

AAII - Houston

AGENDA 06-21-24

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*09:30 Income Sig Update  
Frank Erzinger*

*10:30 Is India the Perfect Emerging Market?  
Kevin Carter, EMQQ Global*

## THE INCOME CHALLENGE

- ▶ 1. HyInc\* PORTFOLIO UPDATE
- ▶ 2. 2024 Q3 EQUITY YIELD
- ▶ 3. NEXT STEPS – YIELD PROSPECTING

- Appendix A Hybrid Income\* - Preserve Principal, Maintain Income, Sustain Portfolio

# Appendix

*A - Disclosure & Disclaimer*

*B - Sources – Information, Data, Toolkits*

*C - HyInc Objectives, Analytic Sequence*

# THE INCOME ASSET CHALLENGE

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## WHICH ASSETS, WHICH MARKETS?

- ▶ MARKET HEDGE – Gold
- ▶ EQUITY
- ▶ FIXED INCOME
- ▶ ALTERNATIVES – OTHER

## ...MEET INCOME OBJECTIVES?

- ▶ PRESERVE PRINCIPAL\*
- ▶ MAINTAIN INCOME\*
- ▶ SUSTAIN PORTFOLIO\*\*

▶ \*short term 1-3yr, \*\* long term 10yr

**Question 1. In your portfolio;  
Do you have any bitcoin  
or blockchain related positions?**

- a. Yes, do have specific positions**
- b. Sort of, do have minor etfs or related companies**
- c. No ... not yet**
- d. Avoid like the plague**

## **Question 2. In your portfolio; Is AI Investable?**

- a. Yes, do have company specific positions**
- b. Sort of, do have etfs in Tech**
- c. No ... not yet**

**Question 3. *In the income portfolio;  
the Tech – Growth position  
should be ..***

- a. Small - less than 10%**
- b. Moderate - 15 to 30%**
- c. Significant - greater than 30%**

# 1. UPDATE the HYbrid INCome PROCESS

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## ► OBJECTIVES

April



- Preserve Principle, Maintain Income, Sustain Portfolio
- Monthly Income via Dividends, Options ... & Price  $\Delta$

ANALYTIC SEQUENCE:

## ► Assets

May



- Simulate Return, Risk, Performance of Asset Classes
- Constrain Assets via Forward Outlook
- Select ETF's, Tickers in  $\frac{1}{2}$  of Industry Benchmark(s);
- 1<sup>st</sup> etfs or mfunds, 2<sup>nd</sup> Position - Company's

## ► Constraints

June

&  
July



- Morningstar >3 or C+
- Rank Order Selection via Dividend & Option Income;
- Dividend a f(Cash Flow, Inc Stmt Growth, B.Sheet Debt)
- Company Risk Adjusted Returns, Drawdowns
- Momentum -> Entry/Exit – etf, equity, options

# 1. UPDATE – MAY SIMULATION OF THE ASSET MIX

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Hedge

#	Asset	Expected Return	Standard Deviation	Sharpe Ratio	Min. Weight	Max. Weight
1	Barrick Gold Corp (GOLD)	-0.82%	33.19%	-0.103	2.50%	7.50%
2	Alerian Energy Infrastructure ETF (ENFR)	24.60%	19.72%	1.115	2.00%	5.00%
3	Duke Energy Corporation (DUK)	7.77%	18.62%	0.278	2.00%	5.00%
4	EOG Resources Inc (EOG)	41.72%	36.34%	1.076	2.00%	5.00%
5	Emerson Electric Company (EMR)	14.65%	27.51%	0.438	2.00%	5.00%
6	Enterprise Products Partners LP (EPD)	20.31%	17.06%	1.038	2.00%	5.00%
7	KLA-Tencor Corporation (KLAC)	35.76%	31.99%	1.037	7.50%	15.00%
8	Kinder Morgan Inc (KMI)	17.76%	21.33%	0.711	2.00%	5.00%
9	Merck & Company Inc (MRK)	20.76%	22.77%	0.798	2.00%	7.00%
10	Roche Holding Ltd ADR (RHHBY)	-5.98%	17.67%	-0.486	2.00%	5.00%
11	Seagate Technology PLC (STX)	19.51%	35.43%	0.477	4.00%	7.00%
12	Westlake Chemical Partners LP (WLKP)	6.68%	19.01%	0.215	2.00%	5.00%
13	Exxon Mobil Corp (XOM)	40.75%	30.73%	1.242	2.00%	5.00%
14	JPMorgan Equity Premium Income ETF (JEPI)	9.24%	11.34%	0.586	2.00%	10.00%
15	SPDR Blmbg 1-3 Mth T-Bill ETF (BIL)	2.35%	0.69%	-0.357	5.00%	12.00%
16	iShares 20+ Year Treasury Bond ETF (TLT)	-13.57%	16.35%	-0.989	5.00%	12.00%
17	First Trust Senior Loan ETF (FTSL)	4.30%	4.22%	0.402	4.00%	8.00%
18	iShares iBonds 2024 Term HY and Inc ETF (IBHD)	3.93%	4.28%	0.310	4.00%	8.00%

