Wenzel Analytics Inc

Performance Summary

Third Quarter, 2020.

Overall Returns

This report gives specific returns on different strategies and portfolios arranged by goals for the aggregate of all accounts managed by Wenzel Analytics.

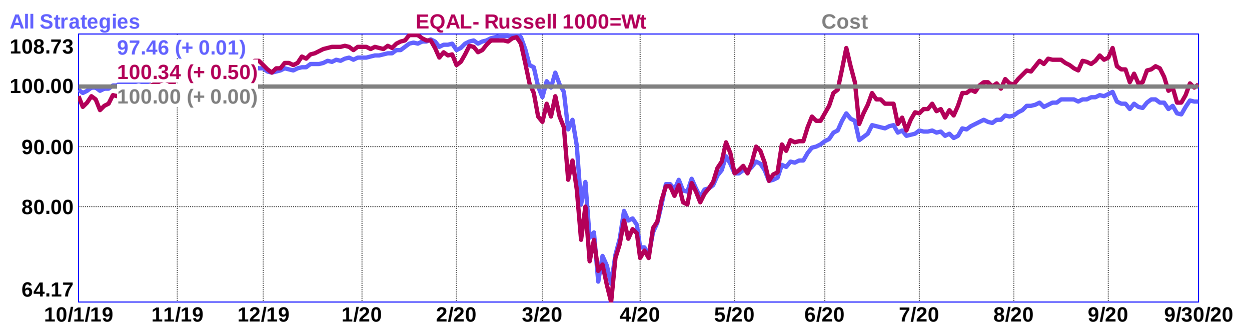
In this environment, we offer a current breakdown of allocation between cash and gold, equities and debt/leveraged positions. The high-yield debt or leveraged positions were expected to be independent of equities but declined even more than the overall stock market in March. While the preferreds stocks are down in price and reduce the unrealized returns figure, they continue to pay the same specified dividends independent of current price, which is the purpose of their purchase.

Cash equivalents	20%	(Cash and precious metals)
Stocks-equity	36%	(Common stocks or ETFs; returns YTD about 5% above EQAL benchmark)
Debt-leverage	45%	(Preferreds, real estate, high-yield leveraged)

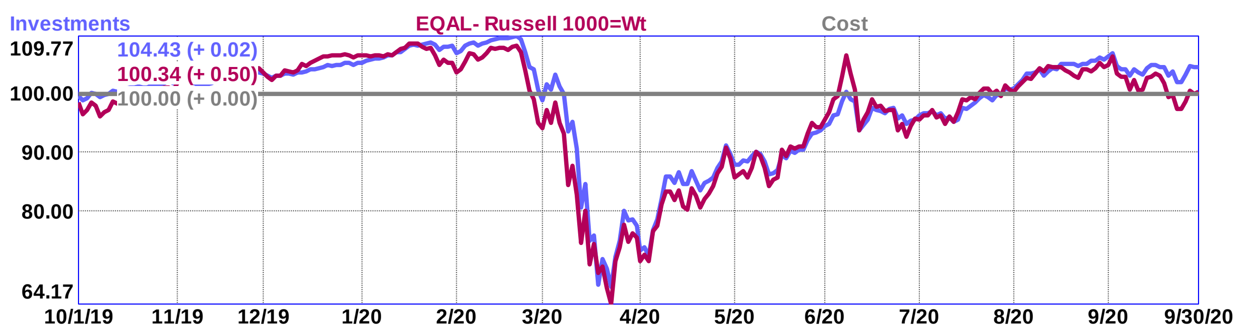
We have been going from cash back into select securities over the last month, with cash currently at 13%.

Even after being 40% in cash during most of the time since the March decline, Time-Weighted Returns (TWR) over twelve months were -1.2% compared to 0.3% for the overall EQAL benchmark. Invested funds over the last quarter were up 9.2% compared to 4.9% for the EQAL benchmark.

The first chart below compares performance of all accounts over the past twelve months (blue) to the Equal Weighted Russell 1000 (EQAL in red). Charts reflect price change of each position plus dividends, ignoring position size and excluding cash and management fees since my personal accounts do not have fees.



The chart above includes cash. The chart below does not.



An alternative to mutual funds.

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Each client has different goals and their investments are allocated 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. Most of us balance striving for optimum returns against limiting volatility.

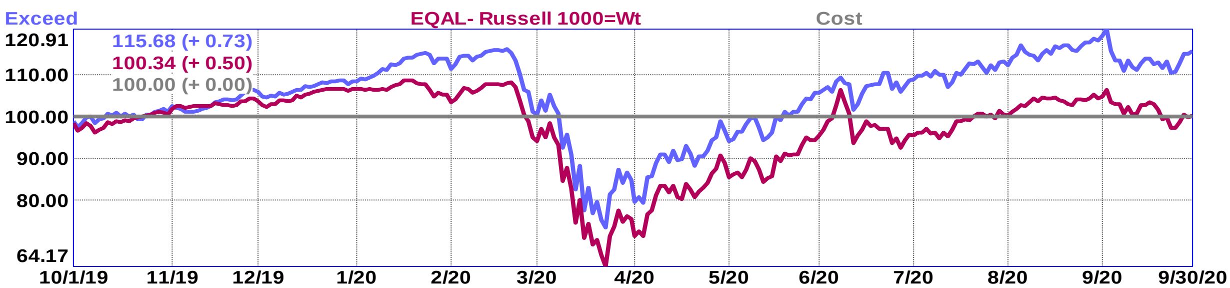
Returns by Goal

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 buying more of each larger cap stock.

