

# ***AAll Houston Agenda 11-30-22***

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***06:30 INCOME SIG UPDATE  
- Ferzinger@gmail.com***

***07:30 Scott Juds  
SectorSurfer.com  
AlphaDailyBrief.com***

## **All Disclaimers**

– Per quotes by Nobel Prize Physicist Niels Bohr about his perspectives about the fundamental structure of the atom, many could apply to the 2023 market outlook.

**“Prediction is difficult, especially about the future”** (Yankee YBerra used this too)

- *Interpretation of the past is tough, more difficult is how or if it applies to the future.*

**“An expert is a man who has made all the mistakes which can be made in a narrow field.”**

- *We are not financial experts, hopefully we have only a few more mistakes to make.*

**“Everything we call real is made of things that cannot be regarded as real.”**

- *This presentation is real but not a solicitation or advice, thus, sort of, not real.*

- *Check the recent Fed minutes and policy statement ... reality = unreality, wtf fractal?*

**“A deep truth is a truth so deep that it is not only true but its exact opposite is true.**

- *Beyond the HClA Income Sig bandwidth, check with your investment advisor.*

# POSITIONS & NEXT STEPS – Harvest 2023

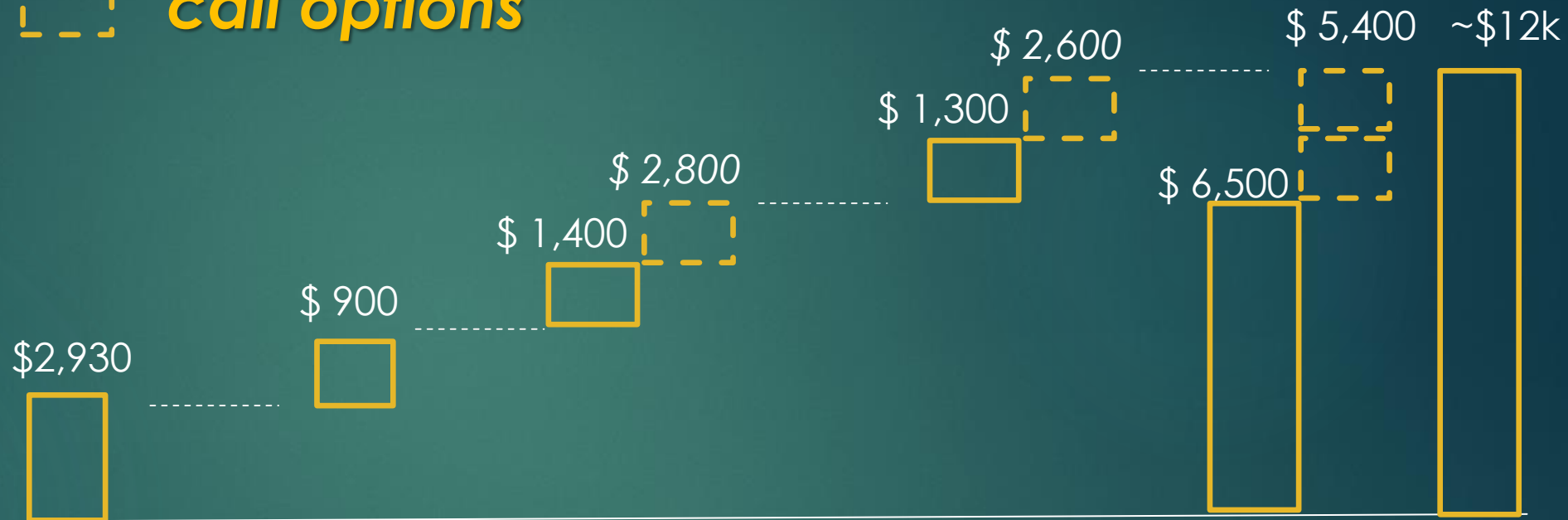
q1 Demonstrate \$12k income/qtr

q2+ ReAllocate to Risk Adj Assets

call options

3

\$ per Quarter



	Gold (Hedge)	13 wk Tbill Ladder	Corp Bonds	Magnificent 7 Original Eq. Pos ~\$200k	New 6 Eq Positions \$175k	- Total -
Capital \$k	\$50k	\$245k	\$50k			
Incremental Return	0	4.8%	7%	2.8% + 5.6%	3% + 6%	\$720 6.7%

# *Income SIG – Agenda*

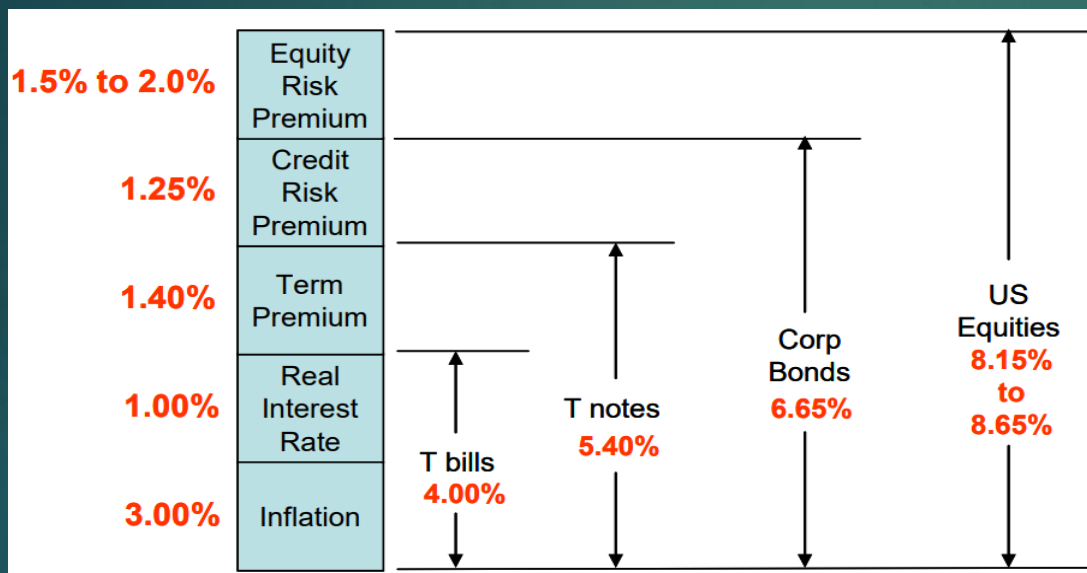
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- ▶ 1. BASELINE
- ▶ 2. MARKET OUTLOOK
- ▶ 3. ASSET ROTATION / PROSPECTS
- ▶ 4. POSITIONS / NEXT STEPS

### 3. BASELINE 2020 to 2022 Capital

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#### Risk Premium Framework – Ibbotson 2015



#### Inc Sig Baseline

#### – Jan 2020 to Nov 2022 Results

Equity Credit (Dividends) Positive

Equity Volatility Risk

– Options Calls at Peak Equity Prices

Debt Credit Risk – Not Used to Date

Term Premium - Negligible

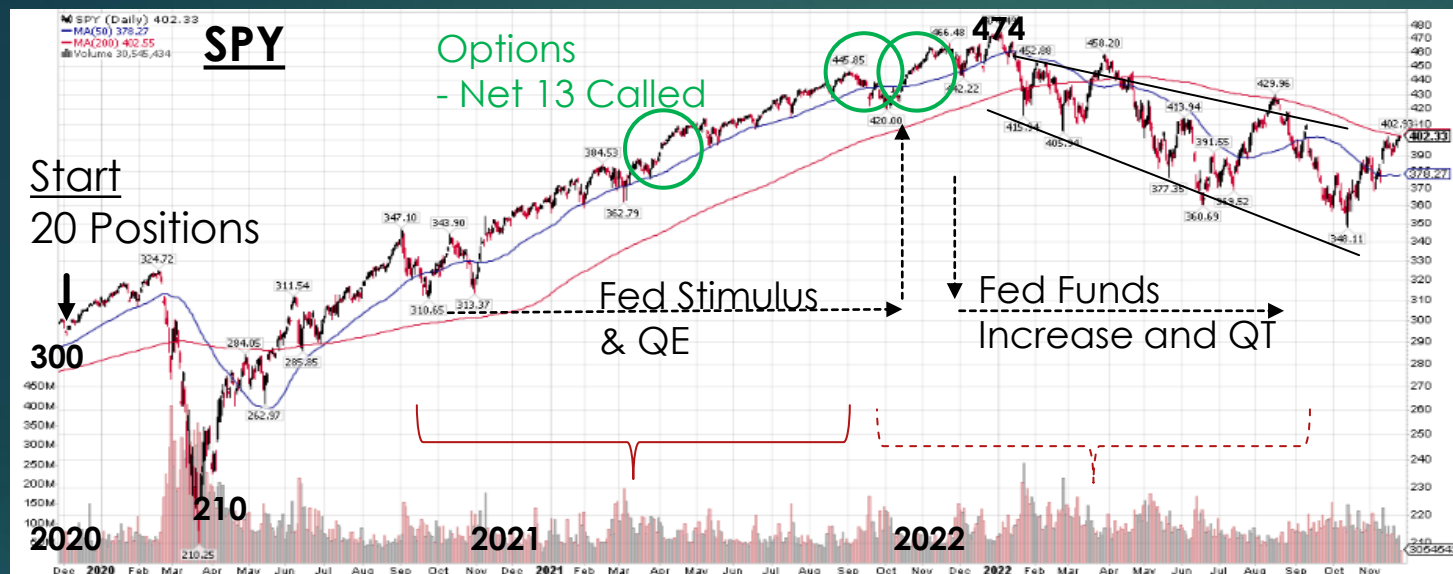
T Notes Not Used

Tbills not used until q4 2022, rates ~0

Time	CASH	GOLD	T BILL	T NOTE	BONDS	EQUITIES		TOTAL	NOTES
						\$	no		
2020 Jan	\$560							\$ 560	
2020 Feb	\$ -					\$ 500	20	\$ 500	20 positions pre COVID
2022 Sept	\$520					\$ 200	7	\$ 720	Gains, Price, Dividends, Options
2022 Nov	\$350		\$ 170			\$ 200	7	\$ 720 28.6%	BASELINE fr 2020

# 1. BASELINE – IncSig Since Jan 2020, up 28%

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11/24/22  
402close & 200dma  
379 50dma

DexV\* -> 1. Start 2. Covid 3. Sunami a. Monetary b. Inflation c. ^FedFunds Rate  
\$500k - Select CCalls Market – “Meta Stable Channeling”  
20 Positions - Collect Dividends 13 Positions Called (52wk high)

