

July 1, 2025



Clients,

The preferred stock market is changing. My sense of the market was summarized by Rida Morwa, whose newsletter *High Dividend Opportunities* is one of my most valued resources. Preferred stocks fall into "themes".

1. Preferred stocks with low dividend rates but trading far below par, making for high yields and generally higher risk. I try to hold some, but not too many.
2. More recently issued preferred stocks trading above \$22 up to slightly above par (\$25), with at least a few years before becoming callable. There aren't as many of these, but they are the "preferred" picks.
3. Callable preferred stocks with relatively high dividend rates, i.e. above 8%, and trading above \$25. We are generally overweighted with these, and I will generally avoid buying more. Excess cash in most of your accounts is from selling the VIA positions this week for \$25.64 since they are starting to get called.
4. Fixed-float preferred stocks with a dividend after becoming callable at a specified increase above a Libor or SOHO bank rate. These provide interest rate protection. We have some paying in the 11% range.

I'm getting more calls (positions bought back) than in the past. Some of the calls are partial, making for complicated records and changing ticker symbols to correspond to the partial call or call process.

The stock market overall is racing up based on momentum, in spite of some cautionary earnings economic signals. In early April the President called a ninety day pause in the tariff regimen. Will he have forgotten it, or will we see another drop like we saw in early April? The S&P 500 is up 27% since the April low. A blow-off top can blow much longer than anyone would expect and is generally not to be missed. We are definitely in a market overvalued based on independent earnings.

I have been using a common allocation of eighty percent for income and twenty percent towards a price appreciation strategy. The Nicholas Vardy newsletter, *Moonshots*, has been a primary source besides some emerging and frontier market e-commerce ETFs and gold. The *Moonshots* buy recommendations are well documented; the ongoing tracking and sell/hold recommendations are harder to track.

Twenty years ago, Joel Greenblatt came out with a Magic Formula that combines valuation, earnings, annual rebalancing, and diversification (30 positions recommended). Annual returns over 17 years exceeded 30%. I've added a micro-cap criterion. I reread his book and have initiated portfolios for accounts with sufficient cash to do so.

The mentoring with Harrison is going well. We meet for a couple hours generally every other Wednesday. He has passed his licensure exam. My Interactive Brokers portal posts top performing accounts, and his came in at 64% year-to-date because of some very low-priced preferred stock positions. So he is getting some enthusiasm for the game. We are looking at managing some employer 401k plans.

Last week was the fourth year we have vacationed the last week of June with our children and grandchildren at Anderson's Cove on Leech Lake. We paddled some undeveloped lakes, did some biking and generally had a good week of unwinding. I read Jimmy Carter's *An Hour Before Daylight*, a coming-of-age autobiography. It is an excellent anthropological view of another time and place. It is remarkable to go from plowing with a mule at age thirteen to becoming President, and notable achievements thereafter.

I welcome referrals if you have friends or relatives who could benefit from investment strategies.

**An alternative to mutual funds.**

**Lee Wenzel**

(952) 944-2699

Lee@WenzelAnalytics.com

www.WenzelAnalytics.com

**Wenzel Analytics, Inc.**

Registered Investment Advisor

8666 Westwind Circle

Eden Prairie, MN 55344