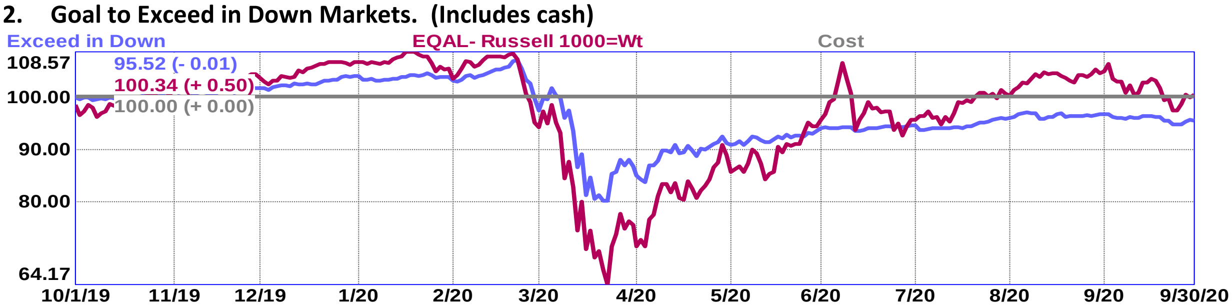
Printed return numbers below each chart are based on dollars and not merely price change. Dollar charts are hard to analyze because the gray basis line varies considerably with buying and selling. For consistency the common time frame is for the last twelve months. Charts for other time frames are available upon request.

Twelve-Month Returns Compared to Benchmarks

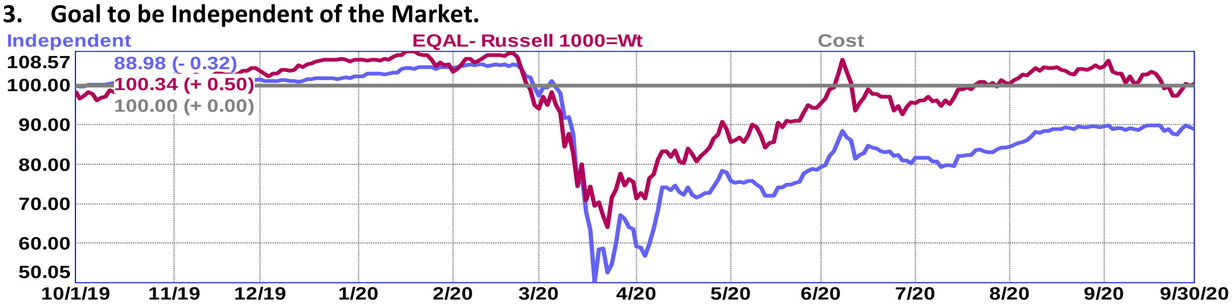
1. Goal to Exceed the Market



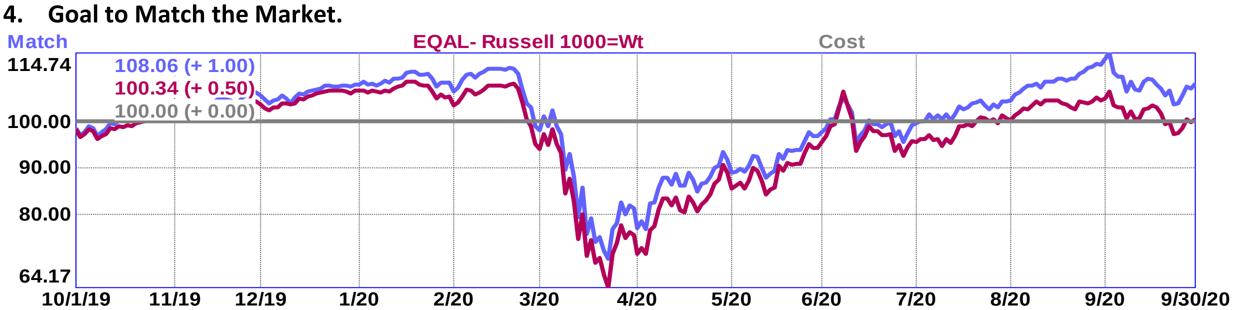
2. Goal to Exceed in Down Markets. (Includes cash)



3. Goal to be Independent of the Market.



4. Goal to Match the Market.



Our allocation architecture is distinctive to Wenzel Analytics as an active money manager. Our dominant approach is to buy stocks in portfolios consisting of seven to fifteen positions all conforming to common criteria. The portfolio criteria have priority before looking at selecting the individual stocks within a portfolio. Selling decisions are based mostly on the performance of individual positions except in the unusual case where a portfolio is being abandoned. Therefore, performance is reported here and on client reports by portfolios rather than by individual positions. The stories that accompany individual stocks are generally avoided in favor of the numbers. Even the strong rationale or logic methodology is applied to the portfolio rather than the individual company.

