

# The Sizemore Income Letter

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## It's Nice to Have a Lull...

By Charles Lewis Sizemore, CFA



The sideways market continues. And I don't know about you, but I welcome it. It's nice to have a low-drama market for a while. Frankly, it's hard to think about big-picture investment themes when you're constantly bombarded with noise. These moments of relative quiet help us to clear our heads and look for our next opportunity.

And about that...

I still think out best opportunities lie in basic industries and emerging markets at the moment, and barring some breaking news, I intend to make that the focus of the next issue.

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?	Action
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$ 25.17	\$14.94	6.86%	\$ -	14.72%	Yes	Buy
First Trust Dynamic Europe Equity Income	FDEU	5/26/2021	\$13.68	\$ 13.94	\$11.50	5.26%	\$ -	1.90%	Yes	Buy
Newmont Corporation	NEM	4/27/2021	\$65.72	\$ 70.11	\$55.43	2.97%	\$ -	6.69%	Yes	Buy
BHP Group	BHP	2/25/2021	\$78.04	\$ 75.82	\$61.50	4.27%	\$ -	-2.84%	Yes	Buy
Vale SA	VALE	2/25/2021	\$17.40	\$ 22.45	\$15.04	5.75%	\$ 0.77	33.40%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$ 53.08	\$38.96	8.27%	\$ 1.03	21.84%	No	Buy
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$ 47.38	\$39.60	4.13%	\$ 0.18	15.37%	Yes	Buy
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$ 29.15	\$23.45	4.61%	\$ 0.32	9.94%	Yes	Buy
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$ 19.39	\$15.19	5.00%	\$ 0.23	10.20%	Yes	Buy
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$ 45.60	\$33.04	6.95%	\$ 0.97	50.96%	No	Hold
Main Street Capital	MAIN	9/25/2020	\$29.74	\$ 42.01	\$32.96	5.96%	\$ 0.82	44.01%	Yes	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$ 46.06	\$33.48	5.66%	\$ 1.24	56.51%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$ 26.69	\$17.56	7.66%	\$ 0.96	76.08%	Yes	Buy
Dow Inc.	DOW	6/24/2020	\$38.45	\$ 68.11	\$45.91	4.07%	\$ 0.70	78.96%	Yes	Buy
Tortoise Essential Assets Income Term Fund	TEAF	6/24/2020	\$10.73	\$ 14.94	\$11.94	6.18%	\$ 0.60	44.83%	Yes	Buy
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$ 109.95	\$78.49	3.76%	\$ 1.05	83.81%	Yes	Buy
Invesco Adv. Municipal Income Trust II	VKI	4/23/2020	\$10.12	\$ 12.04	\$11.32	4.78%	\$ 0.51	23.96%	No	Hold
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$ 19.93	\$15.92	8.27%	\$ 1.20	86.16%	Yes	Buy

Frankly, I'm just not seeing the value anywhere else.

Not that I'm complaining, of course. One of our most recent picks, the **ClearBridge Energy Midstream Opportunity Fund (NYSE: EMO)**, is already up just shy of 15%. And I believe it's just getting started. Even after the move, it trades at an almost pitiful 18% discount to net asset value. Investor sentiment towards pipelines is still so bad, we can pick up the shares for just 82 cents on the dollar.

We're in a peculiar market right now. Inflation is back, and sectors that tend to perform well with inflation are doing exactly that. Precious metals, materials stocks, commodities... all have been doing well. And the recent selloff notwithstanding, cryptocurrencies like Bitcoin have done well over the past year due in large part to inflation and dollar fears.

Yet bond yields are actually trending *lower*. After topping out in March at 1.76%, the 10-year Treasury yield has been in retreat and now sits at 1.46%.

Falling yields... at a time when inflation is rising. That doesn't compute, but that's our situation today.

No thanks. Rather than buy bonds at these levels, I'd rather buy one of our high-yield materials stocks. Yes, there is more potential volatility. But we're getting paid to accept that risk while also putting ourselves in position to really score some nice capital gains as our inflation hedges continue to move higher.

At least that's the way it looks from here.

That's all I have for today. Enjoy your weekend, and until next week, keep cashing those dividend checks!



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).