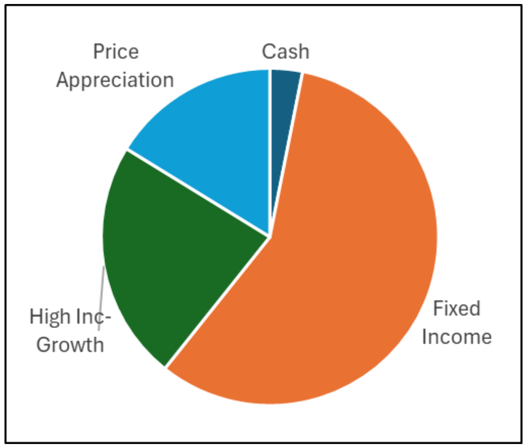
Wenzel Analytics Overall

Performance Summary, Second Quarter 2024

Wenzel Analytics Inc

Allocation

Goal	Allocation
Cash	3%
Fixed Income	58%
High Inc-Growth	23%
Price Appreciation	16%
	100%



Each of these allocation categories has a distinct goal. Results will be reported relative to those goals. Since the goals do not coalesce into an overall goal of Total Return, we report for each goal and do not report Total Return.

For each allocation category we report the data on return, plus a very brief description of the underlying rationale or context in the current market environment.

Cash

Realized returns on cash are in the range of 4.8%. Dividend income accumulated as cash is typically reinvested in new positions when enough for two or more additional positions. For accounts with monthly withdrawals, cash is maintained for more than the monthly withdrawal. Cash is high at the end of the quarter in anticipation of paying client management fees, and because dividends are often paid at the end of the quarter. One client is shopping for a cabin and requested liquidity. Another client believes that cash is the best antidote for a possible recession. (I disagree. It's better to lock in the current high fixed income).

Fixed Income

Fixed Income is in the form of preferred stocks with the goal of realized income in the form of dividends. Since only rarely are sales required to meet withdrawal needs, the advantage is for price declines rather than gains as we can then buy new positions with higher yields.

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Fixed Income Stats				
Overall Yields (Forward Looking)				
	Yield on Cost	11.4%		
	Current Yield	12.4%		
Position Yields (Forward Looking)		**Average**	**Median**	
	Yield on Cost	11.5%	9.1%	Current yield divided by original cost
	Current Yield	12.5%	8.8%	Yield divided by current price
	CAGR	14.3%	10.4%	Compound Annual Grow th Rate
	CDx3 Average Yield	6.5%		Database of 1,500 preferred stocks
Prices				
	Purchase Price	$20.82	$21.48	
	Current Price	$20.07	$20.83	
Gains when called		39%	Current value divided by call at $25x shares held. Could w ait many years.	
Returns (History)		**12 Months**	**3 Months Percent Change**	
	Time Weighted Return	17.7%	5.0%	
	Dividends/Beg Value	11.0%	2.5%	Dividends paid / beginning valuation. An approximate yield.
	Price Gains	6.7%	2.5%	TWR minus income.
Positions		1,048		
Positions, Unique		119		

The high allocation to preferred stocks is because of:

1. High current and certain cash flow.
2. The defined selling price of $25 at call against current buying in the $21 range ensures significant future gain.

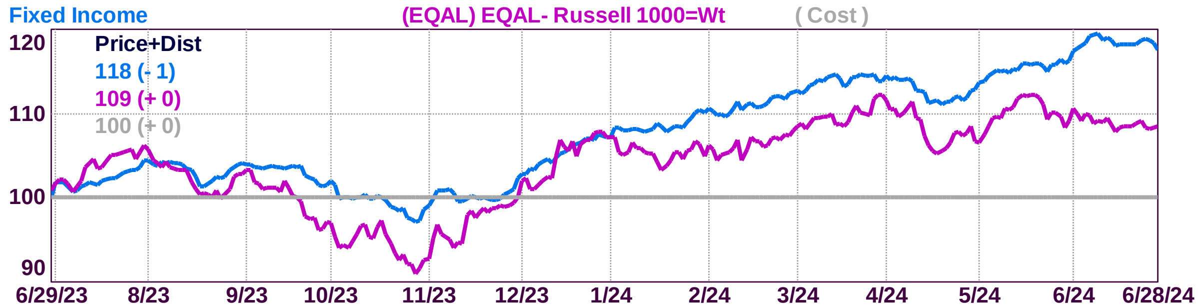
In spite of their high dividends, preferred stocks are not appropriate if a significant near-term withdrawal is anticipated beyond what the dividends produce, as their prices follow market volatility.

Our preferred stock strategy provides an annual dividend income above the annual Compound Annual Growth Rate (CAGR) of the overall stock market over one hundred years, but without the annual uncertainty and with the bonus of additional capital gains (see table above).

