

The Sizemore Income Letter

March 15, 2023

Beware the Ides of March

By Charles Lewis Sizemore, CFA



I really never expected to experience another bank run in my lifetime. While I expected every other kind of financial turmoil, I really believed that this particular type of risk was eliminated by the post-2008 banking reforms.

...and yet here we are! Silly me for thinking our financial system was capable of improvement.

To give you an idea of how real this has become for me, First Republic Bank – one of the banks dominating the headlines at the moment – is the bank I use to hold cash and to handle client subscriptions and redemptions for my hedge funds.

Well, while I considered (and still consider) the bank to be safe, I couldn't risk the possibility that things went south. Bank runs are self-fulfilling prophecies. If everyone *thinks* a bank will fail, guess what: It fails! Depositors rush to pull out their funds, forcing the bank to liquidate assets to meet those redemptions. And if the assets are illiquid or temporarily sitting on losses... well, that's when things get nasty. That's what took down Silicon Valley Bank and Signature Bank.

My funds are fine. I moved some money around, just in case, to keep my balances below the FDIC limits. The Federal government has guaranteed the deposits of both Silicon Valley and Signature, but there was no guarantee they would do the same for First Republic. I prefer to be safe than sorry.

I don't know where this ends. The limited information I have tells me this is unlikely to be a repeat of 2008. But I could see something similar to the Savings and Loan Crisis of my teenage years. Between 1986 and 1995, nearly a third of all savings and loan associations went under, about half of which were in my native Texas.

I'll be clear that today's banks aren't taking the wild cowboy risks that the S&Ls were taking in the 1980s. The situation today is more a case of a mismatch between short-term liabilities and long-term assets. And I don't see it getting *that* bad. But even if we experience a "lite" version of the S&L crisis, that's still likely to depress lending and push us into recession.

But hey, at least it might take care of that inflation problem!

At any rate, I do think that, as an abundance of caution, **it makes sense to keep all of your bank accounts below the FDIC insurance limit of \$250,000.** If you have more than that in the bank, consider sweeping the proceeds into T-bills or a money market fund.

Yes, the government will probably bail you out if your bank fails. But there is always the possibility they decide to draw a line in the sand and decide that *your* bank is the one they're not going to backstop. There's just no reason to risk it.

Two Stop Losses

Unfortunately, this little bout of volatility has caused us to hit our stops in two positions, **Starwood Property Trust (NYSE: STWD)** and the **Ecofin Sustainable and Social Impact Term Fund (NYSE: TEAF).**

I'm not happy we're getting stopped out of TEAF in particular, as I love the fund and consider it to be a great place to park money until it liquidates in 2030. If you want to just hold on to it, I don't think that's an imprudent thing to do. But for our purposes here in the newsletter, I will be exiting the position.

All told, I can't complain. We're getting out of the positions with gains of 42% and 40%, respectively.

Action to take: Sell shares of Ecofin Sustainable and Social Impact Term Fund (TEAF) at market.

Action to take: Sell shares of Starwood Property Trust (NYSE: STWD) at market.

One Administrative Note

If you own shares of the **ClearBridge Energy Midstream Opportunity Fund (NYSE: EMO)**, you may have received a letter from Saba Capital Management asking you for your proxy vote.

Saba is a hedge fund that, among other strategies, buys up shares of closed-end funds and agitates for changes that would close the large discounts to net asset value. Their track record here is generally pretty good based on the handful of cases I've seen.

It's worth noting that Saba has a large position in EMO, so anything they do to help themselves by closing the discount and boosting the share price should be good for us.

I'm not telling you that you absolutely must vote the proxy. But it's not likely to hurt you if you do.

I don't have much else to report at the moment. Like everyone else, I'm watching the developments in the banking sector, particularly the recent developments with Credit Suisse. A few broken regional banks aren't enough to create a real crisis. But a failure by a bank of Credit Suisse's size and influence is another story. I still maintain that a

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repeat of 2008 is unlikely. But I still expect to see a lot of volatility in the market until we have more clarity here.

Otherwise, there's not much else to do but wait.

If you'd like to sit down and have a proper chat about your portfolio, reach out at clsizemore@sizemorecapital.com.

Otherwise, have a great weekend, and 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.

