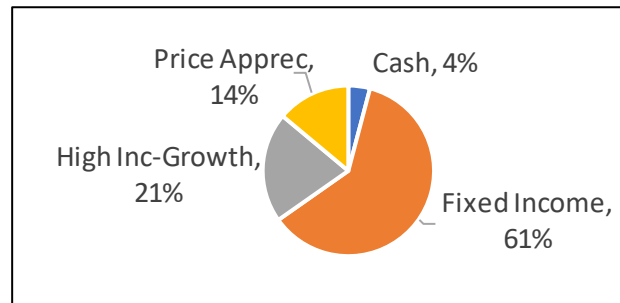


Wenzel Analytics Overall

Performance Summary, Second Quarter 2025

Allocation

Goal	Alloca
Cash	4%
Fixed Income	61%
High Inc-Growth	21%
Price Apprec	14%



Each of these allocation categories has a distinct goal relative to income and price change. Results will be reported relative to the respective goal. 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 all managed assets. For each allocation category we report the data on yield or on return, plus a very brief description of the underlying rationale or context in the current market environment.

Cash

For most accounts cash accumulates from dividends and is reinvested when enough to buy another position and allow for scheduled withdrawals. One client has excess cash in anticipation of negotiating to buy a cabin. Current cash is unusually high because of sales and dividend proceeds paid on the last day of the quarter.

Fixed Income

Fixed Income is in the form of preferred stocks with the goal of realized income in the form of dividends. The preferred stocks are divided into three portfolios, those issued by REITs, those with a specific maturity date when they will be called (notes), and all others. Since only rarely are sales required to meet withdrawal needs, and since dividends are based on par of \$25, price declines are advantageous as we can then buy new positions with higher yields.

We have a high allocation to preferred stocks because:

1. Of high current and reliable cash flow.
2. The defined selling price of \$25 at call provides significant eventual gains when sold or called if purchases are for less than \$25.

Fixed Income Stats				
Overall Yields (Forward Looking)				Based on dollars
	Yield on Cost	11.1%		Yield based on purchase prices.
	Current Yield	11.8%		Yield based on current prices.
Position Yields (Forward Looking)	Average	Median	of Positions Held	
	Yield on Cost	9.9%	9.6%	Current yield divided by original cost
	Current Yield	10.2%	9.4%	Yield divided by current price
	CAGR	11.8%	11.4%	Compound Annual Growth Rate
	CDx3 Average Yield	6.9%		CDx3 database, their 10 pt compliant pref stocks (Indus rated)
	CDx3 Average Yield	7.9%		CDx3 database of U.S. call-protected preferred stocks
Prices				
	Purchase Price	\$20.40	\$20.60	
	Current Price	\$19.37	\$19.70	
Gains when called		33.0%	Current value divided by call at \$25x shares held. Could wait many years.	
Returns (History)		3 Month % Chg	12 Months	
	Return on Invest (ROI)	1.3%	9.8%	
	Dividends	2.3%	9.6%	
	Price Gains	-1.0%	0.2%	
Positions		1,025		
	Unique Positions	129		

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 have some volatility.

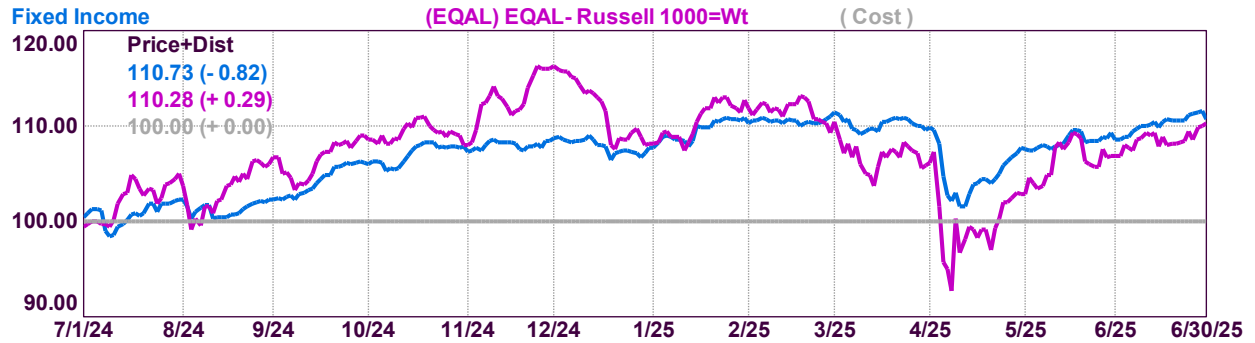
Our preferred stock strategy provides an annual dividend income matching the annual Compound Annual Growth Rate (CAGR) or Total Return of the overall stock market over the past hundred years, but without the annual volatility and uncertainty and with the bonus of additional capital gains (see table above).