The architecture of these portfolios is aligned in two primary dimensions. Each portfolio is designed to achieve one of the four goals shown above. On a second independent dimension, each portfolio is designed using one of four distinctive strategies or methodologies in its construction, described below. These two dimensions, plus buying in portfolios, provide important diversification.

Not every client devotes a significant allocation towards the goal of better than market returns. Many are more interested in preserving their capital or having consistent income.

Rarely questioned and thus not explained is why most stocks go in sync up and down every minute, every day and every week. This can only happen because of the very tight integration of most stocks being in many funds. They are tangled together like a can of angleworms. When an individual stock is bought or sold, it impacts many funds. When a fund is bought or sold, it impacts many stocks. One can buy the stock or buy the fund, but one is mostly on the same ride. We try to avoid stocks that follow market patterns. Performance would have been enhanced by buying the large cap tech and Internet stocks; we expect that to not be true over time.

One way for an active manager to try to excel is through timing strategies that exit an up market prior to a reversal or shortly thereafter and get back in when the market reverses back up. These reversals happen at innumerable scales and are very hard to predict, in part because of all the research and predictive analytics that go into trying and the consequent reflexive nature of the markets. Instead of having dependent and independent variables with cause and effect, price is often both the dependent and independent variable like a dog chasing its tail.

Strategies

As a money manager I use a balance of four 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. Decision Trees are the AI tool.
4. Strong **Income** is pursued using stocks having dividends greater than 5%.

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.

Time-weighted returns (TWR) are different from Return on Investment (ROI) used for individual client reports. TWR are not impacted by when additional investments are deposited or withdrawn. TWR is the standard methodology used to report mutual fund returns.

By Goal	**3 Mo % Chg**	**1 Yr TWR**	**3 Yr TWR**	**5 Yr TWR**	**10 Yr TWR**	**Since 1/1/2002**
Exceed	**6.4**	**17.0**	**8.5**	**11.3**	**3.6**	**5.3**
Invest Adv Serv	7.1	14.3	14.2	15.8		
Nate's Notes	7.4	52.4	11.4	14.5		
Navellier Grades	13.6	13.5				
Software as a Service (SAAS)	10.4	46.7				
Singles	3.0	6.6	-6.3	0.0	4.0	6.4
Exceed in Down	**2.0**	**0.1**	**5.1**	**7.1**	**3.1**	**4.9**
Cash						
Defense	18.2	22.2	13.6			
International	10.3	1.8				
Gold Silver	6.2	25.8	12.3	10.0		
Staples	8.6	13.5				
Independent	**10.6**	**-11.2**	**2.0**	**5.8**	**4.9**	**9.2**
High Div	3.1	-23.8	-4.5	-3.2		
Pref REIT	12.5	-8.4	3.4	10.0		
Preferred	8.0	-1.7	4.6	2.2		
REIT	9.1	-25.0	-3.3	4.5		
Match	**9.0**	**8.1**	**6.0**	**8.6**		
By Strategy						
Rationale	6.8	13.6	6.6	7.3	1.5	5.0
Statistical	17.5	18.3	11.4	11.2		
Income	10.6	-11.2	1.9	5.9		
Newsletter	7.5	16.7	9.7	13.3		
Total Invested	9.2	4.7	6.3	8.6	4.5	6.0
Total with Cash	6.0	-1.2	4.2	7.2	3.7	5.1
Benchmarks						
U.S. Preferreds ETF-PFF	6.7	-1.2	-2.1	-1.1	-0.9	
EQAL-Russell 1000=Wt	4.9	0.3	3.7	8.3		
S&P 500 (GSPC)	20.0	5.4	8.6	8.5	11.6	5.9