Higher returns on fixed income are achieved by using other than Moody's ratings to evaluate credit risk. One measure of risk is the price stability of the issuing company's common stock relative to the overall market. Our competitive advantage in buying preferred stocks is the limited liquidity of preferred stocks that allows us to buy positions with low trading volume. A fund or institutional investor could not buy or sell these in the volume they need without dramatically moving the price. Preferred ETFs have lower returns because their primary criterion is trading volume. They boost that with leverage, which brings volatility.

For Fixed Income, while I encourage looking at income rather than price, it is a natural inclination to want to see price changes. Since my software only charts Total Return (price plus distributions), and I can't find better software, I show the Total Return chart below for the past year with a comparison to the Russell Equal-Weighted 1000.

Chart of Fixed Income Total Returns

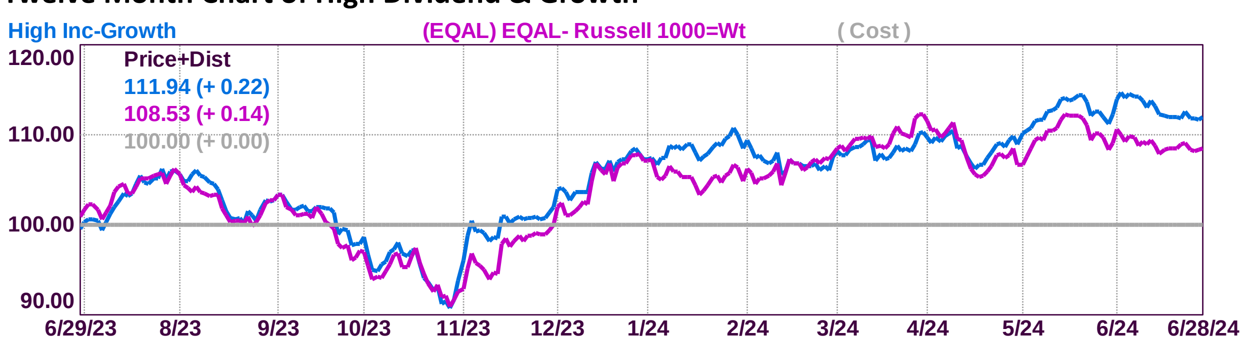


High Income Growth

These are Real Estate Investment Trusts (REITs), Business Development Corporations (BDCs), Closed End Funds (CEFs), and other Regulated Investment Companies (RICs) that are required to pay out most of their current earnings with dividends as an alternative to paying corporate taxes. The investor then pays the taxes, which is advantageous to most of us as our tax rates are less than the corporate and large institutional investor rates. The goal is to have greater price appreciation and eventual gains to offset the risk accompanying dividends that can change any quarter. For those wanting income, a typical allocation I suggest is 75% Fixed Income, 20% High Dividend-Growth and 5% or less in working cash.

High Dividend - Growth Stats				
Returns			**2nd Qtr ***	**1 Yr TWR**
	Time Weighted Return		1.6%	12.0%
		Dividends / Avg Value **	3.2%	12.3%
		Price Change	-1.6%	-0.3%
	*	Times 4 for approximate annual rate		
	**	Dividends paid divided by average of		
		beginning and ending valuations.		
Positions				
	Client Positions		427	
	Average Positions per Client		14	
	Unique Positions		46	

Twelve Month Chart of High Dividend & Growth



Total Returns closely follow the benchmark Russell Equal-Weighted 1000, although exceeded EQAL the past quarter. ROI and TWR are about the same.

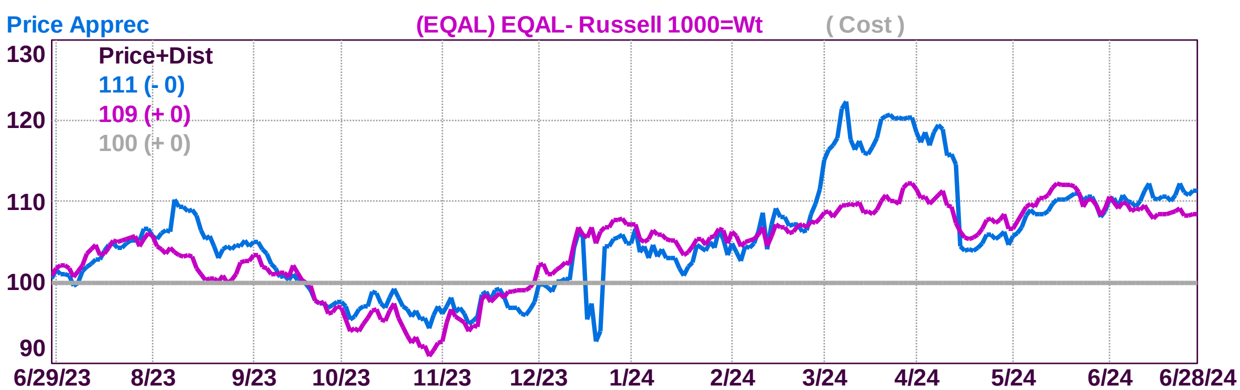
Price Appreciation.