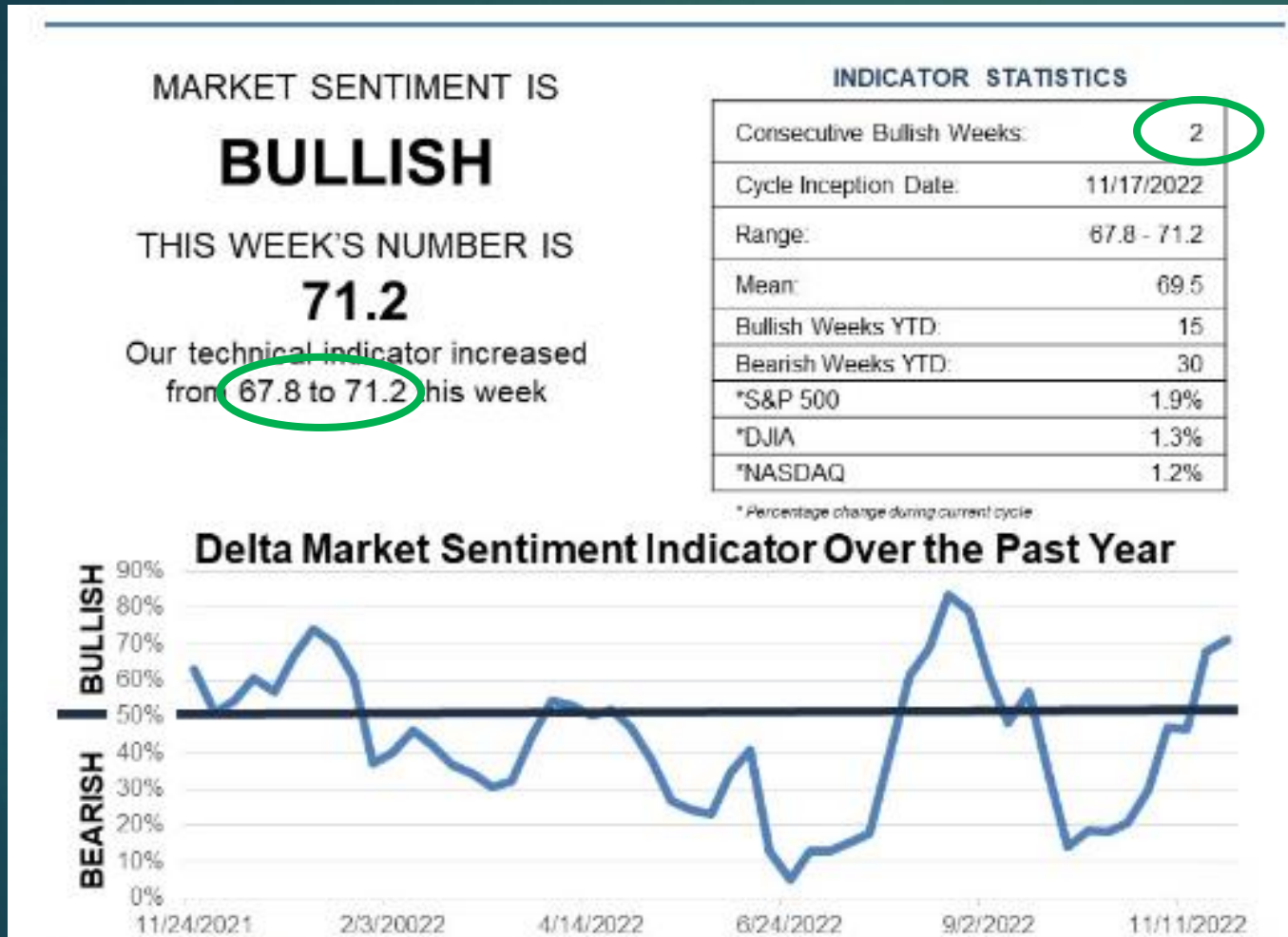
11/15/2022 ->			Start - 01/01/2020					11/15/2022		Price Gain		DIVIDENDS		OPTIONS -			UDPATE - 11/15/2022						
	ASSET RETURN	Acq Date	\$ /sh	no sh	\$	\$ /sh	\$	\$ 11/15/22	\$ cum / sh	\$ cum div		\$ Called	\$ premium	\$ resid sale	\$ Total	\$ gain	% gain	\$ Cash	\$ Equity				
	EMR Emerson	12/30/2019	\$ 76.44	322	\$ 24,614	\$ 95	\$ 30,590	\$ 5,976	\$ 5.57	\$ 1,792			\$ 791		\$ 33,173	\$ 8,560	35%	\$ 2,583	\$ 30,590	EMR			
	KLAC KLA Corp	1/1/2020	\$ 178.17	138	\$ 24,587	\$ 378	\$ 52,164	\$ 27,577	\$ 10.80	\$ 1,490			\$ 1,349		\$ 55,004	\$ 30,416	123.7%	\$ 2,840	\$ 52,164	KLAC			
	MDT Medtronic	1/1/2020	\$ 113.84	220	\$ 25,045	\$ 83	\$ 18,260	\$ (6,785)	\$ 6.74	\$ 1,483			\$ 472		\$ 20,215	\$ (4,830)	-19.3%	\$ 1,955	\$ 18,260	MDT			
	MMM 3 M	11/8/2020	\$ 163.02	138	\$ 22,497	\$ 131	\$ 18,078	\$ (4,419)	\$ 11.86	\$ 1,637			\$ 468		\$ 20,182	\$ (2,314)	-10.3%	\$ 2,104	\$ 18,078	MMM			
	MRK Merck	12/30/2019	\$ 86.86	308	\$ 26,753	\$ 100	\$ 30,800	\$ 4,047	\$ 5.81	\$ 1,789			\$ 797		\$ 33,386	\$ 6,633	24.8%	\$ 2,586	\$ 30,800	MRK			
	RHHBY Roche	1/1/2020	\$ 40.66	614	\$ 24,965	\$ 41	\$ 25,174	\$ 209	\$ 3.54	\$ 2,174			\$ 651		\$ 27,999	\$ 3,033	12.2%	\$ 2,825	\$ 25,174	RHHE			
	STX Seagate Holding	1/1/2020	\$ 59.50	416	\$ 24,752	\$ 56	\$ 23,296	\$ (1,456)	\$ 7.40	\$ 3,078			\$ 603		\$ 26,977	\$ 2,225	9.0%	\$ 3,681	\$ 23,296	STX			
	7 Active Co Shares			2,156	\$ 173,213	\$ 92	\$ 198,362	\$ 25,149		\$ 13,443			\$ 5,131		\$ 216,936	\$ 43,723	25%	\$ 18,574	\$ 198,362				
					100%		115%			7.8%			3.0%		125%								
	18 Co Shares Sold or Called				\$387,250					\$ 15,832		\$409,050	\$ 13,062	\$62,959	\$ 500,903	\$ 113,653	29%	\$500,903					
													2.8%										
	TOTAL to DATE - 11/15/22				\$560,463			\$25,149		\$ 29,276		\$409,050	\$ 18,193	\$62,959	\$717,839	\$ 157,376	28%	\$519,477					

\*DexV - The Dominant Exogenous (Economic – Market) Variable

## 2. OUTLOOK - Sentiment – 11/24/22

### .. Bull Bounce ... Two Weeks = Trend?

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### Delta Market Sentiment:

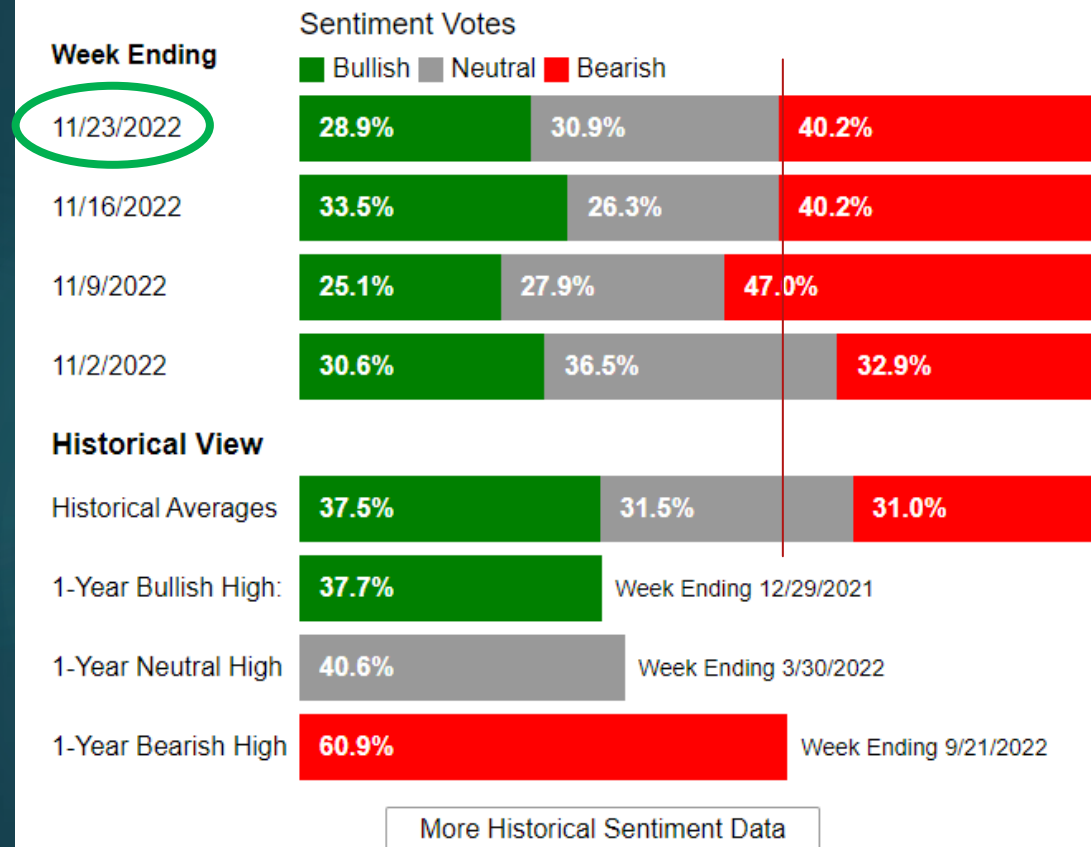
- This week price for 1800 stocks
- Percent above or below 75 dma
- > 47% "Deadband" < 53%  
not a definitive indicator

## 2. OUTLOOK - Sentiment – 11/23/22

### .. Improving 6 Month Sentiment

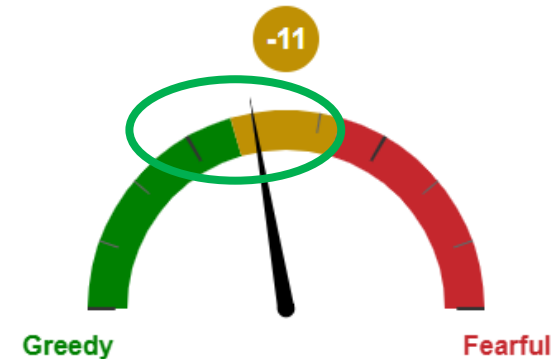
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#### What Direction Do AAI Members Feel The Stock Market Will Be In The Next 6 Months?



#### CURRENT AAI SENTIMENT BULL-BEAR SPREAD:

The Sentiment Survey is a contrarian indicator. Above-average market returns have often followed unusually low levels of optimism, while below-average market returns have often followed unusually high levels of optimism. Click [here](#) to learn more.



#### BULL-BEAR SPREAD TRENDS:



## 2. OUTLOOK – 1yr Composite Charts – 11/28/22

.. Bull Bounce ... will Uptick Stick?

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### TRENDS – Channel Resistance

T1 - Dominant Downward Market

T2 - Intermediate Upward Bull Bounce

### TRENDS – Channel Support

T3 – Falling “Support”

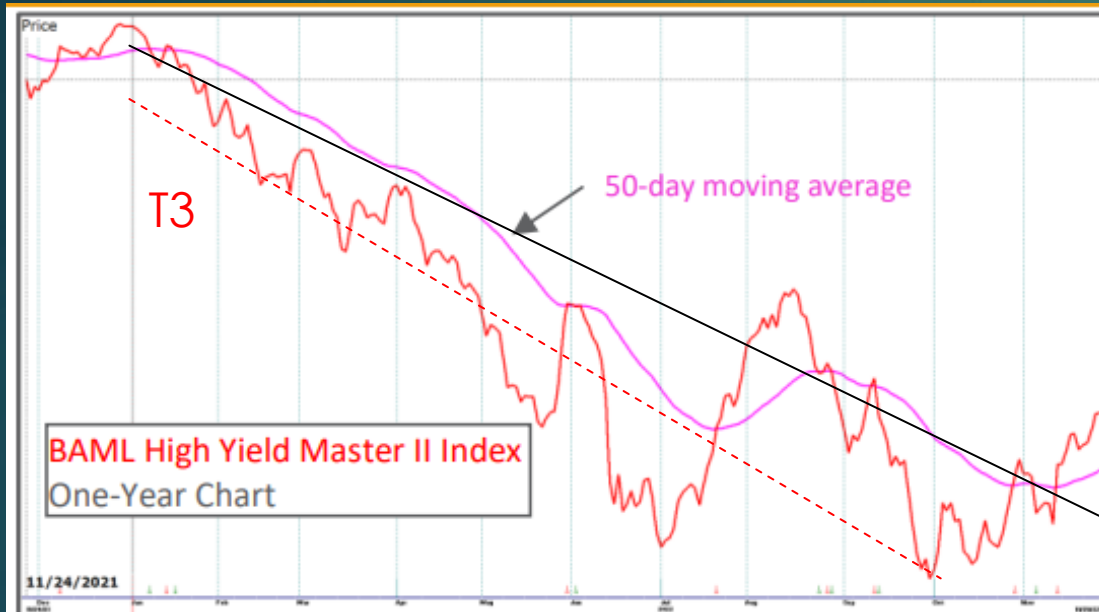
Or ....

Increasing oscillatory instability created by Fed Rate hikes & speculative money on “sidelines” buying the dips

## 2. OUTLOOK – 1yr High Yield Debt – 11/28/22

Short Term - Reversal as Traders Risk On?

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TRENDS – Through Channel Resistance  
50 dma Cross Over

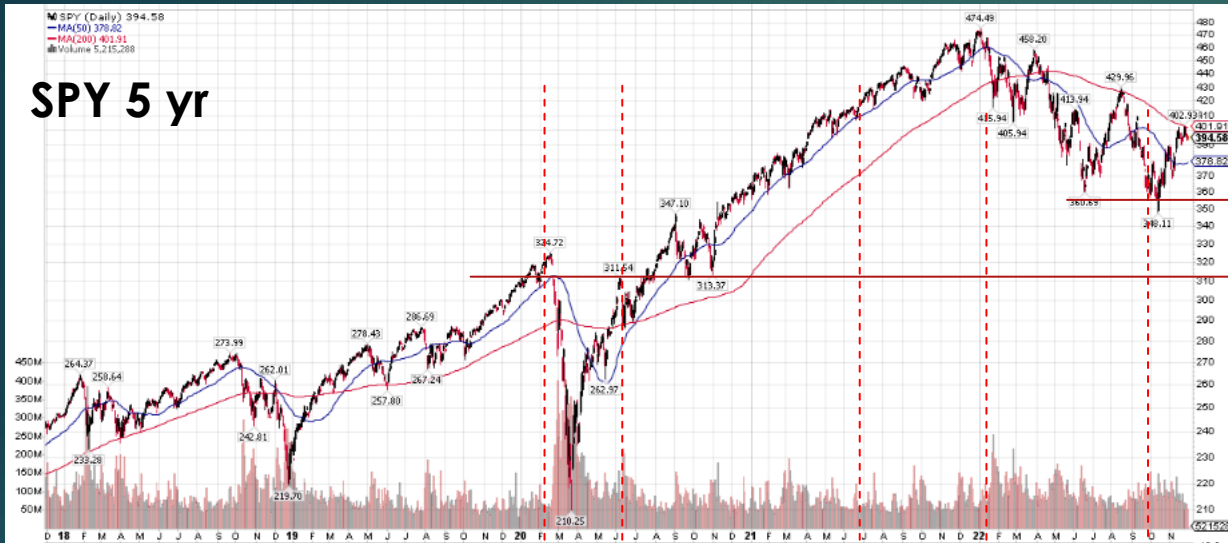
TRENDS – Channel Support  
T3 – Falling “Support”

