Wenzel Analytics Inc

I. Presentation Overview

A. Where I'm coming from.

B. Some Goals

1. Encourage you to be empirical.
2. For you to find systematic help for your investing, rather than a few hot stocks that don't fit into your allocation or approach.
3. Encourage some of you in adopting my business model.
4. Have a learning dialogue.

C. Outline will roughly follow that of a research journal article.

II. Market and Economy

A. Longer Trend, Russell 3000

Annual Return Rates

B. One Year Trend, Russell 3000

Annual Return Rates

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C. The Economic Projections

1. Martin Weiss, Money & Markets, This Week

a. "In the U.S., despite the Fed's eight consecutive interest-rate cuts

1. Consumer confidence has just plunged to a 28-year low ...
2. Inflation expectations have soared to the highest levels since 1982, and ...
3. Single-family housing starts have cratered to the lowest level in 17 years.

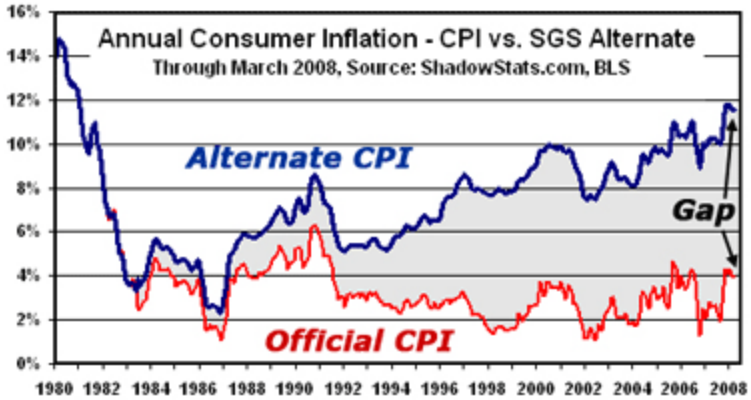
Nor is this an easy fix. We have the massive burden of $49 trillion in credit market debt (according to the Fed), …

b. Inflation

1). According to John Williams' Shadow Statistics, the premier source of unadulterated U.S. economic indicators ...

a). While the March year-over-year change in the official CPI was only **3.98%** ...

b). The true CPI, based on the same standards as those that prevailed before the Clinton administration, is now **11.58%!**



c). This means that the gap between the official CPI and the alternate CPI is now a 7.6 percentage points. In other words, the U.S. government could now be understating the CPI by a full 7.6%!

d). Moreover, over the years, this gap has widened dramatically. Until January 1982, there was no gap whatsoever; and until November 1986, the gap was usually less than 1%.

2). The one single measure that best distills the true action is the level of real interest rates (interest rates minus inflation).

a). Example:

Interest rate: 5%
Inflation rate: 4%
Real interest rate = 1%

b). Real interest rates help give you a solid preview of whether inflation is likely to accelerate or not.

c). Real interest rates will be your best warning of a possible end to the inflationary cycle, when and if that time comes.

d). The reason: Real interest rates represent the true price of the most important "commodity" of all: Money.

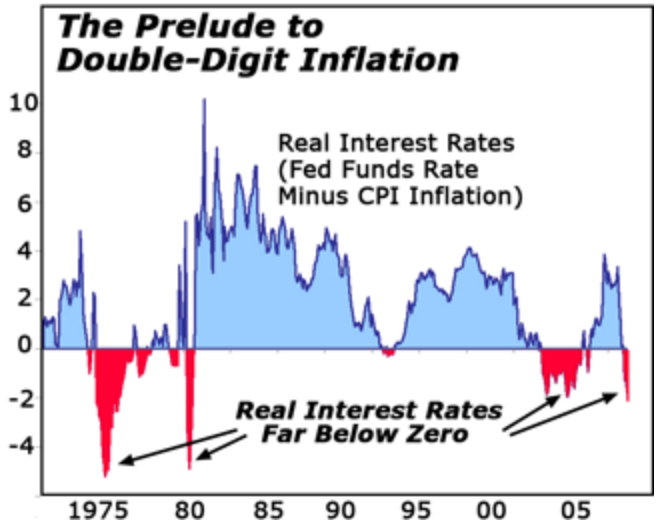
3). When real interest rates are high, money is expensive. If it persists, the days of inflation are numbered.

a). When real interest rates are low, money is cheap. And with cheap money chasing scarce goods, inflation is bound to continue.

b). Worse, when real interest rates are zero, money is not just cheap, it's effectively free. And free money chasing scarce goods puts inflation into overdrive.

c). Worst of all, when real interest rates are below zero, money is not just free — but borrowers are, in effect, actually getting paid to take the money. And it's the abundance of this kind of highest-octave money that is the ultimate prelude to double-digit inflation.

d). That's what we have today: The Fed has dropped the fed funds rate to 2%. But the CPI inflation, even with all its distortions, is now close to 4%. So the real interest rate is 2% minus 4% = 2% below zero!



e). It was this super-money (borrowers virtually getting paid 5% to borrow it) that was the prelude to double-digit inflation in the late 1970s.

4). Weiss says to:

a). Buy GLD or SLV

b). Buy energy-related investments.

c). Buy strongest non-US currencies. "Although the dollar could enjoy a nice rally in the near term, the long-term outlook remains negative." "as long as *real* interest rates in the U.S. remain below zero, it's unlikely to provide lasting support for the dollar."

2. So that is the view from the perennial pessimists, except for when it comes to Brazil or Asia.
3. For the more positive view, read James Paulsen's "Economic and Market Perspectives,"

D. Allocation: Everything in Perspective (See www.wenzelanalytics.com/papers for handouts.)

1. Monte Carlo
2. Frequent Multi-Dimensional Analysis of all Holdings

a. Continually change the perspective, such as use different groupings or analyze by new factors.

b. Excel Pivot tables are indispensable to keeping flexible.

