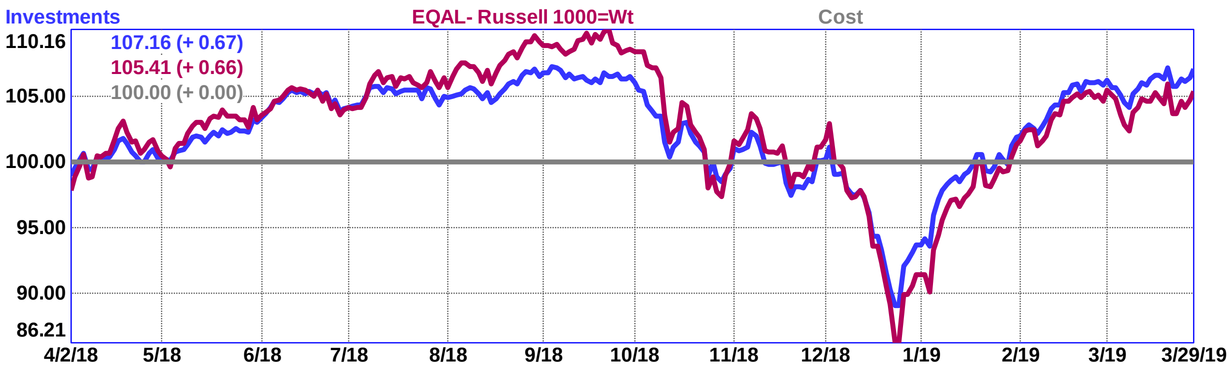
Performance Summary

Wenzel Analytics Inc

First Quarter, 2019. March 31, 2019

Overall Returns

The first chart below compares performance over the past twelve months (blue) to the Equal Weighted Russell 1000. The chart is price change of each position, ignoring position size and excluding cash and management fees since my personal accounts do not have fees. Based on dollars and not position price change, Time-Weighted Returns (TWR) over twelve months were **7.5%** compared to **5.4%** for the overall benchmark.



However, each client has difference goals and allocated their investments according to the goals of 1). Beating the market, 2) Beating a down market, 3) Returns independent of the market, and 4) Matching the market. Returns for each allocation goal are more relevant for how you might want your accounts invested.

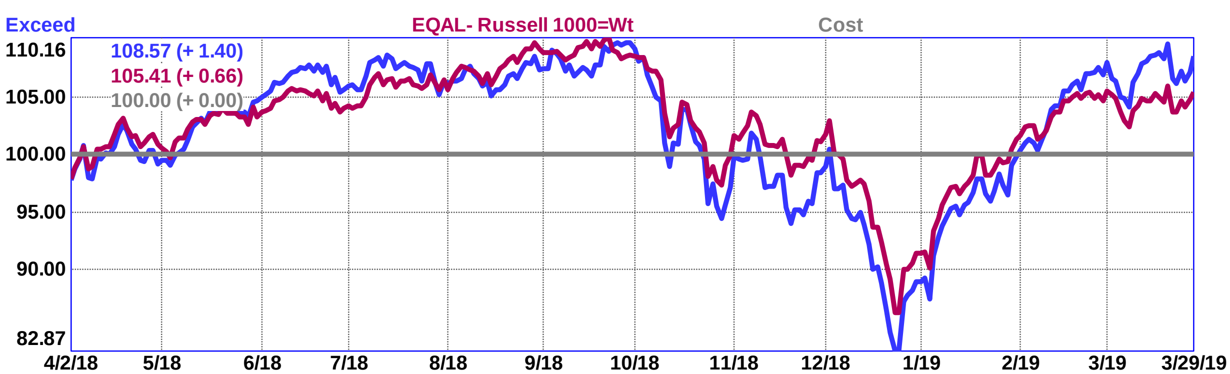
Returns by Goal

For market comparisons, the Russell equal-weight is used rather than the Russell 3000 cap weighted index because positions are generally purchased equal weight within each clients' accounts rather than a tilt towards large cap stocks. Income stocks are benchmarked to an ETF of preferred stocks, although I also show EQAL.

The charts that follow reflect the average percent change of positions, regardless of position size. Printed return numbers are based on dollars and are in a table below. Dollar charts are hard to read because the gray basis line varies considerably with buying and selling. For consistency the common time frame is for the last twelve months. Charts for other time frames are available upon request.