## 2. OUTLOOK – 5 yr– 11/28/22

### Correlated Assets? .. Not in 2022

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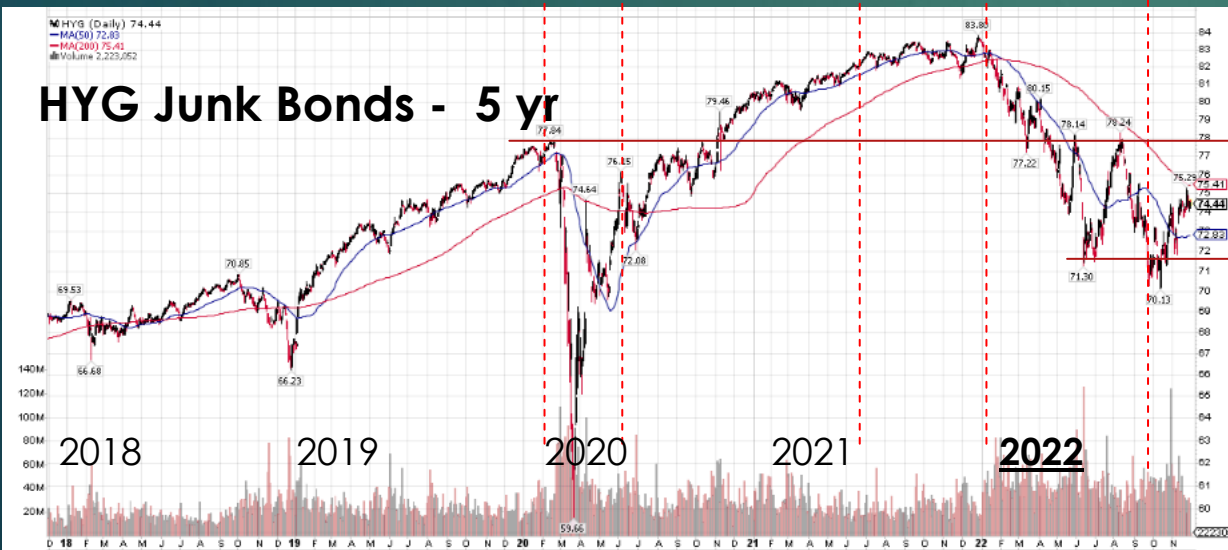
#### SPY 5 yr



Date	Price	vs 2020 Peak
11/28/22	395	Up 22%
2022 Low	349	Up 7%
Feb 2020	324	Base

↑ SPY – 2022 spy never hit the support level of 2020

#### HYG Junk Bonds - 5 yr

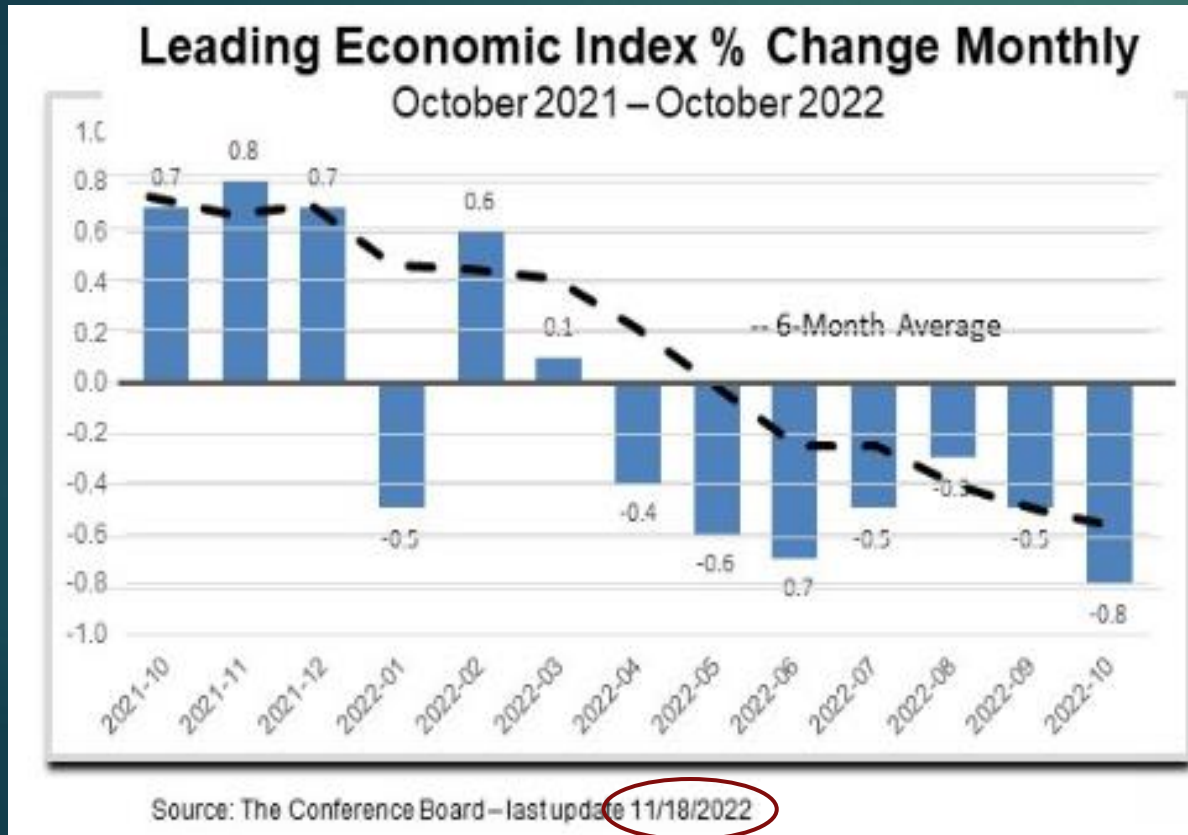


Date	Price	vs 2020 Peak
1Feb 2020	77	Base
11/28/22	75	Down 7%
2022 Low	70	Down 10%

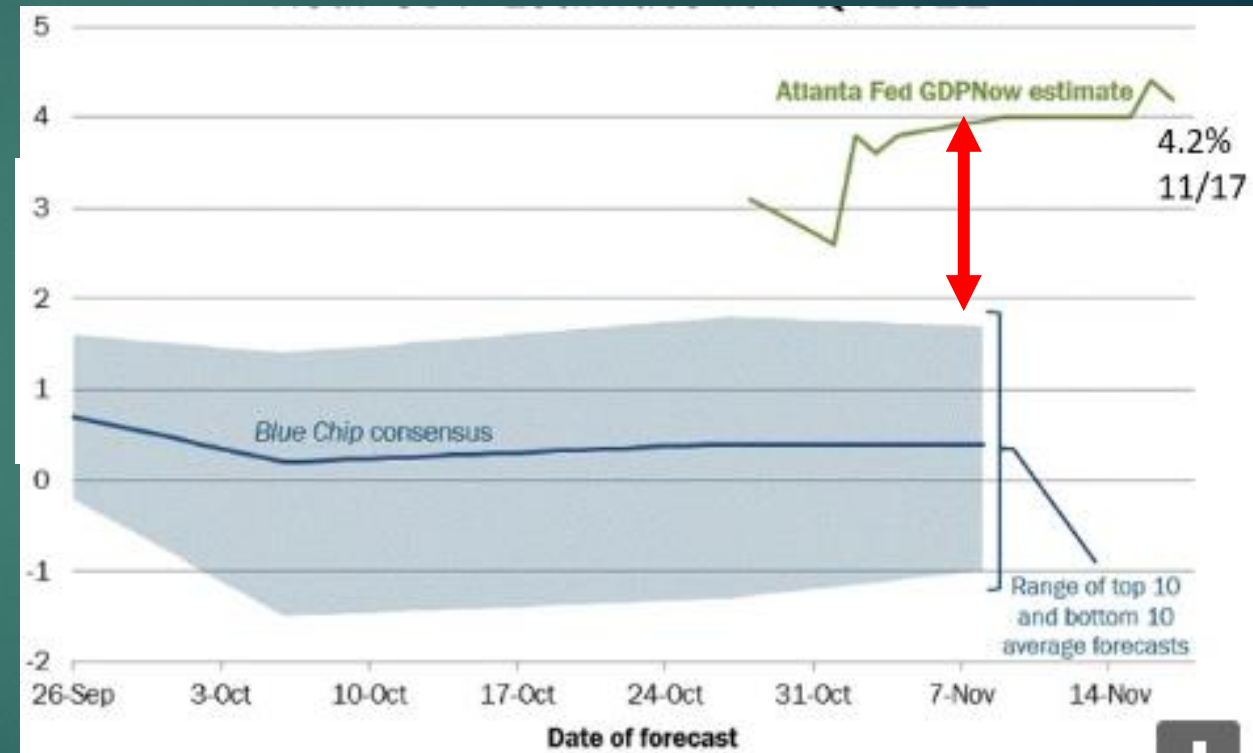
↓ HYG – Blew through the 2020 Resistance, not yet recovered

## 2. OUTLOOK – LEI, Fed GDPNow – 11/24

### LEI – Leading Economic Indicators)



### Atlanta Fed – GDPNow for 2022 q4 - 250 bps above blue chip high fcst?



Source: BlueChip Economic Indicators and Blue Chip Financial Forecasts, via Delta Investments

Reporting: 11-24-22

## 2. OUTLOOK – ECON VARIABLES

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<u>VARIABLE</u>	<u>NOW</u>	<u>PEAK (or Low)</u>	<u>IMPACT</u>
Interest Rates – Fed Rates	400bps	<i>nil (pre 2022)</i>	<b>Bear</b>
Inflation YoY – CPI	7.75% vs	9.06%	<b>Bear-</b>
- US Core CPI	6.3% vs	6.6%	<b>Bear-</b>
Housing - Rent	5.8% vs	18% (Sept 2021)	<b>Bear-</b>
- Home Prices	3.2%		
Wages - Real Hourly	-2.8%	Now 19 mo	<b>Bear</b>
Job > Unemployed	22mo	115mo 2011-2015	<b>Bull</b>
Unemployment	3.7%	14.7% COVID	<b>Bull?</b>
Cost of Money - C Cards	17%	12% Low in 2015	<b>Bear</b>
“ - Mortgages	6%	2.4%	<b>Bear</b>
“ - Public Debt	\$747b	\$329b -2013	<b>Bear</b>

## 2. OUTLOOK – IMPLICATIONS *mots*\*?

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<u>INPUT FACTOR</u>	<u>Pre 2022</u>	<u>2023+</u>	<u>Nov 2022 “up tick”</u>
INTEREST RATES	Lower	Higher	Slightly Higher
VALUATIONS	Higher	Lower	Equity - Improving
CORRELATION			
Stock / Bonds	Negative	Positive	Unclear ex Trading
TREND FOLLOWING	Buy the Dip	Sell the Rally	tbd
OUTLOOK - Assets	Risk On	Risk Off	Risk Back (almost)
- Risk	Growth	Cash Gen	tbd
- Alts	US Stocks	Commodities	Commodities
	“ “	Foreign	
	Growth Stocks	Value Stocks	Mix
MARKET MOVERS	Institutional	Inst. & Retail	tbd
CAPITAL ALLOCATION	Economics	Ideological	a f(2023 Earnings)
		(King Twit, FXT)	

## 2. MARKET OUTLOOK

### – Volatility as Opportunity

	<u>NOW</u>	<u>at PEAK (Market Lows)</u>
Mkt Volatility		
-Days Down >1%	56ytd	75 in 2008, 67 in 1974
Mkt Volatility Strategy		
- VIX Buy >30, Sell <20	+25%	
- S&P 500 Buy / Hold	-16%	
- VIX Buy < 20, Sell >30	-33%	
S&P 500 / MSCI World	4.8	1.7 (2007)

### 3. PROSPECTS – Harvest 2023

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q1 Demonstrate \$12k income/qtr

q2+ ReAllocate to Risk Adj Assets

call options

\$ per Quarter

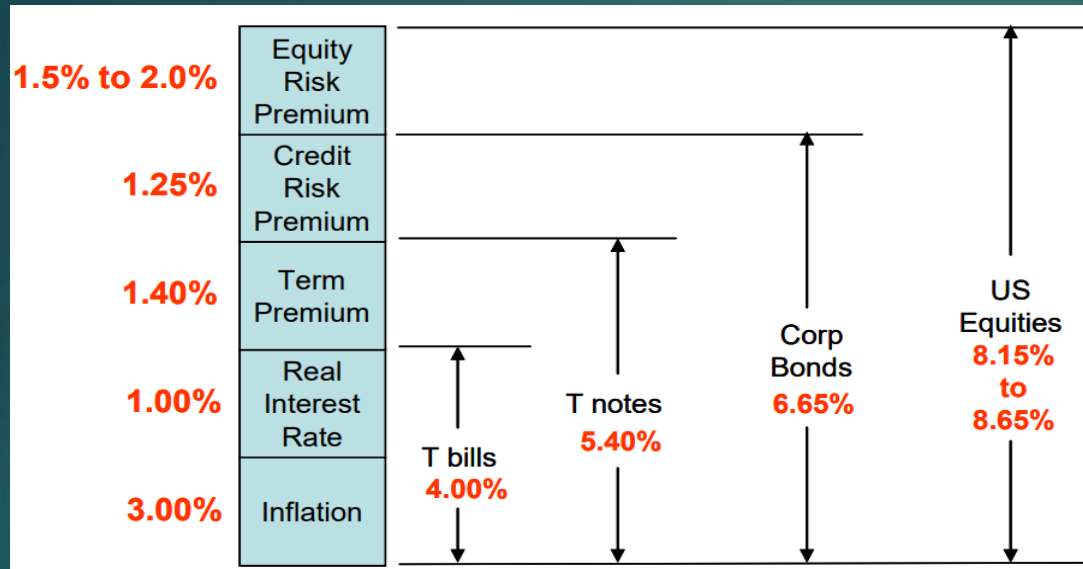


	Gold (Hedge)	13 wk Tbill Ladder	Corp Bonds	Magnificent 7 Original Eq. Pos ~\$200k	New 6 Eq Positions \$175k	- Total -
Capital \$k	\$50k	\$245k	\$50k			
Incremental Return	0	4.8%	7%	2.8% + 5.6%	3% + 6%	\$720 6.7%

### 3. PROSPECTS 2023 – Work the Risk Premium

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#### Risk Premium Framework – Ibbotson 2015



Inc Sig KFS

– 2023 Key Success Factor

Equity Credit (Dividend) Risk in the “Soft Turn”  
Equity Volatility Risk – Double Dividends in 2023

Debt Credit Risk – Profit fr Fractured Markets

Term Premium – Return fr (Fed/Mkt) Extinction?

