

April 1, 2011

Dear clients,



On the Importance of Our Endeavor

When I was the executive director of a small family service agency in Council Bluffs, Iowa, Wal-Mart built a distribution center just outside town. The impact on the local labor market was minimal as everything was put on the shelves and taken off the shelves by machines – in the dark. The year was 1972. Do you think times have changed and they have a parking lot full of employee cars today?

Twenty years ago I was doing consulting for large corporations and large health delivery systems and had the privilege of visiting many US manufacturing facilities. A visit to a factory that ran lights out with just a few people in the front office watching monitors left an indelible impact.

The Federal Reserve is pushing money into commercial banks. Some corporations are taking advantage of the low borrowing costs, but mostly they have ample cash and profits are up 18.7% last year (excluding banks). Meanwhile, this doesn't seem to have much impact on the unemployment rate.

Let me pull further from an *Economist* Buttonwood article (March 26-April 1, p. 85).

“the benefits of recovery seem to have been distributed almost entirely to the owners of capital rather than workers. In America total real wages have risen by \$168 billion since the recovery began, but that has been far outstripped by a \$528 billion jump in profits. Dhaval Joshi of BCA Research reckons that this is the first time profits have outperformed wages in absolute terms in 50 years.

In Germany profits have increased by €113 billion (\$159 billion) since the start of the recovery, and employee pay has risen by just €36 billion. Things look even worse for workers in Britain, where profits have risen by £14 billion (\$22.7 billion) but aggregate real wages have fallen by £2 billion.

An alternative to mutual funds.

The article goes on to ask if this is a vindication of Karl Marx, whose writing on income distribution and its consequences is more accurate on economics than politics.

(If you take labor out of the equation, can America compete in manufacturing? What are the implications of that?)

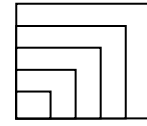
The trend is that wealth is increasingly coming from wealth rather than labor. Of this we may approve or disapprove. We may propose multiple theories as to the cause or causes. We may take up a cause pushing one way or the other and may hold various political views in response. But in the meantime, in the parts of our lives and our world that we can control, it is prudent to adapt. The task of using money to make money is becoming ever more critical to financial survival and deserves our best attention. You and I have many ways to make money with money, almost all with varying probabilities of positive or negative outcomes. At Wenzel Analytics I continue to implement the best analysis I can muster to provide predictable gains for the money you have entrusted to my management.

Getting Philosophical

There was a time I became very distressed when performance was less than my expectations, and what I presumed were your expectations. Now in my tenth year of managing other people's money (OPM), I'm getting more philosophical about it all. I do my reading and research and play the cards as best I can. How they fall is how they fall. At least that is what I tell myself. However, each quarter as I do these individual reports I'm still not comfortable for the half of you who have returns less than my all-client average. I guess that is how it has to be.

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