Allocation

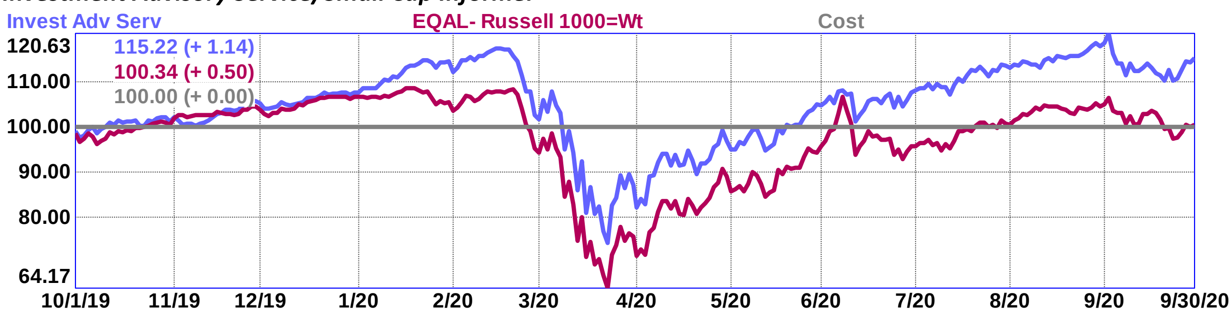
Goal Rel Mkt	**Portfolio**	**Percent**
Exceed Total		**24.1%**
	IAS SCI	14.8%
	Momen	1.3%
	Nate's Notes	1.4%
	Navellier	2.1%
	Resources	0.3%
	SAAS	2.9%
	Singles	1.3%
Exceed in Down Total		**26.9%**
	Cash	13.3%
	Defense	1.1%
	Gold Silver	8.0%
	Intl	1.8%
	Staples	2.7%
Independent Total		**45.5%**
	High Div	2.7%
	Pref REIT	21.9%
	Preferred	13.3%
	REIT	7.6%
Match Total		**3.5%**
TOTAL		100.0%

Charts and Portfolio Descriptions

1. Goal to Exceed the Market

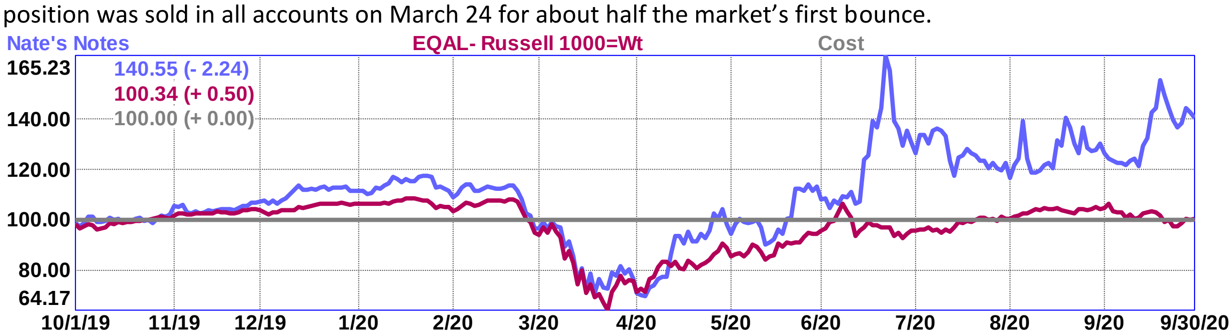
The Investment Advisory Service is a newsletter edited by Doug Gerlach and published by ICLUB central, best known as the sponsoring organization of investment clubs. Doug Gerlach's presentations at the National AAII Conference and at our Twin Cities AAII chapter were impressive. The methodology is based 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.

Investment Advisory Service/Small Cap Informer



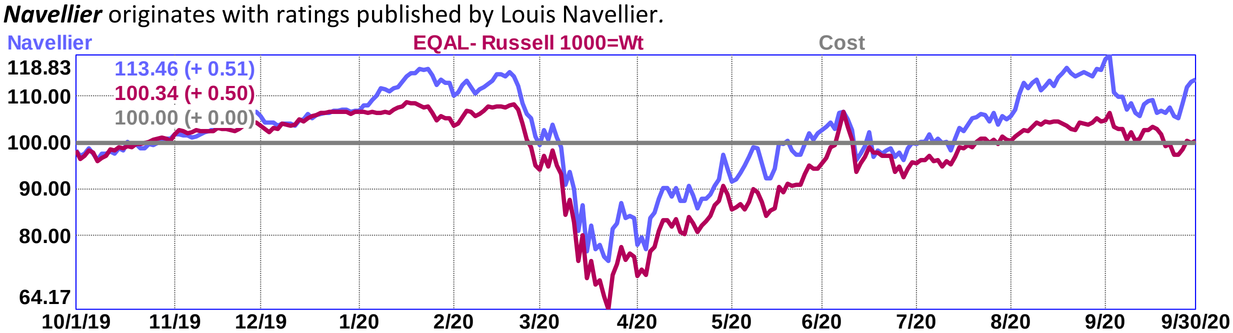
3 Month % Change	1 Year TWR	3 Year TWR	5 Year TWR
7.1	14.3	14.2	15.8

Nate's Notes is an aggressive newsletter focused heavily on tech stocks and biotech in particular. All but one position was sold in all accounts on March 24 for about half the market's first bounce.



