

The Sizemore Income Letter

September 9, 2022

The Beatings Will Continue Until Morale Improves

By Charles Lewis Sizemore, CFA



Years ago, there was a poster on the wall of the breakroom of an old job of mine. At this point, I don't remember what company it was or what I was doing there. But I remember the words of the poster:

“The beatings will continue until morale improves.”

It made me laugh every time I saw it. But today's market is making me remember it... and it's a lot less funny at the moment.

It's not so much that Fed Chairman Jerome Powell is savagely beating investors for having low morale. It's actually the opposite. When Powell sees investors getting a little too enthusiastic, he feels the need to knock them down a notch.

Powell's pledge to keep hiking rates “until the job is done” killed the summer rally and sent the S&P 500 down about 9%. But so far this month, stocks have been rising sharply.

Is this the end of the bear?
Or is it just a matter of
time before we get another
beating from Powell?

I wish I knew. All we can do is watch the data come in and wait. And right now, the data is telling me to be cautious. As you might remember, we use a timing model for a strategy we run in house that is based primarily on institutional money flows. It's not perfect... no model

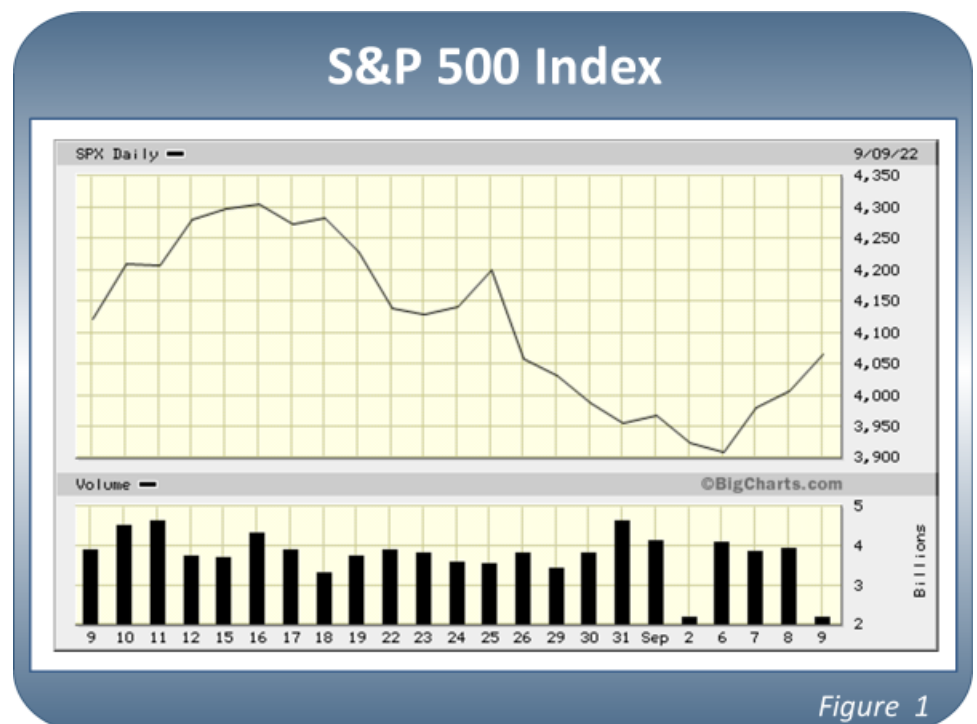


Figure 1

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is. But it's generally been a good indicator for us and kept us out of trouble.

Well, today we're simply not seeing the institutional buying we'd like to see to confirm that the rally is sustainable. That can change tomorrow. But for now, the big money is still sitting on the sidelines. The movement we see in the market is due to short covering, retail buying and a lack of new sellers after a few weeks of decline.

We'll see. Until the weight of evidence convinces me otherwise, my game plan is unchanged. I'm staying invested in high-conviction picks that have thus far done a good job of navigating 2022. But I'm also keeping my position sizes a little smaller, keeping a little more cash on hand, and investing a little more than usual in non-market alternatives.

So far, it's working out for us. We're down ever so slightly in my last recommendation, National Storage Affiliates (NYSE: NSA). But we're up over 21% in our early August play on liquified natural gas in Cheniere Energy Partners (NYSE: CNQ).

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

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

Charles Lewis Sizemore, CFA

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.

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?	Action
National Storage Affiliates	NSA	8/30/2022	\$52.95	\$51.56	\$39.16	4.08%	\$ -	-2.63%	Yes	Buy
Cheniere Energy Partners	CQP	8/4/2022	\$46.49	\$56.40	\$33.01	6.92%	\$ -	21.31%	No	Buy
Citigroup Inc	C	6/23/2022	\$47.34	\$50.71	\$32.57	4.39%	\$ -	7.12%	Yes	Buy
ONEOK, Inc.	OKE	4/28/222	\$65.50	\$62.21	\$47.91	5.73%	\$ 0.94	-3.60%	Yes	Buy
Digital Realty Trust	DLR	3/24/2022	\$136.79	\$124.03	\$118.15	3.57%	\$ 1.22	-8.44%	Yes	Buy
Vertical Capital Income Fund	VCIF	1/27/2022	\$9.99	\$9.47	\$8.95	9.23%	\$ 0.37	-1.50%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$11.87	\$7.79	7.42%	\$ 0.38	50.06%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$43.85	\$33.92	6.28%	\$ 1.83	-4.41%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$158.93	\$130.77	4.62%	\$ 4.18	57.85%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$29.17	\$20.49	7.10%	\$ 1.65	40.47%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$50.60	\$41.78	8.65%	\$ 6.20	27.88%	No	Buy
Healthcare Realty Trust	HR	7/20/2022	\$24.37	\$24.63	\$22.12	4.72%	\$ -	1.05%	Yes	Buy*
Physicians Realty Trust	DOC	11/20/2020	\$17.80	\$17.06	\$15.30	4.49%	\$ 1.38	3.57%	Yes	Buy
Main Street Capital	MAIN	9/25/2020	\$29.74	\$40.86	\$35.50	5.93%	\$ 4.63	52.95%	Yes	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$54.84	\$42.57	5.30%	\$ 4.95	97.86%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$23.54	\$18.15	7.38%	\$ 3.36	71.34%	Yes	Buy
Dow Inc.	DOW	6/24/2020	\$38.45	\$50.33	\$48.78	4.53%	\$ 5.60	45.45%	Yes	Buy
Ecofin Sustainable and Social Impact Term Fund	TEAF	6/24/2020	\$10.73	\$14.72	\$12.53	6.14%	\$ 1.79	53.82%	Yes	Buy
LyondellBasell Industries	LYB	5/22/2020	\$60.39	\$84.06	\$79.23	4.27%	\$ 15.11	64.22%	Yes	Buy

* Position resulted from merger with HTA

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