

# The Sizemore Income Letter

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## Two Trades and a 401k Update

By Charles Lewis Sizemore, CFA



We have two trades to make this week, so let's jump into it.

To start, we hit out stop loss in **BHP Group (NYSE: BHP)**, so let's follow our risk management and cut it loose:

**Action to take: Sell shares of BHP Group (NYSE: BHP) at market.**

We're still above our stop loss in fellow mining giant **Vale SA (NYSE: VALE)**. But frankly, the shares are trending the wrong direction, and they are showing no signs of arresting the slide.

Rather than wait for the inevitable stop, I'd prefer to book our gains while we still have some. So...

**Action to take: Sell shares of Vale SA (NYSE: VALE) at market.**

We still have commodity exposure via our position in gold miner **Newmont Corp (NYSE: NEM)** and to a lesser extent via our pipeline positions. I'm keeping an eye on Newmont. For the moment, it's still safely above our stop losses. Unfortunately, it's not behaving the way I expected.

You know me. I tend to be deliberate and work in stages. I don't like to make rash decisions. So, I'll give this one a little more time. But be advised, Newmont is on a short leash.

I expected commodity stocks to enjoy a phenomenal run. With the Fed and virtually every other major central bank pursuing excessively dovish monetary policy, the macro environment seemed perfect. Furthermore, the explosion of infrastructure spending and a post-COVID boom looked poised to throw gasoline on the fire.

Alas, Mr. Market seems to have other ideas. Bond yields continue to hover near multi-month lows, and investors seem to be preferring the perceived safety of expensive yet less economically-sensitive tech stocks.

This suggests that the Fed's insistence that inflation would be "transitory" just might actually end up being true.

We shall see.

## 401(k) Update

Moving on, it's been a little too long since I revisited the 401(k) model allocation.

This isn't something I generally plan to change often, as 401(k) plans are designed to be managed with a light touch. But it's been several months, so a proper review is in order.

I continue to believe something along the lines of a 60/40 portfolio is "about right" for now. There will come a time to massively reduce our equity exposure and go mostly or entirely to cash and bonds.

## 401(k) Model Allocation

Sector	%
Money Market / Short-Term Corporate Bonds	40%
Long-Term Bonds (High Quality or Government)	0%
Large Cap Value	20%
Large Cap Growth	25%
Real Estate Investment Trusts	10%
Gold / Precious Metals / Commodities	5%

Figure 1

That day may be sooner rather than later. But for now, until I get clear signals to the contrary, I'm comfortable maintaining our stock exposure.

I am, however, making a few changes within that allocation. I'm slightly reducing exposure to large-cap value and to gold/commodities and recommending a slightly higher allocation to real estate investment trusts.

I'll also point out that I currently have no exposure to long-term bonds. Given the distinct lack of yield at the moment, I'd prefer to keep that part of the portfolio in money market or short-term corporate bond funds.

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



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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).

## Sizemore Income Letter Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?	Action
AGNC Investment Corp.	AGNC	8/30/2021	\$16.23	\$ 16.02	\$13.52	8.71%	\$ -	-1.29%	Yes	Buy
Morgan Stanley Emerging Markets Domestic Debt	EDD	7/30/2021	\$6.15	\$ 6.31	\$ 5.50	6.60%	\$ -	2.60%	Yes	Buy
Nuveen Real Estate Income	JRS	6/25/2021	\$10.77	\$ 11.60	\$ 9.27	6.68%	\$ -	7.71%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$ 21.38	\$17.30	7.10%	\$ 0.38	-0.82%	Yes	Buy
First Trust Dynamic Europe Equity Income	FDEU	5/26/2021	\$13.68	\$ 13.37	\$11.76	5.29%	\$ 0.18	-0.95%	Yes	Buy
Newmont Corporation	NEM	4/27/2021	\$65.72	\$ 57.31	\$55.43	3.74%	\$ 0.55	-11.96%	Yes	Buy
<b>BHP Group</b>	<b>BHP</b>	<b>2/25/2021</b>	<b>\$78.04</b>	<b>\$ 60.43</b>	<b>\$61.57</b>	<b>4.01%</b>	<b>\$ -</b>	<b>-22.57%</b>	<b>Yes</b>	<b>Sell</b>
<b>Vale SA</b>	<b>VALE</b>	<b>2/25/2021</b>	<b>\$17.40</b>	<b>\$ 18.04</b>	<b>\$15.28</b>	<b>4.14%</b>	<b>\$ 1.20</b>	<b>10.59%</b>	<b>Yes</b>	<b>Sell</b>
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$ 48.20	\$41.78	8.65%	\$ 2.06	13.16%	No	Buy
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$ 45.24	\$40.42	4.48%	\$ 0.82	11.73%	Yes	Buy
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$ 30.37	\$23.45	4.61%	\$ 0.96	16.90%	Yes	Buy
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$ 18.48	\$15.30	4.49%	\$ 0.69	7.70%	Yes	Buy
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$ 51.30	\$36.20	6.77%	\$ 1.78	72.06%	No	Hold
Main Street Capital	MAIN	9/25/2020	\$29.74	\$ 41.51	\$32.96	5.93%	\$ 1.85	45.78%	Yes	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$ 47.82	\$35.76	5.30%	\$ 2.48	66.43%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$ 25.12	\$18.15	7.38%	\$ 1.92	72.23%	Yes	Buy
Dow Inc.	DOW	6/24/2020	\$38.45	\$ 60.28	\$47.25	4.53%	\$ 2.80	64.06%	Yes	Buy
Ecofin Sustainable and Social Impact Term Fund	TEAF	6/24/2020	\$10.73	\$ 14.74	\$12.19	6.14%	\$ 0.98	46.46%	Yes	Buy
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$ 91.59	\$79.23	4.27%	\$ 5.33	60.49%	Yes	Buy
Invesco Adv. Municipal Income Trust II	VKI	4/23/2020	\$10.12	\$ 12.56	\$11.46	4.70%	\$ 0.75	31.52%	No	Hold
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$ 20.29	\$16.45	8.20%	\$ 2.00	96.39%	Yes	Buy

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