Source: PortfolioVisualizer Extracts

Value  
Equities  
ex  
STX &  
KLAC

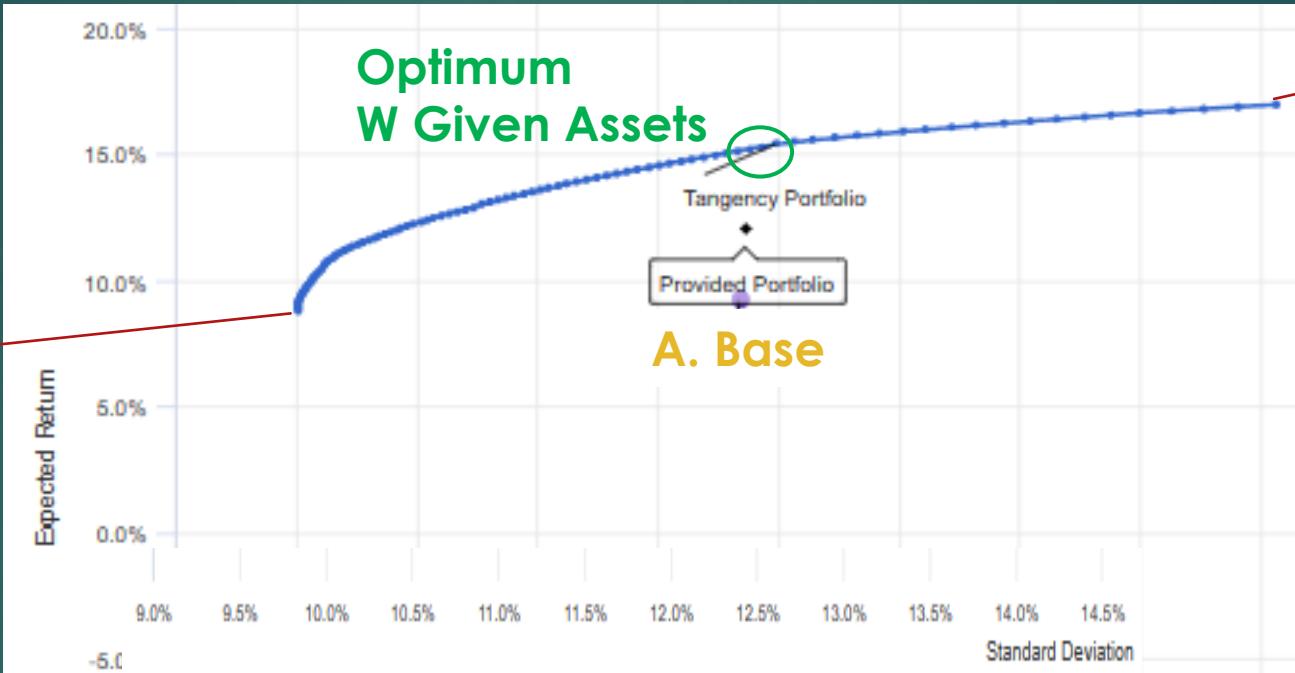
S&P Call  
Cash Eq  
Fixed  
Income

## 2. TEST ASSET MIX - SIG ASSETS EF\*

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Minimum Risk

2.50% GOLD
2.00% ENFR
2.00% DUK
2.00% EOG
2.00% EMR
5.00% EPD
7.50% KLAC
2.00% KMI
7.00% MRK
5.00% RHHBY
4.00% STX
2.00% WLKP
2.72% XOM
10.00% JEPI
12.00% BIL
8.28% TLT
8.00% IGIB
8.00% FTSL
8.00% IBHD
Expected Return: 9.51%
Standard Deviation: 9.53%
Sharpe Ratio: 0.725



Maximum Return

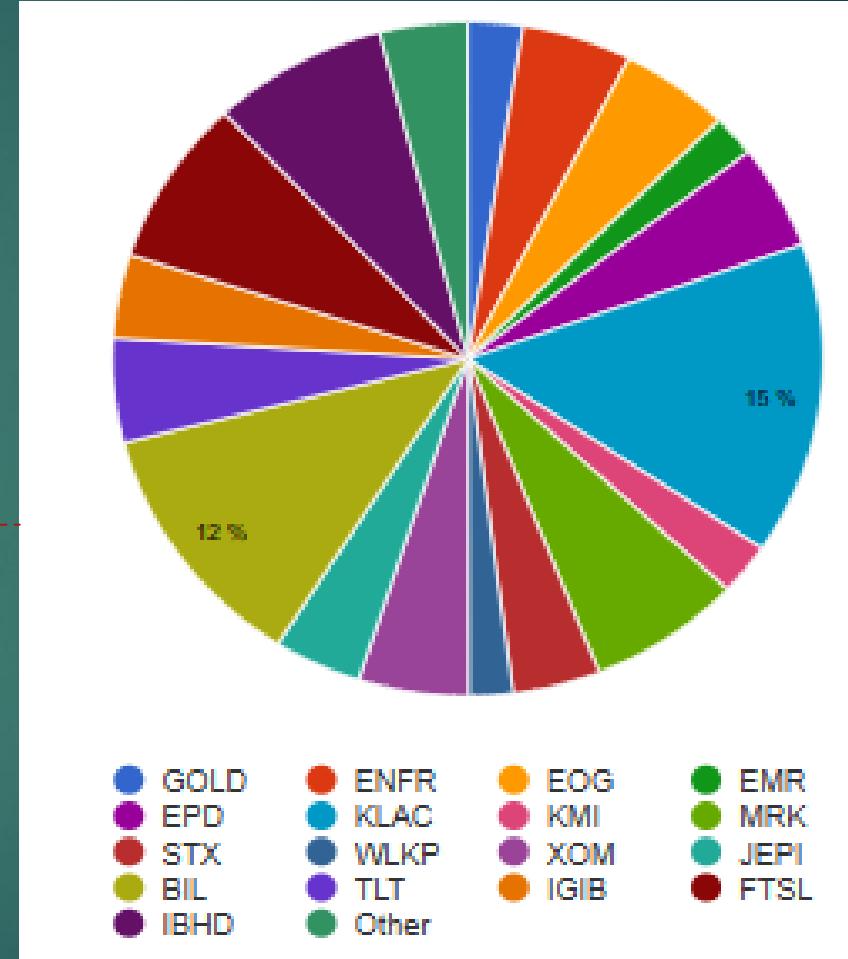
2.50% GOLD
5.00% ENFR
2.50% DUK
5.00% EOG
5.00% EMR
5.00% EPD
15.00% KLAC
5.00% KMI
7.00% MRK
2.00% RHHBY
7.00% STX
2.00% WLKP
5.00% XOM
10.00% JEPI
5.00% BIL
5.00% TLT
4.00% IGIB
4.00% FTSL
4.00% IBHD
Expected Return: 16.94%
Standard Deviation: 13.56%
Sharpe Ratio: 1.058

# 1. UPDATE – THE MAY HYINC OPTIMUM

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Ticker		A. Base Case	min	B. Optimum	max
GOLD	Barrick Gold	4.6%	2.5%	2.5%	7.5%
ENFR	Alerian Energy	3.7%	2.0%	5%	5.0%
DUK	Duke Energy	3.0%	2.0%	2%	5.0%
EOG	EOG Resources	2.6%	2.0%	5%	5.0%
EMR	Emerson	4.4%	2.0%	2%	5.0%
EPD	Enterprise	3.7%	2.0%	5%	5.0%
KLAC	KLA Tencor	12.0%	7.5%	15%	15.0%
KMI	Kinder Morgan	3.2%	2.0%	2%	5.0%
MRK	Merck	5.0%	2.0%	7%	5.0%
RHHBY	Roche Holding	2.3%	2.0%	2%	5.0%
STX	Seagate	4.5%	4.0%	4%	7.0%
WLKP	Westlake Polyn	3.0%	2.0%	2%	5.0%
XOM	Exxon Mobil	3.9%	2.0%	5%	5.0%
JEPI	JPM Eq Prem	6.2%	2.0%	4.0%	10.0%
BIL	spdr 1-3 mo Tb	9.8%	5.0%	12.0%	12.0%
TLT	20 yr Treas	8.3%	5.0%	5.0%	12.0%
IGIB	5-10 yr Corp Bond		4.0%	4.0%	8.0%
FTSL	Senior Loans	6.3%	4.0%	8.0%	8.0%
IBHD	HY Bonds	6.4%	4.0%	8.0%	8.0%
Au Hedge		4.6%		2.5%	
LC Value		41.8%		37.5%	
LC Growth		16.5%		19.0%	
JEPI		6.2%		4.0%	
BIL		9.8%		12.0%	
FIX INC		21.0%		25.0%	