Twelve-Month Returns Compared to Benchmarks

1. **Goal to Exceed the Market.**



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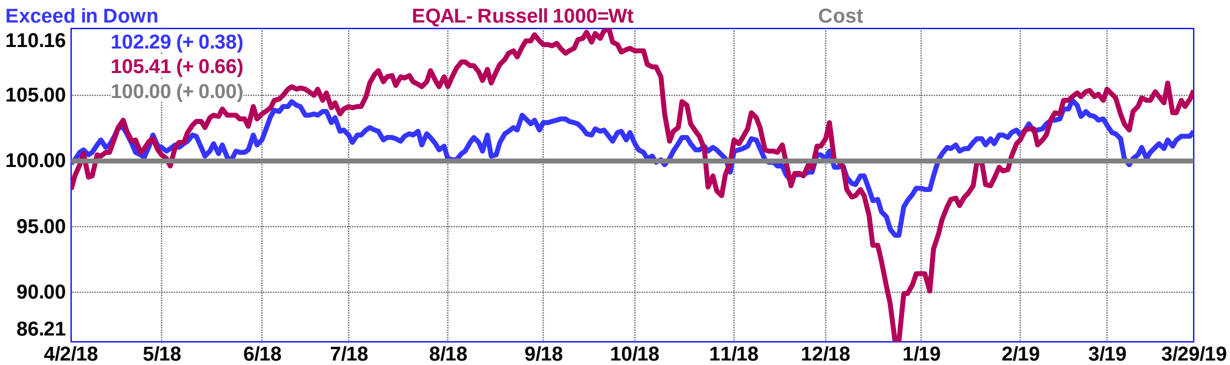
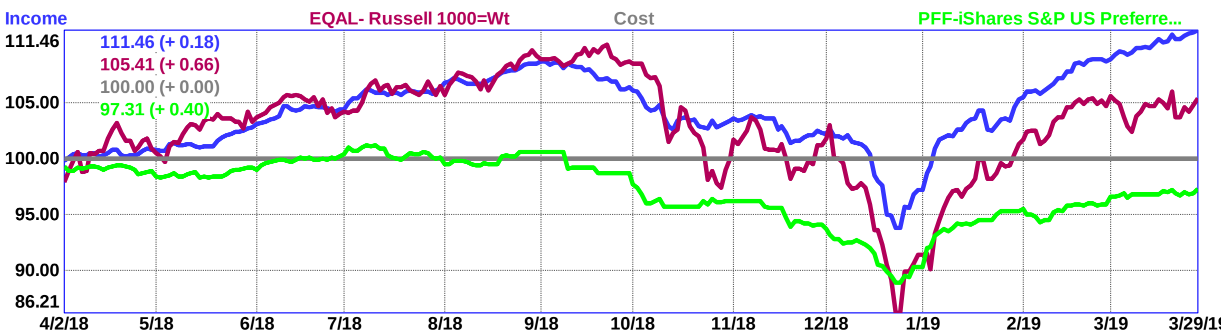
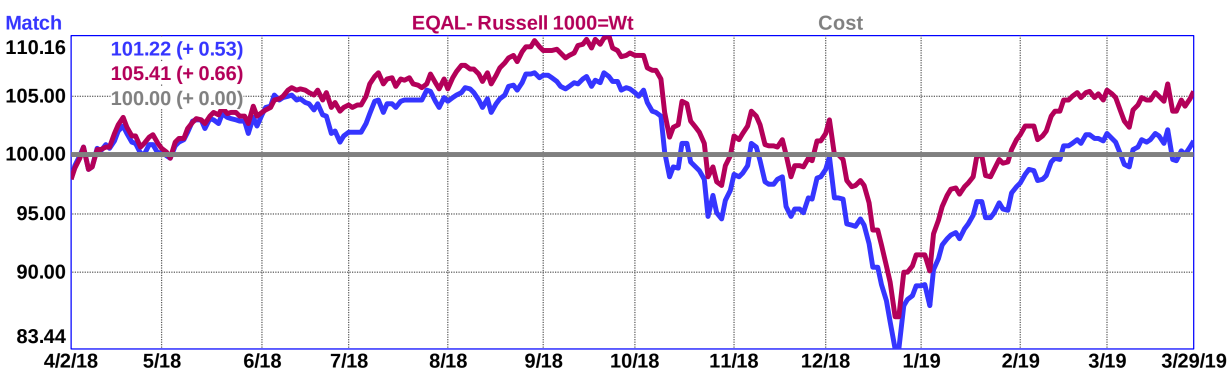
2. **Goal to Exceed in Down Markets.**



3. **Goal to be Independent of the Market.**



4. **Goal to Match the Market.**



Within each goal are a variety of portfolios created from different strategies and methodologies to provide diversification in how the goal might be achieved. Stocks are almost always selected at Wenzel Analytics as a group or portfolio that meet a specific set of criteria. Just as a life insurance actuary can give probabilities for someone of my age, gender and characteristics, but can't tell me if it will be me or someone else, both statistics and qualitative evaluations work better for a portfolio of stocks than for trying to pick a single winning stock. I keep experimenting with a portfolio of singly selected stocks but find over time it only gives market returns.

So our dominant approach is to buy stocks in portfolios consisting of seven to fifteen positions. I look at the performance of individual positions, especially when monitoring for when to sell, but pay more attention to the portfolio than to the individual positions. Therefore, performance is reported here by portfolios rather than by individual positions.

Strategies

As a money manager I use a balance of three different methodologies or strategies in determining the criteria or screens used to create each portfolio for each client.

1. A strong **logic, rationale or story** is the persuasive force for some portfolios.
2. Some portfolios are created from **tested sources** such as newsletters or experience, with consistent outperformance over fifteen years or more.
3. Some portfolio screens are derived from **statistical work** finding consistent patterns in large numbers of stock histories. Sometimes the null hypothesis is derived from the findings of behavioral finance and sometimes the work is exploratory and without a specific hypothesis. I use Decision Trees as my AI technology.

Current portfolios placed in the table below show the dimensions of Goal and Methodology.

	Methodology (Strategy)		
Goal Relative to Market	**Rationale**	**Statistical**	**Tested Source**
Exceed	Resources Singles Game Changers Best Workplace SAAS	Price SMA	Invest Adv Serv Nate's Notes
Exceed in Down	Cash Gold/Silver EAFE Staples	Defense	
Independent			High Div Preferred REIT Preferred REIT Notes
Match	Passive		

Current allocation by dollars of all current clients breaks out as follows:

Goal Rel Mkt	Strategy	Portfolio	Alloca
Exceed	Rationale	Resources	0.5%
		Singles	2.1%
		Game Changers	3.6%
		Workplace	2.4%
		SAAS	1.3%
	Statistical	Price SMA	1.0%
	Tested Source	IAS SCI	12.3%
		Nate's Notes	7.4%
Exceed Total			30.6%
Exceed in Down	Rationale	Cash	11.2%
		Gold Silver	6.9%
		EAFE	2.7%
		Staples	3.0%
	Statistical	Defense	8.5%
Exceed in Down Total			32.3%
Independent	Tested Source	High Div	1.6%
	(High Income)	Note	2.7%
		Pref REIT	19.2%
		Preferred	4.0%
		REIT	4.5%
Independent Total			32.0%
Match	Rationale	Passive	5.6%
Grand Total			100.0%

Returns by Portfolio

Here we offer a breakdown of Time Weighted Returns (TWR) by portfolio and over longer time periods. Portfolios with minimal assets or for short time durations are not itemized but included in totals. As prescribed by regulations, returns for less than one year are given as percent change, while returns for one year or more are given as annual rates.

