

# The Sizemore Income Letter

August 10, 2023

## Sticky Inflation...

By Charles Lewis Sizemore, CFA



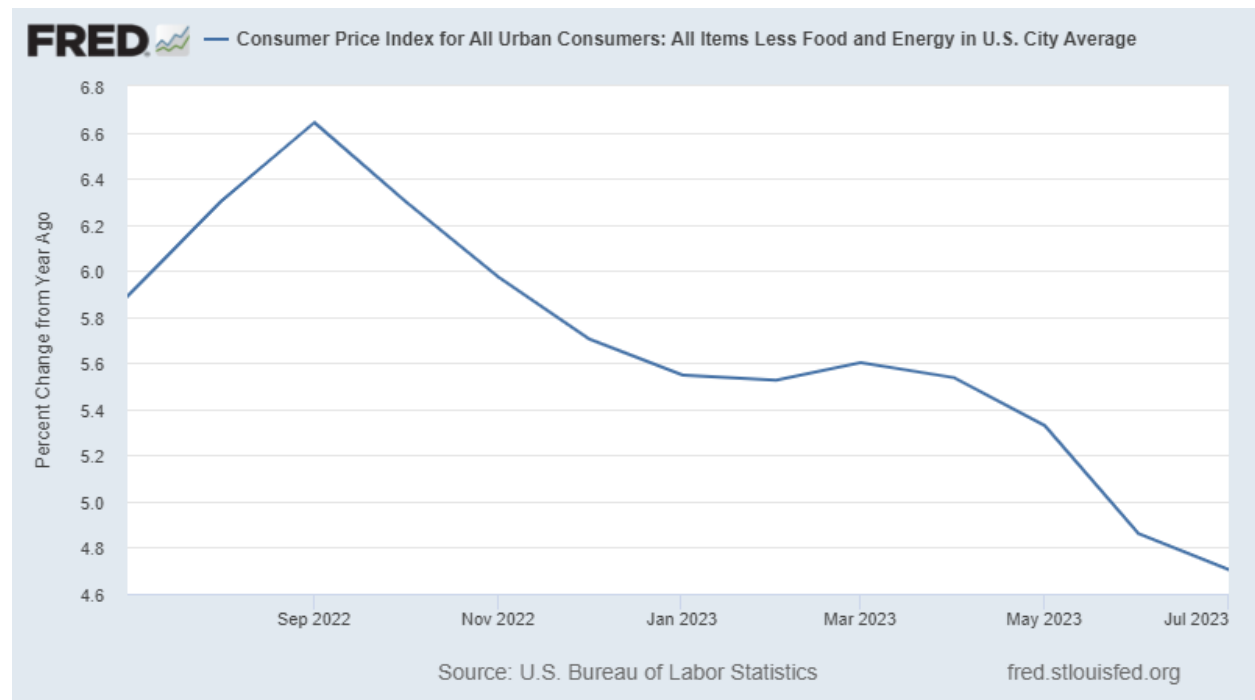
I can't *not* write about inflation. My beat here is income, and any discussion on income has to address inflation. It's the elephant in the room.

So, let's do it. What's the story with inflation... and is there hope?

The consumer price inflation (CPI) numbers came out on Thursday, and they were a little less bad than most economists had feared. But they weren't exactly rosy.

The headline CPI rate actually rose in July, rising to 3.3% from the 3.1% recorded in June. Core CPI, which excludes food and energy, at least moved the right direction, continuing its trend since March of falling. But at 4.7%, that's still a lot higher than we'd like to see.

As for what's driving it, you can primarily blame housing. Rent growth, while slowing, is still high and pulling the index higher.



The Fed is now at the end of what monetary policy can do. Powell can't pull a level and make a new housing subdivision spring out of nowhere. That's something that the private sector has to figure out. The only thing the Fed can do to help moderate housing prices is to jack up rates so high that it causes a recession deep enough to force people out of the housing market and back into their parents' basements.

And really, do you see Powell (or any Fed chairman) having the desire to do that?

This is a long way of saying that inflation will be with us for a while.

All else equal, inflation should be helping our real estate holdings, as most REITs have rest escalators designed to keep their cash flows a step ahead of inflation. Unfortunately, Mr. Market seems to be fixated elsewhere. REIT prices have really been pressured of late due rising bond yields. Apart from making financing more expensive, higher market yields make REITs and other income vehicles less competitive vis-à-vis bonds.

Whatever. Which would you rather have? A bond that pays 5% but will never increase its payout over its life or a solid REIT paying a similar amount but with the potential to increase its payout every year via rising dividends?

I think you know my answer.

My portfolio is heavy in REITs at the moment, as that is where I see the value. We're down in most of the REITs, but we're still above out stop losses. And I'm viewing this selloff as an opportunity.

My all-time favorite stock Realty Income (NYSE: O) now yields over 5%. If you don't already own shares (and even if you do!) I consider this a great opportunity to buy more. While I suppose stranger things have happened, I'm struggling to imagine a scenario in which, five years from now, we won't be wildly thrilled to have bought more shares today.

Realty Income is a buy. Take advantage of the market's shortsightedness to add one of the great wealth creators of our time.

On that note, I'm calling it for the week. Have a great weekend, and 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).

