

The Sizemore Income Letter

July 22, 2021

Revisiting the Forever Portfolio

By Charles Lewis Sizemore, CFA



I'll spare you another long discussion of market volatility... of inflation... or about extended and pricey the market is looking these days. The fact is, we're in a transition period and the market has a lot to digest right now. And until it does, it's just going to be more of the same: a lot of directionless, choppy action.

Rather than rehash that for the umpteenth time, let's review the "Forever Portfolio."

I put this together in March of 2020, when it appeared the world was truly ending. I wanted a list of 10 stocks I believed you could realistically hold for the rest of your life, collecting dividends along the way. I added an 11th pick a year later, this past March, in Philip Morris International (NYSE: PM).

The Forever Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?	
Philip Morris International	PM	3/30/2021	\$ 89.35	\$ 97.07	None	4.90%	\$ 1.20	9.98%	Yes	
Altria Group	MO	3/19/2020	\$ 37.10	\$ 47.07	None	7.27%	\$ 5.12	40.67%	Yes	
Realty Income	O	3/19/2020	\$ 48.08	\$ 69.69	None	4.03%	\$ 3.75	52.74%	Yes	
AT&T	T	3/19/2020	\$ 31.15	\$ 27.82	None	6.91%	\$ 3.64	1.00%	Yes	
Enterprise Products										
Partners	EPD	3/19/2020	\$ 14.52	\$ 23.59	None	7.62%	\$ 2.24	77.86%	No	
Kinder Morgan	KMI	3/19/2020	\$ 11.20	\$ 17.41	None	6.29%	\$ 1.32	67.21%	Yes	
Ventas	VTR	3/19/2020	\$ 19.98	\$ 59.70	None	3.00%	\$ 3.04	214.03%	Yes	
Public Storage	PSA	3/19/2020	\$ 187.60	\$ 308.15	None	2.59%	\$ 10.00	69.59%	Yes	
International Paper	IP	3/19/2020	\$ 30.13	\$ 57.93	None	3.51%	\$ 2.57	100.78%	Yes	
STAG Industrial	STAG	3/19/2020	\$ 21.71	\$ 39.40	None	3.62%	\$ 1.93	90.35%	Yes	
Retail Opportunity Investments										
Investments	ROIC	3/19/2020	\$ 7.25	\$ 17.32	None	2.62%	\$ 0.42	144.69%	Yes	
Average						4.76%		78.99%		

The performance has been great, and we don't have a single loser in the lot. AT&T is down slightly on a price basis, but its consistently high dividend more than made up for

those losses, giving us positive (if modest) returns. We're up an average of 78.99% across the portfolio.

I'm thrilled with the way this portfolio performed, but this isn't about giving ourselves a pat on the back. Let's take a look to see where these stocks are today and what might be next for them.

I'll start by saying there are no "sells" here. By design, this is a buy-and-hold portfolio. But that doesn't mean every stock is a worthy recipient of fresh capital at all times. So, I'll break this down between "holds" and "buys with new money."

Let's start with the holds.

I'll be straight with you. I've been less than pleased with AT&T's management of late. They spent a fortune on Time Warner's media assets only to give up and punt on them a couple years later. I'm not going to recommend adding new money to AT&T shares until either management clarifies its direction or the shares get so cheap that they can't be ignored.

I still love Public Storage (NYSE: PSA) and consider it one of the absolute best REITs to own over the course of an investing lifetime. But it's just a little too expensive right now to justify adding much in the way of new capital.

For the rest of the portfolio, I'm very comfortable adding new capital. Retail Opportunity Trust (NYSE: ROIC) and Ventas (NYSE: VTR) both sport low yields (at least by their historical standards). But both also slashed their payout last year, and I expect the yield to rise due to dividend hikes in the coming quarters. I still really like both of these REITs, particularly at today's prices.

But my favorite at current prices is Enterprise Products Partners (NYSE: EPD). Frankly, I don't know where you're going to find a safer distribution at anywhere near Enterprise's 7.6% yield. This is a stock that is trading at levels first seen 9 years ago... in a safe and stable company.

That's hard to beat.

If you own any or all of these, please continue to hold them. But if you're looking to add significant new capital, my favorites at current prices are Enterprise, Kinder Morgan (NYSE: KMI), Ventas and Retail Opportunities. This is where I expect you to get the biggest bang for your buck.

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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.