

The Sizemore Income Letter

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Off to a Good Start

By Charles Lewis Sizemore, CFA



9% inflation.

Ouch.

I'll spare you a lengthy recap of the latest inflation numbers. You've likely seen the numbers already and, in any event, have almost certainly experienced the effects in your shopping. It's nasty out there, and the persistently high inflation means we won't be getting any relief from the Fed's aggressive tightening any time soon.

In fact, the whisper on the Street now is that the Fed will hike rates by a full 1% this month.

We'll see. Whether the Fed hikes rates by 1% by 0.75% or by an entirely number altogether, it's not likely to make a huge impact on our long-term returns.

I mentioned last week that this bear market likely isn't over. The two bear markets that are the most historically relevant are the 2000-02 tech bear and the 1973-74 bear market, both of which saw the S&P 500 lose about half its value and both of which saw "boring" dividend stocks assume leadership from flashy growth stocks.

I don't know that we see the S&P 500 drop 50% this time around. I certainly hope we don't because that will wreck the retirement plans of a lot of baby boomers. But we can't rule it out.

The good news for us is that our strategy is working. We've taken our licks too this year, of course. But dividend stocks in general have held up fairly well, and our more recent additions are actually all up!

Last month, I added seven new positions to our "Forever Portfolio" of dividend stocks I believe you can buy and hold indefinitely. All are up as this writing, and two are up by double digits.

I chose this specific group for a reason. I considered every one of the seven to be as close to recession proof as we could get. But I also wanted stocks with a history of managing inflation well. If we get that worst of all possible worlds – STAGFLATION – I wanted stocks that could navigate it. And while it's still obviously very early, so far so good.

The Forever Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?
Conagra Brands	CAG	6/23/2022	\$ 32.47	\$ 33.53	None	3.87%	\$ -	3.26%	Yes
The Clorox Company	CLX	6/23/2022	\$ 132.28	\$ 148.77	None	3.69%	\$ -	12.47%	Yes
Campbell Soup Company	CPB	6/23/2022	\$ 47.04	\$ 48.72	None	3.15%	\$ -	3.58%	Yes
Flowers Foods	FLO	6/23/2022	\$ 24.97	\$ 27.04	None	3.52%	\$ -	8.31%	Yes
General Mills	GIS	6/23/2022	\$ 67.90	\$ 74.74	None	3.01%	\$ -	10.07%	Yes
J.M. Smucker Company	SJM	6/23/2022	\$ 123.83	\$ 131.33	None	3.18%	\$ -	6.06%	Yes
Target Corporation	TGT	6/23/2022	\$ 141.08	\$ 146.72	None	3.10%	\$ -	4.00%	Yes
Coca-Cola Company	KO	4/27/2022	\$ 65.56	\$ 62.17	None	2.96%	\$ 0.44	-4.50%	Yes
Prologis	PLD	10/29/2021	\$ 146.67	\$ 120.38	None	2.86%	\$ 2.21	-16.42%	Yes
Crown Castle International	CCI	10/29/2021	\$ 181.90	\$ 172.41	None	3.63%	\$ 4.41	-2.79%	Yes
Philip Morris International	PM	3/30/2021	\$ 89.35	\$ 90.13	None	5.10%	\$ 4.95	6.41%	Yes
Altria Group	MO	3/19/2020	\$ 37.10	\$ 41.95	None	7.95%	\$ 8.72	36.56%	Yes
Realty Income	O	3/19/2020	\$ 48.08	\$ 70.16	None	4.58%	\$ 6.41	59.25%	Yes
AT&T	T	3/19/2020	\$ 31.15	\$ 20.50	None	5.56%	\$ 4.96	-18.29%	Yes
Enterprise Products Partners	EPD	3/19/2020	\$ 14.52	\$ 24.38	None	7.61%	\$ 4.07	95.89%	No
Kinder Morgan	KMI	3/19/2020	\$ 11.20	\$ 16.69	None	6.92%	\$ 2.41	70.49%	Yes
Ventas	VTR	3/19/2020	\$ 19.98	\$ 50.54	None	3.71%	\$ 4.39	174.94%	Yes
Public Storage	PSA	3/19/2020	\$ 187.60	\$ 310.86	None	2.65%	\$ 18.00	75.30%	Yes
International Paper	IP	3/19/2020	\$ 30.13	\$ 42.04	None	4.42%	\$ 4.30	53.80%	Yes
STAG Industrial	STAG	3/19/2020	\$ 21.71	\$ 29.79	None	4.78%	\$ 3.26	52.22%	Yes
Retail Opportunity Investments	ROIC	3/19/2020	\$ 7.25	\$ 15.77	None	3.34%	\$ 0.97	130.83%	Yes

Looking at the rest of the portfolio, our two dogs at the moment are **Prologis (NYSE: PLD)** and **AT&T (NYSE: T)**, down 16% and 18%, respectively. I consider Prologis a screaming buy at today's prices. This is one of the premier growth REITs of our time and it stands to grow for decades as e-commerce becomes a bigger and bigger piece of the economy.

Even AT&T, which has struggled for direction over the past two years, is looking decent these days. The shares are actually positive in 2022, as the losses to the stock were taken last year. The shares yield 5%, and the dividend is well supported at current earnings levels.

I love every stock on this list. But if you're looking to put new cash to work, I'd focus on the seven new additions, Prologis and AT&T.

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



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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.

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