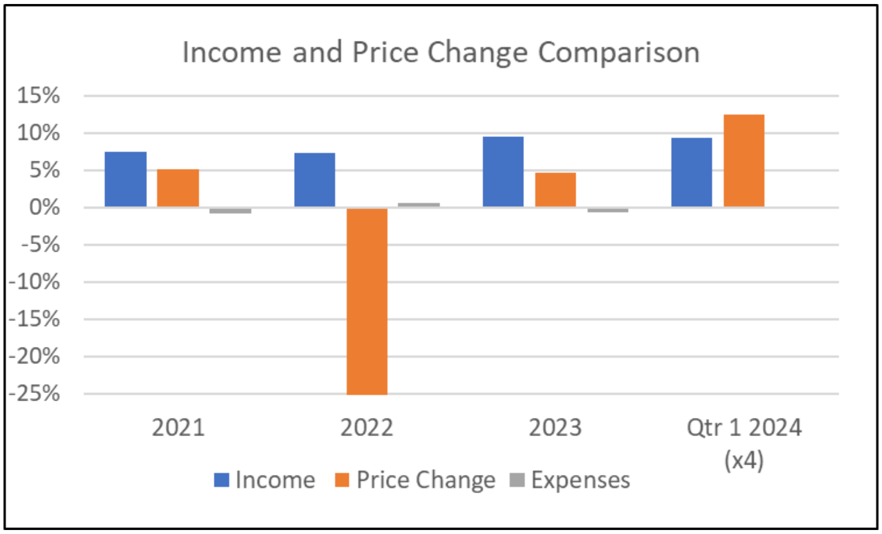
Wenzel Analytics Overall

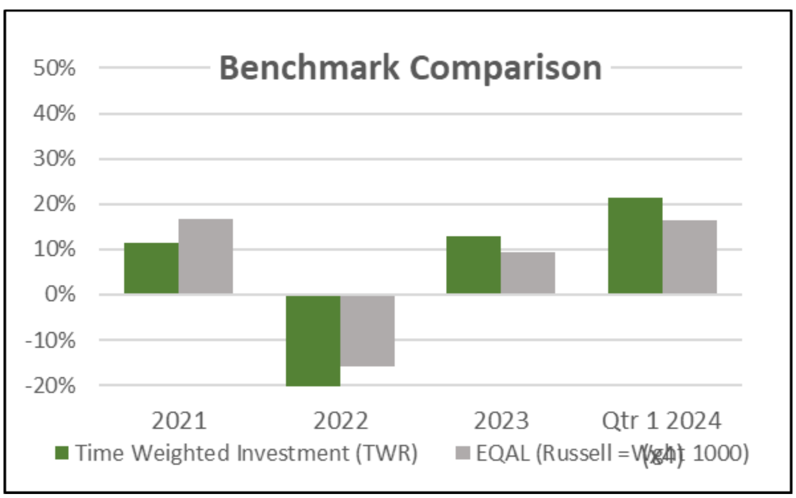
Performance Summary, First Quarter 2024

Wenzel Analytics Inc

Returns



Source as % of Starting Value	2021	2022	2023	Qtr 1 2024 (x4)
Income	7.4%	7.3%	9.4%	9.3%
Price Change	5.1%	-28.2%	4.6%	12.5%
Expenses	-0.8%	0.6%	-0.7%	-0.2%
Combined Gain or Loss	12.5%	-20.9%	14.1%	21.4%



Other Return Calculations	2021	2022	2023	Qtr 1 2024 (x4)	Quarter 4 is percent change times 4.
Time Weighted Investment (TWR)	11.4%	-20.5%	12.9%	21.4%	Ignores timing of deposits and withdrawals. Industry standard for funds.
EQAL (Russell =Wght 1000)	16.6%	-15.9%	9.2%	16.4%	Average of price changes for 1,000 largest stocks. Size doesn't matter.

An alternative to mutual funds.