Wenzel
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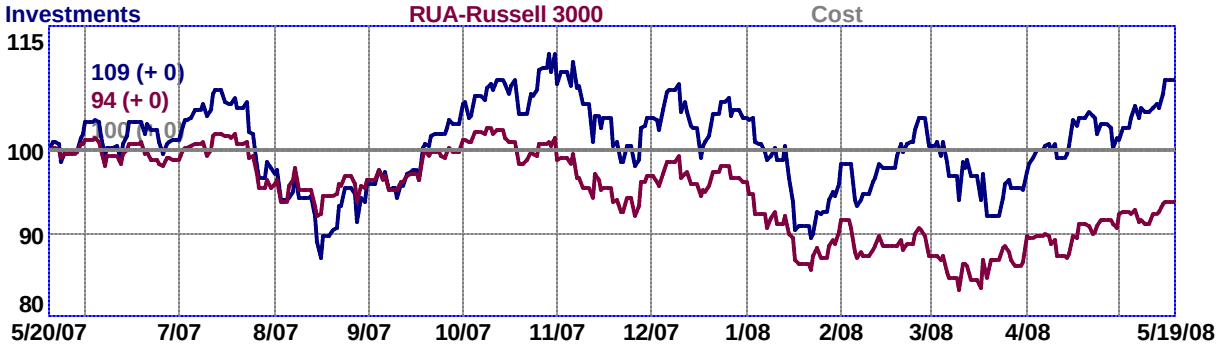
III. Performance Summary, All Accounts

The annual rate of return for all stocks and funds since January 1, 2002, when Wenzel Analytics became a Registered Investment Advisor (RIA) is **15.5**% compared to **4.3** % for the Russell 3000 benchmark. Returns are above the base trend line drawn in the first chart below which has a yield of 20%. The total gain, taking into account variations in invested amounts, was **135**% compared to **30**% if the same purchases had been invested in the Russell 3000 benchmark (see first chart). When including cash, the Wenzel Analytics book of business is up at an annual rate of **12.4** % since January 1, 2002, with a total gain of 108% compared to the 26% for the Russell 3000.

To Date Performance of All Stocks and Funds Managed Relative to the Russell 3000
Annual Rate of Return to Date: 15.5%

Twelve Month Performance of Stocks and Funds Relative to the Russell 3000
Annual Rate of Return: 10.6%



For the last twelve months, the Russell 3000 was down at an annual rate of **-6.2**%. Wenzel Analytics was up at an annual rate of **11.8**% when including all stocks, ETFs, funds and cash, for a difference of **18%**. Our goal is to do 10% better than market returns. For the three months, the annual rate for Wenzel Analytics was 45% compared to the Dow Jones Wilshire Global Total Market of 37%.

About half of all investments are in basic materials, commodity ETFs, international geographic ETFs, energy and services to basic materials and energy companies. About half of all investments are significantly dependent upon currencies other than the dollar.

Future performance is unknown. Nothing in this report of past performance should be construed as an assurance of future results.

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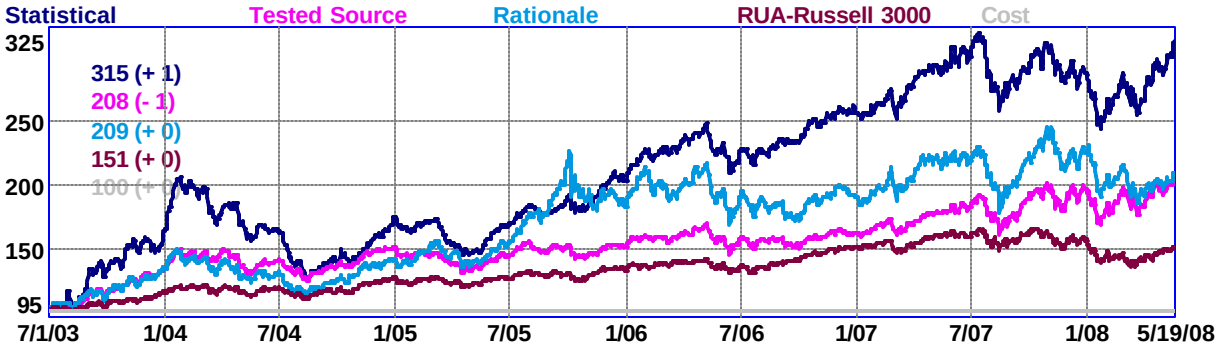
Wenzel Analytics manages money for thirty-seven families and holds about 240 unique positions (1,400 total). Many families have multiple accounts, i.e. IRA, SEP, Roth, taxed, trust. Some families have placed all of their investable assets with Wenzel Analytics, and some only a small portion. Positions per family range from five to 136, with an average of thirty-eight. Turnover varies by year, with a low of 41% (2003) and a high of 98% (2004). Account size ranges from about $20,000 to $800,000, with an average of about $250,000.

This entire report is exclusive of management fees. Some fees are withdrawn and some clients pay by check from other accounts. Since fees are a combination of a rate (.4% per quarter) and a flat fee ($80 per family per quarter), the impact on returns varies by the size of account. Our personal accounts do not pay fees. These factors make it difficult to create meaningful charts net of fees. Withdrawn fees are usually evident in client reports and charts by the down stairstep of the cost line.

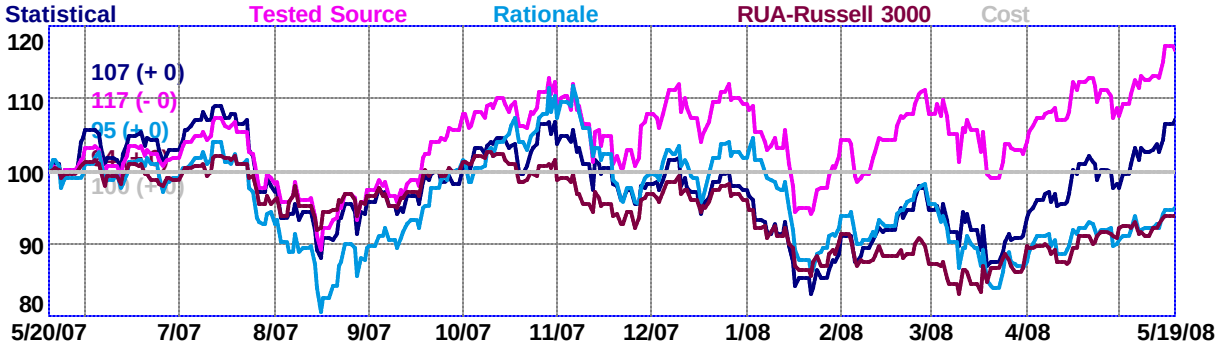
Stocks Comparison by Strategy Source

Portfolios fit into three types of strategies. Some portfolios derive from criteria developed or adapted using statistical and data mining technology. A second strategy is to use newsletters and other sources selected because of their tested and empirical history. A third strategy relies upon a rationale, logic or scenario strong enough to induce investment. Multiple portfolios or stock groupings are offered within each of these three strategies.

