

The Sizemore Income Letter

February 14, 2022

All About Russia

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Apologies for the lateness of the update. I had some proverbial fires to put out late last week in the portfolios and wasn't able to get the update out on its usual schedule.

I'll skip right to the point. The market is on pins and needles right now due to what appears to be Russia's pending invasion of Ukraine.

I don't know if Russia invades. Mr. Putin hasn't been kind enough to share those details with me. But at this point, I don't see how backs down without losing face. So, I think it only makes sense to prepare for it. So, let's rip through a few questions here on how it might affect our portfolios.

What will the US and Europe do if Russia invades?

Not much. President Biden is talking the good talk. But don't expect him to actually do much. At the end of the day, Ukraine matters to Russia. A lot. As in Russia considers a Western presence in Ukraine to be an existential threat on par to the way the United States felt about having Soviet missiles in Cuba during the Cuban Missile Crisis.

But Ukraine doesn't matter to the West. At all. Russia wants it more than we do, and that's a fact.

Furthermore, while Europe might not like an aggressive Russia being next door, they have their own reasons for letting Russia do what it wants in Ukraine. Europe – and Germany in particular – needs Russian gas. And German voters aren't going to support a bellicose policy with Russia if it means their gas bills continue to soar.

Meanwhile, France has historically been on friendly terms with Russia, and the UK is distracted with Boris Johnson's lost list of scandals.

This is all to say that there won't be a major Western response because, frankly, the West doesn't care. We'll likely slap some sanctions on them that ultimately won't amount to much.

Will the market sell off if Russia invades?

Probably. But probably not all that much.

Let's not take our eye off the ball here. The biggest issues affecting the market are the Fed, inflation and earnings. All of these are major potential headwinds, and I've been very clear that I expect the market to really struggle this year.

Could a Russian invasion spark a selloff? Sure. But it could just as easily spark a short-term rally if it turns out to be not quite as bad as feared.

What should we do about it?

Nothing. I recommend that you orient your portfolio based on the factors I described – Fed, inflation and earnings. Russia doesn't fit into that equation.

If any Russia-related turbulence trips a stop loss for us, we'll sell and move on just like we would under any other circumstances. And that's it.

Any potential winners?

Energy stocks have already been on a tear, and I could see that continuing if it looks like Russian energy will be taken off the market or curtailed for a while due to sanctions.

Otherwise... that's all I have for the moment. I'll plan on putting out another update by the end of this week.

Until then, 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
Vertical Capital Income Fund	VCIF	1/27/2022	\$9.99	\$9.97	\$8.95	9.23%	\$ -	-0.20%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$10.20	\$7.30	7.42%	\$ -	25.00%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$44.09	\$33.92	6.28%	\$ -	-7.72%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$136.03	\$88.14	4.62%	\$ 1.34	32.94%	Yes	Buy
Nuveen Real Estate Income	JRS	6/25/2021	\$10.77	\$11.25	\$9.69	6.68%	\$ 0.19	6.22%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$26.03	\$17.30	7.10%	\$ 0.76	22.13%	Yes	Buy
First Trust Dynamic Europe Equity Income	FDEU	5/26/2021	\$13.68	\$13.35	\$11.76	5.29%	\$ 0.36	0.22%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$47.73	\$41.78	8.65%	\$ 4.12	16.75%	No	Buy
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$46.65	\$40.42	4.48%	\$ 1.81	17.55%	Yes	Buy
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$30.70	\$26.95	4.61%	\$ 1.29	19.35%	Yes	Buy
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$17.27	\$15.30	4.49%	\$ 0.92	2.19%	Yes	Buy
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$47.30	\$40.98	6.77%	\$ 3.58	64.93%	No	Hold
Main Street Capital	MAIN	9/25/2020	\$29.74	\$42.31	\$35.50	5.93%	\$ 2.88	51.95%	Yes	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$44.00	\$39.74	5.30%	\$ 3.10	55.83%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$24.19	\$18.15	7.38%	\$ 2.40	69.36%	Yes	Buy
Dow Inc.	DOW	6/24/2020	\$38.45	\$60.65	\$47.65	4.53%	\$ 3.50	66.84%	Yes	Buy
Ecofin Sustainable and Social Impact Term Fund	TEAF	6/24/2020	\$10.73	\$14.44	\$12.35	6.14%	\$ 1.20	45.71%	Yes	Buy
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$100.23	\$79.23	4.27%	\$ 6.46	76.67%	Yes	Buy
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$21.74	\$17.55	8.20%	\$ 2.41	112.78%	Yes	Buy