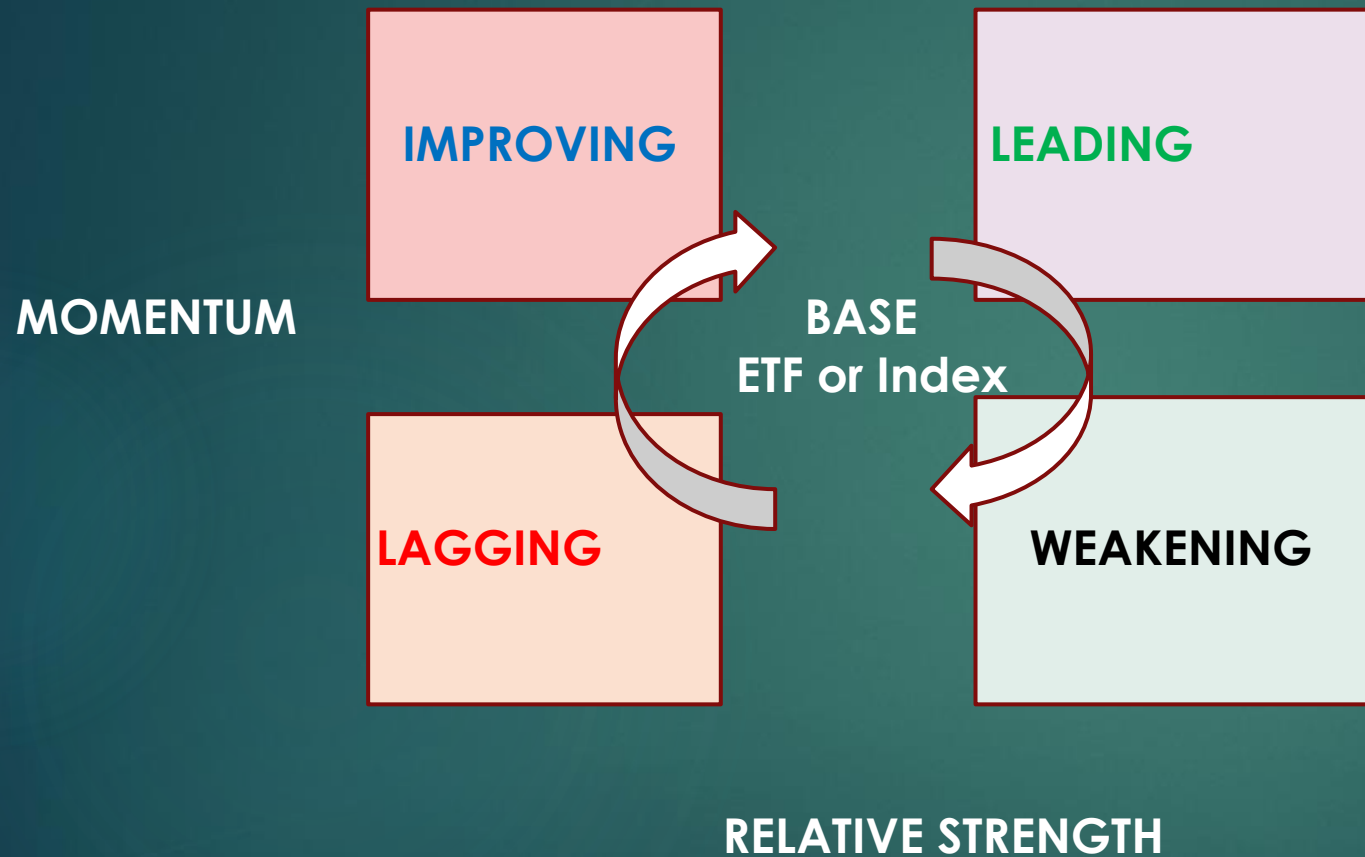
Calc the IncSig Real Interest Rate

Tbills 13 wk Ladder at 4+%, Roll \$75k per mo

Time	CASH	GOLD	T BILL	T NOTE	BONDS	EQUITIES	\$	no	TOTAL	NOTES
2022 Nov	\$ 350		\$ 170			\$ 200	7	\$ 720	28.6%	BASELINE fr 2020
2023 q1 plan		50	\$ 75		\$ 50	2	\$ 175	6		
2023 Mar 31	\$ -	\$ 50	\$ 245		\$ 50	2	\$ 375	13	\$ 720	TARGET 2023 Q1
pct of Total	0%	7%	34%		7%		52%		100%	Asset Mix
Income Target percent			4.78%		7.00%		2.50% Div		6%	Ex Price Changes - Up or Down
							5.00% Opt		10%	Dividends at 2.5%
										at 2x Dividends Rate of 2.5%
										Stretch Target is 10% on Capital
\$k / qtr			\$ 2.93		\$ 0.88	\$ 7.0	\$ 14.1	\$k/qtr	\$ 10.8	Base Target
									\$ 17.9	Stretch Target
2023 q2 plan										Shift TBILL to Equities Basis Prospects

### 3. PROSPECTS – The IncSig Challenge

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#### How to Harvest?

Clip Coupons  
Rotate Assets  
- Opt In / Opt Out

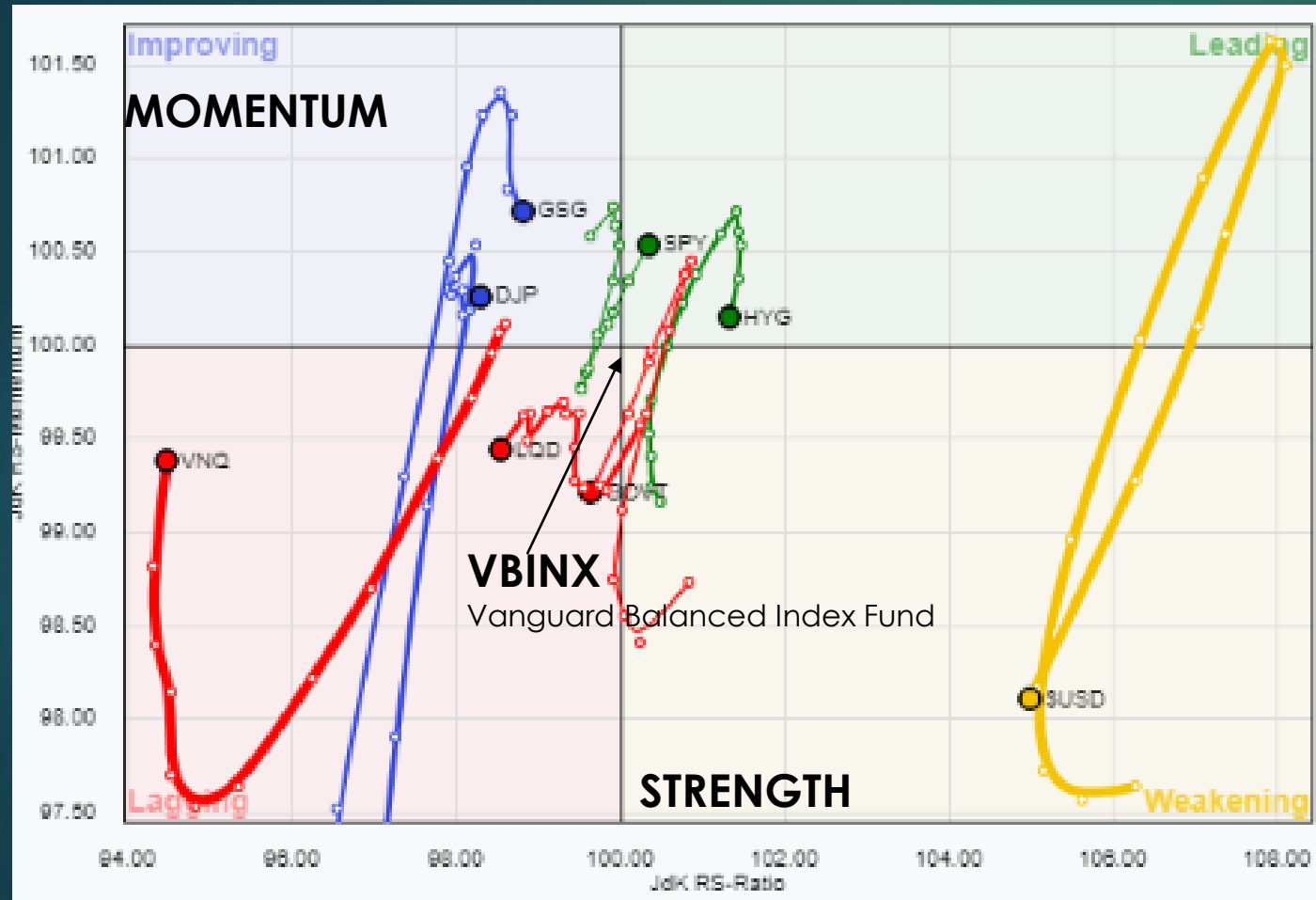
#### Where to Invest?

Market  
Asset Class  
Asset Cap  
Sector  
Industry  
Company

### 3. PROSPECTS

## Which Asset Classes?– 13 wk rotation

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symbol
HYG
SPY
DJP
GSG
\$USD
VNQ
LQD
GOVT
VBINX

Bonds High Yield  
SPDR S&P500  
Commodity Index  
Commodity Trust  
US Dollar  
Real Estate  
Bond Corporate  
Bond US Treasury  
Balanced Index Fund

%chg
1.2
1.2
-2.9
-3.5
-2.6
-5.3
-1.2
-2.6
-0.1

VBINX- 1 Year



### 3. PROSPECTS - DJIG\* – Energy (traditional) Lead – 11/24/22

A. Top 15, but B. “Expensive” .... at or Close to 52 wk High

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Industry	IG - Sym	Close	Weekly Net Chg	YTD Net Chg	<-% CHANGE wkly	RANK wkly	% Change Yr Ago	Rank Yr Ago	% Change Yr to Date	Rank Yr to Date	3 Yr	52 Week High	52 Week Low	pct < 52 h
Integrated Oil & Gas	DJUSOL	814.44	5.02	350.33	0.62	[124]	71.44	[1]	75.48	1	17.2	828.5	448.21	2%
Exploration & Production	DJUSOS	1117.73	7.77	448.49	0.7	[121]	60.77	[3]	67.07	3	23.24	1,150.57	631.73	3%
Oil Equipment & Svcs	DJUSOI	283.02	-9.09	100.88	-3.11	[138]	51.46	[4]	55.39	4	7.8	304.75	171.81	7%
Oil Equip, Svcs & Distri	DJUSOQ	378.36	-3.97	99.28	-1.04	[136]	29.67	[6]	35.58	5	5.05	405.59	267.78	7%
Defense	DJUSDN	617.21	9.98	131.95	1.64	[89]	30.61	[5]	27.19	6	6.96	625.47	449.65	1%
Steel	DJUSST	507.75	23.24	104.77	4.8	[4]	23.51	[7]	26	7	27.86	582.15	334.31	13%
Heavy Construction	DJUSHV	975.28	13.98	152.06	1.45	[96]	16.15	[10]	18.47	8	28.44	975.28	701.03	0%
Pipelines	DJUSPL	707.16	10.38	109.76	1.49	[93]	11.43	[22]	18.37	9	2.54	762.34	576.28	7%
Marine Transportation	DJUSMT	230.79	4.63	35.75	2.05	[59]	21.83	[8]	18.33	10	-6.22	245.86	166.82	6%
Commercial Vehicles	DJUSHR	3687.77	112.96	530.54	3.16	[16]	12.3	[17]	16.8	11	19.17	3,687.77	2,650.92	0%
Property & Casualty	DJUSIP	1275.43	31.41	160.82	2.52	[32]	15.8	[11]	14.43	12	11.93	1,275.43	1,032.99	0%
Aerospace & Defense	DJUSAE	1680.56	31.82	196.09	1.93	[74]	13.15	[14]	13.21	13	0.22	1,682.86	1,369.42	1%
Life Insurance	DJUSIL	1079.73	18.88	120.08	1.78	[79]	11.68	[21]	12.51	14	9.91	1,079.88	856.97	0%
Insurance	DJUSIR	942.72	21.34	77.37	2.32	[40]	10.95	[24]	8.94	15	11.63	980.36	788.41	4%