Expected Return	Standard Deviation	Sharpe Ratio
12.13% <b>A. Base</b>	11.40%	0.84
15.37%	11.49%	1.11



**B. Max Sharpe Optimum**

# 1. UPDATE - ytd June

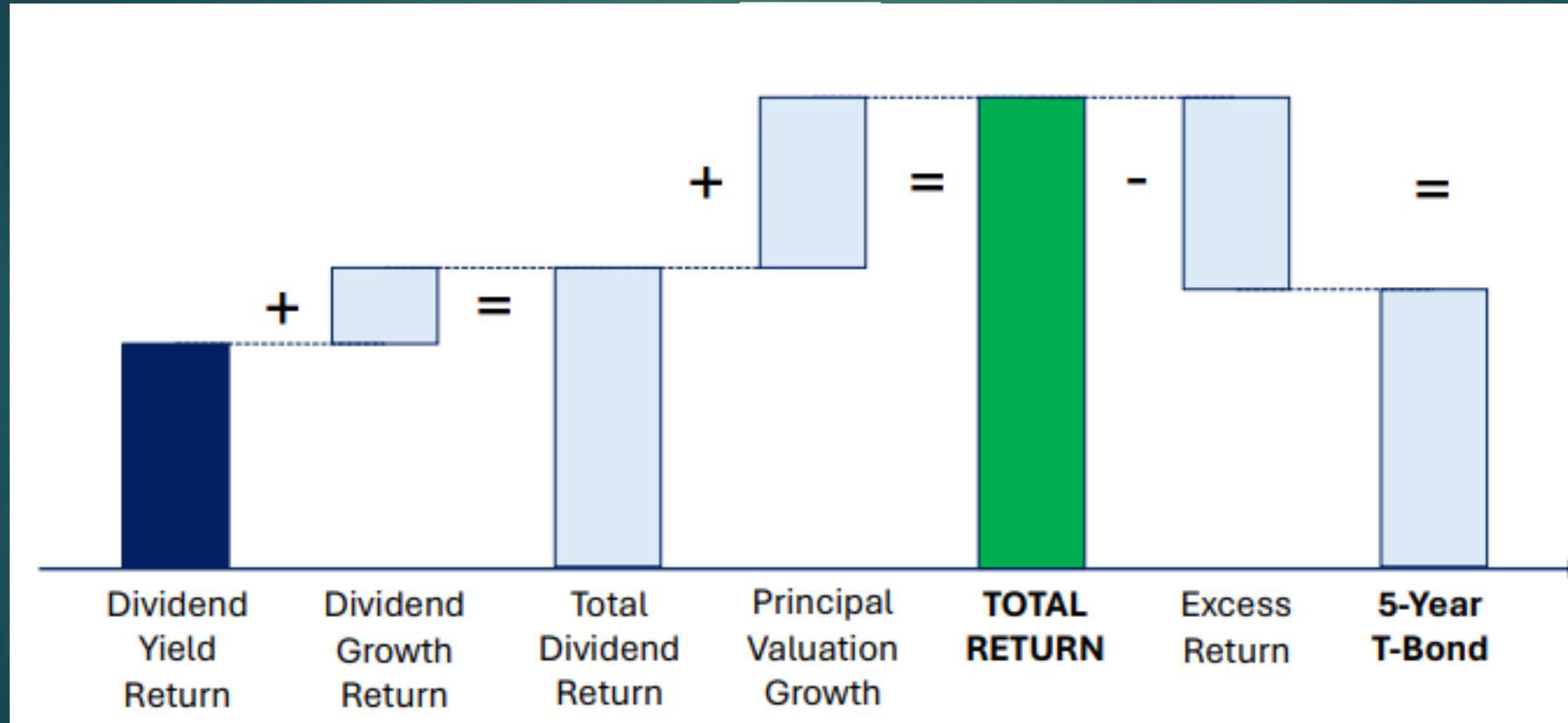
Hybrid Income end Dec 23 - beg 24 Jan			1st JAN		1st MAY		1st JUN					
ticker	Company - Entity	Asset Class	\$	%	\$	%	\$	June %	\$ Δ mo	YtD	Δ pct	ticker
GOLD	Barrick Gold Corp	ALT Gold	\$ 39,726	5%	\$ 36,541	4.6%	\$ 37,530	4.6%		-5.5%	GOLD	
		HEDGE	\$ 108,305	14%	\$ 36,541	4.6%	\$ 37,530	4.6%	\$ 988		HEDGE	
ENFR	Alerian Energy	US LG CAP VAL Sect Energy ML	\$ 27,061	4%	\$ 29,218	3.7%	\$ 30,273	3.7%	\$ 1,055	11.9%	ENFR	
DUK	Duke Power	US LG CAP VAL Sect Utility	\$ 23,678	3%	\$ 23,975	3.0%	\$ 25,271	3.1%	\$ 1,296	6.7%	DUK	
EOG	Enron Oil & Gas	US LG CAP VAL Sect Energy	\$ 18,720	2%	\$ 20,612	2.6%	\$ 19,430	2.4%	\$ (1,182)	3.8%	EOG	
EMR	Emerson Electric Co.	US LG CAP VAL Sect Industrial	\$ 31,340	4%	\$ 34,705	4.4%	\$ 36,116	4.4%	\$ 1,410	15.2%	EMR	
EPD	Enterprise	US LG CAP VAL Sect Energy ML	\$ 26,972	4%	\$ 29,287	3.7%	\$ 29,726	3.6%	\$ 438	10.2%	EPD	
KLAC	KLA Corporation	US LG CAP GROWTH	\$ 80,219	11%	\$ 94,929	12.0%	\$ 104,815	12.8%	\$ 9,886	30.7%	KLAC	
KMI	Kinder Morgan	US LG CAP VAL Sect Energy	\$ 24,377	3%	\$ 25,683	3.2%	\$ 27,383	3.3%	\$ 1,700	12.3%	KMI	
MRK	Merck & Co., Inc.	US LG CAP VAL Sect Hcare	\$ 33,578	4%	\$ 39,800	5.0%	\$ 38,435	4.7%	\$ (1,364)	14.5%	MRK	
PXD	Pioneer	US LG CAP VAL Sect Energy	\$ 25,636	3%							PXD	
RHHBY	Roche Holding AG	US LG CAP VAL Sect Mat'l's	\$ 22,245	3%	\$ 18,309	2.3%	\$ 19,654	2.4%	\$ 1,345	-11.6%	RHHBY	
STX	Seagate Technology Holdings plc	US LG CAP GROWTH	\$ 35,514	5%	\$ 35,739	4.5%	\$ 38,788	4.7%	\$ 3,049	9.2%	STX	
WLKP	Westlake Polymer	US LG CAP VAL Sect Mat'l's	\$ 23,734	3%	\$ 23,935	3.0%	\$ 26,151	3.2%	\$ 2,216	10.2%	WLKP	
XOM	Exxon Mobil	US LG CAP VAL Sect Energy MLP			\$ 31,074	3.9%	\$ 31,058	3.8%	\$ (16)		XOM	
		US LG CAP GROWTH	\$ 115,733		\$ 130,667		\$ 143,603	17.5%	\$ 12,936	24.1%	US LG CAP GROWTH	
JEPI	US STOCK MKT Options	US STOCK MKT Options			\$ 49,262	6.2%	\$ 50,033	6.1%	\$ 771		JEPI	
		EQUITY	373,075	49%	\$ 456,530	57.7%	\$ 477,133	58.2%	\$ 20,603	27.9%	EQUITY	
BIL	spdr 1-3 mo Tbills	FX INC GOVT NOTE Sterm Treas	\$ 275,454	36%	\$ 77,767	9.8%	\$ 77,784	9.5%		-71.8%	BIL	
		CASH-13wk Tbill	\$ 275,454	36%	\$ 77,767	9.8%	\$ 77,784	9.5%	\$ 17	-71.8%	CASH-13wk Tbill	
TLT	I Share 20+ yr Treasury Bond	FX INC GOVT BOND Ten Yr Tr			\$ 65,933	8.3%	\$ 67,605	8.2%			TLT	
IGIB	I Share 5-10 yr Inv Grade	FX INC CORP BOND Mid Term			\$ 49,359	6.2%	\$ 50,187	6.1%			IGIB	
FTSL	1st Trust Sr Loans	FX INC CORP BOND Mid Term			\$ 50,131	6.3%	\$ 50,219	6.1%			FTSL	
IBHD	I Share iBond 2024 Hyield & Income	FX INC CORP High Yield			\$ 50,285	6.4%	\$ 50,350	6.1%			IBHD	
		FIXED INCOME			\$ 215,708	27%	\$ 218,361	26.6%	\$ 2,653		FIXED INCOME	
Cash Net		CASH			\$ 4,432	0.6%	\$ 8,950	1%	\$ 4,518		CASH	
		TOTAL	\$ 756,834	100%	\$ 790,978	100%	\$ 819,758	100%	\$ 28,780		TOTAL	
		YtD	Base		4.3%		7.7%					

