

The Sizemore Income Letter

June 4, 2021

The Commodity Bull Market Just Getting Started

By Charles Lewis Sizemore, CFA



Two weeks ago, I suggested that a “sideways grind” in the market was the most likely scenario.

And at least for the moment, it seems I was correct. The S&P 500 has barely budged since May 24, trading in one of the tightest trading ranges I can remember.

You know my views here. I’m concerned about stock valuations. *Very* concerned about valuations. But I also know that valuations alone don’t kill a bull market.

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	\$ 23.39	\$14.94	6.86%	\$ -	6.61%	Yes	Buy
First Trust Dynamic Europe Equity Income	FDEU	5/26/2021	\$13.68	\$ 13.80	\$11.50	5.26%	\$ -	0.88%	Yes	Buy
Newmont Corporation	NEM	4/27/2021	\$65.72	\$ 71.39	\$55.43	2.97%	\$ -	8.63%	Yes	Buy
BHP Group	BHP	2/25/2021	\$78.04	\$ 76.12	\$61.50	4.27%	\$ -	-2.46%	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	\$ 51.64	\$38.96	8.27%	\$ 1.03	18.59%	No	Buy
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$ 47.57	\$39.60	4.13%	\$ 0.18	15.82%	Yes	Buy
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$ 27.79	\$23.45	4.61%	\$ 0.32	4.87%	Yes	Buy
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$ 18.15	\$15.19	5.00%	\$ 0.23	3.23%	Yes	Buy
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$ 44.99	\$33.04	6.95%	\$ 0.97	48.98%	No	Hold
Main Street Capital	MAIN	9/25/2020	\$29.74	\$ 41.42	\$32.96	5.96%	\$ 0.82	42.03%	Yes	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$ 45.43	\$33.48	5.66%	\$ 1.24	54.43%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$ 25.50	\$17.56	7.66%	\$ 0.96	68.52%	Yes	Buy
Dow Inc.	DOW	6/24/2020	\$38.45	\$ 70.23	\$45.91	4.07%	\$ 0.70	84.47%	Yes	Buy
Tortoise Essential Assets Income Term Fund	TEAF	6/24/2020	\$10.73	\$ 14.79	\$11.94	6.18%	\$ 0.60	43.38%	Yes	Buy
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$ 116.01	\$78.49	3.76%	\$ 1.05	93.84%	Yes	Buy
Invesco Adv. Municipal Income Trust II	VKI	4/23/2020	\$10.12	\$ 12.25	\$11.32	4.78%	\$ 0.51	26.07%	No	Hold
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$ 19.72	\$15.92	8.27%	\$ 1.20	84.27%	Yes	Buy

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It's usually something else, such as a collapse in earnings or aggressive rate hiking by the Fed, that kills the bull.

That's not happening, or at least not yet. But the rotation into commodity and emerging market stocks continues.

We're now up 33% in Vale SA (NYSE: VALE), which we entered just a little over three months ago. And **Magellan Midstream Partners (NYSE: MMP)** and the **WisdomTree Emerging Markets High Dividend Fund (NYSE: DEM)** are up 18% and 16%, respectively.

I really believe this is just the beginning. The *Sizemore Income Letter* is a conservative income letter. Our number-one priority is generating income every month, not necessarily "beating the market." But we're in a situation today in which some of the very best income payers also happen to be the stocks I consider the most likely to enjoy hundreds of percent of returns in the years ahead. It won't always be like that. But that's the situation today, and we need to take advantage of it.

We've seen this movie before. Tech stocks dominated for the duration of the 1990s, but they lost that leadership position in 2000. Investors rotated into energy, commodity and emerging markets that decade. *That's* where the action was and where I expect it to be for the next several years.

You're going to hear a lot more about commodities from me in the months ahead. I may repeat all of this until I'm blue in the face. But again, if you're not investing in materials and emerging markets right now, you are likely missing the most important investment themes of the 2020.

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.