Higher returns on fixed income are achieved by using other than Moody's or other industrial ratings to evaluate credit risk. The industrial ratings are a significant cost when a company issues a preferred stock/debt. We may be buying years later, and the risk quality may well have changed. One measure of risk is the price stability of the issuing company's common stock relative to the overall market. I evaluate by using ratings such as the Altman-Z score, the Piotrowski F-score, Stock Rover Financial Strength vs Peers, Sentiment rating, and Stock Rover Safety relative to sector and industry. I also consider evaluations given by Rida Morwa in the *High Dividend Opportunities* newsletter.

Our competitive advantage in buying preferred stocks is the limited liquidity of preferred stocks that allows us to buy positions having low trading volume. A fund or institutional investor could not buy or sell these in the volume needed without dramatically moving the price. Preferred ETFs have lower returns because their primary criterion for purchase is trading volume. They boost that with leverage, which brings volatility.

For Fixed Income, while I encourage you to look 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 charting 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



Our Fixed Income blue line is less volatile than the market benchmark and ended the past year above the market benchmark.

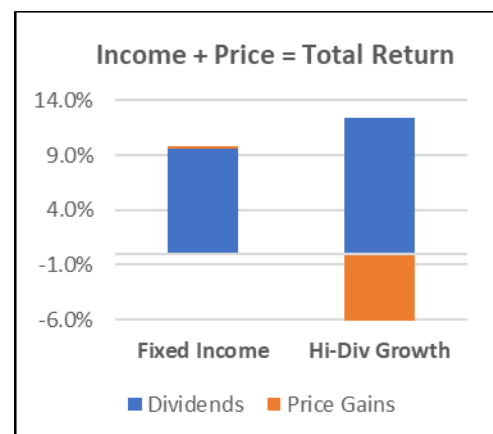
High Income Growth

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. Most of our accounts are IRA's, eventually paying ordinary Income tax rates. The goal is to have greater price appreciation than the fixed income positions, with eventual gains to offset the risk accompanying dividends that can change any quarter. For those asking for income, perhaps managing the equity part of their allocation themselves, a typical allocation I suggest is 80% Fixed Income and 20% High Dividend-Growth.

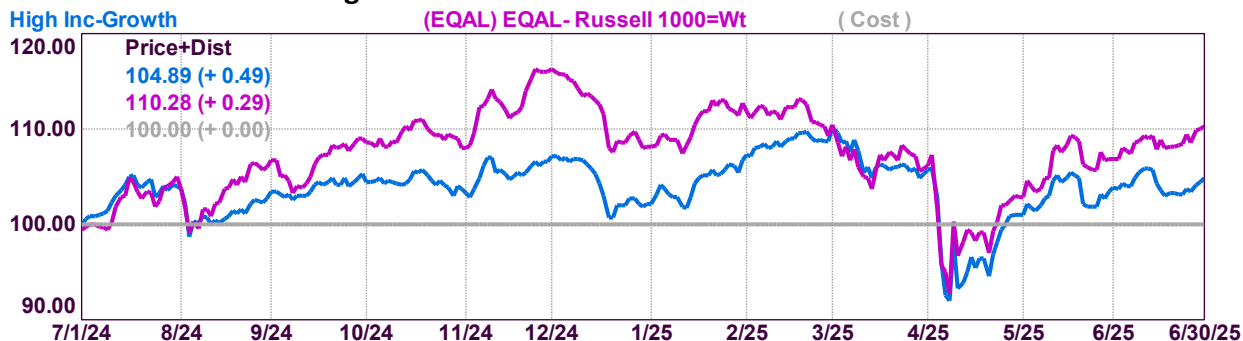
Returns, High Dividend-Growth (History)	3 Month % Chg	12 Months	3 Months is change over quarter, not annualized.
Return on Invest (ROI)	-0.2%	5.2%	
Dividends	3.3%	12.4%	Dividends paid divided by average of beg & end valuation
Price Gains	-3.5%	-7.2%	Unrealized gains, or changes in price alone excluding income

Positions	
Client Positions	402
Average Positions per Client	14
Unique Positions	48

The chart on the right highlights the balance between income and price gains for income portfolios over the past year. The last quarter's price decline in the high-dividend growth portfolio illustrates why we are focused on income rather than price changes. The Total Return from Fixed Income was 9.8%, almost double the 5.2% of the High Dividend Growth strategy. On the chart, one needs to subtract the orange section or negative returns from the blue section.



Twelve Month Chart of High Dividend & Growth



Even if Total return did not match the market over the past year, income of 12.4% gave us real-time cash and volatility was less than market volatility.

