



## Quarterly Commentary and Opinion

Dear Clients of Kondracki Advisory,

Our conservative equity portfolios have performed well this year, having achieved much of the upside of the market along with significantly less volatility and reduced risk to principal. Our goal is to achieve excellent **risk-adjusted** returns, every year.

Our composite total return through September 30<sup>th</sup> was **11.25%**. Our equity position achieved a **15.11%** total return. The total returns on the S&P 500, DJIA, and Russell 1000 Value Index were 15.92%, 12.12%, and 16.14%, respectively.

Towards the end of the third quarter, the stock market began a decline of 5.5% from its all-time high. Our portfolios declined 2.75% during this same period - and we opportunistically added to several of our larger positions. We also added five new positions to our portfolios: **Canadian Natural Resources, Mastercard, Salesforce, Fiserv** and **U.S. Bancorp**.

Our positive momentum in terms of absolute, relative and risk-adjusted returns has continued as we begin the fourth quarter. Through October 8<sup>th</sup>, our year-to-date equity position total return is **18.35%**, exceeding the returns of both the S&P 500 Index and DJIA.

### Portfolio Composition and Characteristics vs. S&P 500 Index

The following charts effectively demonstrate how our portfolio construction differs from that of the S&P 500 Index. Importantly, ours is a more **value-oriented** approach that is focused on capital appreciation **and** dividend income in order to generate a more certain and lower-risk total return. Our portfolio is 76% invested in U.S. stocks and our weighting in **Large Cap Value** and **Large Cap Blend** stocks is considerably greater than that of the S&P 500, which has a much larger concentration (40%) in lower-yielding Large Cap Growth stocks. We are most heavily weighted towards **Consumer Defensive** companies and, we have, to this point, avoided the Communication Services sector, which is dominated by a few internet search, ad-tech and social media giants. Our cash and U.S. Treasury Notes position is approximately **17%**, and **6.36%** of our portfolio is invested in **foreign stocks**. Additionally, we have a more significant portfolio weighting in **energy** companies.

Name	Portfolio Weight %	Benchmark Weight %
US Stock	76.15	98.99
Cash	14.81	0.00
Non-US Stock	6.36	1.01
Bond	1.39	0.00
Other	1.29	0.00

Style Box • Equity Style Table • 09/30/2021 • KA Model Portfolio 10 5 2021

Name	Weight %	Large Value	Large Blend	Large Growth	Mid Value	Mid Blend	Mid Growth	Small Value	Small Blend	Small Growth
KA Model Portfolio 10 5 2021	100.00	34.30	38.54	15.74	8.04	3.38	0.00	0.00	0.00	0.00
S&P 500 TR USD	-	20.76	24.44	39.66	5.28	7.29	2.51	0.04	0.02	0.00

Allocation • Morningstar Sector • 10/04/2021 • KA Model Portfolio 10 5 2021

Name	Portfolio Weight %	Benchmark Weight %
Consumer Defensive	22.80	6.21
Technology	22.01	24.63
Financial Services	15.97	14.11
Consumer Cyclical	12.46	12.10
Industrial	12.18	8.38
Energy	6.92	2.75
Health Care	5.99	13.34
Basic Materials	1.67	2.15
Communication Services	0.00	11.29
Real Estate	0.00	2.58
Utilities	0.00	2.46

The net result of our active investment approach and process has been a strong performing, consistent, reduced volatility portfolio. Consider also that our **equity position dividend yield of 2.41%** is **70% greater** than that of the S&P 500 Index and that our portfolio **price-to-earnings ratio** is at a **30% discount**. The cash that we maintain for defensive and opportunistic reasons is also an important component of a prudent investment approach. Our portfolios are clearly different than the S&P 500 Index, and for good reason. I believe that our approach offers far more control and greater flexibility as we strive to achieve our goal of providing excellent long-term risk-adjusted returns.

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 and invested in the KA Model Portfolio Strategy over the measured time frame. 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.