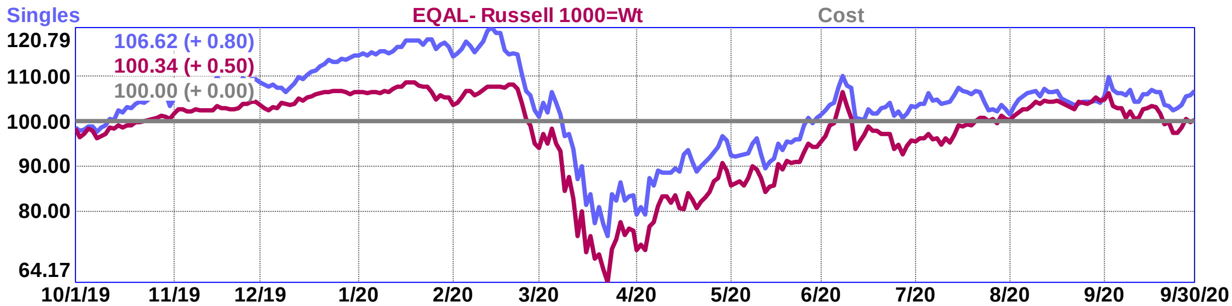
3 Month % Change	1 Year TWR	3 Year TWR	5 Year TWR
7.4	52.4	11.4	14.5

Navellier originates with ratings published by Louis Navellier.



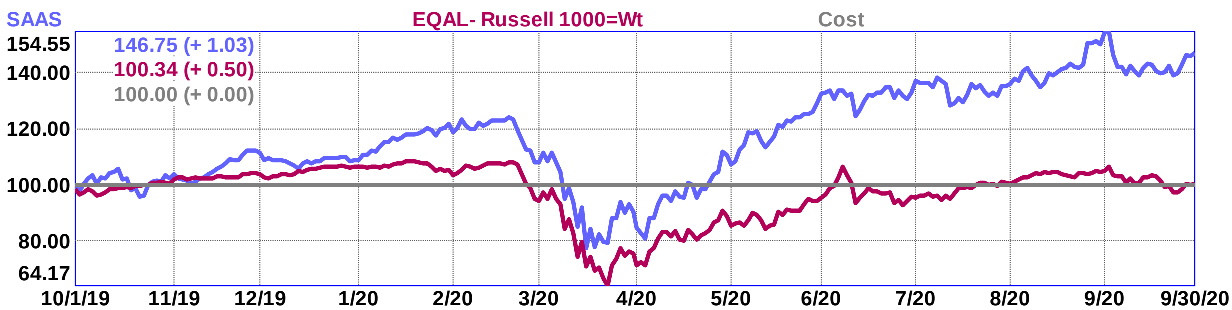
3 Month % Change	1 Year TWR
13.6	13.5

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, or fallen stocks I'm not willing to sell at current prices.



3 Month % Change	1 Year TWR	3 Year TWR	5 Year TWR	10 Year TWR	Since 1/1/2002
3.0	6.6	-6.3	0.0	4.0	6.4

Software as a Service (SAAS) companies lease software to their customers with recurring fees rather than sell (lease) it with a one-time price. Originally the portfolio came from Motif Investing.