Source Comparison Since 7/1/2003.



Stocks Strategy Source Comparison, Twelve Months.



The charts show all stocks from both current and discontinued portfolios, using the AIMR standards for calculating returns. The two Nicholas Vardy global portfolios and the high dividend income portfolio were recently moved from the Rationale strategy to the Tested Source strategy, since they are continued because of their track record. Thus the above two charts are different than those in reports published prior to March 31, 2008.

The respective percent increases are in the upper left portion of the chart. For the last twelve months, the statistical portfolios were up 7%, those derived from a tested source were up 17%, those from a strong rationale were down -5%, and the market benchmark was down -6%.

Different time periods show different results. Not only is this because some portfolios work better in different market periods, but portfolios are begun at different points in time, and the amount of investment in each portfolio changes with time.

There is merit in diversification and not making judgments about a portfolio too quickly. Portfolios also do well during the phase-out period of aggressively selling the weakest positions and retaining those still doing well. For all portfolios, stocks are more readily sold based on a technical review after being held for one year.

More information about the different strategy sources and their respective portfolios is available at www.wenzelanalytics.com/investing_process.htm.

Tabular Data

By Quarter	**Benchmarks**		**All Accounts**		**Stock Portfolio Strategies**		
Annual Rates of Return	Russell 3000	Russell 2000	Stocks Only	Stocks Funds Cash	Rationale	Statistical	Tested Source
Q1-02	3%	16%	7%	6%	12%		3%
Q2-02	-1%	5%	-45%	-39%	-44%		-49%
Q3-02	-49%	-57%	-51%	-47%	-51%		-60%
Q4-02	16%	17%	34%	23%	43%		49%
Q1-03	-14%	-18%	8%	0%	7%		13%
Q2-03	73%	121%	127%	100%	135%		131%
Q3-03	9%	39%	62%	44%	15%	288%	92%
Q4-03	44%	54%	96%	81%	117%	110%	92%
Q1-04	8%	27%	39%	34%	60%	24%	37%
Q2-04	1%	-3%	-26%	-20%	-30%	-36%	-13%
Q3-04	-5%	-6%	-20%	-8%	24%	-55%	-30%
Q4-04	44%	67%	76%	58%	29%	223%	70%
Q1-05	-10%	-21%	-32%	-24%	-1%	-39%	-40%
Q2-05	7%	17%	27%	18%	23%	29%	21%
Q3-05	15%	19%	68%	59%	142%	55%	21%
Q4-05	6%	3%	-6%	0%	-41%	26%	14%
Q1-06	21%	68%	53%	49%	36%	75%	35%
Q2-06	-10%	-19%	-12%	-3%	-10%	-12%	-16%
Q3-06	18%	1%	-6%	-5%	-16%	13%	-15%
Q4-06	29%	39%	40%	32%	16%	61%	36%
Q1-07	3%	7%	26%	18%	8%	42%	25%
Q2-07	23%	19%	38%	39%	33%	50%	41%
Q3-07	4%	-13%	0%	8%	17%	-8%	-8%
Q4-07	-14%	-18%	4%	4%	1%	-4%	22%
Q1-08	-34%	-35%	-29%	-29%	-48%*	-19%	-25%
Average	7%	13%	19%	18%	19%	43%	18%
Standard Dev	0.2	0.4	0.4	0.4	0.5	0.9	0.5
Coefficient of Variation	3.3	2.9	2.3	2.0	2.7	2.0	2.6

By Year	Benchmarks		All Accounts		Stock Portfolio Strategies		
	Russell 3000	Russell 2000	Stocks Only	Stocks Funds Cash	Rationale	Statistical	Tested Source
2002	-23%	-22%	-25%	-21%	-20%		-27%
2003	29%	45%	78%	60%	59%		79%
2004	10%	17%	5%	9%	14%	-5%	6%
2005	4%	3%	9%	9%	16%	15%	-2%
2006	14%	16%	17%	15%	5%	35%	8%
2007	3%	-3%	16%	17%	20%	9%	17%
Average	6%	9%	17%	15%	16%	14%	14%
Standard Dev	17%	22%	34%	26%	26%	17%	35%
Coefficient of Variation	2.7	2.4	2.0	1.8	1.6	1.2	2.6
Annual Rate To Date	5.0%	7.8%	14.2%	15.3%	15.6%	19.0%	9.9%

*At the end of the last quarter, money in the Rationale Strategy was about a third of that invested in each of the other two strategies.

The co-efficient of variation is the average divided by the standard deviation to give a measure of variation in relation to return. It is the inverse of the Sharpe Ratio without a risk-free calculation. The lower the number the better.

Portfolios Derived from Statistical Work

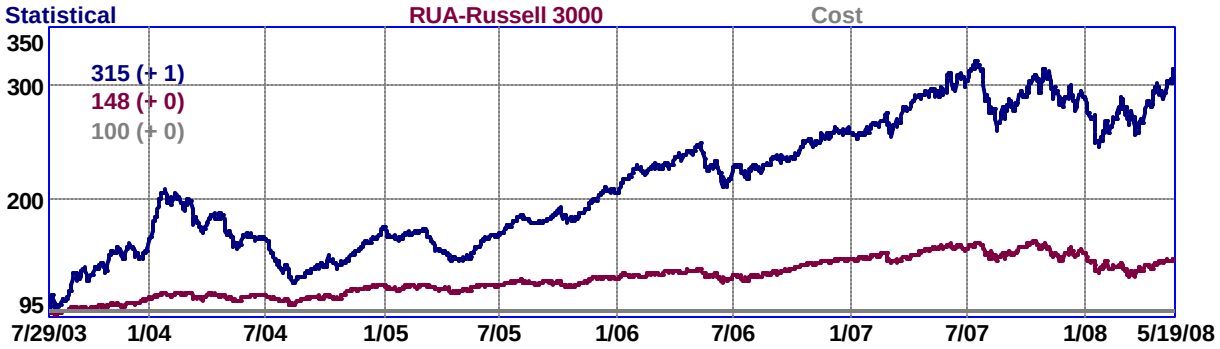
Most scientific and academic research begins with a logical hypothesis, and then uses empirical data to try to disprove the assertion. If it can be proven that it is not false, then it must be true. Rather than this deductive approach, some research proceeds inductively by first looking at the data, and then trying to make sense of it. Similarly, in stock selection research, some approaches begin with a logical combination of screen criteria and then back-test to see if the screen has worked in the past. The inductive approach is to use data mining software that searches through thousands of possible criteria combinations. It may or may not be possible to make sense of why a particular combination of criteria is highly predictive. I then test the predictive criteria to see how well they work in different time periods, how consistent the returns are month to month, how consistent the returns are within the stocks selected, and how strong the returns are when the market is declining. Performance has been less volatile since I have begun using Rank Relative Strength as the dependent variable instead of absolute returns. It solves for better returns in down markets as well as up markets.