	3 Mo % Chg	1 Yr TWR	3 Yr TWR	5 Yr TWR	9 Yr TWR	17.25 yr TWR
Exceed	22.0	8.5	12.8	4.4	2.7	5.0
Game Changers	35.7					
Invest Adv Serv	16.1	11.9	19.6			
Nate's Notes	28.9	0.6	8.1			
Price SMA	16.4	10.5				
SAAS	34.7					
Singles	10.1	-6.6	6.1	-6.3	5.6	7.7
Workplace	22.2					
Exceed in Down	4.4	2.3	7.9	2.4		
Defense	6.2	2.9	12.4			
EAFE	9.5					
Gold Silver	0.4	-3.5	0.9	-1.2		
Staples	10.0					
Independent	14.7	12.5	9.9	7.4	6.6	10.4
High Div	20.5	2.5	35.	-5.1		
Note	14.7					
Pref REIT	12.9	12.0	14.7	12.3		
Preferred	11.4	7.5	1.4	3.3		
REIT	19.2	21.7	13.6	9.9		
Match	14.0	1.3	9.5			
Total Invested	14.4	7.5	9.5	4.6	5.7	6.3
Total Including Fees, Cash	11.8	7.0	8.8	4.4	2.6	4.1
Benchmarks						
PFF-iShares S&P U.S. Preferreds ETF	7.8	-2.7	1.5	3.3	4.9	
EQAL-Russell 1000=Wt	15.3	5.4	9.7	4.8		

Time-weighted returns (TWR) are different from Return on Investment (ROI) in that the timing of when additional investments are made or positions sold is ignored. TWR is the methodology used to report mutual fund returns.

Charts and Descriptions of Individual Portfolios

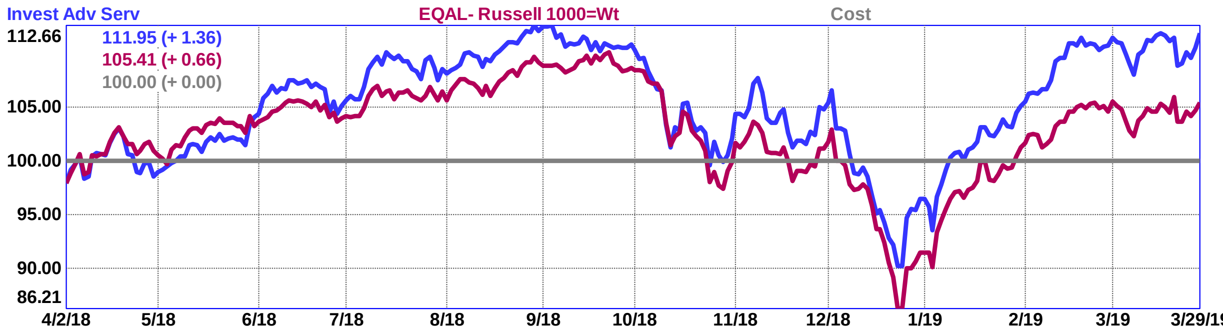
1. Goal to Exceed the Market

Newsletter Portfolios

Two portfolios designed to exceed market returns are based on newsletters having the highest consistent returns according to *Hulbert's Financial Digest*.

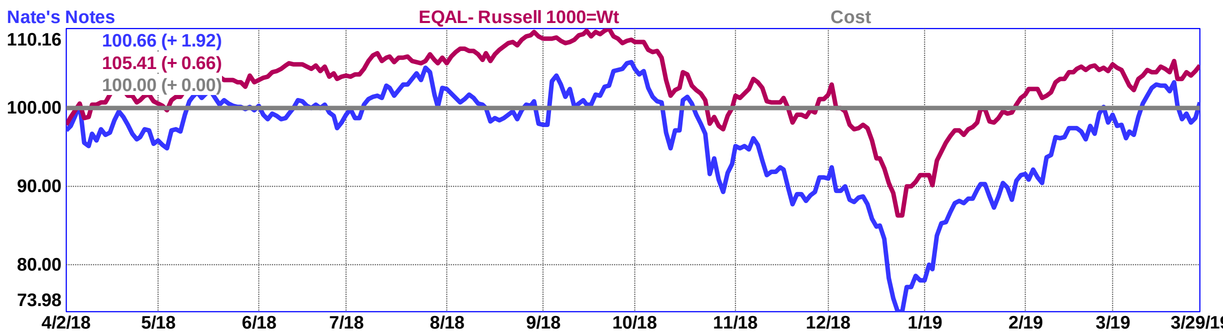
The Investment Advisory Service is a newsletter edited by Doug Gerlach and published by ICLUB central, best known as the sponsoring organization of investment clubs. Doug Gerlach's presentations at the National AAII Conference and at our Twin Cities AAII chapter were impressive. The methodology is based upon fundamentals and the work of Chartered Financial Analysts. We used the newsletter for a couple years beginning in 2011 and then again for about nine months in 2014. Our exits coincided with general decisions to move overall to cash. They publish another newsletter called *Small-Cap Informer*. I have found it works best to pull from both newsletters and select from their recommendations using my other findings from statistical work rather than to use their valuations.

