INCOME INVESTMENT STRATEGIES

TEN OPTIONS FOR NAVIGATING TODAY'S CHALLENGING MARKET

SAM

Michael Joseph, CFA
Deputy Chief Investment Officer,
Portfolio Manager

It might seem obvious why an investor would turn to income investments—to generate income, of course. And it's certainly the case that many investors do just that. They use income-generating investments as a cash flow stream, often to fill the gap in retirement when they no longer receive a regular paycheck.

But there are other reasons an investor may seek out this portion of the investment world. Many income investments are considered stable and resilient, making them appealing for investors seeking a safe haven from more volatile assets. Others may see the logic in investing in businesses that are profitable enough to pay a healthy dividend. Still others may be seeking diversification beyond more typical stock and bond allocations like the standard "60/40 portfolio".

Fortunately, whatever goal you're trying to achieve, the income investment universe is vast and provides many different options. This report will share with you 10 areas where Stansberry Asset Management (SAM) likes to hunt for income investment opportunities. You'll learn the advantages and disadvantages of each one, and how we are using them to navigate today's unique market environment.

Of course, the risks and rewards for these different asset types will constantly change. There is no "best" income investment. It depends on the market environment. And it also depends on you—your circumstances, your goals, and your preferences.

As an active manager, SAM vigilantly watches the various pockets of the fixed income universe to find attractive opportunities, minimize risk, and ultimately to ensure that our clients remain on track to reach their financial goals.

Let's get started.

Dividend-paying stocks

A dividend is a distribution of some of a company's earnings to shareholders. The term "dividend yield" refers to a financial ratio expressed as a percentage that shows how much a company pays in annual dividends relative to its stock price. Dividend-paying stocks, particularly blue-chip stocks with strong underlying businesses, tend to be a popular choice with income investors. There can be comfort in knowing that if you are invested in a solid company, that company should be able to weather unfavorable economic times.

One way you may find quality dividend-paying stocks is by analyzing the constituents of the Dividend Aristocrats. This is a select group of stocks within the S&P 500 index that have increased their dividend payment to shareholders every year for at least 25 years. The oldest Dividend Aristocrats on the list have been growing their dividends since the 1950s.

Being on this list does not guarantee the stocks will continue to hike their dividends, that they are attractive businesses to own today, or that they are trading at a fair price. But considering everything that has happened over the past 25 years—the Great Financial Crisis, the COVID pandemic, and the Tech Bust to name a few—for these stocks to continually raise their dividends over this period suggests they may have something special. Maybe excellent management. Maybe a fortress balance sheet, or a resilient business. In any case, these companies are worth including in your search for high-quality dividend paying stocks.

Forward dividend yield =
most recent dividend annualized / share price

Trailing twelve-month (ttm) dividend yield =
dividends paid during the past year / share price

Let's take a step back and consider the broader category of dividend-paying stocks. Investments need to be considered relative to one another. In other words, how attractive is one investment compared to another?

When allocating to financial assets, the most basic choice facing many investors is between stocks and bonds. One way to compare the two is to look at the dividend yield of stocks relative to the U.S. 10-year Treasury yield. The following chart shows the difference between the Dividend Aristocrat's dividend yield and the yield on the 10-year Treasury. When the difference is above 0%, that is to say, it's a positive number, that means the Dividend Aristocrat's dividend yield is greater than the 10-year Treasury yield. The higher the number, generally, the more attractive stocks are relative to bonds.

Dividend Aristocrats Dividend Yield minus 10-Year US Treasury Yield

Source: Bloomberg

As you can see, bonds offer more value relative to stock dividends at the time of this writing. Does that mean bonds have a place in your income portfolio? Probably so. Does it mean that you should avoid dividend-paying stocks? Not at all.

While income investors often focus on dividend yield, it is an incomplete way of valuing a stock. As a shareholder, you are a partial owner in a business. If that business does well, you have upside that may include dividend growth, special dividend payments, and stock price appreciation.

