

The Sizemore Income Letter

April 16, 2021

Another Day, Another Milestone

By Charles Lewis Sizemore, CFA



The Dow breached 34,000 this week. It started trading this year at 30,627.

That's a solid start to the year, and it's not just the Dow. The S&P 500 and Nasdaq are also flirting with new all-time highs, and the Russell 2000 small-cap index isn't too far behind.

It's a raging bull market.

The Sizemore Income Letter, as its name makes clear, is first and foremost about generating cash flow. We care about capital gains, but that's a secondary consideration.

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?
BHP Group	BHP	2/25/2021	\$78.04	\$ 73.84	\$60.94	4.10%	\$ -	-5.38%	Yes
Vale SA	VALE	2/25/2021	\$17.40	\$ 19.35	\$12.06	3.00%	\$ -	11.21%	Yes
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$ 45.56	\$34.74	9.10%	\$ 1.03	4.90%	No
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$ 45.11	\$37.02	4.70%	\$ -	9.43%	Yes
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$ 28.47	\$23.14	4.75%	\$ 0.32	7.43%	Yes
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$ 18.57	\$14.53	5.12%	\$ 0.23	5.59%	Yes
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$ 40.07	\$28.16	9.12%	\$ 0.97	33.03%	No
Main Street Capital	MAIN	9/25/2020	\$29.74	\$ 42.18	\$24.36	8.46%	\$ 0.82	44.57%	Yes
Iron Mountain	IRM	8/25/2020	\$30.22	\$ 38.25	\$23.53	8.15%	\$ 1.24	30.65%	Yes
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$ 25.57	\$15.87	12.05%	\$ 0.96	68.98%	Yes
Dow Inc.	DOW	6/24/2020	\$38.45	\$ 64.41	\$41.05	6.62%	\$ 0.70	69.34%	Yes
Tortoise Essential Assets Income Term Fund	TEAF	6/24/2020	\$10.73	\$ 14.78	\$11.07	8.19%	\$ 0.60	43.29%	Yes
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$ 107.32	\$73.29	6.17%	\$ 1.05	79.45%	Yes
Invesco Adv. Municipal Income Trust II	VKI	4/23/2020	\$10.12	\$ 11.98	\$10.87	4.76%	\$ 0.51	23.37%	No
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$ 19.58	\$15.02	11.44%	\$ 1.20	83.04%	Yes

But all the same, what happens in the broader markets matters to us because it can affect the timing of our purchases. If the market is trending lower or I fear that it will start trending lower in the immediate future, I'm more likely to slow-roll adding new positions.

We're in a bubble. If you doubt that, just look at the recent trading action in the cryptocurrency space. Dogecoin – a smaller crypto upstart – is up 400% this week alone.

Coinbase Global (Nasdaq: COIN), which went public this week, has a market cap of over \$60 billion. To put that in perspective, that's roughly the size of Colgate-Palmolive and it's about a third of the size of Wells Fargo, one of the largest banks in the world. Coinbase sports a valuation like that because cryptocurrencies like Bitcoin are hot, and Coinbase is the largest broker in that space.

This kind of speculation isn't likely to end well. But for now, the trend is our friend. Virtually all risky assets are trending higher, so it makes sense for us to stay the course for now. We'll keep an eye on our stop losses, and we'll be prepared to jump ship at the first site of turbulence. But for now, our income plays are trending higher, so there is no reason not to participate.

Thus far, we're off to an underwhelming start in **BHP Group (NYSE: BHP)**. We're down about 5%. But we're up about 11% in rival miner **Vale SA (NYSE: VALE)**, which I recommended at the same time. I recommend being patient here, as I expect us to really make a solid return in the basic materials space. We have a ton of pent-up demand for construction coming from the private sector, and the potential for a couple trillion dollars in additional spending from the government if the infrastructure bill becomes a reality. This is a trend we need to ride higher.

Right now, it's a race between **Ares Capital Corporation (NYSE: ARCC)** and **LyondellBasell Industries (NYSE: LYB)** for the strongest performer. We're up 83% and 79%, respectively.

I still see more upside here. I think the move in both stocks is just getting started.

There will come a point in which I will advise against adding new money. And there will come a point in which I recommend we sell and take profits. But we're not there yet. So if you haven't added exposure here, it's not too late.

If you're looking to add new money today, my favorite positions at current prices are BHP Group, Vale and the **WisdomTree Emerging Markets High Dividend Fund (NYSE: DEM)**. As always, keep your position sizes at a reasonable 3% to 5% of your portfolio. But if you haven't already added exposure – or if you have room for more – this is where I see the best upside at the moment.

April 16, 2021

That's going to wrap it up for today. Until next week, keep cashing those dividend checks.

A handwritten signature in blue ink that reads "Charles Lewis Sizemore". The signature is fluid and cursive, with a long horizontal stroke at the end.

Charles Lewis Sizemore, CFA

P.S.: Apart from writing this newsletter, I run a full-service wealth management firm along with my colleagues. At **Sizemore Capital Management**, we build income portfolios like those I write about in the *Sizemore Income Letter*. But we also do a lot more than that. We manage a suite of low-volatility strategies offering low correlation to the S&P 500. If you'd like for me to take a look at your portfolio and offer some recommendations, contact me at info@sizemorecapital.com.