Price Appreciation.

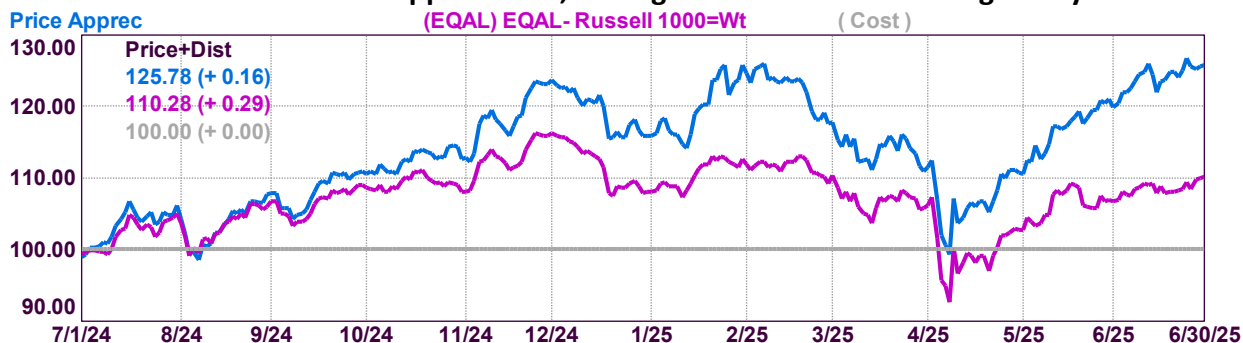
The above allocation categories all have paid-out, realized income as their primary goal. Some clients have me exclusively in income portfolios while they manage their equity positions. The 16% non-income balance in our allocation has the goal of capitalizing on an increase in price to achieve a gain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

In the current environment the gains (if one were to sell) are flat for large cap value stocks. Large and small-cap growth stocks are down about 9% over the past six weeks, as is small-cap value. Valuations based on the relation to earnings are still high. Federal government interventions affecting the economy are creating uncertainty and loss of confidence.

We have very little large or small-cap, growth or value. I'm increasingly investing in micro-cap equity (smaller than small-caps), just like we invest heavily in micro-cap debt (preferred stocks). Most are not followed by analysts, increasing the odds of mispricing, and benefit from low liquidity. The 14% overall allocation to the goal of price appreciation is modest, with very disparate portfolios. We have limited investments in micro-cap stocks (5.7%), in Japan and emerging country ETFs (3.3%), in gold (2.1%), in alternative energy stocks (1.3%), and lesser amounts in single positions that for one reason or another appear to have promise as well as passive ETFs.

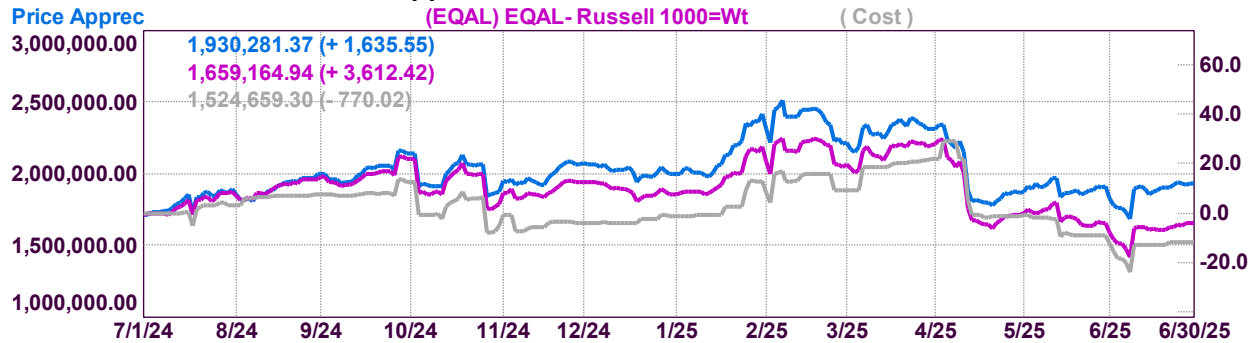
While gold and international show dramatic gains over the quarter, the micro-cap Vardy equity portfolio is down 11%. Excess volatility works both ways. The Vardy micro-cap stocks were purchased for long-term gains in half of client accounts with a diversified average of 14 positions each.

Twelve Month Chart of Price Appreciation, Average of Position Price Change Daily



The above chart is the average of all positions. Some of the smaller positions have had outsized gains, making the chart look better than one based on dollars, which still looks strong (see next page). The gray line is cost or the basis invested. The respective returns float relative to the gray line.

Twelve Month Chart of Price Appreciation, Dollars Relative to Cost



Allocation 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”. All 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 here 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 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.