

The Sizemore Income Letter

July 25, 2023

Longest Winning Streak in Six Years

By Charles Lewis Sizemore, CFA



You'll have to forgive me in advance. I'm going to start this with a comment on the Dow's 11-day winning streak. The venerable index is up 11 days in a row (and counting) as I write this.

But by virtue of mentioning it, I am all but guaranteeing to jinx it. So, if the Dow finishes lower today... blame me!

I'm (mostly) joking. I'm not particularly superstitious, but the market tends to bring out the voodoo believers in all of us.

At any rate, it is worth noting that the Dow really is up 11 days in a row, which is its longest streak since 2017. 2023 has been an odd year in that the market has soared higher with very narrow participation. The "average" stock hasn't done much this year, yet the S&P 500 is up close to 20% due to the torrid performance of a handful of large tech stocks.

The fact that the boring, staid Dow Industrials are up 11 days in a row could be a sign that this narrowest of markets is finally broadening. If so, it would suggest that this bull market might actually have legs.

Or not. It's also entirely possible that this is just statistical noise and that the market is ready for another leg down.

Frankly, I don't care. And this is why.

The S&P 500 is not priced to deliver solid long-term returns at current prices. In the short-term, it might very well soar 20% or crash by 50%. Short-term movements are all but impossible to predict. But as an entry point for long-term investment, it looks terrible to me.

And that's ok. Because we're not buying the S&P 500.

In the Sizemore Income Letter, we're looking for competitive yields with respectable growth potential. It doesn't necessarily matter to me whether the market rises or falls this year. So long as my stocks continue to throw off a rising stream of income, I'm happy to ride it out.

Thoughts On Productivity

Unfortunately, I've been a little behind in publishing my regular weekly updates. I took a little time off to take my children to Europe to give them a proper education. Between lousy connectivity and the time zone differences, my productivity really suffered.

And speaking of productivity...

My trip reminded me of just how critically important artificial intelligence is. Yes, the AI market craze this year was overdone, and the runup in Nasdaq share prices looks eerily similar to the tech bubble we experienced two decades ago during the dot-com boom. I'm not suggesting you run out and buy Nvidia or Microsoft at current prices because, frankly, that trade looks really crowded to me.

But that said, Europe is a reminder of the need for labor saving innovation. If you think it's hard to find good help in America... just try the Old World. Birth rates have been consistently lower in most of Europe for the past 30 years, so the young people you might expect to see waiting tables, manning kiosks or performing 1,000 other basic tasks were simply never born.

And it's not just Europe. Falling birthrates are a global phenomenon, even in most of the developing world. You might remember that I live part time in Peru. Well, in Peru – by all accounts a poor country – the average woman only has 2.2 children, which is barely above the replacement level. My family of three is considered “big” these days. In Chile and Colombia, the numbers are 1.5 and 1.7, respectively, well below the replacement level. In Mexico, the number is 1.9.

Remember, in all of these countries the birthrate was five or six children per woman or even significantly higher as recently as the 1980s.

Now, this is not to criticize, of course. I have three children and I'm ready to shoot myself most days. I cannot imagine having six kids, and certainly not with the cost of living what it is today. I'm not saying anyone “should” have more. But the fact that they aren't means that today's labor shortage isn't likely to get better any time soon. In fact, it's only going to get worse.

At least in the case of the United States, we could always depend on immigration to plug any gaps. But given that the countries most likely to supply immigrants are themselves experiencing a baby bust, the supply of immigrants is all but guaranteed to dry up in the years ahead as well. As crazy as this sounds today, in a few years we may think back on today's border crisis with nostalgia... and wish we had more caravans coming.

In a world with fewer available workers, you have to get more output per each remaining worker in order to keep the economy from shrinking. And yes, the American worker has been getting progressively more productive since the time of the Industrial

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Revolution. But if we are to remain competitive, we're going to have to see a surge in productivity unlike anything we've seen before. And the only way to make that happen is via implementation of artificial intelligence.

I have no specific trade to make today. But I want you to start training yourself to view the world around you through that lens. If you want to make money in the 2020s, the 2030s and beyond, figure out how to squeeze more production out of fewer workers.

My mandate here is first and foremost income. But even an income portfolio requires growth to stay ahead of inflation. And automation and AI is exactly the way you do that.

That's all I have for today. Apologies for my lack of communication over the past few weeks, but I look forward to making up for it by finding profitable new income plays that promise to stay a step ahead of inflation.