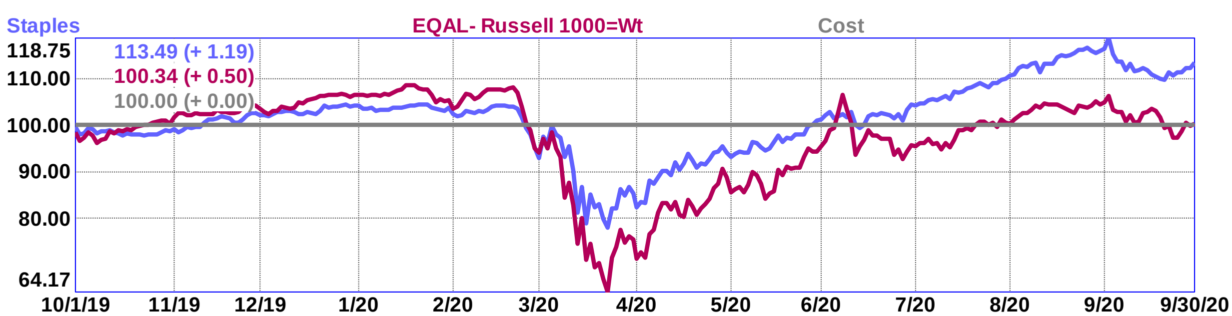


3 Month % Change	1 Year Return
10.4	46.7

2. Portfolios to Exceed in Down Markets

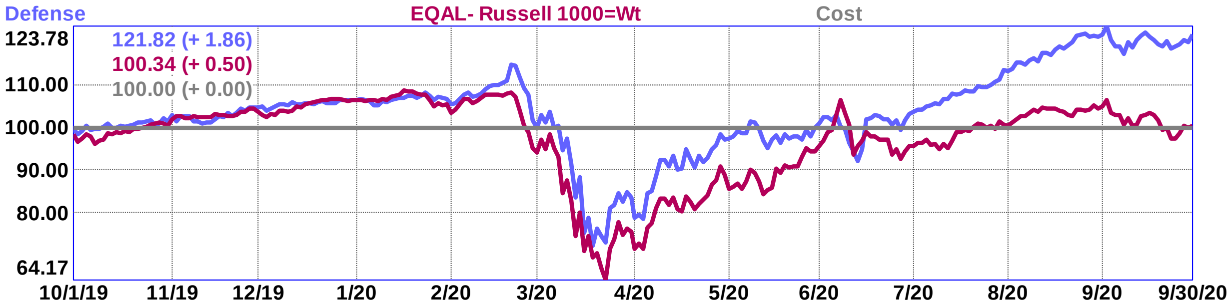
Cash is probably the best defense, but also a very poor offense since it doesn't match inflation. Usually when I'm not fully invested it is because of client allocation preferences or normal transitions from having sold positions and not yet made new purchases. Cash balances are needed for clients making regular withdrawals.

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.



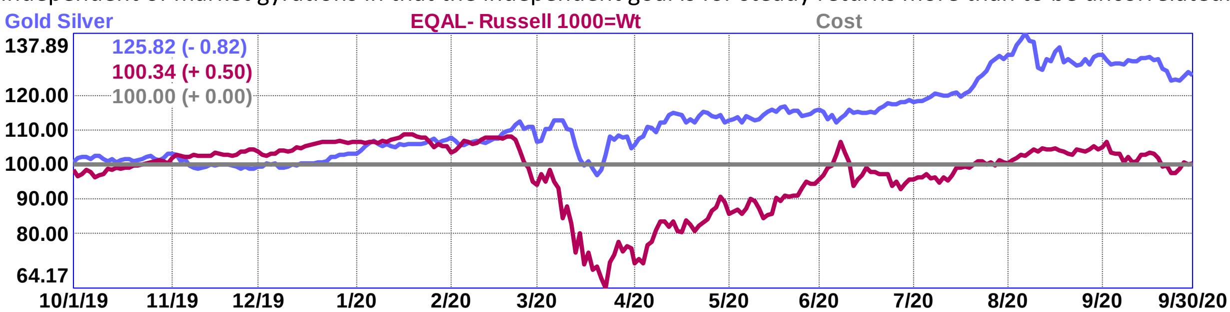
3 Month % Change	1 Year
8.6	13.5

A Defense portfolio was developed statistically using a data mining tool to select criteria for stocks that did well during down markets. The current correction was due to quite different dynamics than those precipitating historical corrections. Fast food restaurants, retail and airlines usually hold up well but are not prospering now for obvious reasons. All but two positions have been sold.



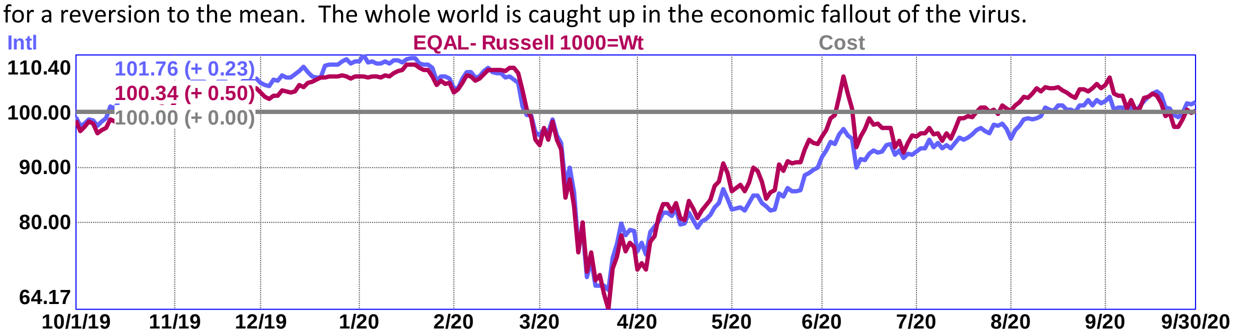
3 Month % Change	1 Year TWR	3 Year TWR
18.2	22.2	13.6

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
6.2	25.8	12.3	10.0

International stocks have a valuation about half that of the United States. It is value investing awaiting over time for a reversion to the mean. The whole world is caught up in the economic fallout of the virus.

