

The Sizemore Income Letter

November 5, 2021

Off to See a Man About a Horse

By Charles Lewis Sizemore, CFA



I'm going to have to make this quick because I have to go see a man about a horse.

I mean that literally. I'm supposed to be attending a Peruvian horse competition this afternoon, so it's a mad dash to get out the door.

If you're unfamiliar with the Peruvian paso, well... I highly recommend you get familiar with it! It's a beautiful horse and the smoothest-riding horse you're ever going to find. Unlike most horses, which trot, the Peruvian walks with a four-beat gait, like a metronome. At any given time, only one foot is off the ground. (With trotting horse, they generally have two off the ground at any time, which is why it is a more bouncy ride.)

At any rate, we're here to talk markets, not horses. And the market is on fire today following a positive jobs report. The US economy added a better than expected 531,000 jobs last month.

Ironically, this could just as easily have tanked the market as boosted it given that it means the Fed may be pushed to move faster in raising rates. But we're in an ebullient market right now where all news is interpreted as good news.

I try to avoid overly precise market calls, but I know we're nearing the end of the line here. I remember the late 1990s, and this feels exactly the same. Then, as now, we had an army of new retail investors entering the market and buying more based on emotion than fundamentals. We called it dot-com mania back then. It's meme-stock mania today. But it's the same mentality.

Robinhood, the app-based broker beloved by many first-time investors, doubled the number of open and funded client accounts over the past 12 months. Interactive Brokers increased its client base by 57%. And Charles Schwab reported record account openings.

If you're wondering who is buying stocks at these prices... well, that's your answer.

And it goes beyond stocks. Obscure cryptocurrencies named after dogs have turned people into overnight millionaires. People are trading photos of bored gorillas and

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actually paying good money for them for reasons I cannot fathom. Obnoxious traders living in their mother's basements are taunting professional investors.

This is the stuff you'd expect to see in a spoof movie and yet it's real.

This will end badly. And when it does, we'll be ready. I've been gradually raising our stops and will continue to do so.

I have no specific recommendations for today, but I would alert you to one piece of good news. The IRS announced the new 2022 contribution limits for 401k and other retirement plans, and we'll be able to shelter a little more from the tax man next year. Workers under 50 will be able to set back \$20,500 (up from \$19,500) and those 50 and older will be able to defer up to \$27,000. The boost for SEP IRAs and solo 401k plans is even better, jumping from \$58,000 to \$61,000.

Whether the market goes up, down or sideways, I STRONGLY recommend you put every penny you can in your retirement plan. You can leave the balance in a money market fund if you prefer, but the key is to get the money into a tax shelter and away from the taxman. Taxes are likely only going up from here, so you want to stash everything you can in a tax-deferred account.

That's all for this week. I'm off to see horses. 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.

P.P.S: **Happy Guy Fawkes Day** to my friends in the UK and to my ne-er-do-well libertarian friends wherever you might be. Stay crazy.

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	\$ 114.63	\$76.24	5.19%	\$ -	10.94%	Yes	Buy
AGNC Investment Corp.	AGNC	8/30/3031	\$16.23	\$ 16.20	\$13.52	8.71%	\$ -	-0.22%	Yes	Buy
Morgan Stanley Emerging Markets Domestic Debt	EDD	7/30/2021	\$6.15	\$ 5.77	\$ 5.50	6.60%	\$ -	-6.21%	Yes	Buy
Nuveen Real Estate Income	JRS	6/25/2021	\$10.77	\$ 11.82	\$ 9.27	6.68%	\$ -	9.70%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$ 23.97	\$17.30	7.10%	\$ 0.38	10.98%	Yes	Buy
First Trust Dynamic Europe Equity Income	FDEU	5/26/2021	\$13.68	\$ 13.28	\$11.76	5.29%	\$ 0.18	-1.61%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$ 48.01	\$41.78	8.65%	\$ 2.06	12.73%	No	Buy
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$ 42.87	\$40.42	4.48%	\$ 0.82	5.98%	Yes	Buy
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$ 33.78	\$23.45	4.61%	\$ 0.96	29.63%	Yes	Buy
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$ 18.98	\$15.30	4.49%	\$ 0.69	10.48%	Yes	Buy
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$ 55.73	\$36.20	6.77%	\$ 1.78	86.42%	No	Hold
Main Street Capital	MAIN	9/25/2020	\$29.74	\$ 44.83	\$32.96	5.93%	\$ 1.85	56.94%	Yes	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$ 47.51	\$35.76	5.30%	\$ 2.48	65.41%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$ 26.09	\$18.15	7.38%	\$ 1.92	78.41%	Yes	Buy
Dow Inc.	DOW	6/24/2020	\$38.45	\$ 58.42	\$47.25	4.53%	\$ 2.80	59.22%	Yes	Buy
Ecofin Sustainable and Social Impact Term Fund	TEAF	6/24/2020	\$10.73	\$ 14.90	\$12.19	6.14%	\$ 0.98	47.95%	Yes	Buy
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$ 93.35	\$79.23	4.27%	\$ 5.33	63.40%	Yes	Buy
Invesco Adv. Municipal Income Trust II	VKI	4/23/2020	\$10.12	\$ 12.20	\$11.46	4.70%	\$ 0.75	27.96%	No	Hold
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$ 21.05	\$16.45	8.20%	\$ 2.00	103.04%	Yes	Buy

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