

# The Sizemore Income Letter

July 16, 2021

## The Summer Doldrums

By Charles Lewis Sizemore, CFA



We're in that time of year where it generally doesn't pay to follow the news. The headlines today are virtually unchanged from those a week ago... and the week before.

There are mentions of the Fed... of inflation... of the occasional meme stock. But the reality is that there just isn't all that much happening in the financial world this time of year.

It's the summer doldrums!

Personally, I welcome it. It's during these slower periods that we have the time to step back and consider our longer-term investment goals. So, let's do that today.

### [It Starts With Income](#)

Our primary mandate is generating retirement income. This is the *Sizemore Income Letter*, after all.

A few years ago, I might have told you my targeted portfolio yield was 7% to 10%. Well, we have a few picks with yields in that range, of course. But in today's market, I think it's a mistake to focus exclusively on high yield. Doing so would force us into a really narrow corner of the market dominated almost exclusively by mortgage REITs, pipelines and aggressive closed-end funds.

I like these sectors, of course. But I would be completely irresponsible to load up your portfolio with only these sectors. That's not investing. It's speculating, and that's not what I recommend with an income portfolio.

In today's yield environment, we have to be a little more flexible. I'm comfortable shooting for a targeted portfolio yield in the 5% - 7% range for now, as I believe this gives us the best combination of income, growth and – importantly – risk control.

### [Hedging Against the Great Unknown...](#)

I worry about inflation. I know that deflation may be the more serious threat ahead, particularly if the post-COVID economic rebound loses steam. But I worry that the \$4 trillion that the Fed has printed since the onset of the pandemic will lead to inflation that isn't as "transient" as the Fed seems to believe.

I think it only makes sense to have a little built-in inflation protection, which is why our portfolio is heavy in stocks and funds with “real assets.”

Even if the sustained inflation doesn’t materialize, it makes sense to be allocated to these sectors because that’s where the value and income are.

### Sizemore Income Letter Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?	Action
Nuveen Real Estate Income	JRS	6/25/2021	\$10.77	\$ 11.53	\$ 8.68	7.06%	\$ -	7.06%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$ 21.47	\$17.30	6.86%	\$ -	-2.14%	Yes	Buy
First Trust Dynamic Europe Equity Income	FDEU	5/26/2021	\$13.68	\$ 13.32	\$11.76	5.26%	\$ 0.12	-1.78%	Yes	Buy
Newmont Corporation	NEM	4/27/2021	\$65.72	\$ 62.12	\$55.43	2.97%	\$ 0.55	-4.64%	Yes	Buy
BHP Group	BHP	2/25/2021	\$78.04	\$ 75.10	\$61.50	4.27%	\$ -	-3.77%	Yes	Buy
Vale SA	VALE	2/25/2021	\$17.40	\$ 22.49	\$15.13	5.75%	\$ 0.77	33.63%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$ 46.55	\$41.78	8.27%	\$ 2.06	9.45%	No	Buy
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$ 45.47	\$40.42	4.13%	\$ 0.82	12.29%	Yes	Buy
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$ 27.80	\$23.45	4.61%	\$ 0.96	7.29%	Yes	Buy
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$ 18.73	\$15.19	5.00%	\$ 0.69	9.10%	Yes	Buy
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$ 45.66	\$33.04	6.95%	\$ 1.78	53.78%	No	Hold
Main Street Capital	MAIN	9/25/2020	\$29.74	\$ 41.31	\$32.96	5.96%	\$ 1.85	45.11%	Yes	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$ 43.88	\$35.52	5.66%	\$ 2.48	53.40%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$ 26.02	\$18.15	7.66%	\$ 1.92	77.95%	Yes	Buy
Dow Inc.	DOW	6/24/2020	\$38.45	\$ 60.29	\$47.25	4.07%	\$ 2.80	64.08%	Yes	Buy
Tortoise Essential Assets Income Term Fund	TEAF	6/24/2020	\$10.73	\$ 14.85	\$11.94	6.18%	\$ 0.98	47.48%	Yes	Buy
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$ 97.35	\$79.23	3.76%	\$ 5.33	70.03%	Yes	Buy
Invesco Adv. Municipal Income Trust II	VKI	4/23/2020	\$10.12	\$ 12.09	\$11.32	4.78%	\$ 0.75	26.88%	No	Hold
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$ 20.02	\$15.92	8.27%	\$ 2.00	93.96%	Yes	Buy

The volatility of the past couple weeks has zinged some of our positions. We’re sitting on small losses in four of our positions at the moment.

I’m ok with that. Again, we’re in the summer doldrums, and July isn’t a strong month historically. We’ll continue to collect the high dividends and wait for the stronger fall months to come.

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That's all I have for today. Enjoy your weekend, and 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 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](mailto:info@sizemorecapital.com).