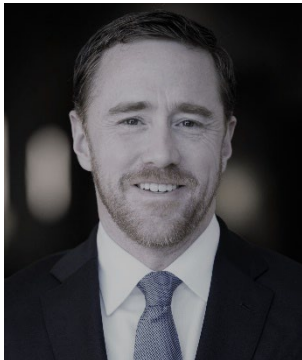


The Sizemore Income Letter

January 21, 2021

2022 Off to a Nasty Start...

By Charles Lewis Sizemore, CFA



Nasty. There's really no other word to describe the state of the market this month.

Before I go any further, we hit our stops in two of our position, so let's honor our risk management and take the following actions:

Action to take: Sell your shares of AGNC Investment Corp (NYSE: ACNC) at market.

Action to take: Sell your shares of the Invesco Adv Municipal Income Trust II (NYSE: VKI) at market.

I hate that we got stopped out of AGNC because I saw (and still see) a lot of potential there. But have stop losses for a reason. They keep our losses manageable and keep us out of trouble. We're exiting AGNC down about 7%.

We're leaving VKI with a return of over 18%... and this in a conservative municipal bond fund. I'll take that!

The entire market right now is under siege, but the damage is worse in yield-sensitive sectors due to fears that the Fed's curtailment of its bond buying will cause yields to continue rising.

That explains the weakness in our muni bond fund and mortgage REIT, of course. But it also explains why the Nasdaq is getting brutalized. Tech stocks are valued (often irrationally!) based on expected earnings long in the future. Higher yields mean that those earnings get discounted by a larger amount when translated to today's prices.

When does this end? We'll find out. I've written for months that I consider the market to be wildly overpriced. This could be the start of a nasty bear market.

Of course, it could also be yet another head fake. As bearish as sentiment has become in the short term, we could see a decent bounce.

We'll find out when we find out. In the meantime, we'll continue to honor our stops. And in the money you invest outside of the Sizemore Income Letter recommendations, I continue to recommend taking a more short-term trading approach.

401k Allocation

It's been a few months since I've mentioned our 401(k) allocations, so let's do that today.

We entered this little spate of volatility with a 60/40 allocation. I'm going to reduce our exposure a little further to a 45/55 allocation.

For the 55% allocated to bonds, I continue to recommend short-term bonds or money market funds for now. I think we're likely close to a buying opportunity in longer-term bonds, but at this stage it's an exercise in catching a falling knife.

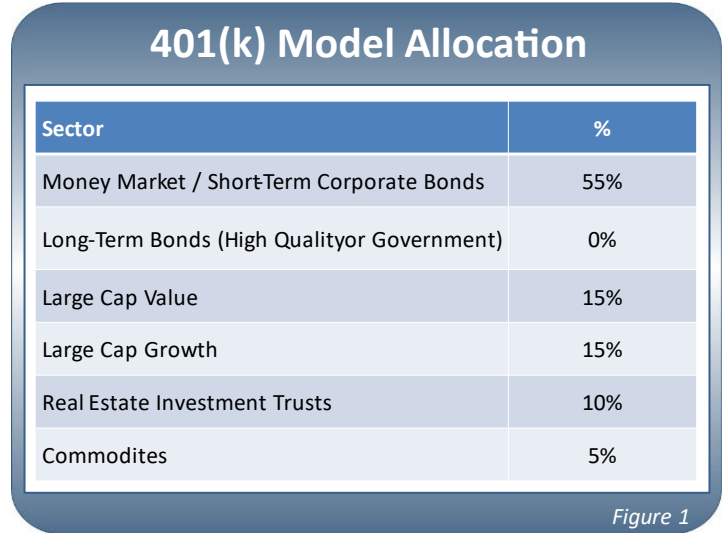
Of the 45% allocated to stocks, I'd divide it 15%/15% in large cap value and growth with the remaining 15% split 10% in REITs and 5% in commodity funds.

I'm comfortable with this for now, but if you're exceptionally nervous, then you should reduce your exposure further. There is a time to be bold and go against the grain. But right now isn't the time. I don't feel like the conditions are right for that.

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.



The Sizemore Income Letter Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?	Action
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$9.24	\$7.30	7.42%	\$ -	13.24%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$44.80	\$33.92	6.28%	\$ -	-6.24%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$127.78	\$88.14	4.62%	\$ 1.34	24.95%	Yes	Buy
AGNC Investment Corp.	AGNC	8/30/3031	\$16.23	\$14.86	\$14.93	8.71%	\$ 0.24	-6.99%	Yes	Sell
Nuveen Real Estate Income	JRS	6/25/2021	\$10.77	\$11.73	\$9.69	6.68%	\$ 0.19	10.68%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$23.69	\$17.30	7.10%	\$ 0.76	11.44%	Yes	Buy
First Trust Dynamic Europe Equity Income	FDEU	5/26/2021	\$13.68	\$13.56	\$11.76	5.29%	\$ 0.36	1.76%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$47.99	\$41.78	8.65%	\$ 4.12	17.34%	No	Buy
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$45.30	\$40.42	4.48%	\$ 1.81	14.27%	Yes	Buy
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$32.00	\$26.95	4.61%	\$ 1.29	24.20%	Yes	Buy
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$18.06	\$15.30	4.49%	\$ 0.92	6.63%	Yes	Buy
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$48.38	\$40.98	6.77%	\$ 3.58	68.43%	No	Hold
Main Street Capital	MAIN	9/25/2020	\$29.74	\$42.61	\$35.50	5.93%	\$ 2.88	52.96%	Yes	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$43.43	\$39.74	5.30%	\$ 3.10	53.95%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$24.16	\$18.15	7.38%	\$ 2.40	69.17%	Yes	Buy
Dow Inc.	DOW	6/24/2020	\$38.45	\$57.01	\$47.65	4.53%	\$ 3.50	57.37%	Yes	Buy
Ecofin Sustainable and Social Impact Term Fund	TEAF	6/24/2020	\$10.73	\$15.04	\$12.35	6.14%	\$ 1.20	51.35%	Yes	Buy
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$94.77	\$79.23	4.27%	\$ 6.46	67.63%	Yes	Buy
Invesco Adv. Municipal Income Trust II	VKI	4/23/2020	\$10.12	\$11.06	\$11.77	4.70%	\$ 0.90	18.15%	No	Sell
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$21.09	\$17.55	8.20%	\$ 2.41	107.07%	Yes	Buy