There are limitations to this approach. Sometimes what has consistently worked in the past doesn't work in the future. This is particularly true at major market turns which bring new dynamics. Sometimes past correlations were merely accidental. Sometimes what works for a large number of records doesn't work for the ten or so stocks we happen to pick as representatives of the pattern. Sometimes the stocks selected according to the screen one week for one person's portfolio work and those selected the next week for someone else's portfolio don't work as well. As with any average, some accounts will be above and some below the average. A chart of performance by account size is available and posted at the website (Under Papers, Update: Client Performance Variation).

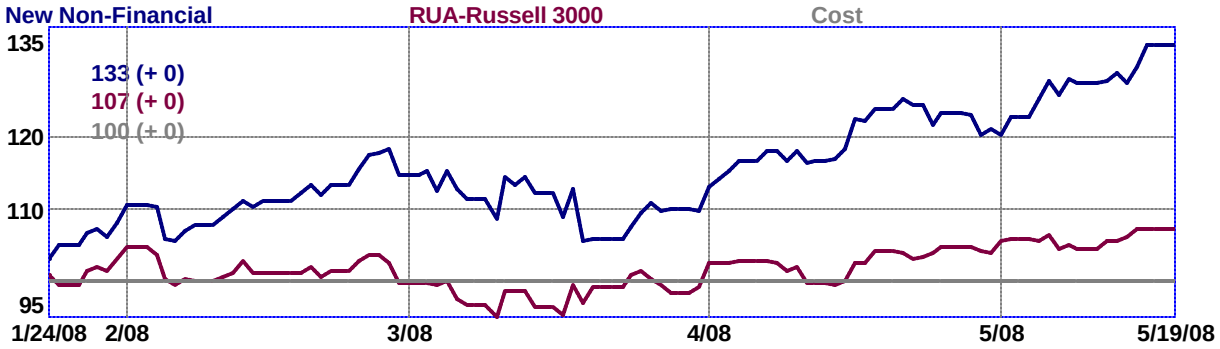
The first chart below shows performance as a percent of the original value based on daily price changes for each position. The grey line represents the total basis or cost of holdings, the blue chart line the market value, and the red line what the same dollars in the benchmark would be.

1. Statistical Portfolios

Data Mining. Annual return rate to date: 21%. Last 12 months: 14%. Last 3 months: 78%.

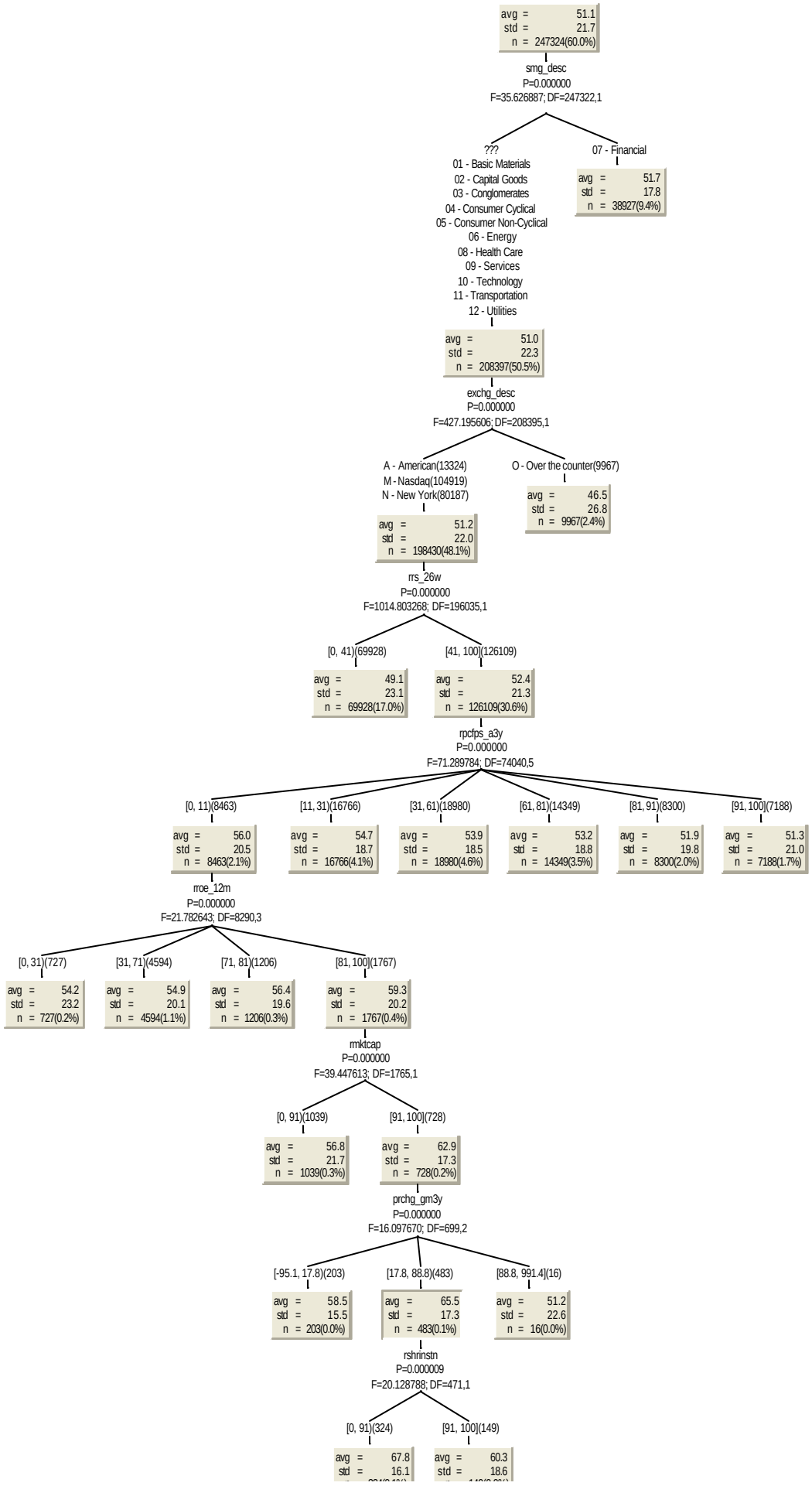


Data Mining, New Screens. Annual return rate to date: 112%.



