

The Sizemore Income Letter

April 9, 2021

So Far, So Good

By Charles Lewis Sizemore, CFA



I don't a lot to report this week, and that's a good thing. It's been relatively quiet in incomeland. Bond yields have been trading sideways for the past three weeks with the 10-year Treasury yield stalled out around 1.6%.

That's good. Stability in the bond market is good for us. When bond yields are rising aggressively, "bond-like" stocks tend to suffer. We're in a good place here, and I expect it to continue for a while.

Let's dig into the portfolio.

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	\$ 70.30	\$60.94	4.10%	\$ -	-9.92%	Yes
Vale SA	VALE	2/25/2021	\$17.40	\$ 18.43	\$12.06	3.00%	\$ -	5.92%	Yes
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$ 44.93	\$34.74	9.10%	\$ 1.03	3.49%	No
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$ 44.05	\$37.02	4.70%	\$ -	6.87%	Yes
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$ 28.00	\$23.14	4.75%	\$ 0.32	5.67%	Yes
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$ 18.31	\$14.53	5.12%	\$ 0.23	4.16%	Yes
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$ 40.25	\$28.16	9.12%	\$ 0.97	33.63%	No
Main Street Capital	MAIN	9/25/2020	\$29.74	\$ 41.50	\$24.36	8.46%	\$ 0.82	42.30%	Yes
Iron Mountain	IRM	8/25/2020	\$30.22	\$ 37.27	\$23.53	8.15%	\$ 1.24	27.41%	Yes
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$ 24.69	\$15.87	12.05%	\$ 0.96	63.38%	Yes
Dow Inc.	DOW	6/24/2020	\$38.45	\$ 62.90	\$41.05	6.62%	\$ 0.70	65.41%	Yes
Tortoise Essential Assets Income Term Fund	TEAF	6/24/2020	\$10.73	\$ 14.80	\$11.07	8.19%	\$ 0.60	43.51%	Yes
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$ 103.35	\$73.29	6.17%	\$ 1.05	72.88%	Yes
Invesco Adv. Municipal Income Trust II	VKI	4/23/2020	\$10.12	\$ 11.77	\$10.87	4.76%	\$ 0.51	21.29%	No
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$ 19.30	\$15.02	11.44%	\$ 1.20	80.62%	Yes

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We're now positive in every position **BHP Group (NYSE: BHP)**, and our loss in BHP has been narrowing. The stock has a lousy run in the first three weeks of March, but it's been trending higher ever since.

Vale SA (NYSE: VALE), which I recommended at the same time and for essentially the same reasons – I expect industrial metals prices to trend higher for a while – is off to a better start, up 5%.

The real standout continues to be **Ares Capital Corporation (NYSE: ARCC)**. We're up 81% including dividends, and the shares are far from expensive. In fact, the shares have simply returned to pre-pandemic levels. That's it.

Business development companies like ARCC are as close to Main Street as Wall Street gets. They provide debt and equity financing to companies that are generally a little too big for a bank loan but not quite big enough to access the equity and bond markets alone.

With the reopening of the economy well on its way, the companies in ARCC's portfolio should have a nice runway in front of them. ARCC shares trade at a slight premium to book value, but that book value itself is likely understated given how aggressively public equity prices have risen. The shares remain a buy.

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



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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.