The Investment Advisory Service



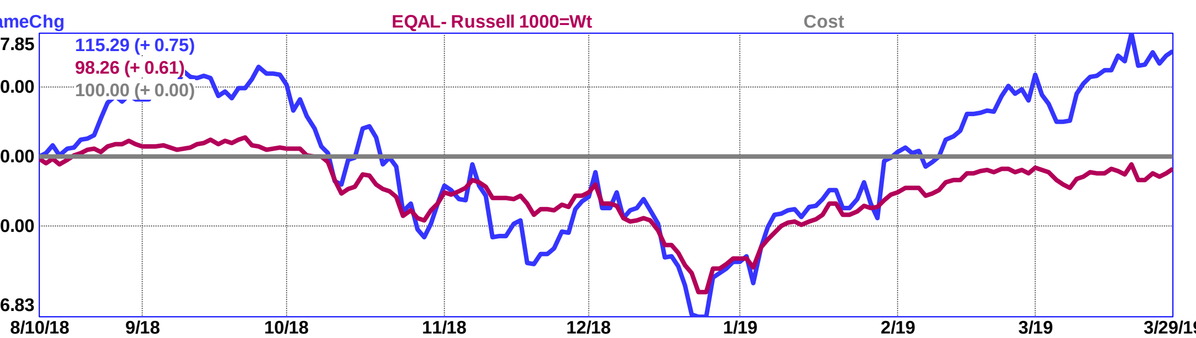
3 Month % Change	1 Year TWR	3 Year TWR
16.1	11.9	19.6

Nate's Notes is an aggressive newsletter focused heavily on tech stocks and biotech in particular. It has not done as well, which is why we diversify.



3 Month % Change	1 Year TWR	3 Year TWR
28.9	0.6	8.1

Game-Changer Stocks is a recently implemented newsletter based on megatrends authored by Genia Turanova and published by Street Authority.



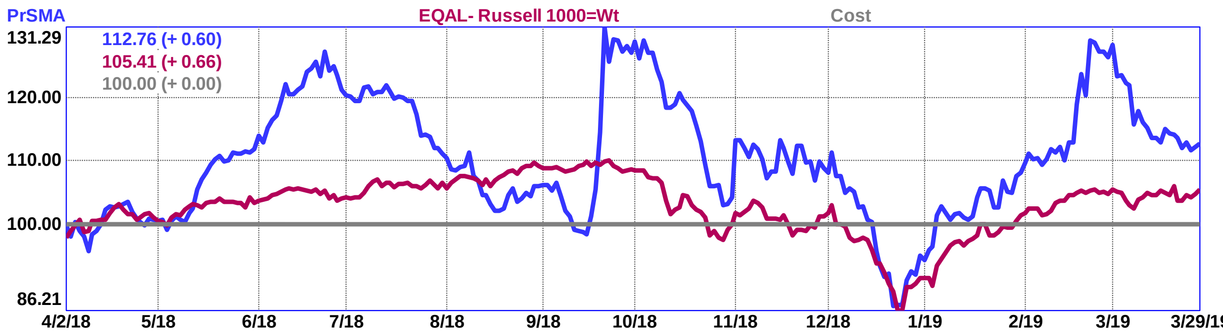
3 Month % Change
35.7

Fallen Stocks

Should one buy stocks going up or stocks going down? Factor analysis has found momentum to be one of the best-known alpha predictors. Stocks going up supposedly will continue to go up, and most investors want to buy what is going up, especially in this market.

On the other hand, common wisdom is to periodically reallocate, selling the winners and replenishing the losers. This is based on the assertion of reversion to the mean.

I researched ten years of what happened to stock prices three months after their returns the previous six months. Stocks that went nowhere continued to go nowhere. Stocks that went up had a slight upward average, but most gapped down. For stocks that went down, the more they went down, the more they went up. (The study report is on the website and in the pdf of a PowerPoint presentation.) I have experimented with four different portfolios, all buying stocks that have gone down.

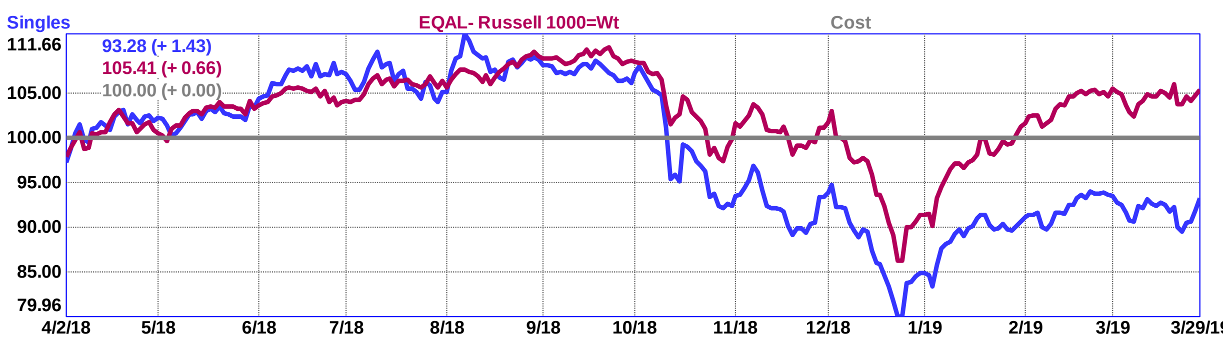


3 Month % Change	1 Year TWR
16.4	10.5

What I found most interesting about this whole experiment is how well it worked for nine months with about sixty stocks at a time and then disintegrated. There were far fewer positions and dollars in the months after July. I'm still in the original screen, mostly in my personal account. I think daily monitoring with good technical skills is a major ingredient for success. I see it as a value strategy in a growth market.

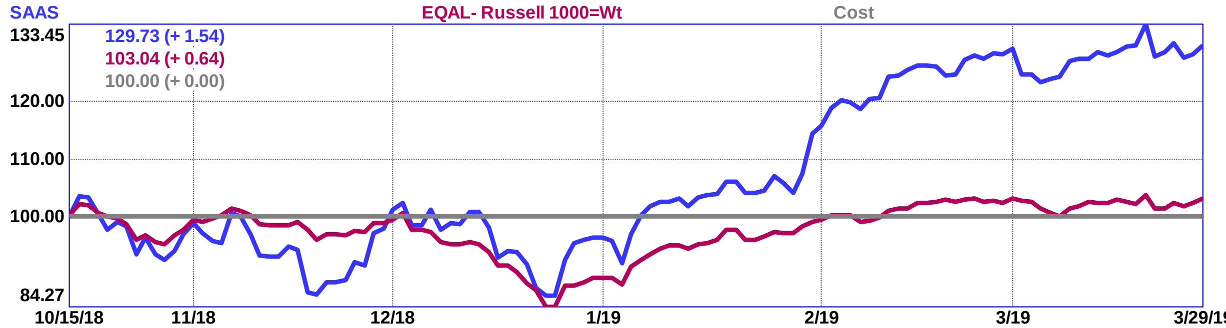
We know from experience that investors hate to hold losing stocks and often sell to get rid of the pain. Behavioral finance has demonstrated the same. Buying fallen stocks works because it is a way to trust the data instead of the emotions.

