

April 8, 2021



Quarterly Commentary and Opinion

Dear Clients of Kondracki Advisory,

Our composite total return for the first quarter was **6.6%**. We exceeded the performance of the S&P 500 Index and did so with significantly less investment risk and portfolio volatility. Our equity positions achieved an **8.58%** total return. The total returns on the S&P 500, DJIA, and Russell 1000 Value Index were 6.17%, 8.29%, and 11.6%, respectively. Our year-to-date composite total return through April 8th is **8.16%** and our equity positions total return is **10.60%**.

From the inception of our firm in October of 2012, our clear investment goal has been to outperform the stock market on a **risk-adjusted*** basis. In most years, and since the inception of the firm, we have been successful in doing so. Since inception, our average annual composite total return is **10.60%***. Importantly, our portfolio returns have been achieved with nearly **40% less volatility*** than the S&P 500.

Money Morality

A moral company's job is not just "to make money," but to create true societal wealth. Our rigorous **financial and moral screening process** is deliberate, unique and effective. Our companies have a long-term track record of creating value for their shareholders **and** they provide significant and quantifiable benefits to society. They create good jobs for Americans, provide necessary products and services, innovate and improve our way of life. We can take pride in sharing in the profits of these great companies in which we are invested.

Investing in Equities with Prudence

At present, interest rates continue to hover at or near historic lows. In this environment, it is no small matter to protect your current and future purchasing power against the ravages of inflation. Thankfully, we live in a country where we can own shares of the great companies from which we buy goods and services every day. If we are going to be consumers for these companies, we should also want to be the owners, sharing in the profits of the companies that we support. This opportunity is a major reason why the long-term returns of the stock market have exceeded every other major asset class. This does not mean, however, that there are not risks when investing in the stock market today. The idea that investors should significantly overweight equity exposure simply because "There is no other place to achieve a reasonable return" could prove to be imprudent. Although the Federal Reserve has supported markets at every turn, there is, I believe, a limit to their influence and effectiveness. Price still matters, and markets have become increasingly concentrated and expensive. The good news is that there are many excellent investment opportunities in companies that are trying to do the right thing by their shareholders and society every day - currently trading at very reasonable valuations. Through our rigorous financial and moral screening process, these are the companies that we always try to own. **Our approach to investing in equities has always been cautious and conservative.**

Our Portfolios and First Quarter Standouts

The **37** industry-leading and time-tested companies in which we are invested offer us excellent **company** and **sector diversification**. Our portfolios have exposure to **20** of the most important, beneficial and resilient sectors of the U.S. economy and are huge contributors to U.S. GDP and to the employment of American citizens. All have excellent growth potential and currently trade at what I believe are attractive valuations and dividend yields.

During the first quarter we had a significant number of **portfolio standouts**, including, **Nucor, ExxonMobil, Intel, ConocoPhillips, Wells Fargo, Schlumberger, Chevron, Boeing, JPMorgan Chase, Lowe's, TD Bank, Genuine Parts, Cummins, Bank of America, Cigna, Archer-Daniels Midland, Bank of New York Mellon and Target**, where we achieved total returns of 50%, 38%, 35%, 30%, 28%, 26%, 25%, 23%, 22%, 19%, 17%, 16%, 15%, 15%, 14%, 14%, 12% and 12%, respectively.

We are off to a strong start this year, having achieved an excellent total return through our conservative and prudent approach to equity investing. Investing is not without risk, but patient, value-oriented investors and advisers have been rewarded. My expectation is that our investment approach will continue to be successful.

Sincerely,
Chris Kondracki, Principal and Portfolio Manager

*Volatility is measured by portfolio Beta. *Risk-adjusted performance is measured by portfolio Alpha. Kondracki Advisory, LLC is a registered investment adviser. Information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. *Composite Return Performance is net of all fees and charges. The Composite is comprised of 100% of the accounts managed by Kondracki Advisory, LLC meeting the minimum initial investment requirement of \$250,000. Performance calculations have not been audited by any third party. Actual performance of client portfolios may differ materially due to the timing related to additional client deposits or withdrawals and the actual deployment and investment of a client portfolio, the length of time various positions are held, the client's objective and restrictions, and fees and expenses incurred by any specific individual portfolio. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.