The new screens implemented in January are doing well. Currently we have about 2.3 million invested in these three new screens, or about 25% of total investments. (The screens out of Stock Investor Pro were part of the handout, as were current stocks selections for each screen.)

The tree pictured on the next page is a screen shot from a KnowledgeSEEKER tree of the Megacap screen, one of the new data mining screens. The illustration shows the hierarchical nature format of successive subsets of desirable stock clusters.


avg = 51.1
std = 21.7
n = 247324(60.0%)
smg_desc
P=0.000000
F=35.626887; DF=247322,1
???
01 - Basic Materials
02 - Capital Goods
03 - Conglomerates
04 - Consumer Cyclical
05 - Consumer Non-Cyclical
06 - Energy
08 - Health Care
09 - Services
10 - Technology
11 - Transportation
12 - Utilities
07 - Financial
avg = 51.7
std = 17.8
n = 38927(9.4%)
avg = 51.0
std = 22.3
n = 208397(50.5%)
exchg_desc
P=0.000000
F=427.195606; DF=208395,1
A - American(13324)
M - Nasdaq(104919)
N - New York(80187)
O - Over the counter(9967)
avg = 46.5
std = 26.8
n = 9967(2.4%)
avg = 51.2
std = 22.0
n = 198430(48.1%)
rrs_26w
P=0.000000
F=1014.803268; DF=196035,1
[0, 41)(69928)
[41, 100](126109)
avg = 49.1
std = 23.1
n = 69928(17.0%)
avg = 52.4
std = 21.3
n = 126109(30.6%)
rpcfps_a3y
P=0.000000
F=71.289784; DF=74040,5
[0, 11)(8463)
[11, 31)(16766)
[31, 61)(18980)
[61, 81)(14349)
[81, 91)(8300)
[91, 100](7188)
avg = 56.0
std = 20.5
n = 8463(2.1%)
avg = 54.7
std = 18.7
n = 16766(4.1%)
avg = 53.9
std = 18.5
n = 18980(4.6%)
avg = 53.2
std = 18.8
n = 14349(3.5%)
avg = 51.9
std = 19.8
n = 8300(2.0%)
avg = 51.3
std = 21.0
n = 7188(1.7%)
rroe_12m
P=0.000000
F=21.782643; DF=8290,3
[0, 31)(727)
[31, 71)(4594)
[71, 81)(1206)
[81, 100](1767)
avg = 54.2
std = 23.2
n = 727(0.2%)
avg = 54.9
std = 20.1
n = 4594(1.1%)
avg = 56.4
std = 19.6
n = 1206(0.3%)
avg = 59.3
std = 20.2
n = 1767(0.4%)
rmktcap
P=0.000000
F=39.447613; DF=1765,1
[0, 91)(1039)
[91, 100](728)
avg = 56.8
std = 21.7
n = 1039(0.3%)
avg = 62.9
std = 17.3
n = 728(0.2%)
prchg_gm3y
P=0.000000
F=16.097670; DF=699,2
[-95.1, 17.8)(203)
[17.8, 88.8)(483)
[88.8, 991.4](16)
avg = 58.5
std = 15.5
n = 203(0.0%)
avg = 65.5
std = 17.3
n = 483(0.1%)
avg = 51.2
std = 22.6
n = 16(0.0%)
rshrinstn
P=0.000009
F=20.128788; DF=471,1
[0, 91)(324)
[91, 100](149)
avg = 67.8
std = 16.1
avg = 60.3
std = 18.6

Tested Source Portfolios

The following portfolios are taken from newsletters and other sources that have a tested track record. *The Hulbert Financial Digest* is frequently used to evaluate newsletters.

2. Cyclicals

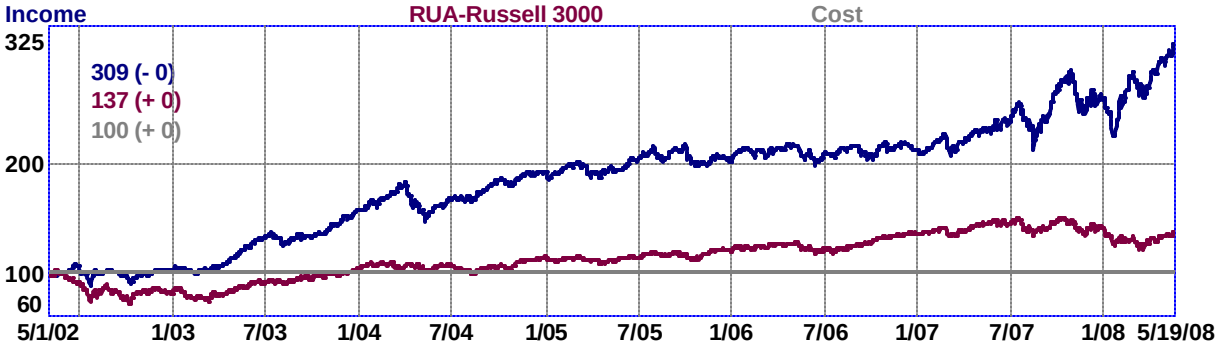
Cyclicals. Annual return rate to date: 28%. Last twelve months : 21%.

James Paulsen who writes *The Economic and Market Perspective* for Wells Cap Management of Wells Fargo (www.wellscap.com) displayed a chart showing fairly close congruence between cyclical stocks and commodities. Since commodities had been strong, buying stocks from the Morgan Stanley Cyclical Stock Index was an easier way to benefit from the strength of commodities than to buy commodities themselves.

