

The Sizemore Income Letter

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Updating Stop Losses

By Charles Lewis Sizemore, CFA



Before I get started, I want to give a quick thank you to all the veterans out there for their service.

Veterans Day has always been an interesting holiday to me... mostly because it wasn't originally Veterans Day. It was Armistice Day, celebrating the end of World War I.

Except back then, they didn't call it World War I. It was the "Great War," because as the worst war in human history to date, no one could imagine another war that could possibly be as bad. It was supposed to be the war to end all wars.

And then we all know what happened next. Not even 20 years later, we had the rise of Hitler and the start of World War II.

It seemed silly to celebrate the armistice to World War I when an even nastier war popped up immediately after. So, the holiday was changed to Veterans Day in 1954 as a more general celebration of all veterans.

If there is one takeaway from this, it would be that no matter how extreme something gets... it can always get more extreme. We had the biggest stock bubble in human history in the late 1990s that ended in the spectacular bear market of 2000-2002. And now, barely two decades later, I'm seeing comparable levels of excess. No one seemed to learn the lesson of World War I, so we got an even nastier repeat in World War II. And no one seemed to learn the lesson of the 1990s stock bubble, so we're seeing equally ludicrous excesses today in meme stocks, cryptocurrencies, Tesla... you name it.

All we can do is shrug and try our best to go about our business and not get hurt. And to that end... today, we're updating our stop losses in many of our positions. I won't go through each position, as that would be unnecessarily repetitive, but I would recommend you give the last page of this update a look, as I have raised the stop in nearly every position in the portfolio.

This is not because I necessarily believe a crash is happening tomorrow. I will be completely straight with you and admit that I have no idea when a crash will happen or if it will happen at all. But I do know that I see massive speculative excess at a time when the Federal Reserve is scaling back its stimulus, government spending is likely to drop due to partisan gridlock, and risks are popping up in strange places, such as

China's property market. I'm not recommending you sell everything and run to the hills. But I do recommend you raise your stop losses per my recommendations.

One other quick note. I had a conversation with a client recently, and he asked what I thought of a certain preferred stock issued by **Prologis (NYSE: PLD)**. Now, as you know, I love Prologis. I loved it enough to put it in the Forever Portfolio. But the **Prologis Series Q Preferred (NYSE: PLDGP)** is absolutely not something I would recommend, and this is why.

The stock has a par value of \$50 per share and is redeemable at that price in a few years. Yet the shares trade for \$72 dollars per share.

In plain English, this means that you could buy the stock for \$72 today and then be forced to sell it in 2026 for just \$50, whether you want to or not.

I see this all the time in the world of preferred stock because preferreds tend to be thinly followed and it's not easy to get much information on them.

If you're reading this newsletter, it's because you like income. That might also mean you invest in preferreds. And if so, GREAT! Just be careful here. At this stage of the bubble, I'm seeing irrational pricing everywhere, including in things as seemingly mundane as Prologis preferred stock. Just be careful out there and make sure you know what you own. Because I suspect there will be a lot of unhappy campers in a few years when Prologis redeems the shares at \$50, and the same will be repeated across innumerable preferred stocks.

That's all for this week. Until next time, keep cashing those dividend checks!



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.

Sizemore Income Letter Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?	Action
Chevron Corporation	CVX	9/30/2021	\$103.33	\$114.19	\$85.88	4.62%	\$ -	10.51%	Yes	Buy
AGNC Investment Corp.	AGNC	8/30/3031	\$16.23	\$16.00	\$14.93	8.71%	\$ 0.24	0.06%	Yes	Buy
Morgan Stanley Emerging Markets Domestic Debt	EDD	7/30/2021	\$6.15	\$5.88	\$5.50	6.60%	\$ 0.10	-2.85%	Yes	Buy
Nuveen Real Estate Income	JRS	6/25/2021	\$10.77	\$11.88	\$9.63	6.68%	\$ 0.19	12.07%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$24.17	\$17.30	7.10%	\$ 0.76	13.63%	Yes	Buy
First Trust Dynamic Europe Equity Income	FDEU	5/26/2021	\$13.68	\$13.22	\$11.76	5.29%	\$ 0.36	-0.73%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$48.81	\$41.78	8.65%	\$ 4.12	19.19%	No	Buy
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$43.91	\$40.42	4.48%	\$ 1.81	10.90%	Yes	Buy
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$34.14	\$26.95	4.61%	\$ 1.29	32.18%	Yes	Buy
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$18.48	\$15.30	4.49%	\$ 0.92	8.99%	Yes	Buy
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$55.53	\$40.88	6.77%	\$ 3.58	91.60%	No	Hold
Main Street Capital	MAIN	9/25/2020	\$29.74	\$45.92	\$34.89	5.93%	\$ 2.88	64.09%	Yes	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$47.84	\$37.57	5.30%	\$ 3.10	68.55%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$26.23	\$18.15	7.38%	\$ 2.40	82.36%	Yes	Buy
Dow Inc.	DOW	6/24/2020	\$38.45	\$59.64	\$47.65	4.53%	\$ 3.50	64.21%	Yes	Buy
Ecofin Sustainable and Social Impact Term Fund	TEAF	6/24/2020	\$10.73	\$14.94	\$12.24	6.14%	\$ 1.20	50.42%	Yes	Buy
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$94.69	\$79.23	4.27%	\$ 6.46	67.49%	Yes	Buy
Invesco Adv. Municipal Income Trust II	VKI	4/23/2020	\$10.12	\$12.17	\$11.77	4.70%	\$ 0.90	29.12%	No	Hold
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$21.03	\$17.55	8.20%	\$ 2.41	106.52%	Yes	Buy

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