## 2. Q3 EQUITY YIELD & “the dividend drill”

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### A. Perpetuity Growth

### B. Discount to Fair Value



Source: Exhibit Permission Pending - PLB

06-22-24 vB

## 2. Q3 EQUITY YIELD BUILDING BLOCKS

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<b>BASELINE</b>
<u>A1. MARGIN</u> - Competitive Advantage
<u>A2. OPERATING LEVERAGE</u> - Asset Turn
A3. CAPITAL RETURN
<u>A4. EQUITY LEVERAGE</u>
A5. EQUITY RETURN

+

<b>YIELD IMPACT</b>
B1. DIV YIELD - Sales Growth
B2. DIV YIELD - History - pct
B2. DIV YIELD - History - \$/sh
B3. DIV YIELD - Buybacks
B4. DIV YIELD - Fin Lev - Debt / Equity
B4. DIV YIELD - Fin Lev Debt
B5. DIV YIELD - Payout
C1. DIV GROWTH - Sales
C2. DIV GROWTH - Margin
C3. DIV GROWTH - Profit
C4. DIV GROWTH - Sustained CapEx
D1. VAL GROWTH - EPS
D2. VAL GROWTH - Mkt Cap / FCF
D3. VAL GROWTH - SH Equity
D4. VAL GROWTH - Book per Share
D5. VAL GROWTH - P / E
E1. OPT INCOME - Expiration
E1. OPT INCOME - Delta
E1. OPT INCOME - Bid - Ask Spread
E1. OPT INCOME - Implied Volatility