Singles are where I select individual stocks in my personal account based on my belief in their potential gains. They tend to be more aggressive selections. I think this is the way most investors choose stocks. It doesn't work very well for me.



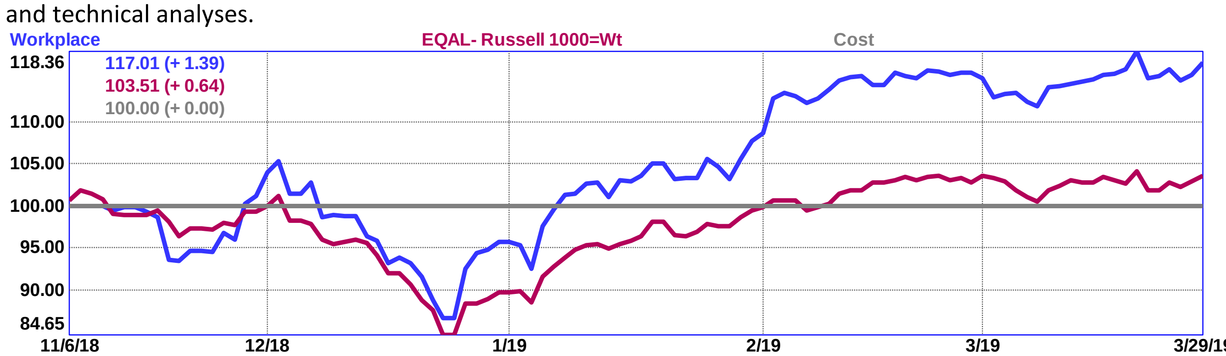
3 Month % Change	1 Year TWR	3 Year TWR	5 Year TWR	9 Year TWR	17.25 year TWR
10.1	-6.6	6.1	-6.3	5.6	7.7

Software as a Service (SAAS) companies lease software to their customers with recurring fees rather than sell (lease) it with a one-time price. Motif Investing put together the selection of fifteen stocks which they adjust twice a year.



3 Month % Change
34.7

Workplace is a name I attached to a portfolio comprised from a three lists found in investment magazines giving outstanding places to work or stocks projected to have an outstanding 2019. I then screened with fundamental and technical analyses.

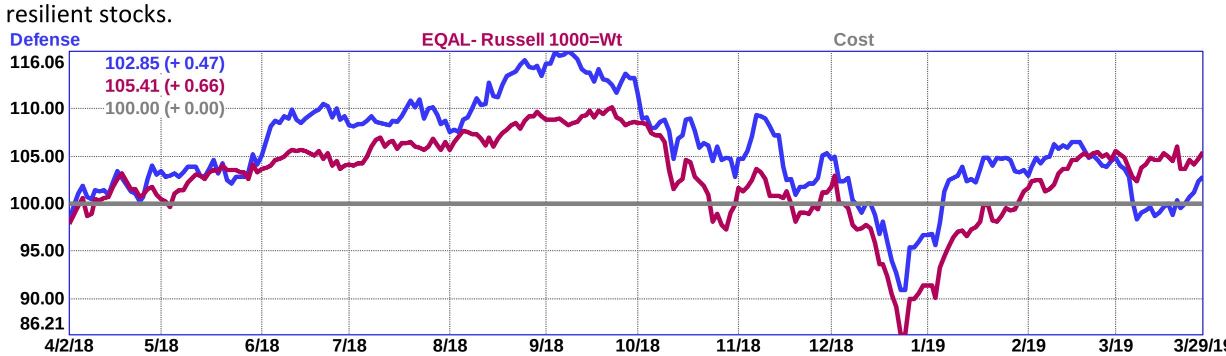


3 Month % Change
22.2

2. Portfolios to Exceed in Down Markets

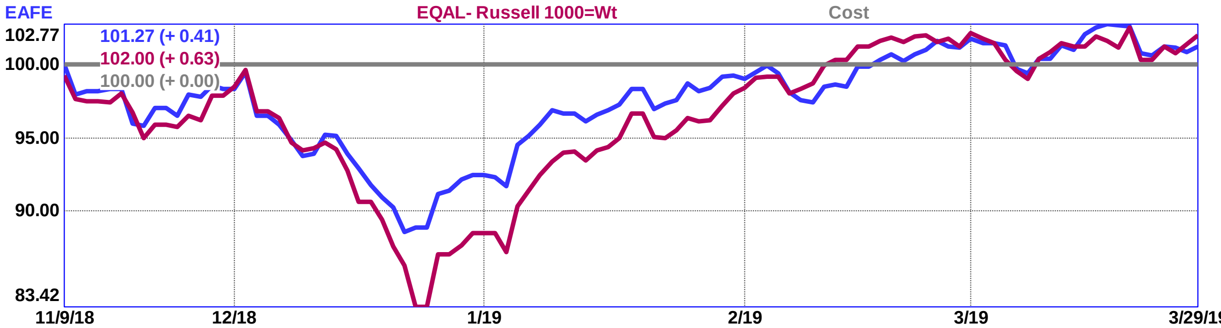
Cash is probably the best defense, but also a very poor offense since it doesn't match inflation. Generally where I'm not fully invested it is because of client allocation preferences. This bull run will turn around although the economic indicators and bond yield inversion indicator don't appear that it is imminent. So we make hay while the sun shines.