Have a great week, and 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 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
National Storage Affiliates Trust	NSA	6/30/2023	\$34.82	\$34.89	\$26.98	6.42%	\$ -	0.20%	Yes	Buy
Nintendo Company Ltd	NTDOY	5/26/2023	\$10.69	\$11.47	\$8.34	3.49%	\$ -	7.30%	Yes	Buy
W.P. Carey Inc	WPC	4/26/2023	\$73.59	\$72.97	\$59.92	5.85%	\$ -	-0.84%	Yes	Buy
Nuveen Real Estate Income Fund	JRS	1/30/2023	\$8.46	\$7.70	\$6.41	9.77%	\$ 0.17	-6.97%	Yes	Buy
iShares MSCI Brazil ETF	EWZ	12/26/2022	\$28.79	\$33.69	\$20.15	10.42%	\$ -	17.02%	Yes	Buy
Atlantica Sustainable Infrastructure	AY	11/22/2022	\$27.75	\$24.60	\$20.41	7.15%	\$ 0.89	-8.14%	Yes	Buy
Cheniere Energy Partners	CQP	8/4/2022	\$46.49	\$51.52	\$41.42	6.77%	\$ 1.07	13.12%	No	Buy
Citigroup Inc	C	6/23/2022	\$47.34	\$47.66	\$36.00	4.28%	\$ 1.02	2.83%	Yes	Buy
ONEOK, Inc.	OKE	4/28/2022	\$65.50	\$67.25	\$47.91	5.56%	\$ 2.81	6.95%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$13.28	\$8.59	6.93%	\$ 0.87	73.41%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$45.09	\$33.92	7.32%	\$ 3.20	1.07%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$161.82	\$132.62	3.51%	\$ 7.02	63.40%	Yes	Buy
ClearBridge Energy Midsream Opportunity	EMO	5/26/2021	\$21.94	\$31.92	\$20.49	6.39%	\$ 2.68	57.70%	Yes	Buy

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	\$ 44.75	None	4.92%	\$ 1.10	17.35%	Yes
Conagra Brands	CAG	6/23/2022	\$ 32.47	\$ 33.26	None	3.97%	\$ 0.99	5.48%	Yes
The Clorox Company	CLX	6/23/2022	\$ 132.28	\$ 155.16	None	3.04%	\$ 3.54	19.97%	Yes
Campbell Soup Company	CPB	6/23/2022	\$ 47.04	\$ 46.41	None	3.19%	\$ 1.11	1.03%	Yes
Flowers Foods	FLO	6/23/2022	\$ 24.97	\$ 24.71	None	3.56%	\$ 0.44	0.74%	Yes
General Mills	GIS	6/23/2022	\$ 67.90	\$ 77.25	None	2.80%	\$ 1.62	16.16%	Yes
J.M. Smucker Company	SJM	6/23/2022	\$ 123.83	\$ 153.13	None	2.66%	\$ 3.06	26.13%	Yes
Target Corporation	TGT	6/23/2022	\$ 141.08	\$ 135.41	None	3.19%	\$ 3.24	-1.72%	Yes
Coca-Cola Company	KO	4/27/2022	\$ 65.56	\$ 62.46	None	2.82%	\$ 1.32	-2.72%	Yes
Prologis	PLD	10/29/2021	\$ 146.67	\$ 127.01	None	2.49%	\$ 3.79	-10.82%	Yes
Crown Castle International	CCI	10/29/2021	\$ 181.90	\$ 111.47	None	5.27%	\$ 7.45	-34.63%	Yes
Philip Morris International	PM	3/30/2021	\$ 89.35	\$ 97.62	None	5.20%	\$ 7.49	17.64%	Yes
Altria Group	MO	3/19/2020	\$ 37.10	\$ 45.60	None	8.25%	\$ 10.60	51.48%	Yes
Realty Income	O	3/19/2020	\$ 48.08	\$ 63.37	None	5.10%	\$ 8.40	49.27%	Yes
AT&T	T	3/19/2020	\$ 31.15	\$ 14.95	None	7.42%	\$ 5.79	-33.41%	Yes
Enterprise Products Partners	EPD	3/19/2020	\$ 14.52	\$ 27.07	None	7.02%	\$ 5.51	124.35%	No
Kinder Morgan	KMI	3/19/2020	\$ 11.20	\$ 18.11	None	6.13%	\$ 3.24	90.66%	Yes
Ventas	VTR	3/19/2020	\$ 19.98	\$ 49.68	None	3.62%	\$ 5.74	177.39%	Yes
Public Storage	PSA	3/19/2020	\$ 187.60	\$ 295.65	None	2.71%	\$ 35.15	76.33%	Yes
International Paper	IP	3/19/2020	\$ 30.13	\$ 32.37	None	5.72%	\$ 4.77	23.26%	Yes
STAG Industrial	STAG	3/19/2020	\$ 21.71	\$ 38.41	None	3.80%	\$ 4.23	96.42%	Yes
Retail Opportunity Investments	ROIC	3/19/2020	\$ 7.25	\$ 14.55	None	4.12%	\$ 1.27	118.21%	Yes

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