

# The Sizemore Income Letter

May 14, 2021

## All About Inflation

By Charles Lewis Sizemore, CFA



I'm going to cut this a little short this week, as I'm on the road travelling. I'm in Miami, and I believe it took me about 10 minutes from walking off the plane to get a sunburn. But that's ok. I'm used to it!

This was a choppy week in the market, and you can point to a higher-than-expected inflation report as the culprit. Although the Fed insists the inflation is transitory – and my instinct is to largely agree based on the work of Lacy Hunt and other economists I respect – that's not how Mr. Market is interpreting the data right now. There is legitimate fear that the spike in inflation *isn't* transitory.

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?
Newmont Corporation	NEM	4/27/2021	\$65.72	\$ 70.75	\$53.74	3.35%	\$ -	7.65%	Yes
BHP Group	BHP	2/25/2021	\$78.04	\$ 77.47	\$60.94	4.10%	\$ -	-0.73%	Yes
Vale SA	VALE	2/25/2021	\$17.40	\$ 21.03	\$12.06	3.00%	\$ -	20.86%	Yes
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$ 49.08	\$34.74	9.10%	\$ 1.03	12.83%	No
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$ 45.52	\$37.02	4.70%	\$ -	10.43%	Yes
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$ 27.73	\$23.14	4.75%	\$ 0.32	4.66%	Yes
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$ 18.09	\$14.53	5.12%	\$ 0.23	2.92%	Yes
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$ 44.37	\$28.16	9.12%	\$ 0.97	46.97%	No
Main Street Capital	MAIN	9/25/2020	\$29.74	\$ 40.54	\$24.36	8.46%	\$ 0.82	39.07%	Yes
Iron Mountain	IRM	8/25/2020	\$30.22	\$ 42.50	\$23.53	8.15%	\$ 1.24	44.73%	Yes
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$ 24.86	\$15.87	12.05%	\$ 0.96	64.46%	Yes
Dow Inc.	DOW	6/24/2020	\$38.45	\$ 69.83	\$41.05	6.62%	\$ 0.70	83.43%	Yes
Tortoise Essential Assets Income Term Fund	TEAF	6/24/2020	\$10.73	\$ 14.38	\$11.07	8.19%	\$ 0.60	39.61%	Yes
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$ 114.07	\$73.29	6.17%	\$ 1.05	90.63%	Yes
Invesco Adv. Municipal Income Trust II	VKI	4/23/2020	\$10.12	\$ 12.02	\$10.87	4.76%	\$ 0.51	23.76%	No
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$ 18.91	\$15.02	11.44%	\$ 1.20	77.18%	Yes

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I'm taking the position that inflationary conditions will persist for at least the next several months and that in certain pockets of the economy it may persist for years. I expect raw materials prices to trend higher for the foreseeable future.

The good news for us is that our portfolio is very well positioned to handle a little inflation. I intentionally put together a portfolio of high yielders that should actually benefit from inflation, particularly our mining stocks.

And if that inflation proves to be relatively short lived, so be it. We simply take our profits and move on to the next investment theme. But until then, bring on the inflation. We're ready!

That's all I have for today, and my kids are pulling me to the beach. So until next week, keep cashing those dividend checks!

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

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](mailto:info@sizemorecapital.com).