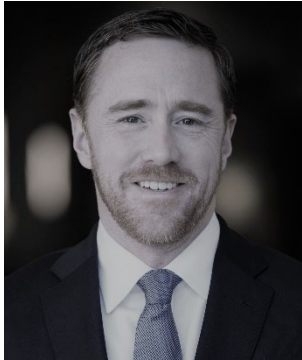


The Sizemore Income Letter

January 2024

One More Forever Stock

By Charles Lewis Sizemore, CFA



What will the Federal Reserve do this week?

I'd love to tell you I know the answer to that question, but I'm left to handicap the odds based on the same idle speculation as everyone else.

If the futures market is any guide, they won't make any major moves this week. But they should give us a little clarity as to how the rest of the year goes.

This year promises to be tricky, so I want to focus my attention on a longer time horizon and add another quality holding to our

Forever Portfolio.

The Forever Portfolio is exactly what it sounds like. This is a list of stocks I am comfortable recommending that you buy, drop in a proverbial drawer, and forget about for years. Collect the dividends and if you don't need them immediately for retirement, automatically reinvest them in new shares.

Forever is a long time of course. We'll all be dead long before "forever" happens. But these are definitely stocks that can and should last for a lifetime.

So, with that as an introduction, I'm going to recommend you buy shares of packaged foods company **Kellanova (NYSE: K)**.

Kellanova is a ridiculous name, but you likely recognize the ticker symbol. Up until last year, this was Kellogg Company, the maker of Frosted Flakes, Corn Flakes and a host of other iconic breakfast cereals.

Kellanova (K)

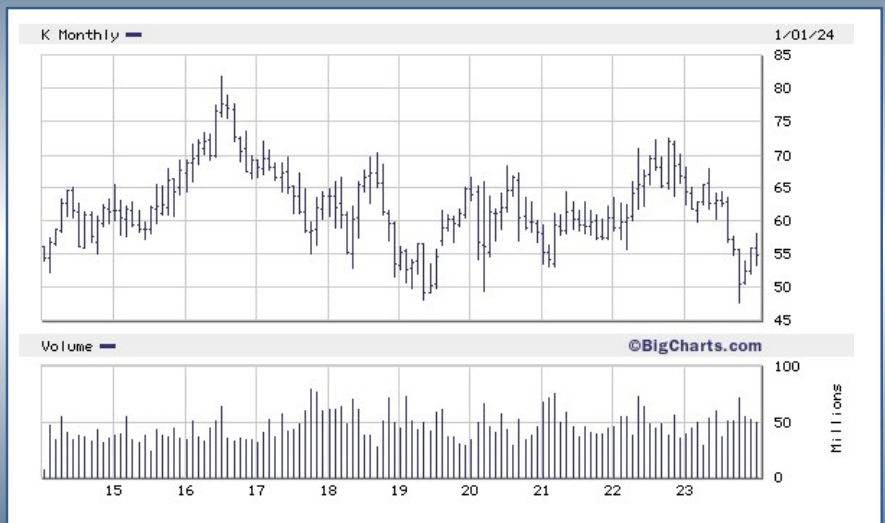


Figure 1

The company decided to spin off its slow-growth domestic cereals business into a new company, **WK Kellogg Co (KLG)**. And frankly, I considered making the spinoff a Forever Portfolio position as well. It owns a portfolio of iconic, irreplaceable cereal brands and sports a decent 4.7% yield.

But I'm a lot more interested in Kellanova's growth prospects. We get a similar 4.1% yield (see Figure 4 on the following page), but we also get much greater potential for dividend growth down the line. And in a Forever stock, dividend growth is ultimately going to be a lot more valuable. That's how you keep pace with inflation over time.

I'll get back to the dividends here in a minute. Let's take a deeper look at the business first.

Kellanova was in desperate need of a shakeup. As I write this, the share price is sitting where it was a decade ago (Figure 1). Breakfast cereal just isn't a growth business anymore, and Wall Street had a hard time justifying a significant multiple on a slow-growth dinosaur.

The inflation crisis of the past two years also didn't help. The company saw its materials prices rise even as their consumers were pinched for cash and not in a great position to pay more.

And that's why the new Kellanova shorn of its cereal business is a lot more interesting. The new company is a collection of popular snack brands, including Pringles, Cheez-It, Nutri Grain and Rice Krispie Treats. The company also has a healthy and growing frozen foods business led by waffle brand Eggo.