HIGH GRADE INCOME PROSPECTS

RANK ORDER SELECTION

QUARTERLY TARGETS

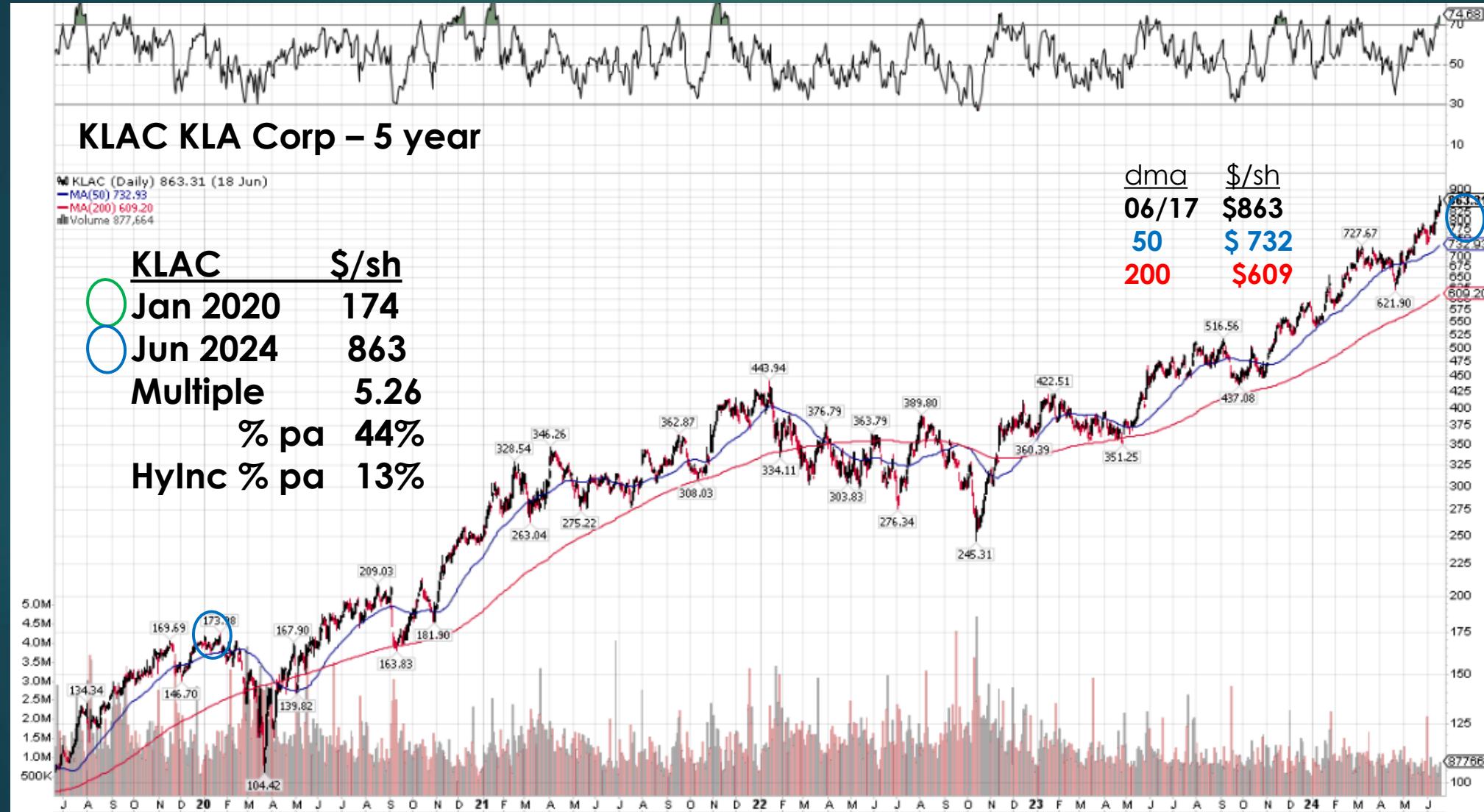
# 1. PLAN

## 2024-q3

5/31/2024 END - BEG June			1st JUN	HYInc Yield & Bback /yr			Q3 Income Target Potential (ex Price dif)				
ticker	no shares	\$/sh	\$	% Yield/yr	a. % Div or Int/yr	b. % Bback/yr	c. % Opt Prem/qtr	st a.b.c.Qtr pct	st \$ / qtr		
									▼	▼	▼
GOLD	2,196	\$ 17.09	\$ 37,530	2.4%	2.4%		2.2%	2.8%	\$ 1,052	GOLD	
HEDGE			\$ 37,530	2.4%					\$ 1,052		
ENFR	1,172	\$ 25.83	\$ 30,273	6.3%	6.3%			1.6%			
DUK	244	\$ 103.57	\$ 25,271	4.1%	4.1%	0.0%	2.0%	3.0%	\$ 762	DUK	
EOG	156	\$ 124.55	\$ 19,430	3.0%	3.0%	0.0%	2.4%	3.1%	\$ 611	EOG	
EMR	322	\$ 112.16	\$ 36,116	1.9%	1.9%	0.0%	1.7%	2.2%	\$ 789	EMR	
EPD	1,043	\$ 28.50	\$ 29,726	7.3%	7.3%	0.0%	1.1%	3.0%	\$ 877	EPD	
KLAC	138	\$ 759.53	\$ 104,815	2.0%	0.7%	1.3%	4.3%	4.8%	\$ 5,047	KLAC	
KMI	1,405	\$ 19.49	\$ 27,383	6.8%	5.8%	1.0%	1.4%	3.1%	\$ 838	KMI	
MRK	308	\$ 124.79	\$ 38,435	2.8%	2.4%	0.4%	1.3%	2.0%	\$ 784	MRK	
RHHBY	614	\$ 32.01	\$ 19,654	3.8%	3.8%	0.0%	0.0%	1.0%	\$ 188	RHHBY	
STX	416	\$ 93.24	\$ 38,788	2.6%	2.6%	0.0%	2.2%	2.8%	\$ 1,098	STX	
WLKP	1,119	\$ 23.37	\$ 26,151	8.5%	8.5%	0.0%	0.0%	2.1%	\$ 554	WLKP	
XOM	265	\$ 117.26	\$ 31,058	6.8%	3.5%	3.4%	1.1%	2.8%	\$ 875	XOM	
			\$ 143,603						\$ 6,145		
JEPI	886	\$ 56.47	\$ 50,033	7.2%	7.2%			1.8%	\$ 901	JEPI	
			EQUITY	\$ 477,133	4.4%				\$ 13,325		
BIL	851	\$ 91.42	\$ 77,784	5.2%	5.2%			1.3%	\$ 1,013	BIL	
			CASH-13w	\$ 77,784	5.2%				\$ 1,013		
TLT	750	\$ 90.14	\$ 67,605	4.2%	4.2%			1.1%	\$ 710	TLT	
IGIB	986	\$ 50.90	\$ 50,187	5.4%	5.4%			1.4%	\$ 678	IGIB	
FTSL	1,091	\$ 46.03	\$ 50,219	6.9%	6.9%			1.7%	\$ 871	FTSL	
IBHD	2,174	\$ 23.16	\$ 50,350	6.1%	6.1%			1.5%	\$ 768	IBHD	
			FX INC ->	\$ 218,361	5.5%				\$ 3,027		
			CASH	\$ 8,950							
			TOTAL	\$ 819,758					\$ 18,416		
				7.7%					2.2%		

## 2. Q3 YIELD – The Growth Company

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## 2. KLAC BASELINE & YIELD PROFILE

