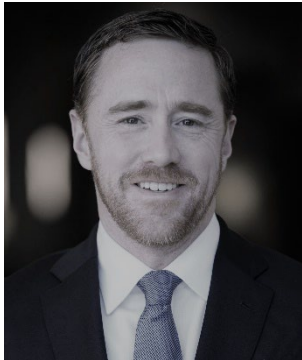


The Sizemore Income Letter

September 21, 2023

The Bond King Likes MLPs

By Charles Lewis Sizemore, CFA



Bill Gross, the now retired founder of bond giant Pimco, may no longer be the “bond king.” Jeffrey Gunlach holds that unofficial title today.

Does this make Gross a deposed king? King Emeritus?

Well, whatever he is, when Gross speaks, income investors tend to listen. And he [had a lot to say this week](#).

He started by ogling *Barbie* actress Margot Robbie like a dirty old man before getting to the meat. Gross is wildly bearish on bonds.

And he listed out his reasons why:

We have a negative yield curve and perhaps one of the reasons why is that fiscal policy has been so expansive. I mean we’re looking at a \$2 trillion deficit this year. It was \$3½ trillion during Covid and when you have such deficits, the recipients (namely consumers) spend lots of money. It was like Bernanke and his helicopter. The government first threw money out of a helicopter and almost all of it has been spent, sending inflation beyond all prior expectations. Taming it and lowering it to 2% will be most difficult and a bond bull market under those circumstances is hard to envision in a 3% future.

About 30% of existing Treasuries (\$32 trillion) will mature over the next 16 months. Who’s going to buy them at existing yield levels? The Fed itself is selling \$1 trillion or so out of its QE portfolio. While the Fed may hint at a time in 2024 where they can reduce short term yields, it may not be enough to lower 10 year Treasuries below 4.0%.

To my way of thinking, the 10 year Treasury is already priced for a 2% inflationary world. At 4.30% a possible 2-2½% Fed Funds rate plus what has historically been a 1.35% term premium (much like the equity risk premium to reflect the possibility of higher yields and lower prices) puts a 10 year close to 4% under the best of possible scenarios.

In a nutshell, Gross a handful of very big headwinds here. The amount of debt outstanding has exploded, and we’re adding to the supply via monster budget deficits.

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All else equal, a rise in supply with no corresponding rise in demand means prices have to fall. And prices today are expensive. While the short-term Fed funds rate is high – and yields on T-bills are juicy – longer-term yields are lower than the rate of inflation.

Now, before I go any further, I want to make it very clear that Gross was not bashing short-term T-bills. When Gross says to run away screaming from government bonds, he is referring to the long-term variety.

I continue to strongly recommend T-bills of one year or less with your idle cash.

But what is Mr. Gross doing with his own personal money?

He's buying master limited partnerships (MLPs).

I'm waaaaay ahead of you, Bill! We've had MLPs and non-MLP pipeline corporations in the portfolio since the very beginning. And I share Gross's enthusiasm for the asset class.

I'll have more to say on this when the monthly issue comes out next week. But I can absolutely tell you that all of our pipeline stocks remain screaming buys.

Details to come next week.

On that note, 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.

