

October 6, 2023



## Quarterly Commentary and Opinion

Dear Clients and Friends of Kondracki Advisory,

Our year-to-date **composite total return** was **6.50%** through September 30, 2023. The **S&P 500** total return was **13.07%** and the **DJIA** total return was **2.73%**. Our **equity position** total return, currently **53%** of total portfolio values, was **9.96%**. Our **short-term U.S. Treasuries position** total return, currently **36%** of total portfolio values (with an average yield to maturity of **5.5%**), was **3.66%**, vs. a **-1.03%** total return for bonds as measured by the U.S. Aggregate Bond Index (AGG). Our performance this year has been **solid, consistent**, and achieved with **far less volatility** than that of the stock market. **This is especially important considering our very considerable outperformance in 2022.**

Taking a longer-term look at our investment performance, our **12-month composite total return** through September 30, 2023, was **15.04%**. Our **3-year** average annual composite total return through September 30, 2023, was **10.85%** and our **5-year** average annual total return was **9.10%**. Our very solid total returns have been achieved with nearly **40% less volatility\*** than that of the S&P 500.

At present, our portfolio **Beta** is approximately **.61**. Our **3-year** and **5-year Alpha** is **4.1%** and **2.1%**, respectively, thus demonstrating **superior long-term risk-adjusted returns** as compared to the 100% equity S&P 500 Index.

We added **3 new equity positions** during the third quarter: **Texas Instruments, Gartner** and **Fleetcor**. This is in addition to the **18** new equity positions that we added in **2022**. This additional portfolio diversification brings our total equity positions to **56**. We continue to be very careful with our equity allocations and selections, which have performed well to start this year, adding only those companies that meet or exceed our **rigorous financial and moral screening process** standards. In fact, our Model Portfolio equity allocation of **53%** is the most conservative that we have been in the past 10 years.

**We remain cautious**, as stock market valuations remain stretched, in my opinion, and the total value of the stock market has become **concentrated to an unprecedented level** and seemingly dependent on the share price performance of little more than a handful of companies. Case in point, **90%** of the gains in the S&P 500 this year can be attributed to the stock price performance of just **7** companies, and without their contribution, the market would be flat. Importantly, our portfolios, invested in **56 companies** vs. the 500 companies in the S&P Index, have **greater practical diversification** than the broad stock market due to our **careful stock selection and our less concentrated company and sector weightings**.

### **Our Portfolios and Year to Date Standouts**

The **56 industry-leading and time-tested companies** in which we are invested offer us excellent long-term total return potential, considerable dividend income, and prudent and significant **company** and **industry diversification**. We had a significant number of **portfolio standouts** during the **first 9 months** of the year, including, **Tesla, General Electric, Adobe, Broadcom, FedEx, Honda Motor Co., Paccar, Toyota Motor Corp., Intel, Microsoft, Apple, Costco, Canadian Natural Resources, GE HealthCare Technologies, Accenture** and **Walmart**, where we achieved total returns of **104%, 69%, 65%, 60%, 55%, 51%, 39%, 36%, 36%, 35%, 33%, 20%, 20%, 20%, 15%** and **15%**, respectively.

**Our year-to-date portfolio performance has been very solid**, especially considering our **true diversification, reduced risk, reduced volatility** and **decreased equity %** as compared to the S&P 500 Index. Our **risk adjusted returns continue to be superior** to those of the stock market year to date, and over every measured time frame since the inception of our firm. This will **always** be our primary goal for our clients.

**The firm has some exciting plans for 2024.** We will be expanding our portfolio management capabilities and establishing a Client Advisory Board. We will also be hosting several live educational events for current and prospective clients.

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.