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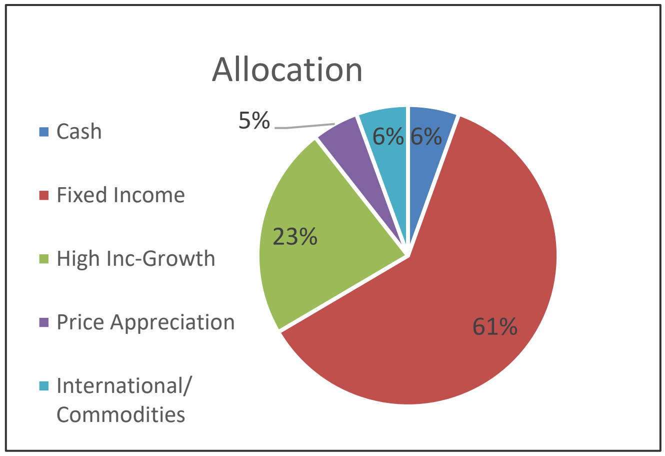
Allocation

Goal	Percent
Cash	6%
Fixed Income	61%
High Inc-Growth	23%
Price Appreciation	5%
International/ Commodities	6%



Because of a specialization in preferred stocks, some clients are coming with just their fixed income allocation. This increases the fixed income and high-dividend proportion of what I manage beyond what I might recommend for a client's total allocation.

Dividends coming in at the very end of the quarter create a higher than usual cash balance.

Fixed Income

I am increasingly investing in preferred stocks because of:

1. High current and certain cash flow in the 9% range, depending some on how it is calculated and variances in purchase prices.
2. The defined selling price of $25 at call against current buying in the $20 range ensures significant future gain.

If preferred stocks are relatively new to you, see the documentation at the end of this report or go to my website. Preferred stocks are like the "ugly duckling" comprising only 1% of the market. They are called stocks (for tax reasons, I presume), while in reality are a debt instrument and more like bonds.

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.

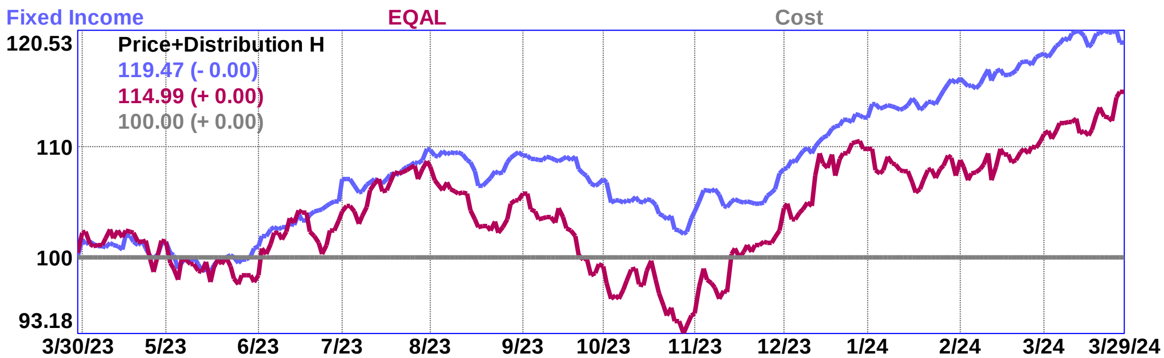
Our preferred stock strategy provides an annual dividend income approximately equal to the annual Compound Annual Growth Rate (CAGR) of the overall stock market, but without the annual uncertainty and with the bonus of additional capital gains. A detailed paper reviewing the various ways and merits to calculate yield is available on the website under Preferred stocks, or at the link: Comparing Yields and Gains.pdf.

Higher returns on fixed income are achieved by using other than Moody's ratings to evaluate credit risk. A primary 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.

If you are familiar with how preferred stocks work, the following table of stats will be of interest.

Fixed Income Stats			
Yields (Forward Looking One Year)	**Average**	**Median**	
Average Yield on Cost	10.5%	9.1%	Current yield divided by original cost
Average Current Yield	11.1%	9.0%	Yield divided by current price
Average CAGR	13.6%	10.3%	Compound Annual Growth Rate
Gain to Call	68%		Current value divided by call at $25 x shares held. Could wait many years.
Returns (History of Quarter)			
Time Weighted Return	24.8%		Quarter of 6.2% x 4
Dividends/Avg Value	10.3%		Dividends paid divided by average of beginning and ending valuations.
Gains	14.5%		
CDx3 Average Yield	6.2%		The database of 1,500 preferred stocks from which I select and look up information
Prices			
Purchase Price	20.27	21.35	
Current Price	17.86	20.54	
Positions			
Client Positions	1036		
Average Positions per Client	35		
Median of Days Held	522		
Unique Positions	113		
Current Deferred Dividends	5		Sometimes dividends resume, sometimes not. All are cumulative, meaning lapsed dividends are paid before dividends can resume on underlying common stock. Yield calculation includes cost even if no dividends. Current low prices skew averages. Holding is high risk and possibly high gains. With high dividends we can afford a few losers and still come out with 10%.