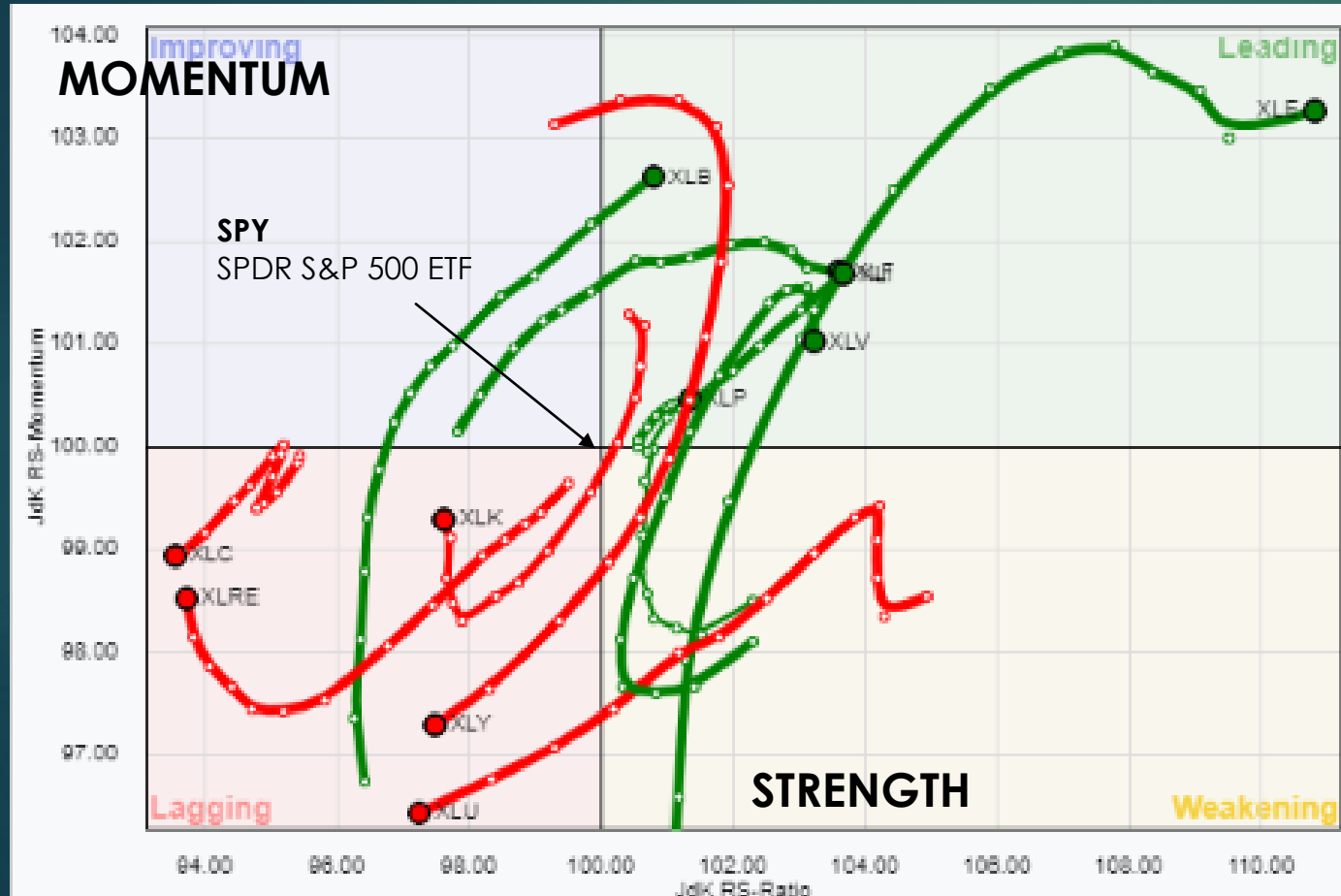
# 3. PROSPECTS

## Which Sectors? – 13 & 5-week rotations

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13 wk

5 wk chg

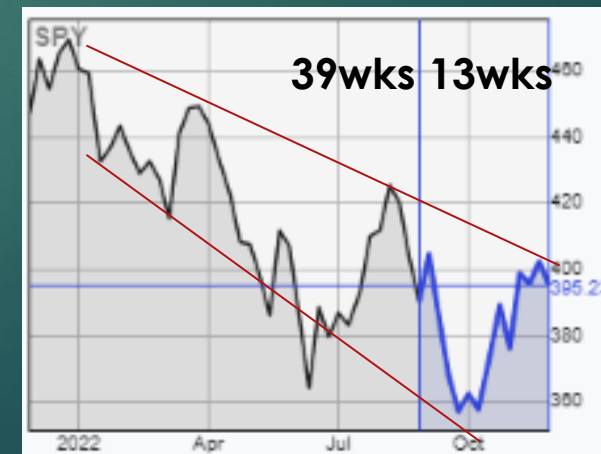


symbol	na
XLE	Energy
XLI	Industrial
XLF	Financial
XLV	Health Care
XLB	Materials
XLP	Consumer Staples
XLC	Communication Services
XLRE	Real Estate
XLU	Utilities
XLY	Consumer Discretionary
XLK	Technology
SPY	

price	%chg
90.70	14.7
100.07	9.1
35.70	9.1
135.78	9.1
80.80	9.3
75.67	5.0
49.42	-8.0
38.34	-6.3
69.69	-5.9
141.30	-8.9
129.46	-2.3
395.23	1.2

%chg
1.6
5.8
4.4
2.2
8.1
3.4
0.8
4.1
3.4
-2.5
-0.1
1.6

SPY – 1 Year



Channel Bounce  
- Up ...  
or  
- Up then Down

### 3. PROSPECTS – Energy Low P/E

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Sector	Goldman Sachs recommended sector weightings	Current S&P 500 weight	Total return YTD	Consensus 2023 growth		1-mo rev to 2023 EPS	FY2 P/E
				Sales	EPS		
Health Care	Overweight	15 %	(10)%	3 %	(2)%	(0)%	16 x
Consumer Staples		7	(10)	5	6	(1)	19
Energy		5	53	(3)	(10)	1	9
Telecommunication Services*		1	(15)	(1)	4	(1)	8
Consumer Durables & Apparel**		1	(42)	(1)	(9)	(10)	11
Software & Services+	Neutral	13	(29)	10	15	(1)	21
Financials		11	(17)	NM	10	(1)	11
Cons. Discretionary ex. Autos & Durables		8	(27)	10	44	(1)	22
Real Estate		3	(31)	NM	9	(1)	15
Utilities		3	(9)	NM	11	2	17
Technology Hardware+	Underweight	9	(22)	4	8	(0)	19
Industrials		8	(17)	5	13	(3)	15
Media & Entertainment*		7	(40)	8	16	(2)	15
Semiconductors+		5	(45)	2	(3)	(8)	14
Automobiles & Components**		2	(39)	14	14	(3)	20
Materials		3	(22)	(2)	(9)	(5)	13
<b>S&amp;P 500</b>		<b>100 %</b>	<b>(22)%</b>	<b>4 %</b>	<b>6 %</b>	<b>(2)%</b>	<b>15 x</b>

\* Industry groups within the Communication Services sector.

\*\* Industry groups within the Consumer Discretionary sector.

+ Industry groups within the Information Technology sector.

### 3. PROSPECTS - SECTOR ANALYSIS

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Sector	Aggregate			Median stock		
	Current dividend yield	Bloomberg consensus 2023 dividend growth	Dividend yield using 2023E dividend growth	Current dividend yield	Bloomberg consensus 2023 dividend growth	Dividend yield using 2023E dividend growth
Real Estate	3.7 %	21 %	4.5 %	3.9 %	6 %	4.1 %
Energy	3.6	(1)	3.5	3.3	4	3.4
Utilities	3.4	(5)	3.2	3.4	6	3.6
Consumer Staples	2.9	(7)	2.7	2.7	3	2.8
Financials	2.6	(1)	2.5	2.6	6	2.8
Industrials	1.9	17	2.2	1.6	7	1.7
Materials	2.5	(20)	2.0	1.8	4	1.9
Health Care	1.7	(3)	1.6	0.6	5	0.6
Communication Services	1.3	18	1.6	0.0	(0)	0.0
Information Technology	1.2	7	1.2	0.7	8	0.8
Consumer Discretionary	0.9	12	1.0	1.4	8	1.5
<b>S&amp;P 500</b>	<b>1.9 %</b>	<b>3 %</b>	<b>1.9 %</b>	<b>1.8 %</b>	<b>6 %</b>	<b>1.9 %</b>

Source: Bloomberg, FactSet, Goldman Sachs Global Investment Research

### 3. PROSPECTS:

#### **Energy and MLPs**

Cash Return – Combinations of Yield, Dividend Growth, Buybacks, Deleveraging  
**ET, MMP MPLX, PAA**

Natural Gas Supply – Exposure to Permian and Haynesvill Plays  
**DTM, ET, TRGP, WES, WMB**

Global LNG – Should remain tight, favors  
**LNG**

Positive NGL Fundamentals – S/D/P for NGLs , favors  
**EPD, ET, OKE, TRGP**

Inflation Hedge – Some companies have contractual protections, favors  
**MMP, NS**

Long Term Renewables Transition – Companies with better terminal prospects,  
**ENB, TRP, WMB**

*Source: Midstream Monthly by WellsFargo – 10-05-2022*

## 4. POSITIONS – Harvest 2023

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*q1 Demonstrate \$12k income/qtr*  
*q2+ ReAllocate to Risk Adj Assets*

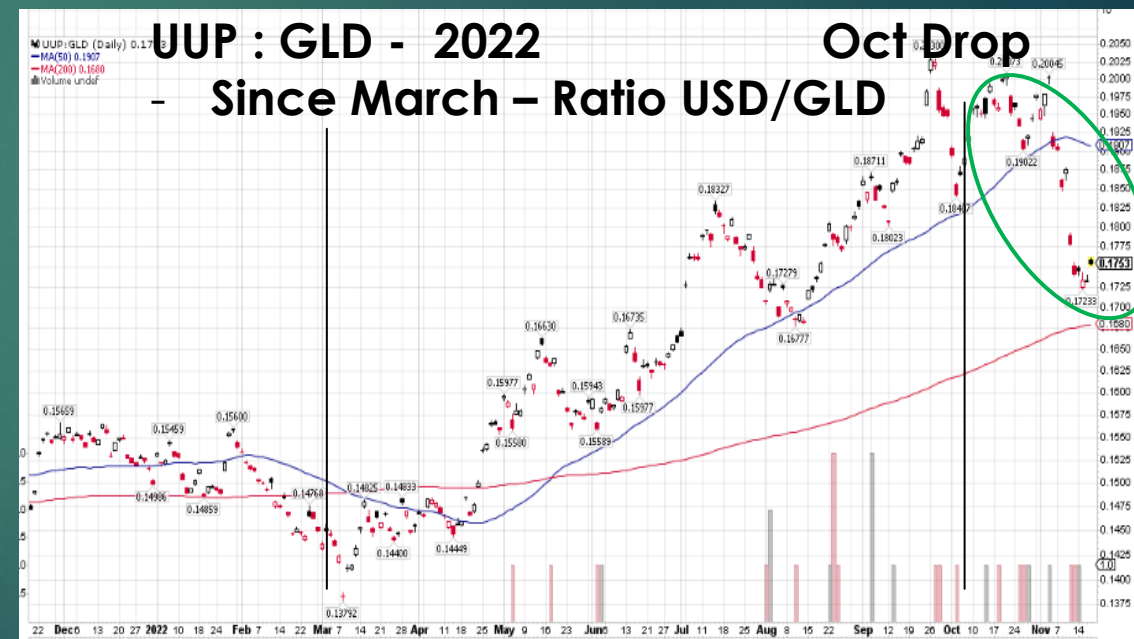
\$ per Quarter



	Gold (Hedge)	13 wk Tbill Ladder	Corp Bonds	Magnificent 7 Original Eq. Pos ~\$200k	New 6 Eq Positions \$175k	- Total -
Capital \$k	\$50k	\$245k	\$50k			
Incremental Return	0	4.8%	7%	2.8% + 5.6%	3% + 6%	\$720 6.7%