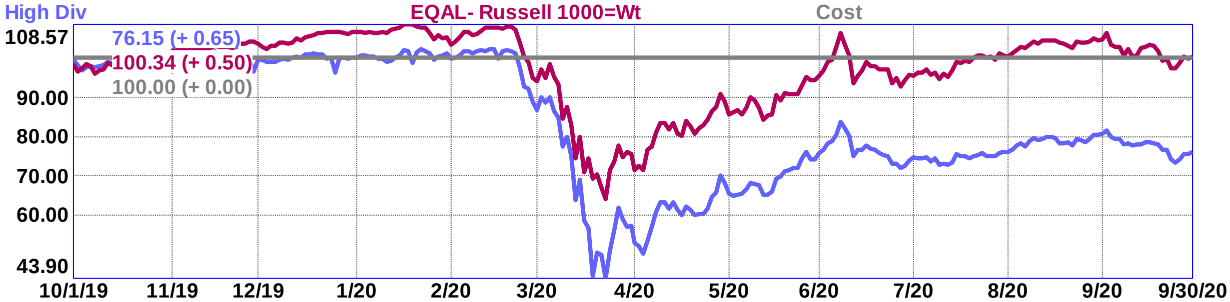


3 Month % Change	1 Year
10.3	1.8

3. Portfolios for Market Independence (Income)

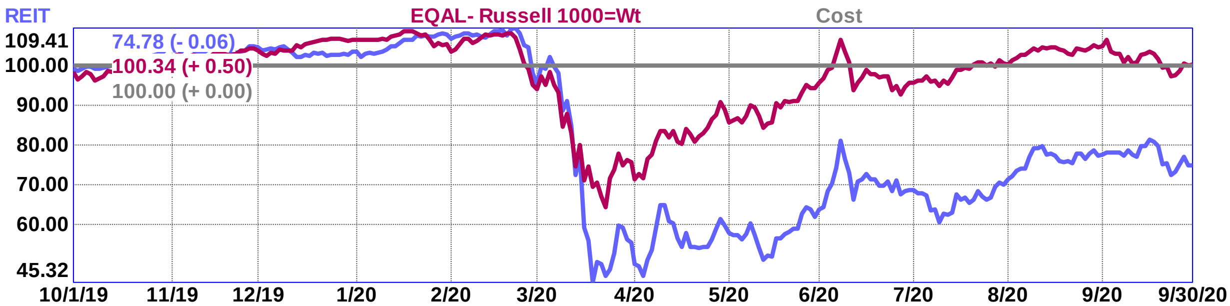
Market independence is sought through high fixed income selections. The High Income portfolios (Preferreds, Preferred REITs, REITs, notes and other high-yielding) had shown my best returns since 1/2/2002 until the March correction. While the prices are down, the income is not and thus the yields have increased dramatically. Their function is for yield more than for gains.

High Dividend Common Stocks



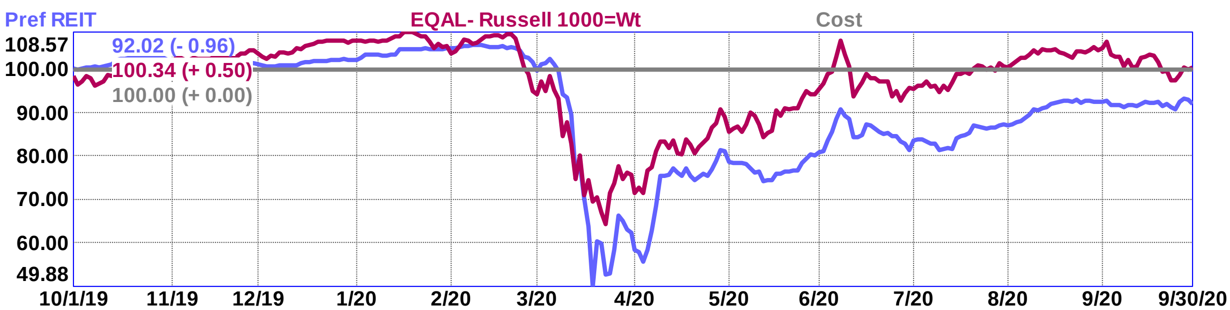
3 Month % Change	1 Year TWR	3 Year TWR	5 Year TWR
3.1	-23.8	-4.5	-3.2

REITs (Real Estate Investment Trusts)



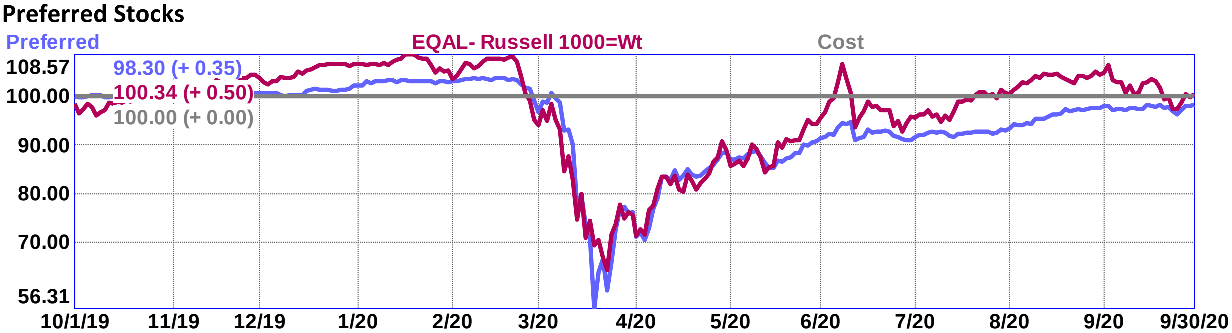
3 Month % Change	1 Year TWR	3 Year TWR	5 Year TWR
9.1	-25.0	-3.3	4.5