3. High Dividend (Income)

The high dividend stocks are screened using TeleChart from the 10% of stocks with the highest dividends, and then selected based on a history of consistent and significant appreciation. Overall this has been a good approach, even as the risk premium for high-yield investments has varied. Selection has moved to shipping and world energy and mining companies. Dividends average about 11% for these stocks. Dividend income is included in the annual return figure above the chart, while the chart reflects only stock price appreciation.

High Dividend (Income). Annual return rate to date: 18%. Last 12 months: 34%.



The next page has current selections on my buy list. They should not be taken as recommendations for your portfolio, but as an example of the kinds of stocks that comprise this portfolio.

Ticker	Stock	Yield	Ticker	Stock	Yield
APB	Asia Pacific Fund Inc	37.8	EMF	Templeton Emerg Mkts Fund	9.0
IFN	India Fund	19.0	JFC	Jardine Fleming China	5.6
BTF	Boulder Total Return Fd	15.8	AINV	Apollo Investment Corp	11.4
TWN	Taiwan Fund Inc	15.6	AOD	Alpine Total Dtnamic Div Fd	12.6
FRO	Frontline Ltd Adr	14.9	BTE	Baytex Energy Inc	8.2
APF	Morgan Stan Asia-Pac Fd Inc	13.0	CPL	CPFL Energia S.A. ADR	17.9
PVX	Provident Energy Trust	12.7	DSX	Diana Shipping Inc	8.7
AAV	Advantage Energy Income Fund	11.5	ECV	Blackrock Enh Eq Yld & Prm I	12.5
EDD	Morgan Stanley Emergi Markets	11.3	ONAV	Omega Nav Enterprises Inc A	9.3
ERF	Enerplus Resources Fund	10.8	PRGN	Paragon Shipping Inc	8.3
SGF	Singapore Fd Inc	9.9	EGLE	Eagle Bulk Shipping Inc	7.0
GCH	Greater China Fund	9.2			

4. Global Bull Market

Nicholas Vardy is my latest guru. He publishes a weekly free e-letter , TheGlobalGuru.com. Global Bull Market Alert and Global Stock Investor are each taken from his other two newsletters. The positions reflect major opportunities in the global economy. The Global Bull Market is more of a trading newsletter; I tend to hold the positions longer than his newsletter.

Global Bull Market, Price Change. (Nicholas Vardy). Annual return rate to date: 25%.

5. Global Stock Investor

Global Stock Investor (Nicholas Vardy). Annual return rate to date: 24%.

6. Outstanding Investments

The newsletter with the best five years returns according to *Hulbert's Financial Digest* is *Outstanding Investments*, which invests heavily in oil, gas and precious metals. In April of 2006 we started a portfolio of selected stocks from the newsletter's recommendations. The timing was obviously poor, as the commodities dropped soon thereafter following the initiation of higher interest rates by many of the world's central banks. It is a volatile portfolio. Current positions are mostly maintained.

Outstanding Investments. Annual rate to date: 5%. Last three months: 78%.

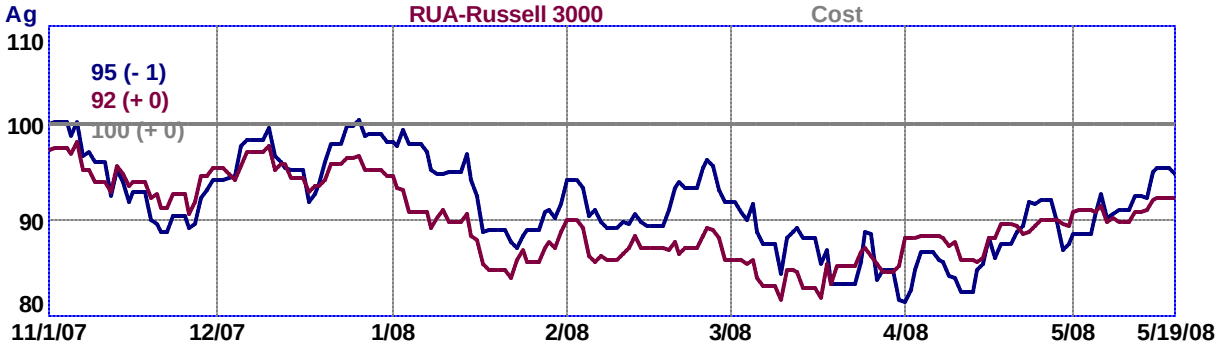
Strong Rationale Stock Portfolios

Some portfolios are based mostly on economic assumptions with a convincing story or rationale. There may be some reliance upon fundamentals and technical charting, but the primary driver is that there is a logical case for deploying the portfolio, such as the impact of demographics or the increasing demand for energy in a world with less supply. Some of these portfolios are from persuasive newsletters without a long performance record.

7. Agricultural

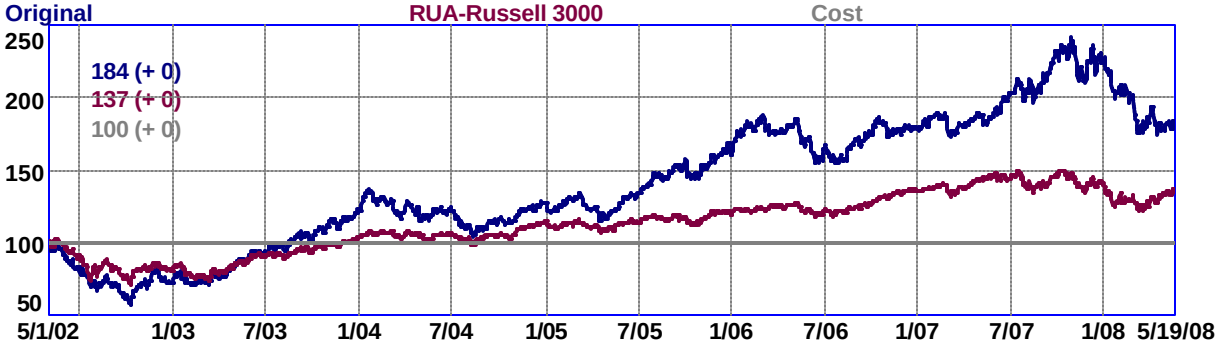
Because of the record prices for soft commodities and agricultural products, stocks were selected from agricultural-related industries such as processing, distribution and equipment manufacturers. So far the selections have been more volatile in both directions than the market benchmark. Only four of the original fifteen stocks are still held. As an alternative, I have been more recently using the PowerShares ETF for soft commodities (DBA). Current holdings are down to BG (Bunge)

Agricultural Industries. Annual return rate to date: -22%. Last month: 165%.



