how the report format has evolved in two significant ways. There is less detail about specific stocks or even specific portfolios, replaced with bigger-picture analysis. The second change is that there is more "just the facts" with charts, calculations and ratios and very little interpretative narrative (spin).

With all the steps involved, I worry about errors even if I doubt any would be significant. I worry more about the reports being intelligible (and of interest) to someone who doesn't live and thrive on this stuff. I'm happy to provide explanations, rationales and invite continuous improvements over lunch, in my office or yours, or over the phone.

I'm only three months younger than our president and becoming aware of how incapacity sneaks up on us, and we are the last to know. Another reason for conversations.

Wenzel Analytics is growing. The amount of funds managed has doubled since the beginning of 2021, even before the income portfolio of The Preserve Association reserves (\$800k+) came online July 1. The Preserve is our homeowners association, and my only organization client. New dynamics.

Thanks for your trust.

Sincerely,

Lee