The above three allocation categories all have realized income as their primary goal. Some clients have me exclusively in income portfolios while they manage their equity positions. The 16% non-income balance in our allocation has the goal of capitalizing on an increase in price to achieve a gain when sold.

In the current environment the gains (if one were to sell) are significant for very large cap growth stocks. The spread or breadth between mega stocks and the others is wider than it has been for many years, and the valuations (relation to earnings) are very high for some of these stocks. Most stocks are in decline over the past year. Even where earnings are also high, disqualifying the label of a bubble, such earnings are volatile and vulnerable. Such breadth extremes eventually revert to the mean or below.

Thus our allocation to the goal of price appreciation is modest, with very disparete portfolios. We have investments in emerging country ETFs, in micro-cap stocks, in alternative energy stocks, in single positions that for one reason or another appear to have promise, and in passive ETFs both for mega stocks and small-cap value. And in my own account I'm short on four positions.

ROI 12 Months: 20.8%. Percent Chg 3 Months: 1.3%.
TWR 12 Months: 11.5%. Percent Chg 3 Months: -7.5%.



As you can see in the chart, the average stock returns for the goal of price appreciation have closely followed the average of the 1,000 largest stocks. Because a few stocks were timed to catch an upswing in price, the Return on Investment (ROI) is 20.8% rather than the TWR of 11.5% shown on the chart. (See note below on return calculations.)

Categories

Fixed Income. These are returns locked by unchanging dividends based on unchanging par values. These would be from preferred stocks and sometimes notes, bills, bonds or "baby bonds". Most of these have a predetermined call price of $25/share, creating the opportunity for significant gains if purchased for less than the par value. Current prices are considered less relevant to the goal of fixed income than profit from the eventual call or sale. Charts showing price variations in this report have the risk of distracting from the goal which is locked-in income.

Variable High Income. These are dividend returns usually declared quarterly on Real Estate Investment Trusts (REITs) and other Regulated Investment Companies (RICs) such as Business Development Corporations (BDCs) or Closed End Funds (CEFs) with high dividends (almost always above 7%). Once the dividends are received, they are obviously locked in or realized, although the dividend for the next quarter is not. Price appreciation may or may not be a part of the strategy in holding a position.

Gains and Losses on Sales. Performance based on sales is hard to meaningfully report since each sale extends over widely varying time frames. Timing may be to avoid future price declines, whether the price is falling or reaching ethereal highs. Sometimes a sale is made merely because another investment has more promise. Sometimes sales are made not because of the individual position but because of an overall threatening market, such as March of 2020. Or the client may need cash. Schedule D on our income taxes is a very misleading performance report. For these reasons we don't report capital gains or losses although they are incorporated in the other categories.

Price Appreciation. Some portfolios are designed for price appreciation with dividends being incidental. (Usually under 4%). Performance is based on the current price which in a way is meaningless or hypothetical since it is not captured with a current sale. It may go up or down prior to an eventual sale.

Overall. Overall performance encompasses all the above categories. Because overall returns are a mix of realized and unrealized returns, actual income and hypothetical valuations if sold today – of apples and oranges, we no longer report overall Total Return. Each client may allocate differently to these different categories, impacting overall returns. For preferred stocks, price increases above par are evaluated negatively in that if they were called, the valuation would become par. The price above par needs to be weighed against time to call and intervening dividends.

Return Calculations

Return on Investment (ROI) is most relevant for individual client reports. It measures return on dollars invested. Time Weighted Returns (TWR) are how mutual fund returns are calculated. It gives a return calculation independent of when funds were added or withdrawn. If no funds were added or withdrawn, the two calculations are the same.

Net of Fees

This entire report is exclusive of management fees. The impact on returns varies by the size of account. Our personal accounts do not pay fees. While individual client reports are after fees, it is difficult to create meaningful charts or return calculations net of fees for the aggregate of all accounts.

Portfolio Construction

Each household's accounts are individually balanced by the categories identified above and then sub-set portfolio preferences, as well as individual stock selection. Individuals holding the same portfolio will each have different stocks because of starting or adding positions at different points in time. Even at the same purchasing date and for the same portfolios in different accounts, the number of stocks added to a portfolio is dependent upon cash available and allocation considerations between different portfolios.

Use of this Report

This report is intended for clients and prospective clients to evaluate their desired allocation in comparison to what is reported here. Because the composite of all accounts is more consistent than any given account, this report is more relevant to expected future performance for a category or portfolio than the single sample of a client's individual report.