The Sizemore Income Letter Portfolio

| Stock | Ticker | Entry Date | Buy Price | Recent Price | Stop Loss | Yield | Cumulative Dividends | Total Return | IRA Friendly? | Action |
|--|--------|------------|-----------|--------------|-----------|--------|----------------------|--------------|---------------|--------|
| NextEra Energy Partners, LP | NEP | 6/30/2023 | \$50.66 | \$47.96 | \$38.75 | 6.78% | \$ - | -5.33% | Yes | Buy |
| Essential Properties Realty Trust | EPRT | 8/4/2023 | \$23.59 | \$22.99 | \$18.10 | 4.61% | \$ - | -2.54% | Yes | Buy |
| National Storage Affiliates Trust | NSA | 6/30/2023 | \$34.82 | \$33.42 | \$26.98 | 6.70% | \$ 0.56 | -2.41% | Yes | Buy |
| Nintendo Company Ltd | NTDOY | 5/26/2023 | \$10.69 | \$10.36 | \$8.34 | 3.49% | \$ - | -3.09% | Yes | Buy |
| W.P. Carey Inc | WPC | 4/26/2023 | \$73.59 | \$59.47 | \$59.92 | 7.18% | \$ 1.07 | -17.73% | Yes | Buy |
| Nuveen Real Estate Income Fund | JRS | 1/30/2023 | \$8.46 | \$6.83 | \$6.41 | 9.77% | \$ 0.34 | -15.25% | Yes | Buy |
| iShares MSCI Brazil ETF | EWZ | 12/26/2022 | \$28.79 | \$31.48 | \$20.15 | 11.15% | \$ 0.76 | 11.97% | Yes | Buy |
| Atlantica Sustainable Infrastructure | AY | 11/22/2022 | \$27.75 | \$21.34 | \$20.41 | 8.25% | \$ 1.34 | -18.30% | Yes | Buy |
| Cheniere Energy Partners | CQP | 8/4/2022 | \$46.49 | \$56.63 | \$41.42 | 6.16% | \$ 1.07 | 24.11% | No | Buy |
| Citigroup Inc | C | 6/23/2022 | \$47.34 | \$41.97 | \$36.00 | 4.86% | \$ 1.02 | -9.20% | Yes | Buy |
| ONEOK, Inc. | OKE | 4/28/2022 | \$65.50 | \$66.54 | \$47.91 | 5.62% | \$ 2.81 | 5.86% | Yes | Buy |
| Energy Transfer Partners | ET | 12/27/2021 | \$8.16 | \$13.81 | \$8.59 | 6.66% | \$ 0.87 | 79.90% | No | Buy |
| EPR Properties | EPR | 11/29/2021 | \$47.78 | \$42.18 | \$33.92 | 7.82% | \$ 3.20 | -5.02% | Yes | Buy |
| Chevron Corporation | CVX | 9/30/2021 | \$103.33 | \$166.25 | \$132.62 | 3.42% | \$ 7.02 | 67.69% | Yes | Buy |
| ClearBridge Energy Midstream Opportunity | EMO | 5/26/2021 | \$21.94 | \$32.47 | \$20.49 | 6.28% | \$ 2.68 | 60.21% | 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 | \$ 37.13 | None | 5.93% | \$ 2.22 | 0.70% | Yes |
| Conagra Brands | CAG | 6/23/2022 | \$ 32.47 | \$ 29.18 | None | 4.52% | \$ 1.67 | -4.99% | Yes |
| The Clorox Company | CLX | 6/23/2022 | \$ 132.28 | \$ 135.60 | None | 3.48% | \$ 5.92 | 6.99% | Yes |
| Campbell Soup Company | CPB | 6/23/2022 | \$ 47.04 | \$ 43.16 | None | 3.43% | \$ 1.85 | -4.31% | Yes |
| Flowers Foods | FLO | 6/23/2022 | \$ 24.97 | \$ 23.39 | None | 3.76% | \$ 0.89 | -2.74% | Yes |
| General Mills | GIS | 6/23/2022 | \$ 67.90 | \$ 65.90 | None | 3.28% | \$ 2.75 | 1.10% | Yes |
| J.M. Smucker Company | SJM | 6/23/2022 | \$ 123.83 | \$ 129.48 | None | 3.15% | \$ 5.14 | 8.72% | Yes |
| Target Corporation | TGT | 6/23/2022 | \$ 141.08 | \$ 117.96 | None | 3.66% | \$ 5.42 | -12.55% | Yes |
| Coca-Cola Company | KO | 4/27/2022 | \$ 65.56 | \$ 57.53 | None | 3.06% | \$ 2.22 | -8.87% | Yes |
| Prologis | PLD | 10/29/2021 | \$ 146.67 | \$ 115.74 | None | 2.73% | \$ 5.53 | -17.32% | Yes |
| Crown Castle International | CCI | 10/29/2021 | \$ 181.90 | \$ 94.71 | None | 6.21% | \$ 10.58 | -42.12% | Yes |
| Philip Morris International | PM | 3/30/2021 | \$ 89.35 | \$ 96.41 | None | 5.27% | \$ 10.03 | 19.13% | Yes |
| Altria Group | MO | 3/19/2020 | \$ 37.10 | \$ 42.97 | None | 8.75% | \$ 12.48 | 49.46% | Yes |
| Realty Income | O | 3/19/2020 | \$ 48.08 | \$ 52.64 | None | 5.10% | \$ 9.93 | 30.13% | Yes |
| AT&T | T | 3/19/2020 | \$ 31.15 | \$ 15.33 | None | 7.24% | \$ 6.35 | -30.40% | Yes |
| Enterprise Products Partners | EPD | 3/19/2020 | \$ 14.52 | \$ 27.44 | None | 6.93% | \$ 6.50 | 133.68% | No |
| Kinder Morgan | KMI | 3/19/2020 | \$ 11.20 | \$ 16.70 | None | 6.65% | \$ 3.81 | 83.08% | Yes |
| Ventas | VTR | 3/19/2020 | \$ 19.98 | \$ 43.33 | None | 4.15% | \$ 6.64 | 150.12% | Yes |
| Public Storage | PSA | 3/19/2020 | \$ 187.60 | \$ 264.67 | None | 3.02% | \$ 41.15 | 63.02% | Yes |
| International Paper | IP | 3/19/2020 | \$ 30.13 | \$ 34.19 | None | 5.41% | \$ 6.62 | 35.44% | Yes |
| STAG Industrial | STAG | 3/19/2020 | \$ 21.71 | \$ 35.27 | None | 4.14% | \$ 4.97 | 85.36% | Yes |
| Retail Opportunity Investments | ROIC | 3/19/2020 | \$ 7.25 | \$ 13.21 | None | 4.54% | \$ 1.57 | 103.79% | Yes |

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