

Retirement SIG

Calendar Spreads Again

Rohit Millstein

Mar 11, 2021

Caveat Emptor!

I am a Registered Investment Advisor Representative of Millstein Advisors, LLC, a Registered Investment Advisor.

This presentation is not a recommendation for any particular tactic, strategy, purchase, sale or other transaction. This presentation is informational.

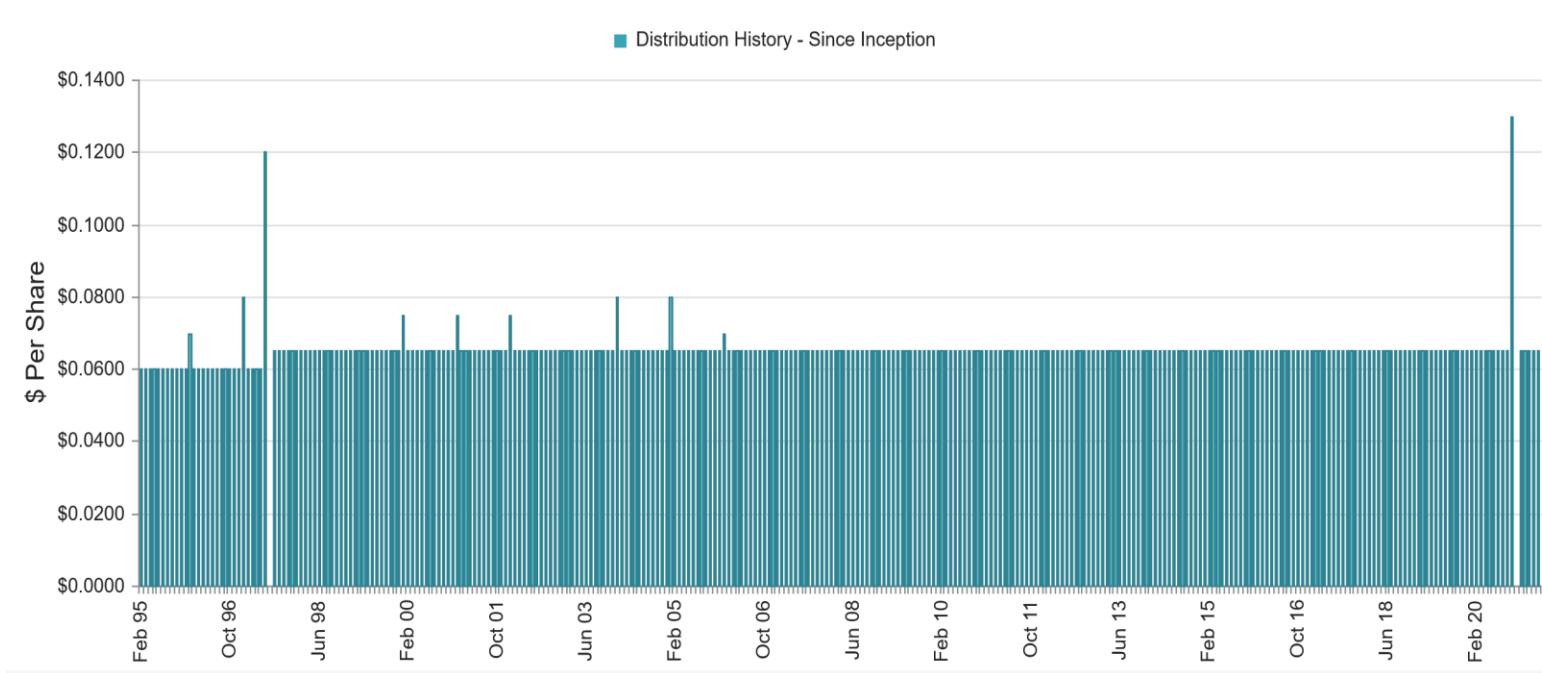
The following are some ideas you may find useful. It is impossible for me to know whether any of these ideas are appropriate for your particular situation. As Members of AAII, I fully expect that you will be able to make that judgment for yourself.