8. Original

Original. Annual return rate to date: 11%. Last 12 months: 2%.

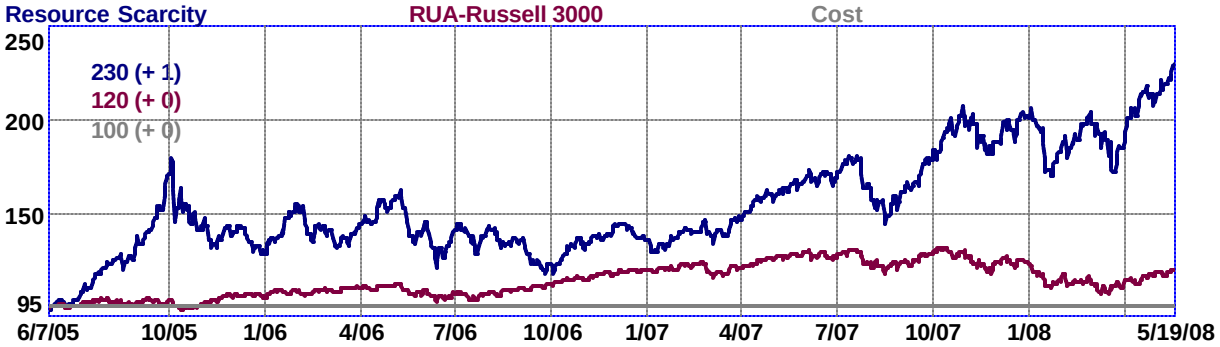


This is not a very original name for a motley collection of stocks. Many of the stocks in this portfolio are long-term holdings in my personal account. Some are monopolies that I held in my mother's account for stepped-up basis. Others are positions that came with new accounts and I decided to hold them, at least for a time. Some are speculative positions for the unusual occasions when I buy single stocks, i.e. Garmin. (Most of these don't work, I am slowly learning.) The earlier volatility was from large-cap growth stocks. When I am ready to close down a portfolio, but unwilling to sell the few remaining positions, this is where they go if they don't fit anywhere else as the criteria have become something other than the original selection criteria. As the number of positions in the portfolio has gone down, the volatility has gone up.

9. Resource Scarcity

Most of these selections are related to energy or mining. Most are large companies operating on an international scale and based outside the United States. Current positions are below.

Resource Scarcity (Energy/Mining). Annual to date: 32%. Last 12 months: 37%.



Ticker	Stock	Ticker	Stock
ABX	Barrick Gold Corp	GE	General Electric Co
CEO	CNOOC, Ltd	GG	Goldcorp Inc
AAUK	Anglo American	PBR	Petroleo Brasileiro S.A. (ADR)
APA	Apache Corp	PCU	Southern Copper Corp
BHP	BHP Billiton	PWE	Penn West Energy Trust
DBA	PowerSh DB Ag Fund	PZE	Petrobras Energia Participacio
DVN	Devon Energy Corp	SNP	China Petrol & Chem Corp
ECA	Encana Corp	STP	Suntech Pwr Hldgs
EGO	Eldorado Gold Corp	TGB	Taseko Mines Ltd
EXM	Excel Maritime Carriers	USU	Usec Inc
FDG	Fording Canadian Coal Trust	UXG	US Gold Corp
FTEK	Fuel Tek		

10. Uranium Mining (Sean Brodrick)

Sean Brodrick of the Martin Weiss organization, Money and Markets, offered a report on small uranium mining stocks ($595). I don't usually bite on such things, but the logic was persuasive and Mr. Brodrick knows the industry well. Many countries are building nuclear power plants as a source of energy in the face of climate change and the political instability of oil sources. Nuclear power plants have been running on decommissioned military stockpiles, which are running low. Meanwhile like any commodity with a long-term depressed price, the economics have not been there to develop uranium mining and production capacity. The small companies are more of a pure play, are more nimble and responsive to economic incentives, have most of the engineers (which is a primary shortage), and are likely acquisition targets.

The introduction of a futures market has brought volatility, especially as hedge funds and speculators with margin calls have had to bail out, driving down the price. The portfolio has a long-term time frame. Nicholas Vardy had a recent article giving an independent affirmation to the initial rationale. It is a high-risk portfolio occupying a small portion of larger accounts. For taxable accounts, some recent sales will provide some tax losses. I am confident the portfolio will work well except for the clients who have pulled out. Success for a money management practice has different criteria than optimum investing for one's own account or those client's who have specifically instructed me to manage their accounts as I would my own. While the decline is severe, the total portfolio represents less than 2% of managed assets and is worth holding for the potential rebound.

Sean Broderick issued a final report on this portfolio May 20, 2008, and forecasts a bounce, saying smart money is moving back into uranium stocks.

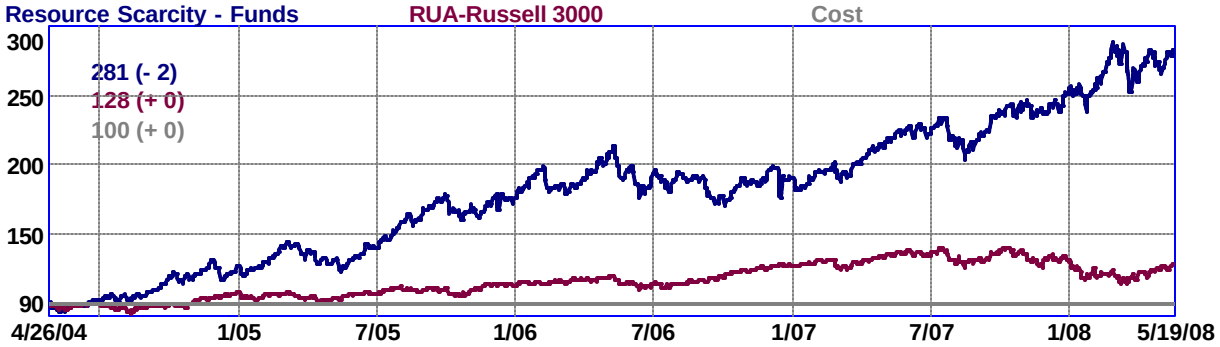
Uranium Mining. Annual return rate to date: -52%.