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Semiconductor Equipment	2017	2018	2019	2020	2021	2022	2023	Est. 2024	Est. 2025	Proj. 2027-2029	Change -% fr 2024est (1)	
											1yr	3-5 yr
<b>BASELINE</b>												
a. Net Income / Sales	26.9%	31.2%	29.1%	28.2%	32.6%	34.8%	33.9%	32.5%	33.4%	36.0%	✓	
b. Sales / Total Capital	0.9	1.0	0.8	0.9	1.0	1.1	1.2	1.0	1.0	1.1	✗	
% Return on Total Capital	24.9%	34.1%	23.8%	28.0%	34.3%	40.8%	42.1%	34.0%	34.5%	39.5%	✓	
c. Total Capital / Equity	3.0	2.4	2.2	2.3	2.0	5.8	3.0	2.7	2.2	1.7	✗	
ROE	70.5%	77.7%	49.9%	61.4%	66.7%	228.8%	121.8%	90.9%	74.6%	65.5%	✓	
<b>YIELD IMPACT</b>												
Total Sales per Share	22.19	25.87	28.65	37.35	45.29	64.96	76.75	72.35	84.1	120.9	✓	
Average Annual Dividend Yield	2.50%	2.40%	2.80%	2.10%	1.40%	1.20%	1.40%	--	--	1.10%	✗	
Dividends Declared per share	2.14	2.52	3	3.3	3.6	4.2	5.2	5.3	6.5	8.4	✓	
Common Shares Outstanding	156,840	156,048	159,475	155,461	152,776	141,804	136,750	134,000	132,000	122,000	✓	
34. DIV YIELD - Fin Lev - Debt / Equity	2.0	1.4	1.2	1.3	1.0	4.8	2.0	1.7	1.2	0.7	✓	
Long-Term Debt	2,680	2,237	3,173	3,470	3,423	6,661	5,891	5,875	5,800	5,500	✓	
All Dividends to Net Profits	37.00%	32.00%	36.00%	32.00%	25.00%	20.00%	21.00%	24.00%	22.00%	20.00%	✗	
<b>C. DIV GROWTH</b>												
Total Sales	3,480	4,037	4,569	5,806	6,919	9,212	10,496	9,775	11,100	14,950	✓	
Operating Margin	38.80%	40.10%	40.30%	38.40%	41.60%	43.70%	42.20%	41.00%	41.50%	44.50%	✓	
Net Profit (\$Mil)	935	1,259	1,328	1,635	2,254	3,205	3,558	3,180	3,710	5,380	✓	
Capital Spending per share	0.25	0.43	0.82	0.98	1.52	2.17	2.5	2.6	2.65	3.25	✓	
Earnings per share	5.94	8	8.46	10.35	14.55	21.15	25.37	23.55	28.5	44.85	✓	
"Cash Flow" per share	6.33	8.47	9.79	11.89	15.91	23.48	27.07	24.9	29.35	45.65	✓	
Shareholders' Equity	1,326	1,621	2,659	2,665	3,378	1,401	2,920	3,500	4,975	8,100	✓	
Book Value per share	8.46	10.38	16.67	17.15	22.11	9.88	21.35	26.1	37.65	66.35	✓	
Average Annual P/E Ratio	14.1	13.2	12.5	15.5	18.2	16.9	14.8	--	18	✓		
<b>D. VAL GROWTH</b>												
D1. VAL GROWTH - EPS											21%	90%
D2. VAL GROWTH - Mkt Cap / FCF											18%	83%
D3. VAL GROWTH - SH Equity											42%	131%
D4. VAL GROWTH - Book per Share											44%	154%
D5. VAL GROWTH - P / E												18%

Source: ValueLine.com, AAll - Houston

## 2. KLAC CALL OPTION YIELD

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Sell to Open 1 KLAC Jul 12, 2024 890 Covered Call @ \$950.00 X

Enter the following leg into your broker's platform.

BUY/SELL	QUANTITY	EXPIRY	STRIKE	TYPE	PREMIUM
SELL TO OPEN	1	Jul 12, 2024	890	Call	\$9.50
Bid \$7.60		Mid  \$9.50	Ask \$11.40	Avg Premium \$9.50	
Strategy Covered Call		Reward \$3,350.00	Risk \$85,650.00	DTE 22	

Options Grid   Risk & Checklist   **Strategy & Greeks**   Income Settings

**Strategy Explanation**

This is a bullish strategy with limited risk of \$85,650.00 and limited potential reward of \$3,350.00.

This strategy will profit if the stock closes above \$856.50 by Jul 12, 2024.

There is a 34.00% probability this will happen.

**Greeks**

For every dollar that KLAC increases by, will result in a \$76.65 profit, and due to time decay it will gain \$54.43 in time value per day as expiration approaches.

Delta \$76.65	Theta \$54.43
Gamma -\$0.42	Vega -\$61.44

**Trade**   **Income**

Own shares of KLAC Yes  No

KLAC KLA Corp.

\$829.59 -\$33.72 (3.91%)