Been A Year

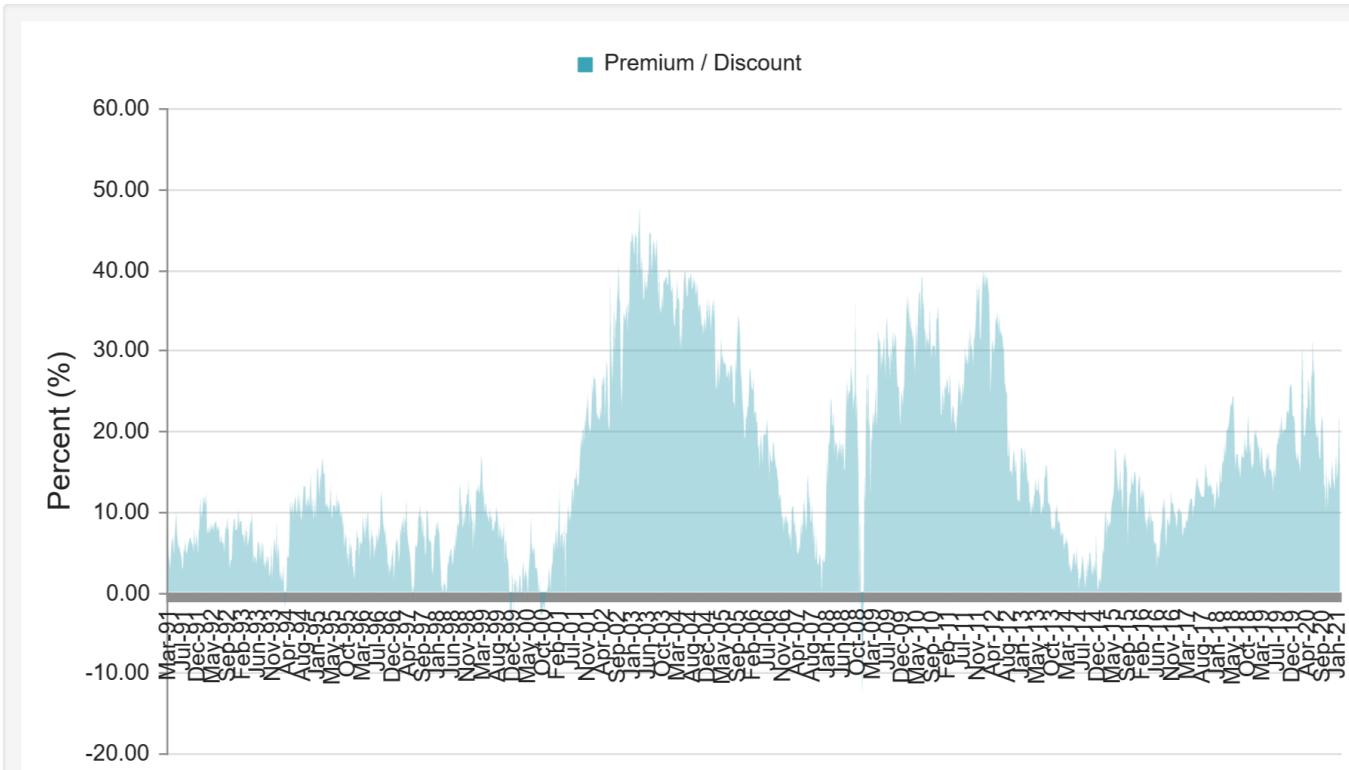
- Last year, on the second Thursday of March, was our last, in-person meeting
- The challenge for today's session:
 - Rates are low
 - And everyone believes they are going higher
- Eight ideas to get the ball rolling
 - But will interrupt these slides for others to chime in with their ideas
 - Preferably things you are already using to generate income in these low interest sort of days

Most Controversial Idea First

- This closed end fund yields ~7.6%
- Outrageously consistent over a very long time



Here's the Rub



- It trades at a persistent premium
- Yield is based on price, though. What premium, if any, would you pay??