Exchange Traded Funds

Exchange Traded Funds (ETFs) are used for international diversification, for passive investing and putting temporary cash into the market to take advantage of market movements. Mutual funds are rarely used because of the prohibitive expenses, tax disadvantages, more complicated record keeping and being less transparent. Smaller accounts are invested entirely in ETFs; over the last year the returns for ETFs and smaller accounts have surpassed stock returns.

11. Resource Scarcity Funds (Commodities, Basic Materials)

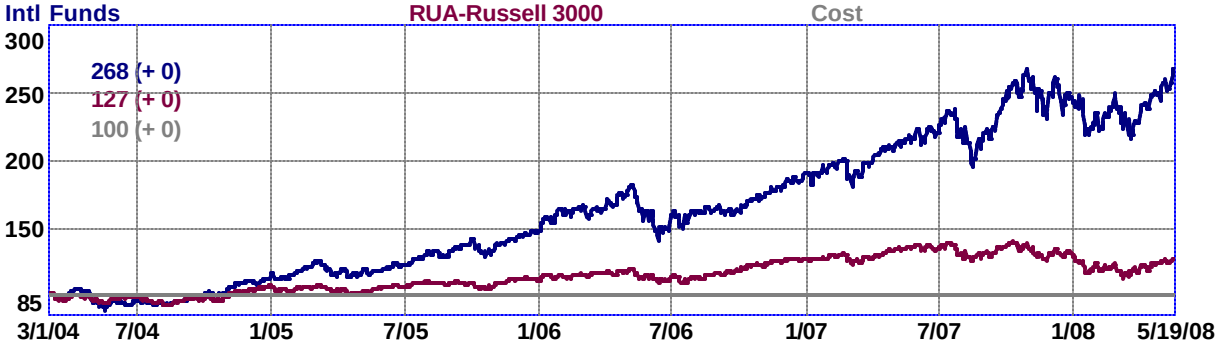
Resource Scarcity Funds. Annual return rate to date: 32%. Last 12 months: 30%.



12. International Funds

International ETFs is our largest portfolio, now comprising 16% of the Wenzel Analytics book of business. The range of international ETFs is expanding from general or regional funds (EEM or ILF) to country funds. In addition, many international stocks and domestic stocks with a majority of revenue and earnings from international operations are found in other portfolios. Over half of the value of what is managed by Wenzel Analytics derives from a currency other than dollars, such as country ETFs, American Depository Receipt (ADR) companies, currency ETFs, and stocks purchased on Canadian exchanges.

International Funds. Annual return rate to date: 28%. Last 12 months: 24%.



13. Sector Rotation.

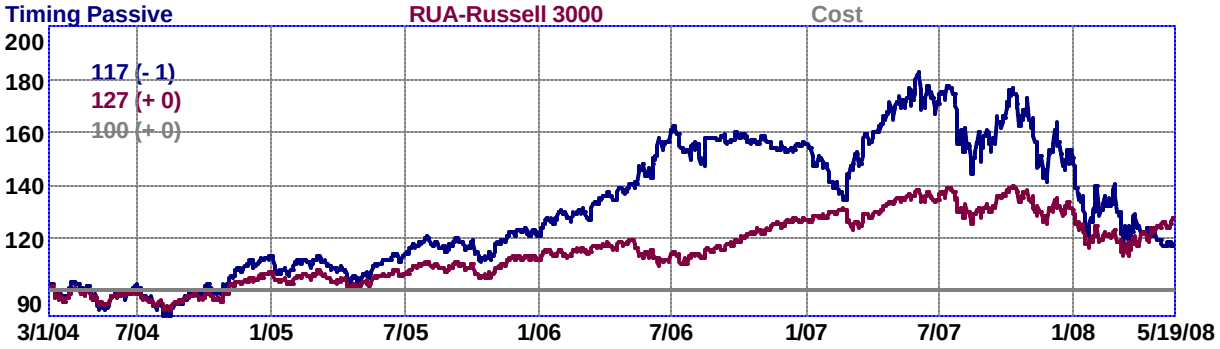
A monthly sector rotation rule was found through backtesting, based mostly on the sector with median volatility. This is a statistically derived portfolio, but not based on data mining. Five accounts are utilizing the portfolio. Some of the volatility comes from buying sector ETFs that are leveraged. March was financials; April was utilities.

Sector Rotation. Annual return rate to date: 35%.

14. Passive and Timing.

For some people, active investing means pickings stocks while passive investing means using index funds. For other people, active investing means moving in and out of the market in anticipation of market swings. Where Wenzel Analytics manages most of a client's investments, we sometimes will invest in passive investments such as the ETF MVV, and then move these to cash if the market appears overbought. In addition, as stocks are sold the cash will be allowed to accumulate if the market appears overbought, sometimes being up to 33% in cash. Cash will on occasion be moved in and out of leveraged long and short ETFs as a timing and hedging portfolio. We have not played the recent market downturn well at all; fortunately a limited allocation is permitted in the timing strategy.

Timing with Funds. Annual return rate to date: 10%. Last 12 months: -30%.



The chart is less than ideal for showing the results of timing endeavors, as a very small investment during a down market will show a dramatic down chart line. The chart indicates daily prices rather than dollars. The return numbers are more relevant. In partial justification for the returns, the portfolio has evolved into becoming more of a hedge or insurance against other portfolios, such as by investments in the Swiss franc ETF.

IV. Implement Guidelines

A. Do top down: Every selection has to fit into a portfolio.

B. Base final selection and selling on technical analysis or prescribed durations.

1. Refuse to sell during short-term oversold markets.
2. Contain timing to a designated portfolio.

C. Monitor emotions.

1. Ones own
2. Market sentiment
3. Temperature of all media and resource materials

D. When to sell a ten-bagger? Watch for parabolic rise and position allocation.

E. When to sell a loser? Ignore basis. Will stock go up within time frame?

F. Stay organized and use tools that give constant perspective.

1. Pivot tables.
2. Fund Manager position and portfolio comparisons. (www.fundmanagersoftware.com)
3. Like Yahoo position comparisons

G. Question the experts, screen the garbage.