A Defense portfolio was developed statistically using a data mining tool to select criteria for stocks that did well during down markets. It has done better at forecasting a down market using the selection count than selecting resilient stocks.



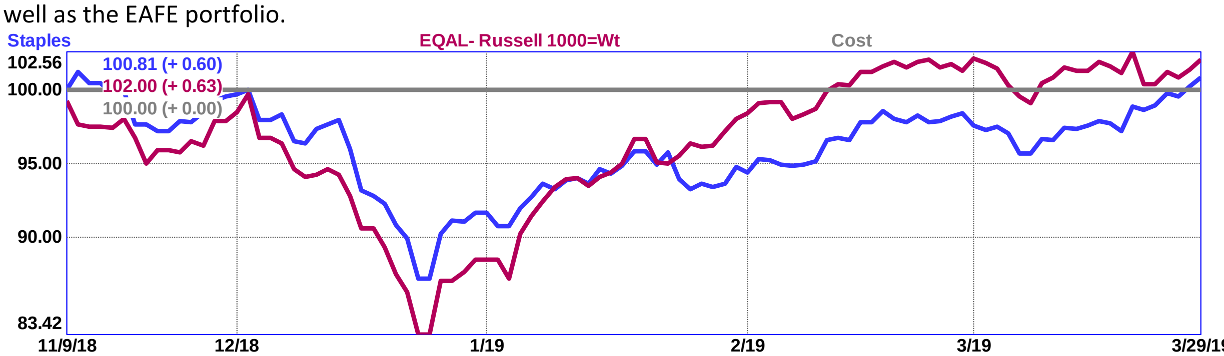
3 Month % Change	1 Year TWR	3 Year TWR
6.2	2.9	12.4

EAFE is a way to invest in non-U.S. stocks from developed economies which have a Price/Earnings ratio or valuation less than half that of the United States. So far the results are better than the U.S. market but not dramatically so.



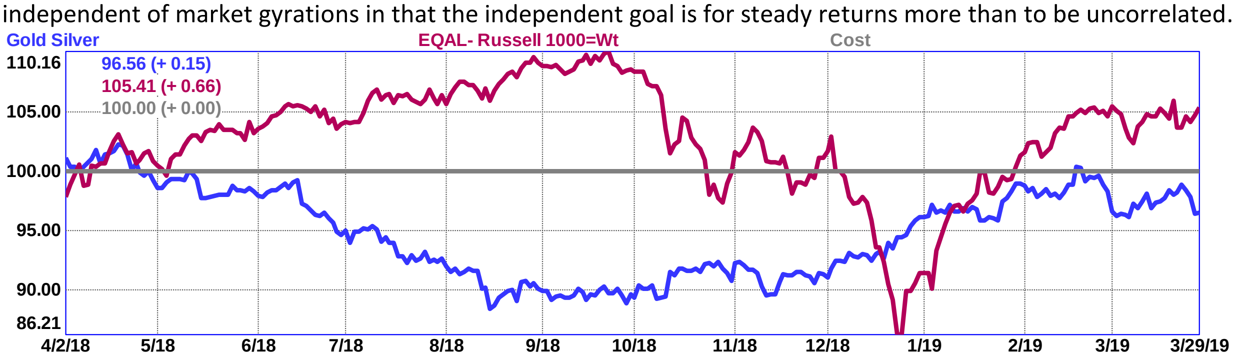
3 Month % Change
9.5

Consumer Staples are known for being less volatile and a good investment facing down markets. The stocks selected were at historical Price/Earning lows relative to their individual histories. So far it has worked about as well as the EAFE portfolio.



3 Month % Change
10.0

Gold and silver are utilized to be relatively uncorrelated to the equity market. It is a little different than to be independent of market gyrations in that the independent goal is for steady returns more than to be uncorrelated.



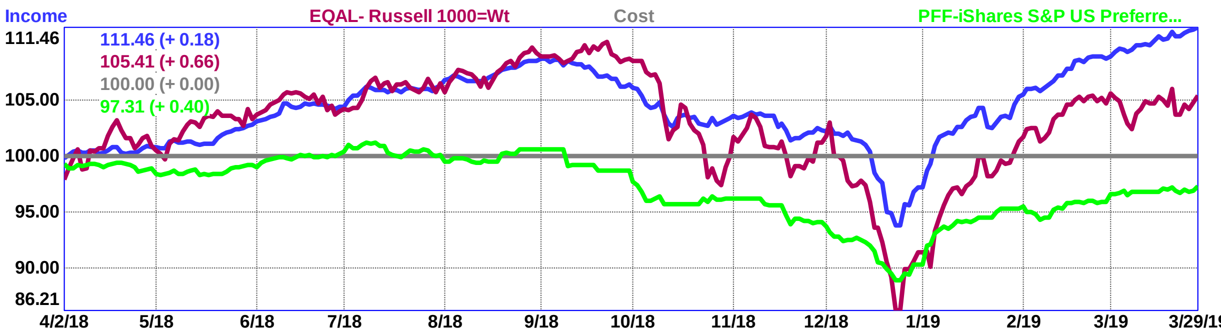
3 Month % Change	1 Year TWR	3 Year TWR	5 Year TWR
0.4	-3.5	0.9	-1.2

3. Portfolios for Market Independence

Market independence is sought through high-fixed income selections. The High-Income portfolios (Preferreds, Preferred REITs, REITs, notes and other high-yielding) have shown my best returns since 1/2/2002 (10.4%).