And it will bounce Around



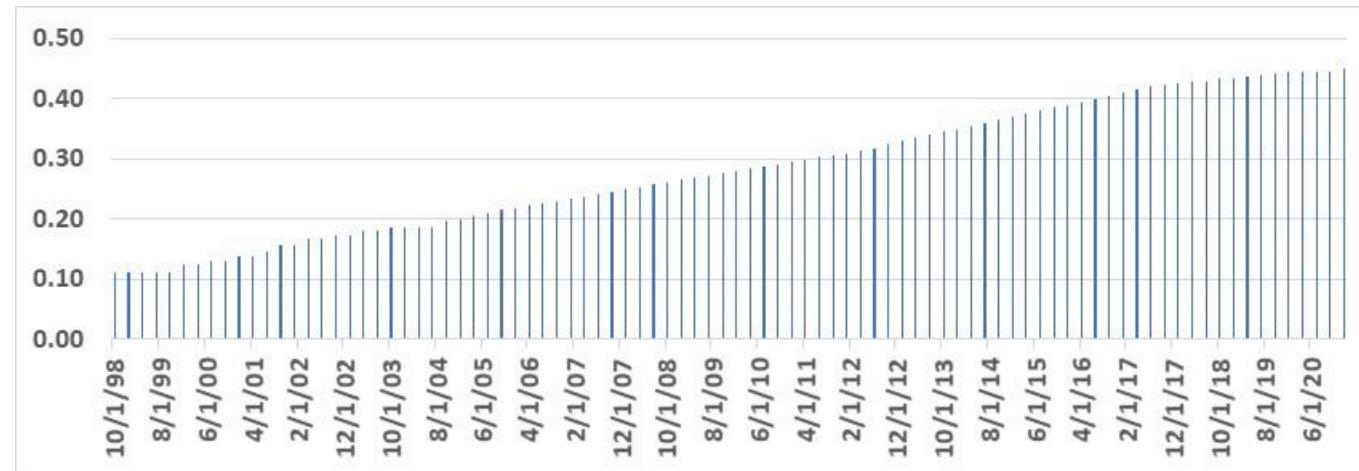
- You'll have drawdowns, but the dividends keep coming
- And total returns for 3, 5, 10 & 15 years are pretty similar
 - 7.9% (3), 8.5% (5), 8.7 (10) & 7.9% (15)
- Holds utilities, REITs, bonds, with annual turnover of 9%

#2: Enterprise Products Partners

- We all know MLPs got creamed in 2015....

Total Return %	1-Day	1-Week	1-Month	3-Month	YTD	1-Year	3-Year	5-Year	10-Year	15-Year
■ EPD	1.05	8.63	10.08	13.73	20.52	5.39	4.25	5.67	6.00	8.96
■ Sector	1.17	7.83	9.41	11.64	20.12	5.39	0.95	4.33	3.70	6.03

- The current yield is ~7.8% -- and rising



EPD, too, will bounce Around



- But this is a discussion about generating income
- Seems a reasonable enough place to take the plunge

#3: EPD for the K-1/UBTI Resistant

- Sell a put instead
- Since you'll never own the stock, no worries on UBTI, no K-1
 - You can sell puts in IRAs, too
- You can also calibrate return & risk
 - Jan 2022 \$20 Put → 9.3% annualized
 - Jan 2022 \$18 Put → 6.0% annualized
 - With stock at \$23.18

#3: More EPD Put Choices

- Jan 2022 puts require attention within a year
- Go further out and snooze longer
 - Jan 2023 \$20 Put → 10.2% annualized
 - Jan 2023 \$17 Put → 5.9% annualized
 - With stock at \$23.18
- If you're the active type...
 - Consider Sep 21 puts, yielding 13.5% annualized