Preferred REITs



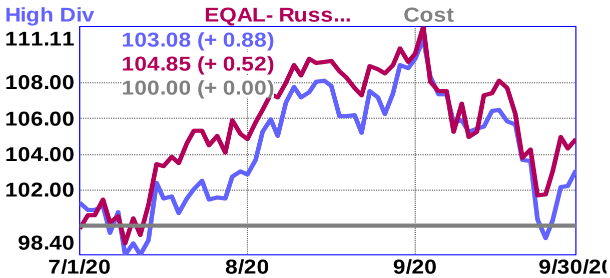
3 Month % Change	1 Year TWR	3 Year TWR	5 Year TWR
12.5	-8.4	3.4	10.0

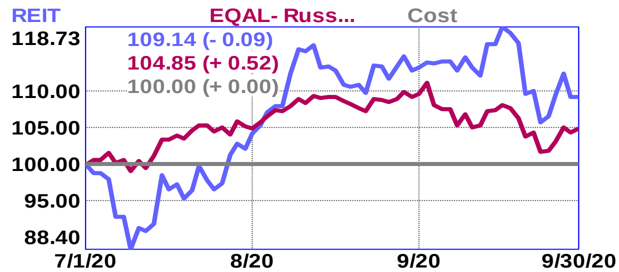
Preferred Stocks

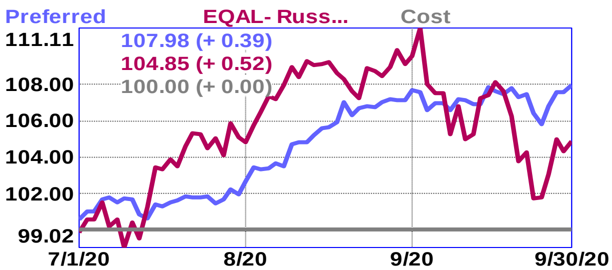


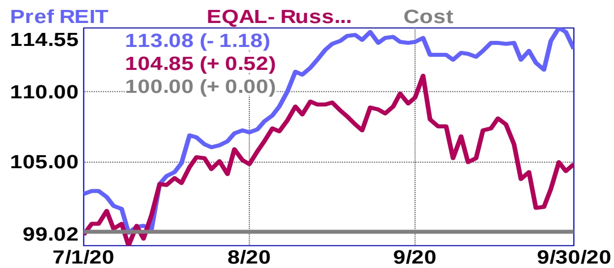
3 Month % Change	1 Year TWR	3 Year TWR	5 Year TWR
8.0	-1.7	4.6	2.2

The High Income picture is much better when looking at just the last quarter.

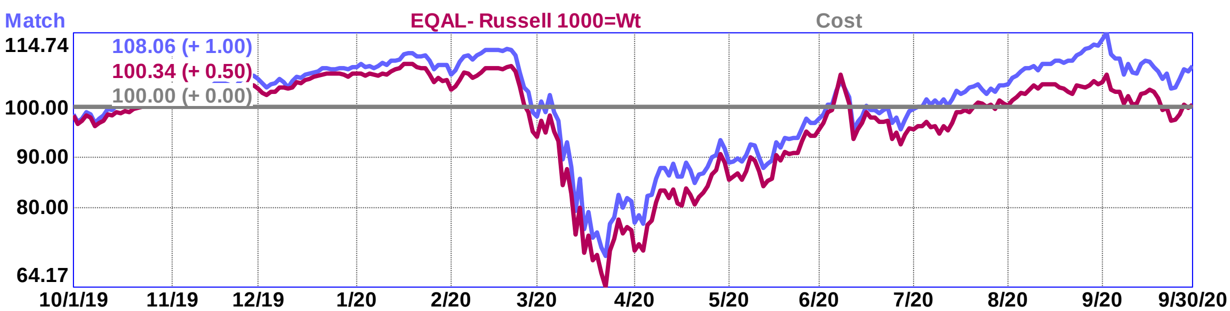








Goal to Match the Market



3 Month % Change	1 Year TWR	3 Year TWR	5 Year TWR
9.0	8.1	6.0	8.6

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.

Use of this Report

This report is intended for clients and prospective clients to evaluate their allocation in comparison to the portfolios reported here and then come to me with a preferred adjustment to their allocation. It has never happened. However, I find the report useful for me. Presumably, clients entrust me to make allocation decisions based on more general preferences expressed in our conversations. That works until it doesn't, and clients take their accounts elsewhere. Some clients do that in a way that is disruptive to our relationship, and some end the business part of a relationship while keeping other valued parts of our relationship. I prefer the latter. Securities are purchased with a timeframe in mind. Better returns come from longer-term investments. It is hard to see investments discarded at inopportune times.

If you have trouble understanding this report, or sections of it, I would be happy to walk through it with you.

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%
2019	28.3%	25.5%	21.8%	6.3%	6.6%	5.9%