### The Sizemore Income Letter Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?	Action
Essential Properties Realty Trust	EPRT	8/4/2023	\$23.59	\$24.05	\$18.10	4.61%	\$ -	1.95%	Yes	Buy
National Storage Affiliates Trust	NSA	6/30/2023	\$34.82	\$31.98	\$26.98	7.00%	\$ -	-8.16%	Yes	Buy
Nintendo Company Ltd	NTDOY	5/26/2023	\$10.69	\$10.73	\$8.34	3.49%	\$ -	0.37%	Yes	Buy
W.P. Carey Inc	WPC	4/26/2023	\$73.59	\$66.54	\$59.92	6.41%	\$ 1.07	-8.13%	Yes	Buy
Nuveen Real Estate Income Fund	JRS	1/30/2023	\$8.46	\$7.45	\$6.41	9.77%	\$ 0.34	-7.92%	Yes	Buy
iShares MSCI Brazil ETF	EWZ	12/26/2022	\$28.79	\$31.79	\$20.15	11.04%	\$ -	10.42%	Yes	Buy
Atlantica Sustainable Infrastructure	AY	11/22/2022	\$27.75	\$22.83	\$20.41	7.71%	\$ 1.34	-12.92%	Yes	Buy
Cheniere Energy Partners	CQP	8/4/2022	\$46.49	\$48.72	\$41.42	7.16%	\$ 1.07	7.10%	No	Buy
Citigroup Inc	C	6/23/2022	\$47.34	\$44.34	\$36.00	4.60%	\$ 1.02	-4.18%	Yes	Buy
ONEOK, Inc.	OKE	4/28/222	\$65.50	\$65.15	\$47.91	5.74%	\$ 2.81	3.75%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$13.07	\$8.59	7.04%	\$ 0.87	70.83%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$42.98	\$33.92	7.68%	\$ 3.20	-3.35%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$160.83	\$132.62	3.53%	\$ 7.02	62.44%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$31.98	\$20.49	6.38%	\$ 2.68	57.98%	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	\$ 39.96	None	5.51%	\$ 1.10	5.09%	Yes
Conagra Brands	CAG	6/23/2022	\$ 32.47	\$ 31.06	None	4.25%	\$ 0.99	-1.29%	Yes
The Clorox Company	CLX	6/23/2022	\$ 132.28	\$ 160.49	None	2.94%	\$ 3.54	24.00%	Yes
Campbell Soup Company	CPB	6/23/2022	\$ 47.04	\$ 44.01	None	3.36%	\$ 1.11	-4.07%	Yes
Flowers Foods	FLO	6/23/2022	\$ 24.97	\$ 24.77	None	3.55%	\$ 0.44	0.98%	Yes
General Mills	GIS	6/23/2022	\$ 67.90	\$ 72.38	None	2.98%	\$ 1.62	8.98%	Yes
J.M. Smucker Company	SJM	6/23/2022	\$ 123.83	\$ 147.32	None	2.77%	\$ 3.06	21.44%	Yes
Target Corporation	TGT	6/23/2022	\$ 141.08	\$ 130.92	None	3.30%	\$ 3.24	-4.91%	Yes
Coca-Cola Company	KO	4/27/2022	\$ 65.56	\$ 60.92	None	2.89%	\$ 1.32	-5.06%	Yes
Prologis	PLD	10/29/2021	\$ 146.67	\$ 122.16	None	2.59%	\$ 3.79	-14.13%	Yes
Crown Castle International	CCI	10/29/2021	\$ 181.90	\$ 104.69	None	5.62%	\$ 7.45	-38.35%	Yes
Philip Morris International	PM	3/30/2021	\$ 89.35	\$ 96.84	None	5.25%	\$ 7.49	16.77%	Yes
Altria Group	MO	3/19/2020	\$ 37.10	\$ 43.92	None	8.56%	\$ 10.60	46.95%	Yes
Realty Income	O	3/19/2020	\$ 48.08	\$ 58.79	None	5.10%	\$ 8.40	39.75%	Yes
AT&T	T	3/19/2020	\$ 31.15	\$ 14.17	None	7.83%	\$ 5.79	-35.92%	Yes
Enterprise Products Partners	EPD	3/19/2020	\$ 14.52	\$ 26.64	None	7.13%	\$ 5.51	121.38%	No
Kinder Morgan	KMI	3/19/2020	\$ 11.20	\$ 17.54	None	6.33%	\$ 3.24	85.57%	Yes
Ventas	VTR	3/19/2020	\$ 19.98	\$ 43.56	None	4.13%	\$ 5.74	146.76%	Yes
Public Storage	PSA	3/19/2020	\$ 187.60	\$ 284.70	None	2.81%	\$ 35.15	70.50%	Yes
International Paper	IP	3/19/2020	\$ 30.13	\$ 35.55	None	5.20%	\$ 4.77	33.81%	Yes
STAG Industrial	STAG	3/19/2020	\$ 21.71	\$ 35.57	None	4.10%	\$ 4.23	83.34%	Yes
Retail Opportunity Investments	ROIC	3/19/2020	\$ 7.25	\$ 14.64	None	4.10%	\$ 1.27	119.45%	Yes

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