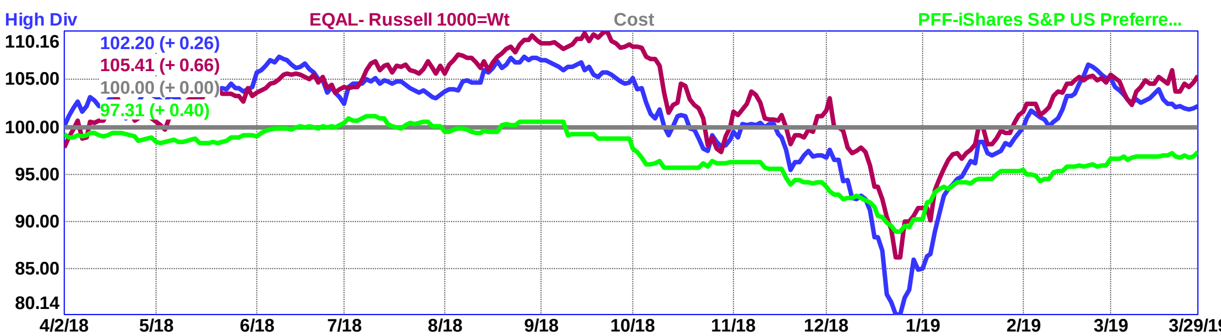
Since the objective is quite different, I will show performance against an ETF of preferred stocks (green) as well as showing a comparison to the more general market.

High Income Overall.

