

SCA FINANCIAL; September 2023

INVESTING IN REITs and ETFs for INCOME

The Good, the Bad and the Ugly

If it seems like “it is too good to be true”, it **IS** too good to be true

If you don’t understand what they are doing.. don’t buy it

NEVER try to catch a falling knife

Income etf/income stocks are like apples... an apple a day is healthy for you. There may be nuanced differences in the nutritional value of a “Granny Smith” vs a “Red Delicious” vs a “McIntosh” but if I asked my doctor which one I should eat, the response would be.. Don’t worry about that, they are basically the same, and interchangeable. just eat one!

How do they get those extraordinary cash flows?

Leverage

Options

Ripe off their renters/leaseholders

Smoke and mirrors

Are you paying your own dividends?

1. Is principle declining every year
2. Are you being 1099ed with return of capital
3. K-1,

What are you investing in?

1. Income ETF’s that sell options
 - a. JEPI (sp 500) current yield 9.8%
 - b. JEPQ (Nasdaq0 current yield 11.80%
 - c. QYLD (QQQ) current yield 12.18%
 - d. OARK current yield 42.00% YTD return – (25.50)
 - e. The weakness
 - i. Consistency
 - ii. Supply and demand, the more of these there are the lower the premium that will be received
 - iii. Moving from monthly expiration options to weekly or daily raises the expenses incurred in operating these ETFs, thus lowering investor returns
2. “Synthetic call” ETFs based on ONE underlying stock or index
 - a. TSLY, 55.23%
 - i. YTD principle return zero TSLA was 108 now 240
 - b. APLY, 8.97% (??) paid \$1.70 in 4 months
 - c. NVDY, 16.50% paid \$2.76 in 4 months
 - d. AMZY, FBY, GOOY, NFLY . just started

3. M-Reits
 - a. AGNC (\$10.20)
 - b. and NLY (\$20.90)
 - c. recently upgraded by UBS
 - d. They use leverage...
4. Particular type of property
 - a. Office building
 - i. VNO zero yield eliminated in 2023 ytd +7.1%
 - ii. BXP 6.79% ytd **-(12)**
 - b. Warehouse
 - i. PLD 3.10% unch
 - ii. STAG 4.1% ytd +2.0
 - iii. PSA 4.55% ytd **-(3.0)**
 - iv. CUBE 5.10 ytd **-(2.0)**
 - c. Medical
 - i. MPW 11.90% ytd **-(54.00)**
 - ii. HR 8.26% **-(23.00)**
 - d. Mixed USE
 - i. O 6.10% ytd **-(21.00)**
 - ii. PLD 3.10% unch
 - iii. SPG 6.95% ytd **-(7.25)**
 - iv. KIM 3.73% ytd **-(16.76)**
 - e. OTHER
 - i. PSTL 7.2% ytd **-(8.00)**
 - ii. VICI 5.70% ytd **-(7.4)**
 - iii. AMT 3.98% ytd **-24.5)**
5. Bonds
 - a. SGOV 4.49% ytd +1/2 1 percent
6. Oil and gas leases
 - a. AMLP 7.94% YTD +13.00%
 - b. MLPA 7.27% YTD +12.2%
7. ETFs for dividends
 - a. SCHD 3.64% ytd **-(5.7)**
 - b. VIG 1.96% ytd +2.75%
 - c. NOBL 2.15% Div aristocrats ytd **-(1.00)**

Is there liquidity in the portfolio

Blackstone/Blackrock reduced (suspended) withdrawals from some of their private REITs