# 4. POSITIONS HEDGE – Inflation / Currency The US Dollar (UUP) vs Gold (GLD)

26

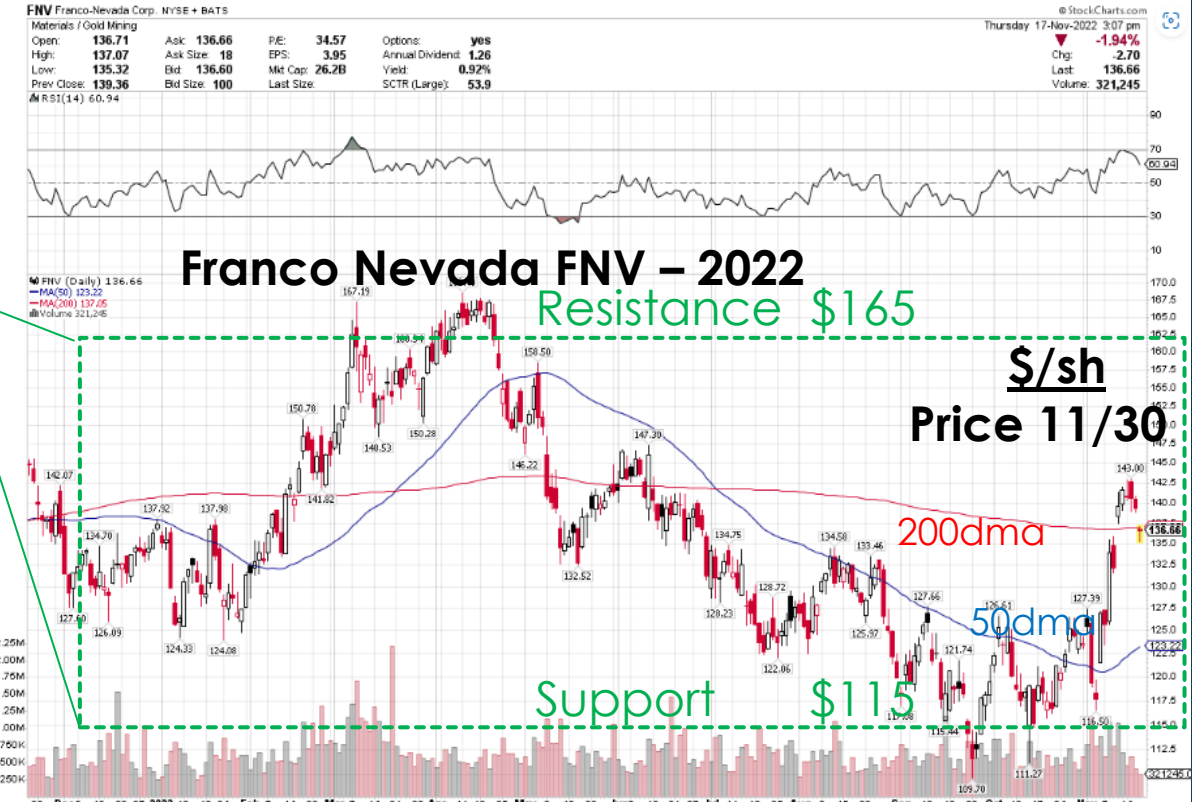
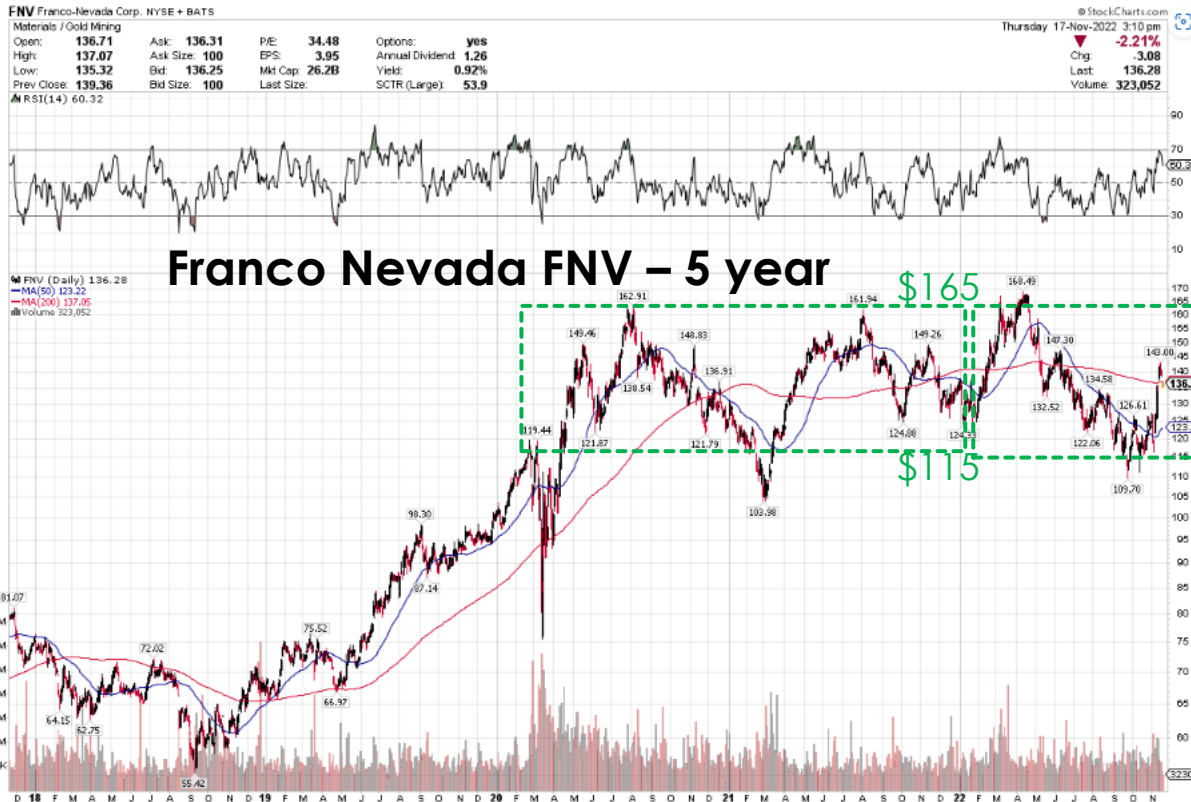


# 4. POSITIONS HEDGE – Inflation / Currency Miners – Exposure to Gold & Dividend

FNV Trading Channel  
Resistance

Support

27



2018 2019 2020 2021 2022

**Recommendations**  
**Risk in Mkt Gold Positions**

High Risk – Gold at Resistance, 4 - \$25k positions

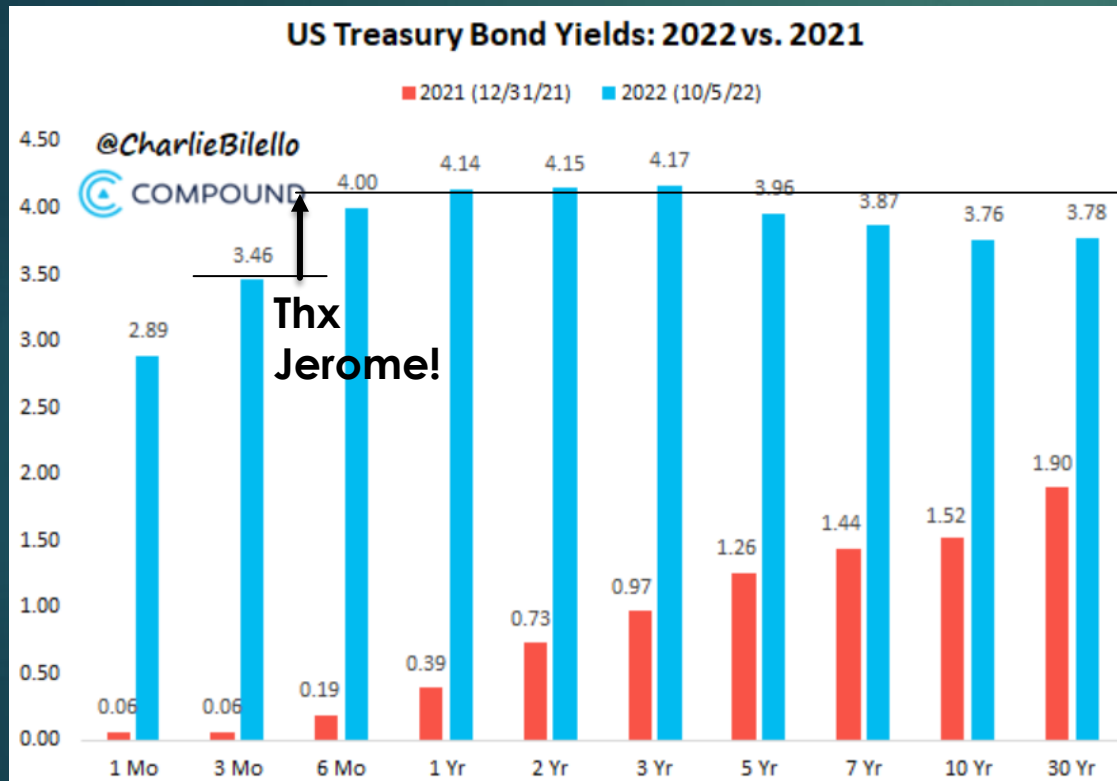
Mid Risk – Gold at ½ Trade Channel, 2 \$25k miners

Low Risk – Gold at Support Level – no Gold

## 4. POSITIONS - CASH

- IncSig Cash – 13wk Tbill Ladder
- IncSig Risk Free Floor – All other Investments

28



Buy;  
Mature;

July  
Oct

Sept  
Nov

Sept  
Dec

- Prior History -

T Bill Bond Ladder  
# 1 #2

\$75k

4.17%

\$75k

4.32%

Oct 03  
Feb 02

Nov 25  
Feb 23

Inc Sig Kick Off

## 4. POSITIONS - CASH – iBonds and 13wk TBill Ladder

- Outlay \$245k, Annual Return (Calc) 4.8%
- Next Steps – Roll 13wk Tbills at High Prob Risk Parity Threshold

Low Risk

Q4-22 – Three Sequential (Oct, Nov, Dec) 13week TBills of \$125k each

Mid Risk

Q4-22 – Three Sequential (Oct, Nov, Dec) 13week TBills of \$75k each

Highest Risk/Return (avoided cost if Cash is in Ladder, not available)

Q4-22 – Three Sequential (Oct, Nov, Dec) 13week TBills of \$25k each

- All cases assume an additional \$20k in iBonds @ 9%

ASSET	\$ Capital	% Interest	\$ Int / qtr
I Bond	\$ 20,000	9.0%	\$ 450
Mo 1 - T Bill 13 wk	\$ 75,000	4.2%	\$ 788
Mo 2 - T Bill 13 wk	\$ 75,000	4.8%	\$ 900
Mo 3 - T Bill 13 wk	\$ 75,000	4.2%	\$ 788
Total	\$245,000	4.78%	\$ 2,925

## 4. POSITIONS

### MLPs - Demonstrate “Opt In” Alternatives for Jan 23 Meeting

30

Update Financials fr Q3, Target Co Earnings Releases

Low Risk

Q4-22 – Half Position Option In AMLP (\$12.5k)

Q1-23 – Half Position Option In “ “

**Mid Risk – Two Positions ~\$100k acq.**

**Q4-22 – One Position AMLP \$50k**

**Q1-23 – 1/2 Position 12.5k Option Each \$50k - 4 Total**

Higher Risk – The Above and Small Cap Growth MLP

Q2-23 – Add 3<sup>rd</sup> Position Best Available

## 4. POSITIONS

### AMLP - Alerian MLP and MLPS Infrastructure eff 11/29/22

31

1. OVERVIEW												
Ticker	Company	Last Close	Invest Style	Market Cap	Forward Div Yield	Trailing Div Yield	Price/Sales	Price/Book	Beta (5-Year)	Consensus Forward P/E		
ET	Energy Transfer	\$ 11	Large Value	35.5928 Bil	8.1%	6.7%	0.41	1.07	1.81	6.61	ET	
ET	Energy Transfer											
EPD	Enterprise Products	\$ 25	Large Value	54.0890 Bil	7.7%	7.6%	1.05	2.07	1.15	9.42	EPD	
TRP	TC Energy	\$ 40	Large Value	40.5382 Bil	6.4%	6.8%	3.94	1.88	0.79	12.67	TRP	
WMB	Williams PL	\$ 29	Large Value	36.2513 Bil	5.8%	5.7%	3.33	3.2	1.2	16.98	WMB	
ENB	Enbridge	\$ 36	Large Core	72.9532 Bil	7.2%	7.3%	1.95	1.85	0.82	15.9	ENB	
MMP	Magellan	\$ 47	Mid Value	9.9439 Bil	8.8%	8.8%	3.46	5.55	0.92	10.09	MMP	
WES	Western Midstream	\$ 25	Mid Value	9.9356 Bil	8.0%	6.6%	3.27	3.06	2.96	7	WES	
CQP	Chenier	\$ 55	Mid Core	26.7233 Bil	6.3%	6.3%	2.04	38.06	0.84	12.72	CQP	
DTM	DT Midstream	\$ 53	Small Core	5.1985 Bil	4.8%	4.7%	5.89	1.31	—	13.12	DTM	
	Average->				7.3%	7.1%	2.5	4.4	1.6	11.3		

5. OPTION POTENTIAL								6. TARGET	
		DtE	Delta	\$prem	trade %	mult	annual %	Target % Div + Option /yr	
ET		25	0.238	\$ 0.15	1.2%	15	17%	16.6%	
		25	0.135	\$ 0.05	0.4%	15	6%	2.9%	
EPD		25	0.450	\$ 0.41	1.7%	15	24%	19.8%	
TRP		53	0.570	\$ 1.20	2.7%	7	19%	15.8%	
WMB		25	0.245	\$ 0.20	0.6%	15	8%	10.0%	
ENB		18	0.226	\$ 0.20	0.5%	20	10%	12.1%	
MMP		18	0.200	\$ 0.15	0.3%	20	6%	11.7%	
WES		18	0.344	\$ 0.40	1.4%	20	29%	22.4%	
CQP		18	0.250	\$ 0.45	0.7%	20	15%	13.7%	
DTM		25	0.100	\$ 0.05	0.1%	15	1%	5.4%	
								at 1/2 of Opt Potential	
		25	0.278	\$ 0.32	0.9%		13.4%	13.0%	

ASSET	\$ Capital	% Div / yr	% Opt / yr	% Total / Yr	\$ Int / qtr
AMLP - Alerian	\$ 50,000	6.0%	0.0%		\$ 750
MLP Div & Options					
ET	\$ 12,500	6.7%	8.5%		\$ 475
EPD	\$ 12,500	7.6%	12.0%		\$ 613
WMB	\$ 12,500	5.7%	4.0%		\$ 303
CQP	\$ 12,500	6.3%	7.0%		\$ 416
5 Total MLPs (4 positions eq)	\$ 100,000			10.2%	\$ 2,556

