

July 14, 2021



Quarterly Commentary and Opinion

Dear Clients of Kondracki Advisory,

Our composite total return through June 30th was **12.01%**. Our equity positions achieved a **15.34%** total return. The total returns on the S&P 500, DJIA, and Russell 1000 Value Index were 15.25%, 13.79%, and 17.05%, respectively.

We have maintained an average cash position of approximately **20%** this year. Although this decision has held back our total returns relative to the market, our cash position provides us with **considerable downside protection**, and the ability to be opportunistic buyers - we recently added three new positions to our portfolios, **Oracle, Home Depot** and **Visa**. Our conservative approach to investing in equities has been successful, and, I believe, a very prudent approach to growing and protecting our wealth. We have achieved much of the upside of the market, but with far less risk and greatly reduced volatility.

Active Portfolio Management

We were active this quarter with portfolio position buys and sells, to the benefit of our absolute and relative returns. For example, the second quarter presented us with a good opportunity to take some profits in a few of our bank stock positions after a period of very strong outperformance. We also added to our positions in **Apple, Microsoft, FedEx, PepsiCo, Lowe's, McKesson, Accenture** and **Target**, at very favorable prices. The net benefit of our active management this year, and since the inception of the firm, has been **excellent risk-adjusted returns** and **superior downside protection**, along with low portfolio turnover and reduced taxes on our gains.

Financial and Moral Screening Process

Our portfolios are invested in **39** of the world's most important, well-managed companies. Each company has been carefully selected using our rigorous **financial and moral screening process** and provides us with what I believe to be excellent capital appreciation potential and considerable dividend income, along with the defensive and resilient business qualities that we always seek in order to better protect against the downside. Importantly, our moral screening process has helped to create a portfolio of companies that we can take pride in. **The world is a better place with our companies in it.** Conversely, there are a few extremely large, highly profitable, and arguably monopolistic, social media, internet search and e-commerce businesses that we have never owned in our portfolios. These 3 companies presently account for nearly **15%** of the entire value of the S&P 500 and have disproportionately contributed to market returns. Not investing in these companies has presented challenges for us from a relative performance perspective, but I believe that our decision to not support these businesses through our portfolio investments is the right one. There is a peace of mind we gain by financially supporting businesses that are more representative of our shared values, and our hopes and aspirations for our country.

Portfolio Standouts

We have had a significant number of **portfolio standouts** this year, including, **Nucor Steel, ExxonMobil, Wells Fargo, ConocoPhillips, Target, TD Bank, Genuine Parts, JPMorgan Chase, Chevron, Intel, Microsoft, Archer-Daniels Midland, Bank of New York Mellon, Lowe's, Boeing, Tyson Foods, FedEx, IBM, Accenture and Visa**, where we achieved total returns of 95%, 61%, 54%, 50%, 36%, 29%, 28%, 28%, 28%, 27%, 23%, 22%, 22%, 21%, 16%, 16%, 15%, 14%, 14% and 11%, respectively.

Our portfolios have performed quite well this year, having achieved an excellent total return through our conservative and prudent approach to equity investing. 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.