#4: Rate Rise Defense

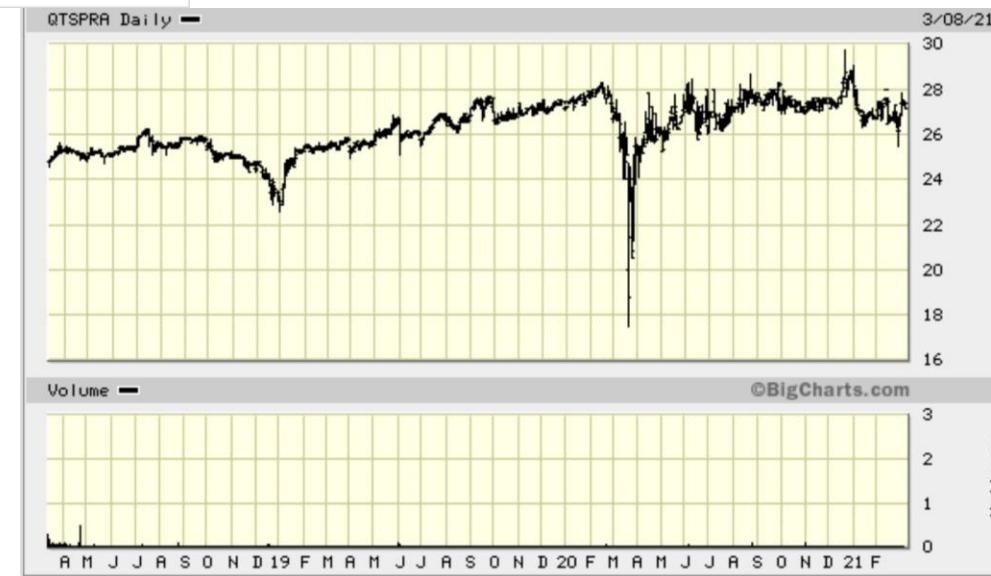
- QTS Pr A is a sort of 3.3% 2-year note
 - Where the effective yield will rise if rates rise
- QTS 7.125% Series A Cumulative Redeemable
 - Trades around \$27.25
 - Callable 3/15/2023 at par plus accrued
 - Quarterly dividend = \$0.4453125
 - Thus requires 5.05 dividends to cover premium
 - IRR to call = 3.3%

#4: QTS Pr A (con't)



The preferred dividend looks awfully secure given the growth in common dividends

But the pref may bounce around on you a bit while paying its reliable looking income