**Sell 1 Jul 12, 2024 890 Covered Call**

Cost -\$950.00

Max Reward \$3,350.00

Max Risk \$85,650.00

Annualized/Raw Return 21.06%/1.16%

12 M Projected Yield 21.71%

POW 80.64%

Breakeven \$856.50

Days to Expiry 22

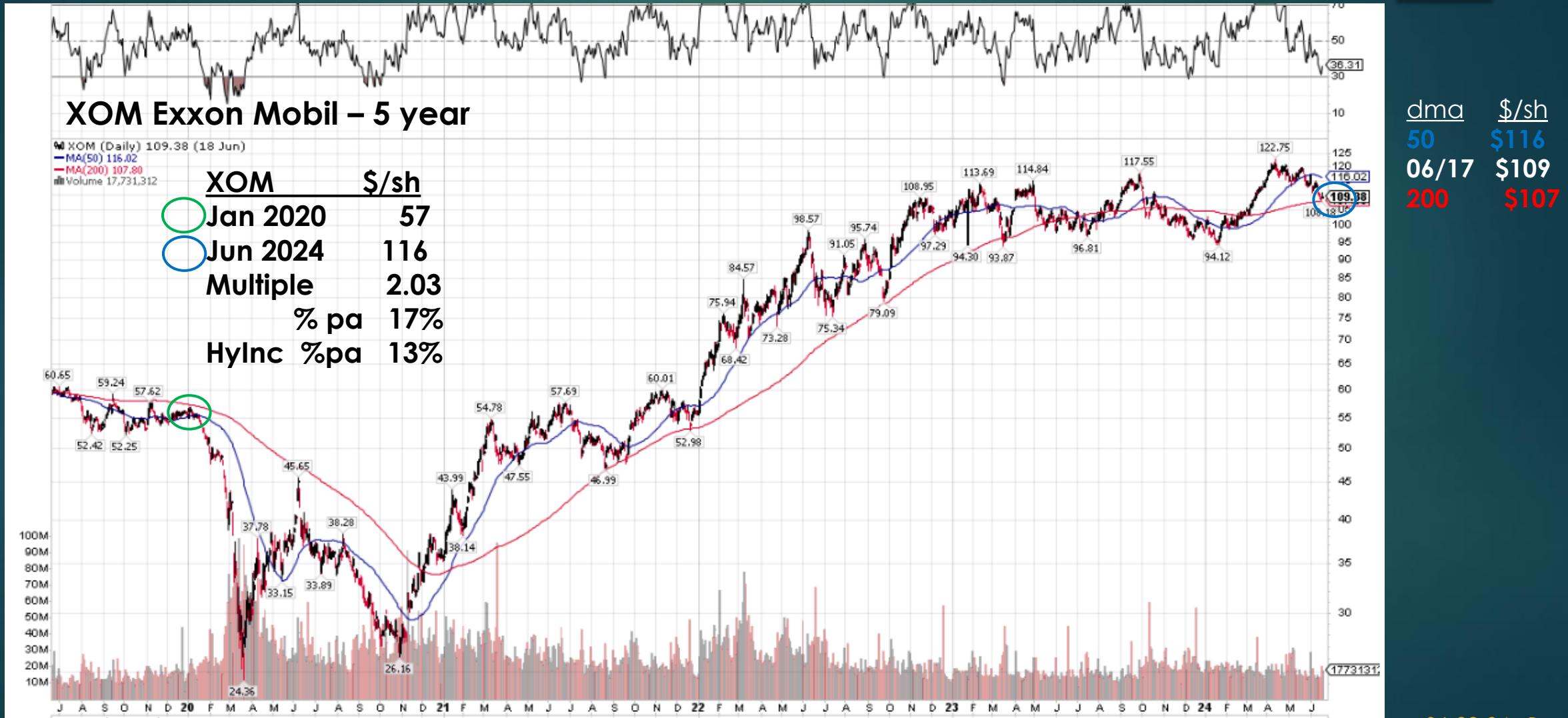
**Trade**   **Modify**

**Bullish w/ Limited risk**

Selling the Jul 12, 2024 \$890.00 covered call on your KLAC position would generate \$950.00 of income, providing a static yield of 1.16% in 22 days (21.06% annualized), compared to the 0.65% dividend yield. You will keep \$950.00 of income per contract if KLAC closes below \$890.00 on Jul 12, 2024. There is a 80.64% probability that this will happen.

## 2. Q3 YIELD – Commodity, Value Company

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Source: StockCharts.com

06-22-24 vB

## 2. XOM BASELINE & YIELD PROFILE

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	2017	2018	2019	2020	2021	2022	2023	Est. 2024	Est. 2025 Proj. 2027-2029	LINE ITEM	CHANGE -% fr 2024est	1yr	3-5 yr	
<b>Petroleum (Integrated)</b>														
a. Net Income / Sales	5.6%	7.2%	5.4%	-12.4%	8.1%	13.5%	10.5%	10.6%	9.3%	7.9%	neg	A1. MARGIN - Competitive Advantage	-12%	-26%
b. Sales / Total Capital	1.2	1.4	1.2	0.9	1.3	1.8	1.4	1.5	1.5	1.6	neg	A2. OPERATING LEVERAGE - Asset Turn	3%	5%
% Return on Total Capital	6.60%	10.00%	6.80%	--	11.10%	23.80%	15.00%	15.90%	14.40%	12.40%	neg	A3. CAPITAL RETURN	-9%	-22%
c. Total Capital / Equity	1.1	1.1	1.1	1.3	1.3	1.2	1.2	1.2	1.2	1.2	✓	A4. EQUITY LEVERAGE	-1%	-2%
ROE	7.3%	10.9%	7.5%	-14.3%	13.7%	28.6%	17.6%	18.7%	16.8%	14.3%	neg	A5. EQUITY RETURN	-10%	-23%
<b>bl</b>														
<b>Total Sales per Share</b>	57.65	68.49	62.57	42.88	67.38	101.34	86.77	89.7	91.8	91.05	✓	B1. DIV YIELD - Sales Growth	2%	2%
<b>Average Annual Dividend Yield</b>	3.70%	4.10%	4.60%	7.80%	6.00%	3.90%	3.40%	--	--	3.70%	✓	B2. DIV YIELD - History - pct	✓	8%
<b>Dividends Declared per share</b>	3.06	3.23	3.43	3.48	3.49	3.55	3.68	3.8	3.9	4	✓	B2. DIV YIELD - History - \$/sh	3%	5%
Common Shares Outstanding	4,239,000	4,237,000	4,234,000	4,233,000	4,239,000	4,082,000	3,971,000	3,925,000	3,900,000	3,900,000	✓	B3. DIV YIELD - Buybacks	-1%	-1%
B4. DIV YIELD - Fin Lev - Debt / Equity	0.13	0.11	0.14	0.30	0.26	0.21	0.18	0.18	0.17	0.15	✓	B4. DIV YIELD - Fin Lev - Debt / Equity	-5%	-12%
<b>Long-Term Debt</b>	24,406	20,538	26,342	47,182	43,428	40,559	37,483	35,000	33,000	30,000	✓	B4. DIV YIELD - Fin Lev Debt	-6%	-14%
<b>All Dividends to Net Profits</b>	94.00%	66.00%	102.00%	--	65.00%	27.00%	41.00%	40.00%	46.00%	56.00%	✓	B5. DIV YIELD - Payout	15%	40%
<b>bl</b>														
<b>Total Sales</b>	244,363	290,212	264,938	181,502	285,640	413,680	344,582	352,000	358,000	355,000		C1. DIV GROWTH - Sales	2%	1%
<b>Operating Margin</b>	16.00%	17.40%	15.10%	25.10%	29.30%	31.70%	30.20%	19.50%	18.00%	17.50%	neg	C2. DIV GROWTH - Margin	-8%	-10%
<b>Net Profit (\$MIL)</b>	13,768	20,840	14,340	-22,440	23,040	55,740	36,010	37,300	33,350	27,900	neg	C3. DIV GROWTH - Profit	-11%	-25%
Capital Spending per share	3.63	4.62	5.75	4.08	2.85	4.51	5.52	5.25	5.5	6.25	✓	C4. DIV GROWTH - Sustained CapEx	5%	19%
<b>bl</b>														
<b>Earnings per share</b>	3.24	4.88	3.36	-5.25	5.39	13.26	8.89	3.5	8.55	7.15	neg	D1. VAL GROWTH - EPS	-10%	-25%
<b>"Cash Flow" per share</b>	7.94	9.34	7.87	5.57	10.3	19.54	14.27	15.6	14.6	13.05	neg	D2. VAL GROWTH - Mkt Cap / FCF	-6%	-16%
<b>Shareholders' Equity</b>	187,688	191,794	191,650	157,150	168,577	195,049	204,802	200,000	198,500	195,000	✓	D3. VAL GROWTH - SH Equity	-1%	-3%
<b>Book Value per share</b>	44.28	45.27	45.26	37.13	39.77	47.78	51.57	50.95	50.9	50		D4. VAL GROWTH - Book per Share	0%	-2%
<b>Average Annual P/E Ratio</b>	25.3	16.3	22	--	10.7	6.9	12.2	--	--	15	✓	D5. VAL GROWTH - P/E	19%	
<b>bl</b>														

## 2. XOM CALL OPTION YIELD

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**Sell to Open 1 XOM Jul 12, 2024 117 Covered Call @ \$67.50**

Enter the following leg into your broker's platform.