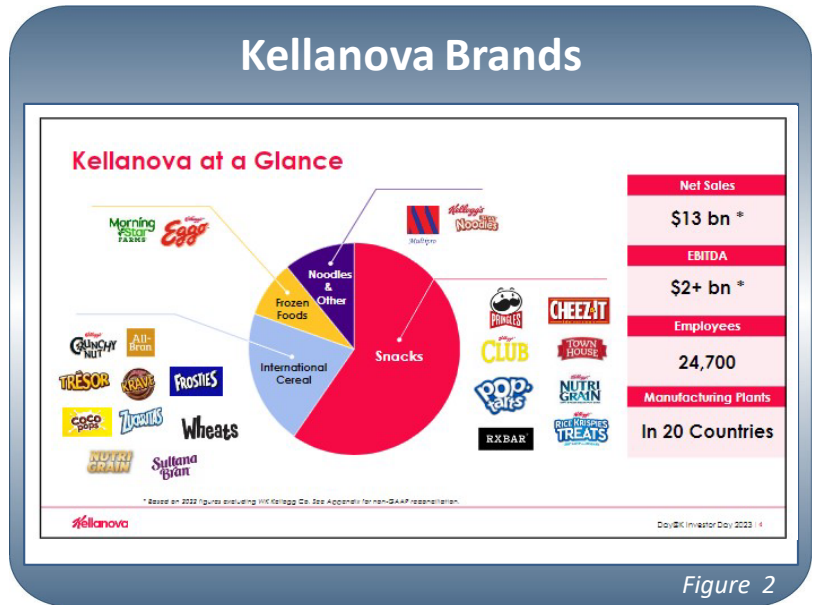


Figure 2



Figure 3

You'll notice the Forever Portfolio is heavy on packaged food names. We already have **Conagra Brands (NYSE: CAG)**, **Campbell Soup Company (NYSE: CPB)**, **Flowers Foods (NYSE: FLO)**, **General Mills (NYSE: GIS)**, **J.M. Smucker Company (NYSE: SJM)** and **the Coca-Cola Company (NYSE: KO)** in the portfolio, so we are clearly no strangers to investing in food brands.

Every single one of these stocks has a handful of characteristics in common.

To start, they are technology and future proof. Until we all start living in the Matrix and start taking our nutrition intravenously, we need to eat. Sure, consumer tastes will change over time. But our risk of technological obsolescence is literally zero.

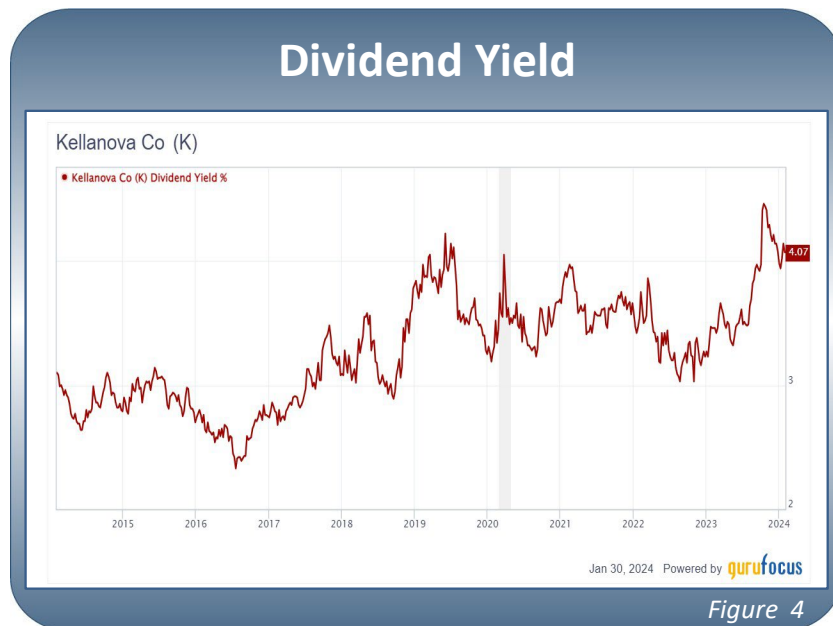
For the same reasons, food brands also tend to be recession proof or at least recession resistant. Again, we have to eat. We may decide to cut back on restaurant meals or forgo new furniture or a vacation to Disney. But we're still going to stuff our faces. And if it gets bad enough, we may actually buy more Pringles as comfort food.

And finally, packaged food tends to be fairly inflation proof. Yes, when cash is right, cheaper white label brands become an option. But paying a few cents more for a name brand is a frivolous little pleasure that nearly anyone can afford no matter how rough it gets out there.