The Sizemore Income Letter Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?	Action
Nuveen Real Estate Income Fund	JRS	1/30/2023	\$8.46	\$7.43	\$6.41	9.77%	\$ 0.17	-10.17%	Yes	Buy
iShares MSCI Brazil ETF	EWZ	12/26/2022	\$28.79	\$26.32	\$20.15	13.34%	\$ -	-8.60%	Yes	Buy
Atlantica Sustainable Infrastructure	AY	11/22/2022	\$27.75	\$27.41	\$20.41	6.42%	\$ 0.89	1.96%	Yes	Buy
AGNC Investment Corporation	AGNC	11/3/2022	\$8.16	\$10.03	\$9.30	14.36%	\$ 0.36	27.27%	Yes	Hold
Cheniere Energy Partners	CQP	8/4/2022	\$46.49	\$44.25	\$41.42	7.89%	\$ 1.07	-2.53%	No	Buy
Citigroup Inc	C	6/23/2022	\$47.34	\$44.72	\$36.00	4.56%	\$ 1.02	-3.39%	Yes	Buy
ONEOK, Inc.	OKE	4/28/222	\$65.50	\$60.81	\$47.91	6.15%	\$ 2.81	-2.88%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$11.92	\$8.59	7.72%	\$ 0.87	56.68%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$38.23	\$33.92	8.63%	\$ 3.20	-13.29%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$153.55	\$132.62	3.70%	\$ 7.02	55.40%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$26.48	\$20.49	7.70%	\$ 2.68	32.91%	Yes	Buy
Magellan Midstream Partners	MMP	1/29/2021	\$44.41	\$52.00	\$41.78	7.98%	\$ 9.33	38.10%	No	Buy
Starwood Property Trust	STWD	8/25/2020	\$15.70	\$17.59	\$18.15	10.92%	\$ 4.80	42.61%	Yes	Sell
Ecofin Sustainable and Social Impact Term Fund	TEAF	6/24/2020	\$10.73	\$12.46	\$12.53	8.67%	\$ 2.60	40.31%	Yes	Sell

The Forever Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?
National Retail Properties	NNN	9/29/2022	\$ 39.07	\$ 43.39	None	5.07%	\$ 1.10	13.87%	Yes
Conagra Brands	CAG	6/23/2022	\$ 32.47	\$ 35.63	None	3.71%	\$ 0.99	12.77%	Yes
The Clorox Company	CLX	6/23/2022	\$ 132.28	\$ 155.97	None	3.03%	\$ 3.54	20.59%	Yes
Campbell Soup Company	CPB	6/23/2022	\$ 47.04	\$ 54.35	None	2.72%	\$ 1.11	17.90%	Yes
Flowers Foods	FLO	6/23/2022	\$ 24.97	\$ 27.17	None	3.24%	\$ 0.44	10.59%	Yes
General Mills	GIS	6/23/2022	\$ 67.90	\$ 80.75	None	2.68%	\$ 1.62	21.30%	Yes
J.M. Smucker Company	SJM	6/23/2022	\$ 123.83	\$ 153.56	None	2.66%	\$ 3.06	26.48%	Yes
Target Corporation	TGT	6/23/2022	\$ 141.08	\$ 158.93	None	2.72%	\$ 3.24	14.95%	Yes
Coca-Cola Company	KO	4/27/2022	\$ 65.56	\$ 60.22	None	2.92%	\$ 1.32	-6.13%	Yes
Prologis	PLD	10/29/2021	\$ 146.67	\$ 120.00	None	2.63%	\$ 3.79	-15.60%	Yes
Crown Castle International	CCI	10/29/2021	\$ 181.90	\$ 132.05	None	4.45%	\$ 7.45	-23.31%	Yes
Philip Morris International	PM	3/30/2021	\$ 89.35	\$ 95.81	None	5.30%	\$ 7.49	15.61%	Yes
Altria Group	MO	3/19/2020	\$ 37.10	\$ 46.72	None	8.05%	\$ 10.60	54.50%	Yes
Realty Income	O	3/19/2020	\$ 48.08	\$ 62.91	None	5.10%	\$ 8.40	48.31%	Yes
AT&T	T	3/19/2020	\$ 31.15	\$ 18.28	None	6.07%	\$ 5.79	-22.72%	Yes
Enterprise Products Partners	EPD	3/19/2020	\$ 14.52	\$ 25.05	None	7.59%	\$ 5.51	110.40%	No
Kinder Morgan	KMI	3/19/2020	\$ 11.20	\$ 16.54	None	6.71%	\$ 3.24	76.60%	Yes
Ventas	VTR	3/19/2020	\$ 19.98	\$ 46.09	None	3.91%	\$ 5.74	159.42%	Yes
Public Storage	PSA	3/19/2020	\$ 187.60	\$ 287.63	None	2.78%	\$ 35.15	72.06%	Yes
International Paper	IP	3/19/2020	\$ 30.13	\$ 34.45	None	5.37%	\$ 4.77	30.14%	Yes
STAG Industrial	STAG	3/19/2020	\$ 21.71	\$ 32.40	None	4.51%	\$ 4.23	68.74%	Yes
Retail Opportunity Investments	ROIC	3/19/2020	\$ 7.25	\$ 13.13	None	4.57%	\$ 1.27	98.62%	Yes

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