BUY/SELL	QUANTITY	EXPIRY	STRIKE	TYPE	PREMIUM			
SELL TO OPEN	1	Jul 12, 2024	117	Call	\$0.68			
Bid		\$0.65	Mid	\$0.68	Ask	\$0.70	Avg Premium	\$0.68
Strategy		Covered Call	Reward	\$540.50	Risk	\$11,159.50	DTE	22

**Options Grid**   **Risk & Checklist**   **Strategy & Greeks**   **Income Settings**

**Strategy Explanation**

This is a bullish strategy with limited risk of \$11,159.50 and limited potential reward of \$540.50.

This strategy will profit if the stock closes above \$111.60 by Jul 12, 2024.

There is a 55.16% probability this will happen.

This is a bullish strategy with limited risk of \$11,159.50 and limited potential reward of \$540.50.

**Greeks**

For every dollar that XOM increases by, will result in a \$78.36 profit, and due to time decay it will gain \$3.94 in time value per day as expiration approaches.

Delta	\$78.36	Theta	\$3.94
Gamma	-\$5.24	Vega	-\$7.97

**Trade**   **Income**

Own shares of XOM Yes  No

**XOM Exxon Mobil Corp.**  
\$112.18 +\$2.80 (2.56%)

**Sell 1 Jul 12, 2024 117 Covered Call**

**Cost**   -\$67.50  
**Max Reward**   \$540.50  
**Max Risk**   \$11,159.50  
**Annualized/Raw Return**   10.52% / 0.60%  
**12 M Projected Yield**   13.96%\*  
**POW**   79.77%  
**Breakeven**   \$111.60  
**Days to Expiry**   22

**Trade**   **Modify**

**Bullish w/ Limited risk**

Selling the Jul 12, 2024 \$117.00 covered call on your XOM position would generate \$67.50 of income, providing a static yield of 0.60% in 22 days (10.52% annualized), compared to the 3.44% dividend yield. You will keep \$67.50 of income per contract if XOM closes below \$117.00 on Jul 12, 2024. There is a 79.77% probability that this will happen.

### 3. NEXT STEPS – Q3

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- ▶ ASSETS
- ▶ – Correlations & Calibration
- ▶ - International
- ▶ OPTIMIZATION
- ▶ - s.t. Income (vs Return)
- ▶ - l.t. Stress Testing (10yr)
- ▶ HIGH GRADE (better to best)
- ▶ - Equities Dividend Drill
- ▶ - w Option I/O
- ▶ - Fixed Income – Duration vs Credit



## 3. NEXT STEPS

### – YIELD PROSPECTS w Gordon (Illust)

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## THE INCOME CHALLENGE

- ▶ 1. HyInc\* PORTFOLIO UPDATE
- ▶ 2. 2024 Q3 EQUITY YIELD
- ▶ 3. NEXT STEPS

- Appendix A Hybrid Income\* - Preserve Principal, Maintain Income, Sustain Portfolio

# **Q4 ASSET MIX – Non US SHOULD INCOME PORTFOLIO Consist of;**

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- a. US ONLY**
- b. US w EM Emerging Markets**
- c. US w EAFE**
- d. Mix of b. c.**

# Appendix

*A - Disclosure & Disclaimer*

*B - Sources – Information, Data, Toolkits*

*C - HyInc Objectives, Analytic Sequence*

## **ADVISOR STATUS**

- We are not investment advisors.

## **THE FUTURE IS NOT PREDICTABLE ... but RHYMES?**

- Pursuant to the provisions of Rule 206(4)-1 of the Investment Advisors Act of 1940, all attendees should recognize that recommendations implied or made, may or may not duplicate the performance based on historical analysis.

## **SOURCES**

- The contents of this presentation have been compiled from original and published sources believed to be reliable, but accuracy or completeness is not guaranteed.

- Dr. Ed Yardeni, [Yardeni.com](http://Yardeni.com) (EY)
- Dr. Torston Slok – [The Apollo Economist](http://TheApolloEconomist.com) (TS)
- JP Morgan Analytics – Q4 2023 Outlook (JPM)
- [Simulations](http://Simulations.com) – Assets, ETFs, Tickers – Raffiliates and Portfolio Visualizer

## AAll Houston Speakers+:

- [Sumgrowth.com](http://Sumgrowth.com), Scott Juds - Algorithmic Sector Surfer
- [DeltaIM.com](http://DeltaIM.com), Delta Investment Management, Nick Atkeson
- [RGBCapitalGroup.com](http://RGBCapitalGroup.com), Rob Bernstein, AAll San Diego
- [CandorAssetAdvisors.com](http://CandorAssetAdvisors.com), Bill Hawes, AAll San Antonio
- [Aeromir.com](http://Aeromir.com), Wayne Klump, SW Portfolio
- [This Week in Charts](http://ThisWeekinCharts.com) – CharlieBilello

► OBJECTIVES

- Assets
- Constraints
- Positions

- Preserve Principle, Maintain Income, Sustain Portfolio
- Monthly Income via Dividends, Options ... & Price  $\Delta$

ANALYTIC SEQUENCE:

- Simulate Return, Risk, Performance of Asset Classes
- Constrain Assets via Forward Outlook
- Select ETF's, Tickers in  $\frac{1}{2}$  of Industry Benchmark(s);
- 1<sup>st</sup> etfs or mfunds, 2<sup>nd</sup> Position - Company's
- Morningstar >3 or C+
- Rank Order Selection via Dividend & Option Income;
- Dividend a f(Cash Flow, Inc Stmt Growth, B.Sheet Debt)
- Company Risk Adjusted Returns, Drawdowns
- Momentum -> Entry/Exit – etf, equity, options