These are generally speaking not ultra-high-growth businesses. **I only get interested when I see them on sale. If we lock them in at decent prices, we can enjoy years or even decades of growing dividend income.**

So, let's talk about those decent prices.

For most of the past decade, Kellanova has sported a price/sales ratio of 1.5 to 2.0 (see Figure 3 on previous page). And that was the old "cereal heavy" Kellanova. Today's slimmed down version should trade at a premium due



to its improved growth outlook... and yet it trades for just 1.2 times sales.

Likewise, Kellanova's dividend yield has bounced around 3% to 3.5% for the past decade, briefly touching 4% only a few times. Today's dividend yield is at close to 20-year highs.

Kellanova is not Microsoft or Amazon. Under no stretch of the imagination is this company blazing new trails or changing the world. But it's a stable company with strong brands that is refocusing on growth while still paying a very competitive dividend. This is a no-stress, no-drama stock and exactly the kind of company I look for in Forever Portfolio.

So, please take the following action:

Action to take: Buy shares of Kellanova (NYSE: K) at market. Plan to hold forever.

I would love to tell you I know exactly what happens next in the world of interest rates. The Fed has made it clear that they intend to lower rates this year,

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but it remains to be seen by how much and how quickly.

Inflation is also going to be a factor. While inflation has been trending lower, we're now bumping up against demographic factors the Fed cannot control. Inflation in services is running at well over 5% due in large part to a persistent worker shortage, which is itself a product of lower birth rates 20 years ago.

My best guess is that the Fed muddles through by lowering rates 0.5% to 0.1% over the next 24 months, even as inflation proves to be sticky.

So, if you still have a lot of idle cash, this may be your last real opportunity to buy t-bills at an attractive rate.

This may also be our last opportunity to accumulate shares of our Forever stocks at yields over 4%.

Again, I have no crystal ball here, but as bond yields come down, I expect the dividend yields of "bond substitutes" like conservative dividend stocks to come down with them.

If anything too wonky comes out of the Fed's meeting this week, I'll put out an

update. I'm not expecting anything particularly newsworthy, as Chairman Jerome Powell goes out of his way to avoid surprising anyone. But stranger things have surely happened.

More details to come. Until then, 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 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 think your portfolio is a little too exposed to the stock market alternatives that can offer competitive 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
Global Medical REIT	GMRE	12/29/2023	\$11.39	\$10.39	\$8.92	8.08%	\$ -	-8.78%	Yes	Buy
Essential Properties Realty Trust	EPRT	8/4/2023	\$23.59	\$25.05	\$18.10	4.61%	\$ 0.28	7.38%	Yes	Buy
National Storage Affiliates Trust	NSA	6/30/2023	\$34.82	\$39.10	\$26.98	5.73%	\$ 0.56	13.90%	Yes	Buy
Nintendo Company Ltd	NTDOY	5/26/2023	\$10.69	\$13.70	\$8.34	3.49%	\$ -	28.16%	Yes	Buy
iShares MSCI Brazil ETF	EWZ	12/26/2022	\$28.79	\$33.12	\$20.15	10.60%	\$ 0.76	17.67%	Yes	Buy
Cheniere Energy Partners	CQP	8/4/2022	\$46.49	\$54.35	\$41.42	6.42%	\$ 5.23	28.16%	No	Buy
Citigroup Inc	C	6/23/2022	\$47.34	\$54.11	\$36.00	3.77%	\$ 3.10	20.85%	Yes	Buy
ONEOK, Inc.	OKE	4/28/2022	\$65.50	\$69.65	\$47.91	5.48%	\$ 6.63	16.45%	Yes	Buy
Energy Transfer Partners	ET	12/27/2021	\$8.16	\$14.53	\$8.59	8.53%	\$ 2.11	103.87%	No	Buy
EPR Properties	EPR	11/29/2021	\$47.78	\$45.78	\$33.92	7.21%	\$ 6.78	9.99%	Yes	Buy
Chevron Corporation	CVX	9/30/2021	\$103.33	\$149.08	\$132.62	4.05%	\$ 13.06	56.91%	Yes	Buy
ClearBridge Energy Midstream Opportunity	EMO	5/26/2021	\$21.94	\$35.94	\$20.49	7.23%	\$ 5.05	86.83%	Yes	Buy

