

The Sizemore Income Letter

February 4, 2022

At Least There Is Energy

By Charles Lewis Sizemore, CFA



I wasn't sad to see January come to an end. I've been preparing for market volatility for months, and yet even I took my share of punches in what turned out to be one of the most volatile months in years.

I am happy to say that the Sizemore Income Letter portfolio weathered the storm better than most. The damage was particularly concentrated in growth and technology names... or companies whose valuations are based on earnings expectations years into the future. Our focus in the Sizemore Income Letter is the generation of income in the here and now.

As a result, our portfolio took less damage than the broader market.

Our exposure to energy helped too, of course. Energy was the only major sector to finish the month higher, and we have ample energy exposure via our shares of **Energy Transfer (NYSE: ET)**, **Chevron (NYSE: CVX)**, the **Clearbridge Energy Midstream Opportunity Fund (NYSE: EMO)** and **Magellan Midstream Partners (NYSE: MMP)**.

Chevron in particular is absolutely killing it right now. We're up about 33% since the end of September.

Energy has a lot of momentum right now, and I expect that to continue. So for now, let's continue to hold our energy positions, collect the market-crushing dividends, and let these winners ride.

As I mentioned, we don't have tech or growth exposure in this newsletter. But I know that many of my readers do indeed have tech investments in other parts of their portfolios.

So, let's talk about that. If you're sitting on losses in your tech portfolio, what should you do?

I've said for months now that today's market feels like the late 1990s to me. Then, as now, tech led the market for years, creating valuations that no one believed possible beforehand. And then, as now, those valuations were based on growth projections years into the future.

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One critical difference is that today's tech darlings actually make money... or at least the megacap players do. That wasn't necessarily the case in 1999 or 2000.

These are my thoughts. I have a handful of tech stocks that I plan to hold forever. Most of my portfolio is in income positions and in a handful of alternative strategies that aren't too heavily correlated to the market. But I do own some shares of the blue chips – the Amazons and Googles of the world – that I bought years ago and have no plans to sell.

But here's the thing. These positions are small for me. If they lost half their value and remained depressed for years, I would be annoyed, but it wouldn't really impact my life. I'm not taking much in the way of risk by continuing to hold them, come what may.

Is that your situation?

If you need capital gains to meet your retirement needs, you might want to reconsider your tech stocks for now. When tech went out of favor in 2000, it took years for prices to come back... even in some of the bluest of blue chips. Investors moved to value, income and international stocks and stayed there for nearly a decade until tech came back en vogue.

So, if you have a core of good tech blue chips you want to hang on to, go for it. I certainly have a few. But if you think you might need to sell them relatively soon to meet your retirement needs, you might want to consider selling sooner rather than later.

That's all I have for this week. If you've been taking my advice and keeping your position sizes moderate and keeping a little extra cash on hand, you should have nothing to worry about in this correction we're in. But if you're still really heavy in stocks, you might want to use any strong rally days to lighten the load a little.

Until next time, keep cashing those dividend checks!

A handwritten signature in blue ink that reads "Charles Sizemore". The signature is fluid and cursive, with a long horizontal line extending from the end.

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	\$10.19	\$8.95	9.23%	\$ -	1.95%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$10.22	\$7.30	7.42%	\$ -	25.22%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$44.30	\$33.92	6.28%	\$ -	-7.28%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$136.31	\$88.14	4.62%	\$ 1.34	33.21%	Yes	Buy
Nuveen Real Estate Income	JRS	6/25/2021	\$10.77	\$11.45	\$9.69	6.68%	\$ 0.19	8.07%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$26.15	\$17.30	7.10%	\$ 0.76	22.65%	Yes	Buy
First Trust Dynamic Europe Equity Income	FDEU	5/26/2021	\$13.68	\$13.48	\$11.76	5.29%	\$ 0.36	1.17%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$48.05	\$41.78	8.65%	\$ 4.12	17.48%	No	Buy
WisdomTree Emerging Markets High Dividend Fund	DEM	12/31/2020	\$41.22	\$45.40	\$40.42	4.48%	\$ 1.81	14.52%	Yes	Buy
Healthcare Trust of America	HTA	11/20/2020	\$26.80	\$32.01	\$26.95	4.61%	\$ 1.29	24.22%	Yes	Buy
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$17.52	\$15.30	4.49%	\$ 0.92	3.60%	Yes	Buy
AllianceBernstein Holding, LP	AB	11/6/2020	\$30.85	\$47.00	\$40.98	6.77%	\$ 3.58	63.94%	No	Hold
Main Street Capital	MAIN	9/25/2020	\$29.74	\$43.67	\$35.50	5.93%	\$ 2.88	56.51%	Yes	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$46.02	\$39.74	5.30%	\$ 3.10	62.52%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$24.47	\$18.15	7.38%	\$ 2.40	71.15%	Yes	Buy
Dow Inc.	DOW	6/24/2020	\$38.45	\$60.82	\$47.65	4.53%	\$ 3.50	67.28%	Yes	Buy
Ecofin Sustainable and Social Impact Term Fund	TEAF	6/24/2020	\$10.73	\$14.83	\$12.35	6.14%	\$ 1.20	49.38%	Yes	Buy
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$100.96	\$79.23	4.27%	\$ 6.46	77.88%	Yes	Buy
Ares Capital Corporation	ARCC	4/23/2020	\$11.35	\$22.13	\$17.55	8.20%	\$ 2.41	116.20%	Yes	Buy