## 4. POSITIONS and NEXT STEPS – Harvest 2023

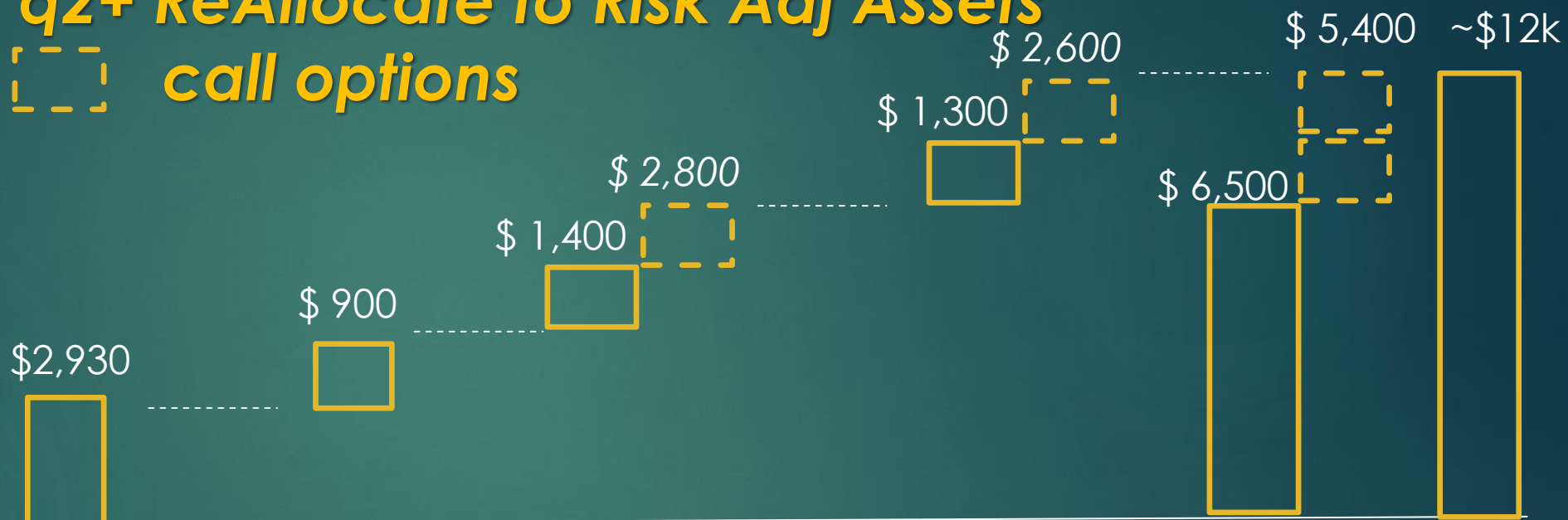
32

q1 Demonstrate \$12k income/qtr

q2+ ReAllocate to Risk Adj Assets

call options

\$ per Quarter



	Gold (Hedge)	13 wk Tbill Ladder	Corp Bonds	Magnificent 7 Original Eq. Pos	New 6 Eq Positions	- Total -
Capital \$k	\$50k	\$245k	\$50k	~\$200k	\$175k	\$720
Incremental Return	0	4.8%	7%	2.8% + 5.6%	3% + 6%	6.7%

# *Appendix*

33

*A – Inc Sig Jan 2020 to Dec 2022*

*B – Data Sources*

*C – MLP Technical Profiles*

# Appendix A

## Income SIG - History & Future

- ▶ Started January 2020 as part of Houston Investment Association
  - ▶ Impacted by Covid starting March 2020
  - ▶ Strong performance for 2020-21
  - ▶ Went to cash in 2022
- ▶ Run as a SIG under a board of advisors
- ▶ Advisors include SIG participants & leadership
- ▶ SIG Leader: Frank Erzinger
- ▶ Monthly SIG meetings & investment decisions
- ▶ Meetings held 45 minutes prior to Chapter meetings

*Propose we continue with similar approach*

# Appendix A

## ***SIG Mission - Demonstrate methods decent returns with a low risk profile***

- ▶ AAll/Income SIG are NOT Broker Dealers or Investment Advisors
- ▶ SIG purpose is for didactic discussion & educational purposes only
- ▶ Options / Futures & Currencies are avoided due to added risk
- ▶ Past Performance is NOT Indicative of Future Results, but likely rhymes
- ▶ Presentation is For Personal, Non-Commercial Use Only
- ▶ DYOA - In all investment analysis ... trust, but verify ... & do your own analysis

# Appendix A

## Income SIG - Guidelines

- Consider all Asset Classes Based on Risk / Reward
  - Equities will have primarily US Focus
- Target Returns – High Single Digits
- Target Time Frame – 3 months to 3 years
- Taxation – All Pre Tax
- Advisory/Trading Expenses
  - None incurred or charged against performance

# Appendix A

## Income SIG - Methodology

- ▶ \$500k with max 20 positions at \$25-50k each starting Jan 2020
- ▶ MS 3+ Min, Max 2 Companies per Industry Segment

- ▶ Selection/Retention – Financials > Top quartile

Income St. – Rev Growth, Margin, Earnings

- ▶ Bal Sheet – Debt Leverage, Interest Coverage

- ▶ Cash Flow – Free Cash Flow, Stock Buy Back

- ▶ Valuation parameters

### Key Ratios

EPS, CFPS

D/E, DSCR

RoA>2.5%, RoE>6%

DPS, Payout ratio

Price to: S, E, B, CF  
EV/EBITDA

# Appendix A

## Five S's - Best Practices - Jan 20 to Oct 22

- ▶ Stay with what's working
  - ▶ Portfolio up 28% in 23 months
- ▶ Shift to Momentum now that Fed has cancelled market "put"
- ▶ Step in/out
  - ▶ Rigorous set points to enter & exit the market
  - ▶ Set positions in thirds (?)
- ▶ Sustain by prioritizing Capital Preservation over Income
- ▶ Sleep well
  - ▶ Fund managers have pressure to trade
  - ▶ We do NOT

# Appendix A Income Generating Vehicles

39

- ▶ **Historically Focus - US Dividend Stocks**
- ▶ **Certificates of Deposit (CDs)**
- ▶ Inflation Adjusted Notes
- ▶ Public Bonds, notes
- ▶ **Master Limited Partnerships (MLPs)**
- ▶ **Real Estate Investment Trusts (REITs)**
- ▶ Business Development Companies (BDCs)
- ▶ ETFs & Mutual funds
- ▶ Private Investments
- ▶ Hedge Funds – Uncorrelated Assets

# Appendix B - Broad Data Sources

40

	<u>Source</u>	<u>Publisher (timing)</u>	<u>Inc Sig Use</u>
<u>ECONOMICS</u>			
A1 LEI Leading Econ Indicators	Conference Board	Fed (monthly updates)	LT Risk On/ Off by Asset Class
A2 GDP – QoQ, YoY “GDP Now”	Fed – Atlanta, Survey	Fed Web Site(s) (monthly)	ST Risk On/Off by Asset Class
A3 Inflation – CPI, PPI, CIE	Fed – Cleveland	“ “ “ “	
A4 Credit Markets & Spreads	Moodys	Market Outlook	Credit Spreads
A5 Sector Drivers	CB		
<u>SENTIMENT</u>			
B1 Sentiment – 75dma	Delta Mgmt Group	Barrons (wkly)	Entry / Exit Alerts – On, 2/3, 1/3, Off
B2 “ - Investors	AAll National Web Site	Web and Magazine (wkly)	“ “
B3 “ - Fund Mgrs	BoAmerica – Survey	Monthly	“ “
B4 “ - CNNvB	CNN – Fear / Greed	SS- Seven Sentiments	Entry or Exit, Risk On / Off
<u>ASSET ROTATION</u>			
C1 Relative Rotation	etfdb.com, RRG’s	etfdb, stockcharts	Fund Flow – Momo & Return
C2 Prospect->Best Few	Sector Surfer	sumgrowth.com	Asset-> Market->Sector->ETFs
C3 DJ – 128 Industrial Groups	Dow Jones	Barrons Dloads	->Ind.Groups-> Companies
<u>VALUATIONS</u>			
C1 Schiller Market Val	multipl.com/CAPE	Schiller	Asset Valuation History
C1 Morningstar / Value Line	finra.com		Company Valuation History/Fcst
C2 Dividend King	SeekingAlpha.com	Weekly+	Div History, Cash Flow Analysis
C3 Compustat	fidelity.com		“
C4 Options	optionsplay.com/ finra		Entry / Exit Economics
<u>INSIDER TRADES</u>			
Institutional Investors 13f Filings	docoh.com	Quarterly	

## Themes – Top Picks **ENB-CA, LNG, WMB, EPD, ET, MPLX**

	Yield	YTD perf
BDC's 11.4	11.4%	-23%
ML US B-BB Hyield	8.7%	-18%
MLPs	8.4%	+12.5%
Boody BAA IG Index	6.0%	
FTSE NARIET Index	4.4%	
Moody Municipal Index	4.3%	-13.9%
US 10 yr Treasury	3.9%	-16.2%
S&P 500 Utilities	-8.6	

### Indexes

AMNA – Alerian Midstream Index

AMZ – Alerian MLP Index

Source: Midstream Monthly by Wfargo – 10-05-2022

# Appendix C - MLPS

## MLPs – AMLP - Alerian MLP Infrastructure eff 11/29/22

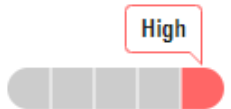
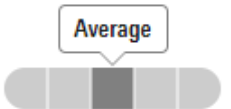
42

Value & Growth Measures	Investment	Cat. Average	Index
Price/Earnings	10.47	11.26	9.18
Price/Book	2.28	2.31	2.39
Price/Sales	0.48	0.41	0.53
Price/Cash Flow	4.82	4.32	5.07
Dividend Yield %	6.00	5.64	7.05
Long-Term Earnings %	4.80	5.77	4.15
Historical Earnings %	8.13	10.98	17.74
Sales Growth %	5.39	1.69	5.21
Cash-Flow Growth %	4.85	2.56	3.99
Book-Value Growth %	-9.12	-7.15	-7.40

Market Volatility Measures ⓘ			
Capture Ratios	Investment	Category	Index
Upside	144	136	150
Downside	133	121	134
Drawdown	Investment %	Category %	Index %
Maximum	-60.23	-51.36	-63.27
Drawdown Peak Date	Drawdown Valley Date	Max Drawdown Duration	
Oct 01, 2019	Mar 31, 2020	6 Months	

### AMLP Companies

Plains All American Pipeline LP
Energy Transfer LP
Magellan Midstream Partners LP
Western Midstream Partners LP
MPLX LP Partnership Units
Enterprise Products Partners LP
EnLink Midstream LLC
DCP Midstream LP
Cheniere Energy Partners LP
Crestwood Equity Partners LP

Morningstar Risk & Return ⓘ		Risk & Volatility Measures ⓘ			
Risk vs. Category	Return vs. Category	Trailing	Investment	Category	Index
 Low Average High	 Low Average High	Alpha	10.44	9.23	13.01
		Beta	1.77	1.55	1.86
		R <sup>2</sup>	50.66	57.51	48.39
		Sharpe Ratio	0.43	0.45	0.46
		Standard Deviation	49.05	40.55	52.74

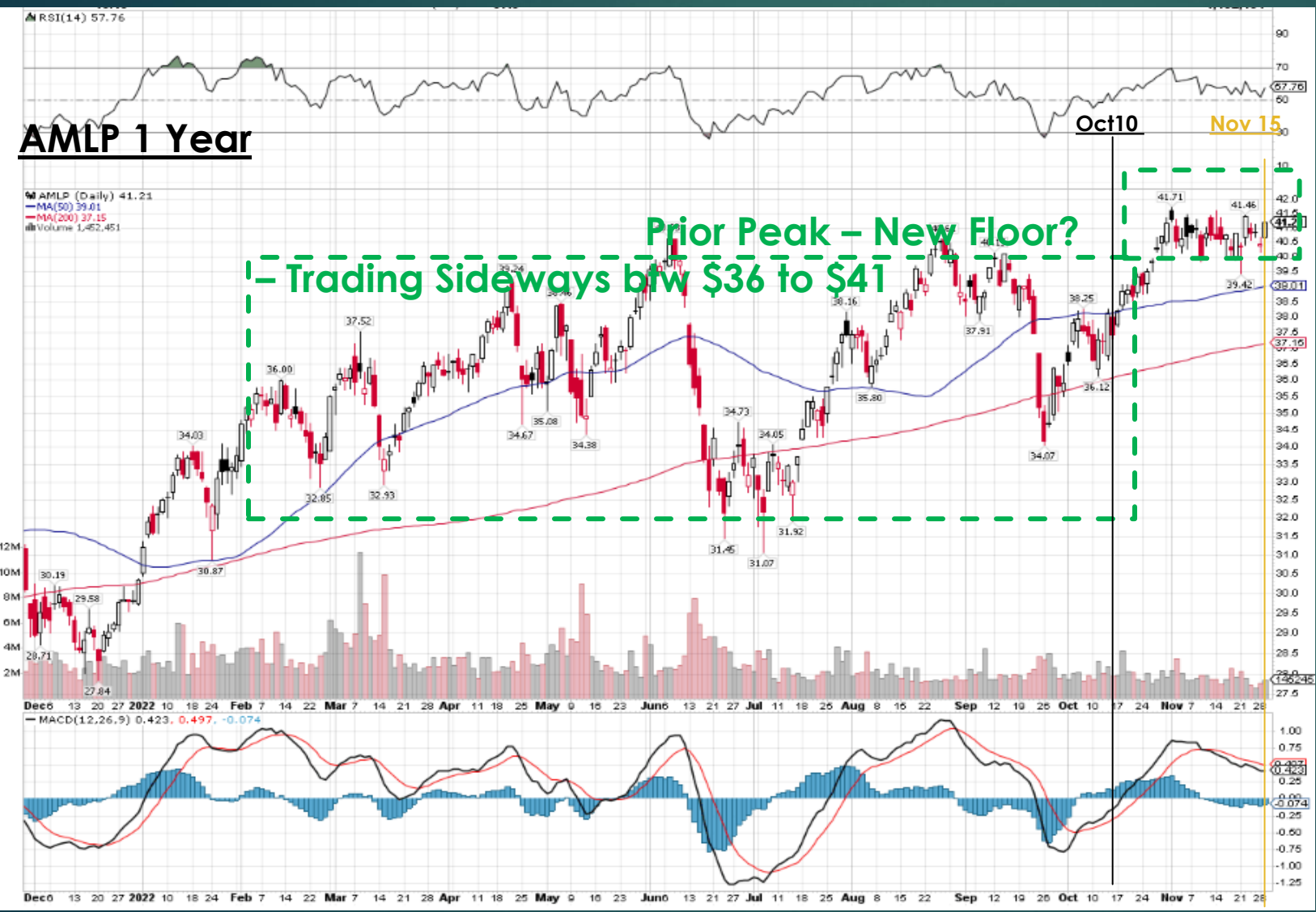
Category: Energy Limited Partnership as of Oct 31, 2022  
| Rankings are out of 99 investments.

