July 4, 2023

Wenzel
Analytics
Inc

Clients,

These comments, as well as your individual reports, have been written by me rather than an artificial intelligence bot. However, for the skeptics amongst you, it would be hard to prove that the preceding sentence wasn't written by an A.I. bot. And I presume you could have a bot to read it and make a nice reply for me, to which a bot with my name could reply ad infinitum.

I recently attended a one-day conference promoting income and wealth for people of color. With all the technology deployed, I felt like Rip Van Winkle. So far, my competitive advantage as a boutique money manager in a commoditized industry is that investment decisions and reports are individually written and tailored by my perception of your goals and needs, then sent on paper.

One of the many significant insights shared at the conference was that successful entrepreneurs know what is happening in the present, have a vision for the future, and avoid getting locked into reports which look back. Looking at past failures or successes has the danger of locking one into a framework irrelevant for the future. It occurred to me that with the locked in income portion of your portfolios, the past is past and cannot be changed. What is more relevant is the future which has predictable dividend rates of return. I think of these as quarterly reports, but the time may come to call them something else.

I keep changing the format of your reports, this time adding the template separating dividends and gains in shaping a desired allocation. My reporting has been moving towards itemizing yields as separate from overall returns. In the process, I've discontinued charts showing long-term performance and charts showing money added or shifted out of portfolios. I would appreciate feedback on:

1. What you want and don't want in a report.
2. The template connecting allocation to expected returns and certainty of returns.
3. My gradually increasing the allocation to fixed income and high dividend positions.

I'm appreciating less anxiety about market directions with 84% of what I manage in high or fixed income and only 8% targeted for price appreciation and 8% targeted for long-term growth or being counter-cyclical. Having said that, it is still a habit to watch market directions and price patterns on each position. In general, most of the very large-cap stocks are going up because they are going up, like a dog chasing its tail. There isn't a dependent and independent variable; there is only price. The small cap and value stocks have low valuations, are much less likely to see a precipitous decline, and will have their day in the sun.

Thanks for trusting me with your money!

Sincerely,

Lee

An alternative to mutual funds.

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