The Forever Portfolio

Stock	Ticker	Entry Date	Buy Price	Recent Price	Stop Loss	Yield	Cumulative Dividends	Total Return	IRA Friendly?
Kellanova	K	1/30/2024	\$ 54.79	\$ 54.79	None	4.09%	\$ -	0.00%	Yes
Walmart	WMT	11/15/2023	\$ 168.88	\$ 165.04	None	1.38%	\$ 0.57	-1.94%	Yes
Waste Management	WM	11/15/2023	\$ 172.02	\$ 185.35	None	1.51%	\$ 0.70	8.16%	Yes
National Retail Properties	NNN	9/29/2022	\$ 39.07	\$ 41.49	None	5.30%	\$ 2.78	13.31%	Yes
Conagra Brands	CAG	6/23/2022	\$ 32.47	\$ 29.20	None	4.52%	\$ 2.02	-3.85%	Yes
The Clorox Company	CLX	6/23/2022	\$ 132.28	\$ 144.71	None	3.26%	\$ 7.12	14.78%	Yes
Campbell Soup Company	CPB	6/23/2022	\$ 47.04	\$ 43.78	None	3.38%	\$ 2.22	-2.20%	Yes
Flowers Foods	FLO	6/23/2022	\$ 24.97	\$ 22.68	None	3.88%	\$ 1.35	-3.75%	Yes
General Mills	GIS	6/23/2022	\$ 67.90	\$ 64.26	None	3.36%	\$ 3.34	-0.44%	Yes
J.M. Smucker Company	SJM	6/23/2022	\$ 123.83	\$ 131.59	None	3.10%	\$ 6.20	11.27%	Yes
Target Corporation	TGT	6/23/2022	\$ 141.08	\$ 141.52	None	3.05%	\$ 6.52	4.93%	Yes
Coca-Cola Company	KO	4/27/2022	\$ 65.56	\$ 59.73	None	2.95%	\$ 3.60	-3.40%	Yes
Prologis	PLD	10/29/2021	\$ 146.67	\$ 127.89	None	2.47%	\$ 6.40	-8.44%	Yes
Crown Castle International	CCI	10/29/2021	\$ 181.90	\$ 108.95	None	5.40%	\$ 12.14	-33.43%	Yes
Philip Morris International	PM	3/30/2021	\$ 89.35	\$ 91.70	None	5.54%	\$ 11.33	15.31%	Yes
Altria Group	MO	3/19/2020	\$ 37.10	\$ 40.53	None	9.28%	\$ 13.46	45.51%	Yes
Realty Income	O	3/19/2020	\$ 48.08	\$ 54.92	None	5.59%	\$ 10.96	37.01%	Yes
AT&T	T	3/19/2020	\$ 23.69	\$ 17.25	None	6.43%	\$ 6.63	0.79%	Yes
Enterprise Products Partners	EPD	3/19/2020	\$ 14.52	\$ 27.47	None	7.28%	\$ 7.00	137.36%	No
Kinder Morgan	KMI	3/19/2020	\$ 11.20	\$ 17.37	None	6.51%	\$ 4.09	91.63%	Yes
Ventas	VTR	3/19/2020	\$ 19.98	\$ 48.09	None	3.74%	\$ 7.09	176.19%	Yes
Public Storage	PSA	3/19/2020	\$ 187.60	\$ 289.81	None	2.76%	\$ 47.15	79.62%	Yes
International Paper	IP	3/19/2020	\$ 30.13	\$ 36.72	None	5.04%	\$ 7.08	45.38%	Yes
STAG Industrial	STAG	3/19/2020	\$ 21.71	\$ 38.17	None	3.82%	\$ 5.46	100.98%	Yes
Retail Opportunity Investments	ROIC	3/19/2020	\$ 7.25	\$ 13.82	None	4.34%	\$ 1.72	114.34%	Yes

Preferred Stock Trading at Deep Discounts

Stock	Ticker	Buy Date	Buy Price	Current Price	Discount to Par	Yield	Cumulative Dividends	Total Return
AGNC Investment Corp Preferred	AGNCP	3/31/2023	\$19.72	\$23.00	-8%	7.00%	\$ 0.77	20.52%
Goldman Sachs Series A Preferred	GS.PRA	3/31/2023	\$20.42	\$21.75	-13%	7.49%	\$ 0.41	8.51%
Bank of America Corp Floating Rate Non-Cumulative Preferred Stock, Series 5	BML.PRL	3/31/2023	\$20.24	\$21.33	-15%	7.36%	\$ 1.10	10.83%
Morgan Stanley Floating Rate Non-Cumulative Preferred Stock, Series A	MS.PRA	3/31/2023	\$20.28	\$21.72	-13%	7.01%	\$ 0.77	10.91%

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