NuStar Energy LP
Hess Midstream LP Class A
Genesis Energy LP
Holly Energy Partners LP
Delek Logistics Partners LP

Appendix C

MLPs – AMLP – Prior Peak = New Floor 11/29/22

43



RSI =  $\frac{\text{Oct10}}{49}$        $\frac{\text{Nov 15}}{51}$        $\frac{11/28}{57}$

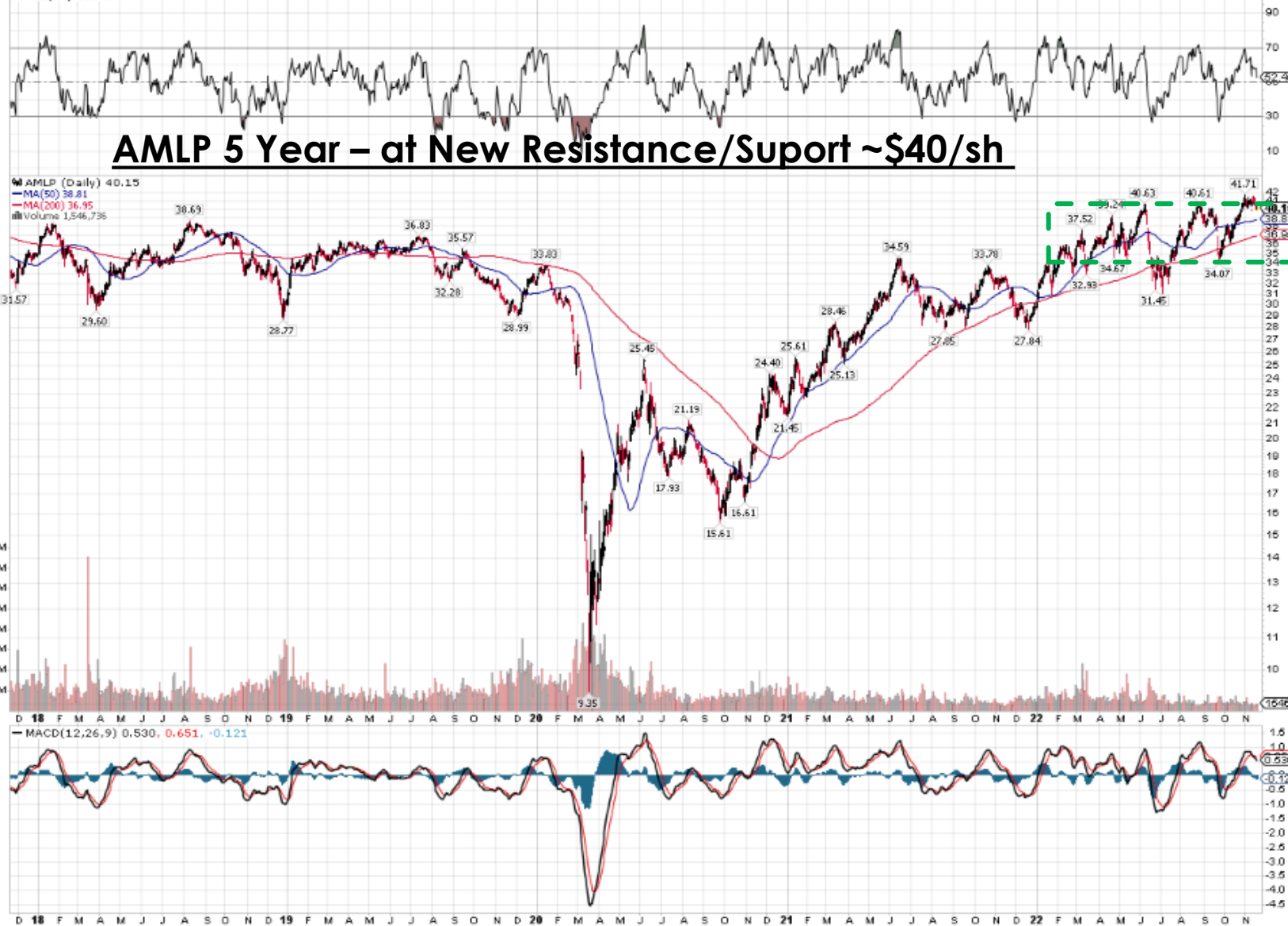
Trends	\$/sh	\$/sh	
Today	= \$37	40.7	41
50dma	= 38	38.8	39
200 dma	= \$36	36	37

MACD (12,26,9)  
-0.31, -0.41, -0.090      0.52, 0.60, -.12

AMLP Alerian MLP ETF NYSE + BATS

Open: 40.33 Ask: 40.16 P/E: NaN Options: yes  
 High: 40.62 Ask Size: 300 EPS: NaN Annual Dividend: 2.93  
 Low: 40.03 Bid: 40.15 Mkt Cap: 6.66B Yield: 7.30%  
 Prev Close: 40.74 Bid Size: 200 Last Size: SCTR (ETF): 96.6

Thursday 17-Nov-2022 12:47 pm  
 Chg: -1.45%  
 Last: 40.15  
 Volume: 1,546,736



**AMLP 5 Year – at New Resistance/Suport ~\$40/sh**

RSI = 57

Trends \$/sh

Today = \$41

50dma = 39

200 dma = \$37

MACD (12,26,9)  
 -0.31, -0.41, -0.090

EPD Enterprise Products Partn NYSE

Energy / Pipelines

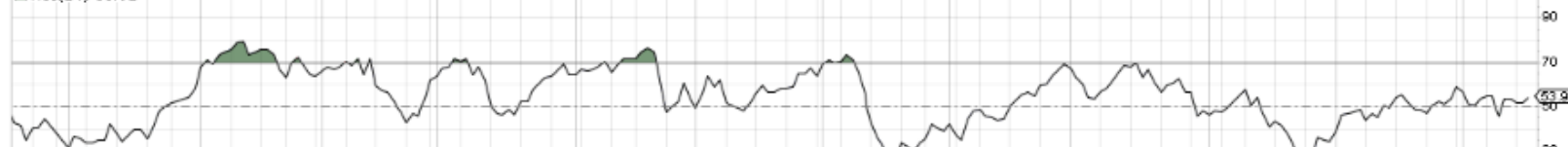
Open: **24.930** Ask: P/E: **10.81** Options: **yes**  
 High: **25.100** Ask Size: EPS: **2.31** Annual Dividend: **1.88**  
 Low: **24.780** Bid: Mkt Cap: **54.5B** Yield: **7.52%**  
 Prev Close: **24.890** Bid Size: Last Size: SCTR (Large): **36.9**

RSI(14) 53.92

© StockCharts.com

Wednesday 16-Nov-2022

▲ **+0.48%**  
 Chg: **+0.120**  
 Last: **25.010**  
 Volume: **6,513,015**



## EPD 1 Year – at Resistance/Support \$22 to \$24

EPD (Daily) 25.01

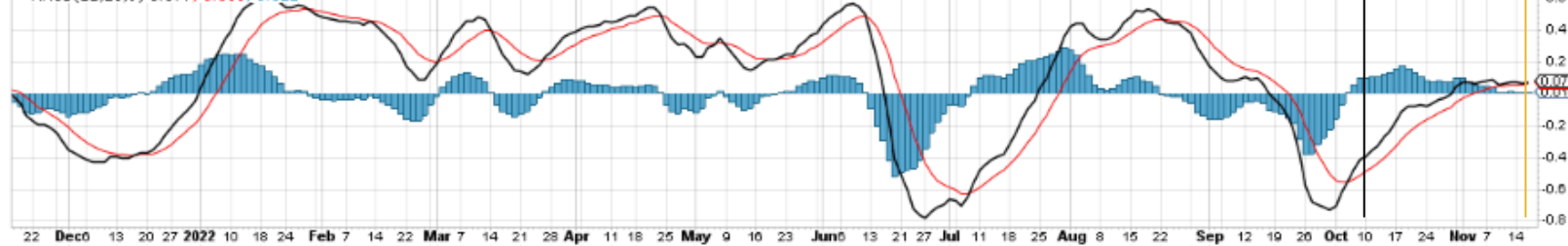
MA(50) 24.70

MA(200) 24.71

Volume 6,513,015



MACD(12,26,9) 0.077, 0.066, 0.011



45

RSI = Oct10  
47

Nov 15  
53

Trends \$/sh  
50dma = \$25.87

\$24.70

Today = \$24.70  
200 dma = \$24.80

\$25.01  
\$24.71

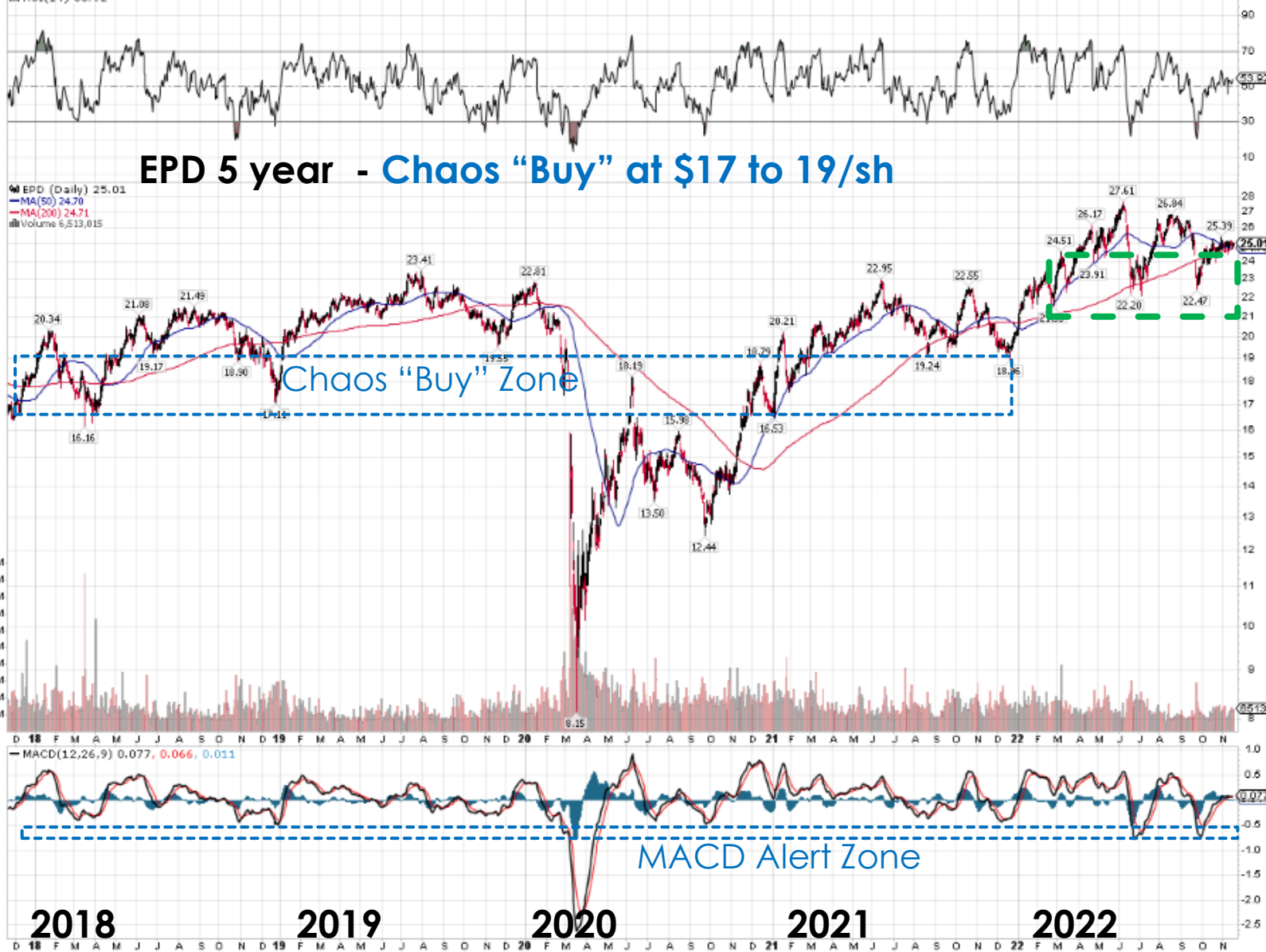
MACD (12,26,9)  
-0.35, -0.46, -0.114

.077,.066,.011

EPD Enterprise Products Partn NYSE

Energy / Pipelines  
 Open: **24.93** Ask: P/E: **10.81** Options: **yes**  
 High: **25.10** Ask Size: EPS: **2.31** Annual Dividend: **1.88**  
 Low: **24.78** Bid: Mkt Cap: **54.5B** Yield: **7.52%**  
 Prev Close: **24.89** Bid Size: Last Size: SCTR (Large): **36.9**

© StockCharts.com  
 Wednesday 16-Nov-2022  
 ▲ **+0.48%**  
 Chg: **+0.12**  
 Last: **25.01**  
 Volume: **6,513,015**



EPD 5 year - Chaos "Buy" at \$17 to 19/sh

RSI =  $\frac{\text{Oct10}}{47}$

46

$\frac{\text{Nov 15}}{53}$

Trends \$/sh  
 50dma = \$25.87

\$24.70

Today = \$24.70  
 200 dma = \$24.80

\$25.01  
 \$24.71

MACD (12,26,9)  
 -0.35, -0.46, -0.114

.077,.066,.011