

April 1, 2015



Clients,

My focus is evolving.

1. I'm less concerned with beating the market for a given quarter, and more concerned with producing strong consistent returns.

The small-cap Russell 2000 (RUT) for the last month is 3.3% ahead of the large-cap S&P 500 (SPX or SPY). For the year preceding that, the large caps beat the small caps by 7%. The large caps will probably trail for the next quarter because over half their revenues are in other currencies and the high dollar valuation will hurt. But who knows? For any given quarter we might trail emerging markets, or European stocks, or small caps, or large caps, or growth, or value or some particular sector. Even if I knew what it would be, would I want to move everything around that often?

I'm making more use of preferred stocks. For example, yesterday in any account with sufficient cash I bought GasLog LTD 8.75% Series A preferred (GKLGf). It was the first day trading on the pink slips; it will soon move to the NYSE and get a new symbol (and move up in price). Liquid natural gas (LNG) may be replaced by the Integral Fast Reactor in twenty years, but for at least the next ten years it has a strong future. The 8.75% won't beat the market every quarter, but it will probably beat the market over time and certainly be less volatile. If some of GKLGf won't get you to your financial goals, we need to do some Monte Carlo simulations and review the best feasible course of action.

2. Forecasts, predictions and indicators are to be taken with more than a grain of salt.

An impending drop is not enough; I wait for actual prices to fall below support before selling out of fear of further decline. Economic data is dire, but then stocks usually lead the economy by six months rather than follow, and the world's central bank actions appear to preempt normal rhythms and indicators.

It is a beautiful spring day, but it is also April Fools Day.

3. I have strategies and portfolios tested for strong long-term performance; I'm not working to find or develop new ones. My focus is shifting from research to execution.

I may trail the market for a quarter, a year or even two. I'm coming to terms with that. That happens to all money managers. I'm sticking to what my research says will work for the long term.

4. Some clients leave as relative performance oscillates. Since I'm old enough and situated well enough to retire, I'm also coming to terms with that. I welcome new clients, but am not currently doing anything to recruit them. Maybe my business will return to a growth phase if performance again surpasses the market; maybe not.

5. I'm investing differently with my own money than with other people's money.

This is relatively new. I'm willing to be more aggressive with my own funds, although I'm not sure that aspect is giving better overall returns. I'm also buying fractions of loans to provide higher fixed income returns. This is not something I can do through Scottrade with your funds. If you are an accredited investor and interested, I can provide more information.

If you are local, I always welcome the chance to sit and update each other.

A handwritten signature in cursive script that reads "Lee".

An alternative to mutual funds.

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