

# The Sizemore Income Letter

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## Not a Lot of Christmas Cheer...

By Charles Lewis Sizemore, CFA



Well, let's start with the good news!

Mortgage rates continue to drift lower after hitting highs not seen in decades just a few months ago. The average 30-year mortgage rate dropped slightly this week from 6.33% to 6.31%, according to Freddie Mac.

That's still double the rates we saw for most of 2021. But, if the trend continues, it's a major step in the right direction. If mortgage rates at least retreat to 2018-2019 levels, I think there is a good chance we avoid a major bear market in housing.

There will still be weakness in pricing and a general slowdown in sales. We're already seeing that, and a battleship that big doesn't turn on a dime. The housing market will likely be weak for a while. But the longer mortgage rates pushed the multi-year highs, the greater the likelihood was that we saw a real housing *crash*.

We're not out of the woods yet, but we'll at least view this as a positive for now.

### Average 30-Year and 15-Year Mortgage Rates



I also want to reiterate my call from last week, in case you missed it. I won't officially recommend cryptocurrencies in the *Sizemore Income Letter* because they don't fit the newsletter's mandate. (Yes, yes, I realize you can "stake" crypto and earn a yield, but that's far too speculative for a conservative income letter.)

But while I won't ever make Bitcoin or Ethereum official recommendations, I can tell you that I continue to nibble on them with my own cash, and I think it's reasonable to incorporate them into a broad asset allocation. My plan is to slowly work my way into a 1% allocation of my liquid net worth. I plan to give it a lot of runway to move, but I will plan to rebalance if it grows to be larger than about 2% of my portfolio. And importantly, I'm sticking with the larger, more recognized cryptos and I'm holding them in my own non-custodial wallet. If another crypto exchange blows up like FTX, my holdings, modest as they may be, will be safe.

I realize buying crypto is still a new concept for a lot of readers. And I had a reader, Tim, write in last week to ask *"Do you have any "how-to" information that you can share on the best way to safely buy bitcoin or other crypto and safely store it in an off-line wallet?"*

Let me preface my answer here by saying I am not an expert in crypto. But I'm happy to share my reply:

The truth is, I don't know that there is an established "right way" to do any of this because it is still pretty new, and as we saw with the collapse of the FTX exchange, even some of the major players are suspect. But I can at least share with you what I did personally.

I opened an account with Coinbase. Because Coinbase is publicly traded, I figured there was at least a *little* more oversight by financial regulators. Coinbase is fairly easy to use and has a nice mobile app. You might want to download it to your phone and place a few small trades just to get comfortable with the process. You can think of Coinbase as a brokerage account.

Once you get the hang of it, if you want an extra layer of security, you can experiment with things like non-custodial wallets. "Coinbase Wallet" is a separate app I use for that purpose. The idea here is that you use Coinbase as your broker but once the crypto is bought, you keep it self-custodied, outside of Coinbase's balance sheet, so that if Coinbase went the way of FTX and go bankrupt, your assets don't get mixed in with the rest. I use Coinbase Wallet because it is pretty easy to use, but there are plenty of others too. In any event, but SURE to keep your recovery keys somewhere safe because you CANNOT access your account if you lose those, and your money is just flat out gone at that point. There's no one at tech support to call. You're 100% on your own. That's the downside of the non-custodial wallet. You reduce the risk of losing due to exchange failure, but you increase the risk of losing everything if you misplace your recovery keys.

But first things first. I would say start small and just sort of tinker with a Coinbase account and then see where that takes you. And as always, don't take this as specific investment advice. Take my comments here with a LARGE grain of salt and remember that crypto is still really risky. **This is for tinkering and play money**, not large chunks of your net worth.

Moving on, the market is pricing in a rather bleak end to the year. The market jumped earlier this week as news of moderating inflation and lower Fed rate hikes gave us a burst of optimism... but it didn't last. Aggressive comments from the European Central Bank and Bank of England made it clear that the world is looking at months of continued tightening at best. And November retail sales showed that consumer demand may really be tapering off.

We'll see. Most of America's largest retailers have been telegraphing that this year's holiday spending will be disappointing. Inflation really has taken a bite out of discretionary income, and we're also still dealing with the hangover effect of the spending spree we collectively went on during the pandemic.

I'm not recommending any major portfolio moves for now. After getting stopped out of several positions earlier this year, our portfolio is "lean and mean" at the moment and invested in stocks that seem to be bucking the overall bearish trend.

If you haven't already snapped up shares of my last recommendation, **Atlantica Sustainable Infrastructure (NYSE: AY)**, it's modestly cheaper after falling about 3%. I also still really like **EPR Properties (NYSE: EPR)**. It's down about 8%, and I consider this a good entry point.

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



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](mailto:info@sizemorecapital.com).

## Sizemore Income Letter Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?	Action
Atlantica Sustainable Infrastructure	AY	11/22/2022	\$27.75	\$26.88	\$20.41	6.55%	\$ -	-3.14%	Yes	Buy
AGNC Investment Corporation	AGNC	11/3/2022	\$8.16	\$10.24	\$6.37	14.06%	\$ -	25.49%	Yes	Buy
Cheniere Energy Partners	CQP	8/4/2022	\$46.49	\$58.25	\$33.01	5.99%	\$ 1.07	27.60%	No	Buy
Citigroup Inc	C	6/23/2022	\$47.34	\$44.62	\$32.57	4.57%	\$ 1.02	-3.59%	Yes	Buy
ONEOK, Inc.	OKE	4/28/222	\$65.50	\$64.68	\$47.91	5.78%	\$ 2.81	3.03%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$11.66	\$7.79	7.89%	\$ 0.87	53.55%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$40.71	\$33.92	8.11%	\$ 3.20	-8.10%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$171.04	\$130.77	3.32%	\$ 7.02	72.32%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$29.44	\$20.49	6.93%	\$ 2.68	46.40%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$50.55	\$41.78	8.21%	\$ 8.28	32.48%	No	Buy
Iron Mountain	IRM	8/25/2020	\$30.22	\$54.32	\$42.57	4.55%	\$ 5.57	98.18%	Yes	Hold
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$19.60	\$18.15	9.80%	\$ 4.32	52.36%	Yes	Buy
Ecofin Sustainable and Social Impact Term Fund	TEAF	6/24/2020	\$10.73	\$13.68	\$12.53	7.89%	\$ 2.24	48.32%	Yes	Buy

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