Chart of Fixed Income Total Returns



Conclusion: If we are buying long-term for the income, price changes don't matter except for the lower cost for reinvesting dividends in new positions.

Variable High Income

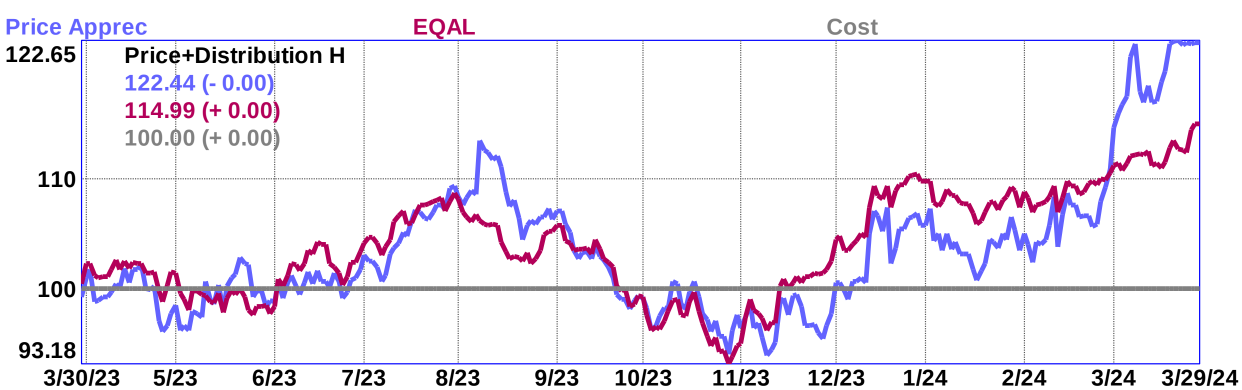
These are Real Estate Investment Trusts (REITs), Business Development Corporations (BDCs), and Closed End Funds (CEFs), and other Regulated Investment Companies (RICs) that are required to pay out most of their current earnings with dividends as an alternative to paying corporate taxes. The investor 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.

Twelve Month Chart of High Dividend & Growth

High Dividend - Growth Stats		
Returns	**Qtr**	**12 Month**
Percent Change Qtr (TWR)	2.8%	
Quarter x 4	11.2%	17.4%
Dividends / Avg Value *	11.3%	12.3%
Gains on Price Change	-0.1%	5.1%
* Dividends paid divided by average of beginning and ending valuations.		
Positions		
Client Positions	407	
Average Positions per Client	14	
Unique Positions	40	

Price Appreciation.

TWR 12 Months: 22%. Percent Chg 3 Months: 14.8%.



Prerferred stocks are micro-caps with Net Asset Value (NAV) typically about 100 million. I'm looking for a similar competitive liquidity advantage with micro-caps in equity rather than debt. I continue to explore in personal porfolios and have some extraordinary gains, but haven't settled on a secret sauce. The mega-caps with their high valuations will eventually yield to the much lower valuations of the small cap stocks.

International and Commodities.

TWR 12 Months: 7.3%. Percent Chg 3 Months: 4.0%.

I'm not sure what the blip in December was about. I couldn't find it on the underlying sub-porfolios.

Summary

Each client has distinct goals in my mind and in their mind relative to income and possible gains with accompanying price volatility. Client preferences affect overall returns.

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". Beyond the fixed income, most of these investments have a predetermined sale price of $25/share, creating the opportunity for significant gains if purchased for less than the par value. While there will be changes in valuation based on current price, current prices are considered less relevant to the goal of fixed income and 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 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. They are significant in that the returns are realized or locked in but derive from divergent goals. Some are from calls on preferred stocks which we can anticipate being at $25 but for which the timing is uncertain after a call date. The remainder are mostly 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. 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.

International, Commodities, Client Original Holdings. These are a small allocation for long-term gains. Originally the intent was to be uncorrelated to the market, but that no longer holds. With new clients, we generally sell over time and may retain promising positions.

Overall. Overall performance encompasses all the above categories. It is a mix of realized and unrealized returns, actual income and hypothetical valuations if sold today – of apples and oranges. 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. 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 or a category or portfolio than the single sample of a client's individual report.