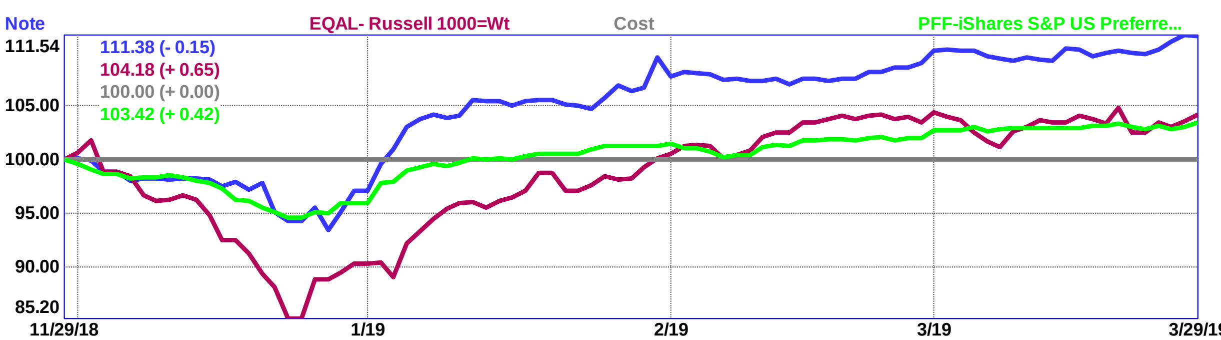


3 Month % Change	1 Year TWR	3 Year TWR	5 Year TWR	9 Year TWR	17.25 year TWR
14.7	12.5	9.9	7.4	6.6	10.4

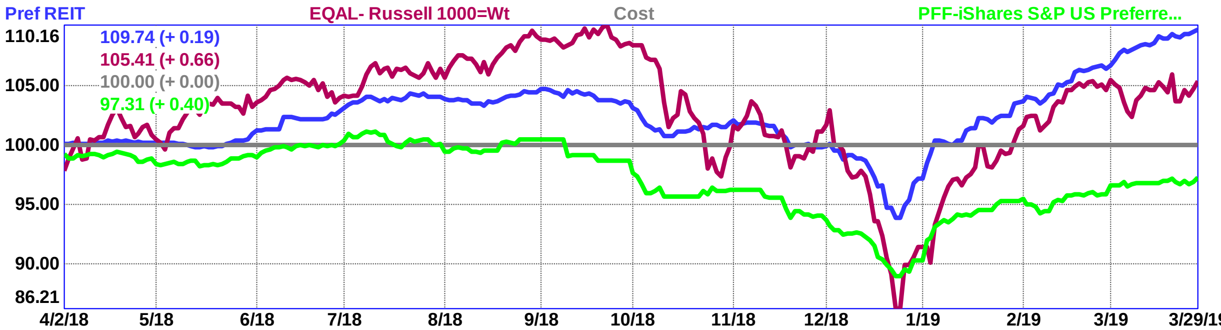
Income Portfolios



3 Month % Change	1 Year TWR	3 Year TWR	5 Year TWR
20.5	2.5	35	-5.1

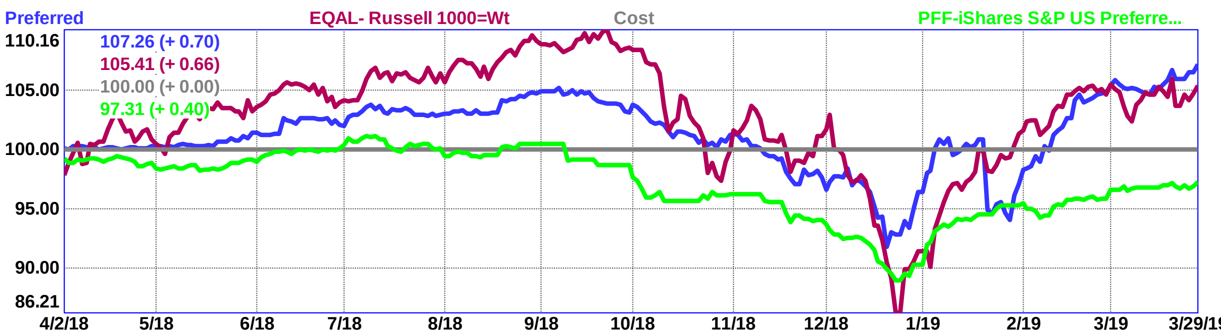


3 Month % Change
14.7

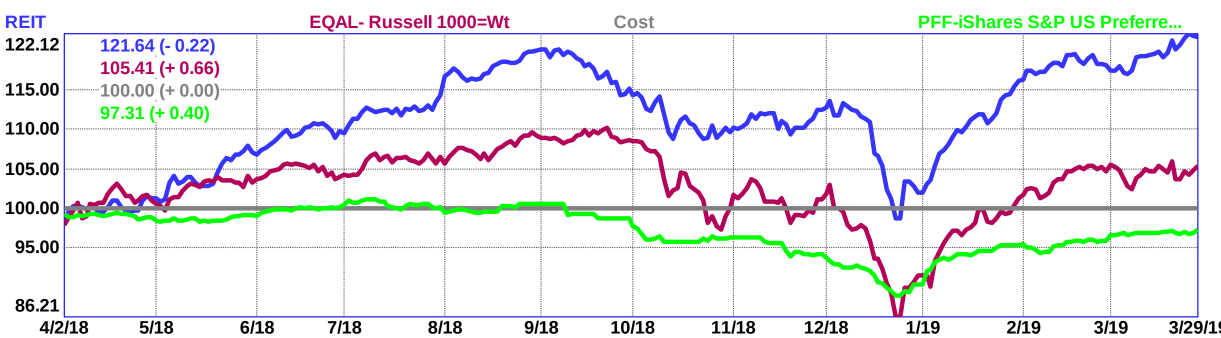


3 Month % Change	1 Year TWR	3 Year TWR	5 Year TWR
12.9	12	14.7	12.3

The preferred REITs have the best consistent returns and by far the highest allocation of any portfolio at 19.2% of all the funds I manage.



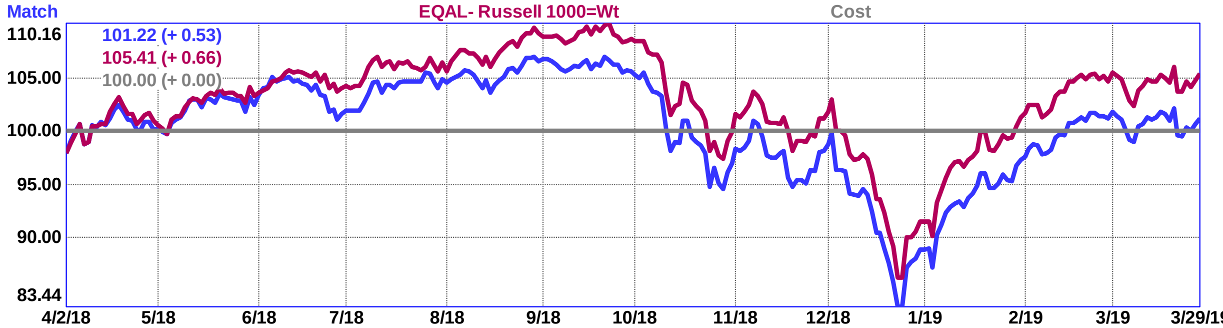
3 Month % Change	1 Year TWR	3 Year TWR
11.4	7.5	1.4



3 Month % Change	1 Year TWR	3 Year TWR	5 Year TWR
19.2	21.7	13.6	9.9

4. Goal to Match the Market

International exposure accounts for the variation from the Russell 1000 Equal Weight.



3 Month % Change	1 Year TWR	3 Year TWR
14	1.3	9.5

Calculating Returns

Client reports are calculated using Return on Investment (ROI) which measures how well invested money has performed. It includes the effects of all cash flows and is net or after management fees.

The method used in this report is Time-Weighted Returns (TWR). Time-Weighted returns measure the intrinsic performance of the money under management and are not affected by external cash flows such as the timing of new money from new accounts. Time-Weighted Returns are used by mutual funds to make comparisons, and are used in this report on aggregate or book-of-business returns. To be CIPS/AIMR compliant, annual rates of return are used for periods of one year or more and percent change is used for periods less than one year. If there are no cash flows going in or out, the two methods of calculation will give the same result.

Return calculations include both current and discontinued portfolios, using the AIMR standards.

This entire report is exclusive of management fees. Some fees are withdrawn from the brokerage accounts and some clients pay by check from other accounts and are thus outside the database calculations. 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 using the balance between the four goals and then sub-set portfolio preferences, as well as individual stock selection. Some portfolios work better in different market periods. Individuals holding the same portfolio will each have different stocks because of starting or 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.

Because the total of all accounts is more consistent than any given account, this report is more relevant to expected future performance than the single sample of a client's individual report. Some readers struggle with understanding all the charts. It's really quite simple. Lines going up are good. Lines going down are not so good.

Returns by Year

By Year	Annual Rates			Cumulative		
Time Weighted Returns (TWR)	Russell 3000	Investments	Cash & Investments	Russell 3000	Investments	Cash & Investments
2002	-22.8%	-18.4%	-14.8%	-22.8%	-18.4%	-14.8%
2003	28.7%	62.2%	55.7%	-0.6%	15.0%	12.8%
2004	10.1%	14.5%	12.3%	2.9%	14.9%	12.6%
2005	4.3%	11.0%	9.4%	3.2%	13.9%	11.8%
2006	13.8%	17.2%	16.7%	5.2%	14.5%	12.8%
2007	3.3%	17.0%	16.5%	4.9%	15.0%	13.4%
2008	-38.7%	-48.1%	-45.5%	-2.9%	2.6%	2.1%
2009	25.5%	39.7%	33.0%	0.3%	6.7%	5.8%
2010	14.8%	29.2%	25.0%	1.9%	9.0%	7.8%
2011	-.9%	-19.6%	-19.0%	1.6%	6.0%	4.0%
2012	14.0%	1.6%	1.1%	2.7%	6.3%	5.4%
2013	31.0%	14.6%	14.9%	4.8%	7.0%	6.1%
2014	10.5%	0.5%	-0.5%	5.2%	6.5%	5.6%
2015	-1.5%	-6.4%	-6.7%	4.7%	5.4%	4.6%
2016	9.4%	11.1%	10.8%	5.0%	5.8%	5.0%
2017	17.9%	15.0%	14.3%	7.1%	7.2%	6.4%
2018	-7.0%	-6.4%	-4.5%	5.0%	5.6%	5.0%