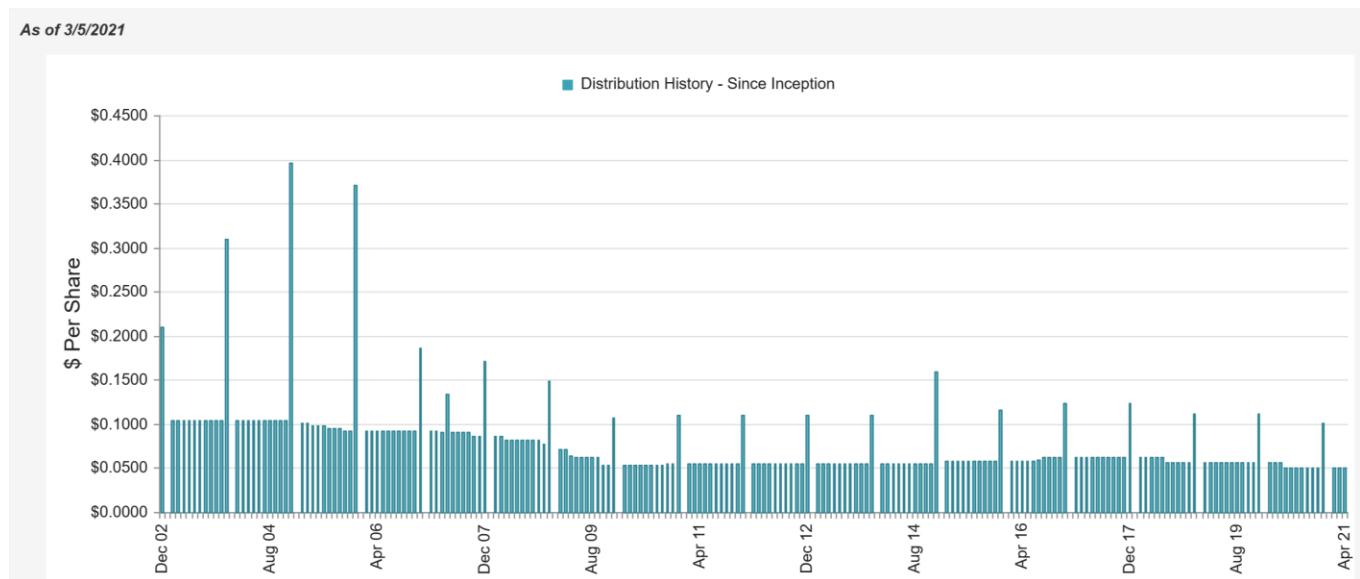


#4: QTS Pr A is Likely Reliable

- Price is held down by call
 - If rates rise, you'll just hold it....
 - As an arbitrary outcome, consider that
 - If you held it for 6 years
 - Its price was \$23 at the time
 - Translates to a current yield of 7.74%
 - And you sell at \$23
 - The IRR for the 6 year holding period =~ 4.7%

#5: Preferred Stock Fund

- JPS, Nuveen Pref & Income Securities
- Distribution has decreased, but not skipped
 - Big drop occurred in Great Recession
 - Pref issuers lean heavily toward financials



#5: JPS Continued

- The discount has been better
- At current 2.80% discount, yield = ~6.5%
- Expect a drawdown....



#6: How about a Bond?

- In 2018 survey of AAII members,
 - 83% are Very Interested/Interested in Income Generation
 - Yet only 44% are VI/I in Bonds.
 - Why is that?
- BondSavvy has provided some nice ideas
 - Albertson's 7.45% of 8/1/29
 - Cusip = 013104AF1
 - YTM = 4.95% at recent offer of \$116.96
 - Nice protection against rising yields because it's at a premium
 - Original recommendation, Feb 2018 is here:

<https://www.bondsavvy.com/fixed-income-investments-blog/albertsons-bonds>

#6: What About Rates ?

- *The Price Will Vary !!*
 - It was around 106-108 in the summer
 - 96 at the end of March
 - (Can't find a good chart)
- Common Stock initiated a dividend Oct 23, 2020
 - Leaves the coupon looking awfully safe
- Besides, BondSavvy maintains its buy at 116.17
 - Take a look at www.BondSavvy.com

#6: What About Rates ?

- *The Price Will Vary !!*
 - It was around 106-108 in the summer
 - 96 at the end of March
 - (Can't find a good chart)
- Common Stock initiated a dividend Oct 23, 2020
 - Leaves the coupon looking awfully safe
- Besides, BondSavvy maintains its buy at 116.17
 - Take a look at www.BondSavvy.com

#7: Ares Capital Corporation

- Talk about variable prices...



- But the yield is 8.44%
- Better yet....

FYI, Ares has a 3.875 of Jan 15 '26
Yield = 2.52% at \$106.05 offer
Cusip = 04010LAZ6



#8: AGNCO

- AGNC is one of many mortgage REITs, mREITs.
 - The yield is juicy – about 9.1% lately
- But the stock bounces around a lot
 - So does the dividend



#8: AGNCO

- The preferred
 - Yields less -- ~6.6%
 - Issued only in Oct 2019
 - Fixed to floating rate
 - Pays 6.5% now
 - From Oct 15, 2024, pays 3-month LIBOR + 4.993%
 - Cumulative
 - Callable Oct 15, 2024 at \$25
 - Beware paying a premium
- Remember, if the common pays even a penny
 - The pref must be paid first !!

Your Turn !!

Rohit Millstein
rohitmillstein@yahoo.com

RohitMillstein@yahoo.com

281 236 9800