SAM's current view:

Dividend yields are towards the low end of the past decade relative to U.S. Treasuries. This makes it increasingly important to select the right stocks rather than following a "rising tide lifts all boats" mentality. Investors should avoid the temptation to pick dividend payers simply because they are "household names". We encourage investors to focus on owning high-quality businesses with enduring growth prospects that will allow them to raise and continue paying out dividends to shareholders. At SAM, we think of cash dividends as one component of "shareholder yield", which considers various ways publicly traded companies can return capital to shareholders. In particular, we are mindful of companies that are buying back stock. Since a buyback will increase stock prices, share repurchases are another way that companies can compensate existing shareholders.

Higher yield dividend stocks

Since dividend yields are less attractive than they have been in recent years, it may be tempting to target the highest-yielding dividend stocks. This is known as "stretching for yield" and in most cases we caution against it.

It is important to consider why any stock would have a notably higher dividend than its peers. Very often it is because the stock has been sold off. Remember, the trailing dividend yield divides the past year's dividends by the price of the stock. The forward dividend yield uses the most recent dividend payment, projects it a year out, and divides that number by the price of the stock. In both cases, the denominator is the stock price. If the stock has sold off substantially, this can have the effect of making the dividend yield look enticingly high.

The important question to ask is why the stock has sold off. If the market is being irrational and the underlying business is fine, you may have discovered a great opportunity. However, in most cases, stocks are punished for good reason. Is the company facing regulatory issues that may impede their business? Did they take on enormous debt to fund an ill-advised acquisition? Perhaps there are accounting irregularities, or even outright fraud. These reasons and many others could cause a stock to sell off, and also may be a sign that future dividend payments could be cut or outright eliminated.

Not every stock offering a high dividend yield is facing this sort of peril. It may just be that the company returns a large portion of earnings to shareholders rather than reinvesting in the business. If there aren't opportunities to earn a high return by putting more capital into the business, we believe that returning those funds to shareholders is the right decision.

But be careful. If a company is paying out most of their earnings as dividends, and there are not many growth opportunities for the business, you shouldn't expect that dividend to get hiked any time soon. What's worse, paying out such a dividend may not be sustainable. Any hiccup in business results could cause that dividend to get cut.

While metrics to value investment securities and the safety of their dividends and coupon payments are beyond the scope of this report, one ratio that you'll certainly want to have in mind when it comes to dividend payments is the payout ratio.

Dividend payout ratio = dividends paid / net income OR dividends per share / earnings per share

The dividend payout ratio is the proportion of earnings paid out as dividends to shareholders. There is no perfect number that you're looking for, and typical payout ratios may vary greatly depending on the industry and maturity of the business. Generally speaking, a payout ratio of 50% or less may indicate that the dividend yield is sustainable, not likely to be cut if the business hits some short-term turbulence, and there may be room for dividend hikes in the future.

Make sure you're analyzing periods of 12 months or longer when comparing dividends. European companies usually pay dividends just once or twice per year, whereas American companies tend to pay them quarterly.

SAM's current view:

We are wary of reaching for yield in stocks paying out high dividends. An abnormally high yield can be a sign of problems ahead. Often times poor businesses have to offer above-market yields in order to attract investors. This can often be spotted in a high dividend payout ratio, and the practice often proves unsustainable. We are also wary of companies that pay a high yield because they are "melting ice cubes". These companies may generate a lot of income now (so their payout ratio will look healthy) but their operations are shrinking, there are no growth opportunities, and eventually that income being used to pay generous dividends will dry up. We do think occasional bargains can be found in the high-yield dividend area, particularly if a stock has fallen out of favor but the underlying business remains healthy. We also favor select industries within the higher yield equity market such as energy infrastructure. Many of these companies return a large portion of their earnings to shareholders due to limited growth prospects, but unlike "melting ice cubes", we expect their assets will continue to generate strong cash flow for many years to come.

Corporate bonds

Corporate bonds are debt obligations that are issued by a corporation. Investors that buy corporate bonds are effectively lending money to the company issuing the bond. Corporate bonds have historically been an attractive choice for income investors. They typically pay a higher yield than government bonds. And their fixed yields and known maturity dates can provide a greater certainty of return compared to other assets like stocks.

However, there are still risks involved in bond investing, including interest rate risk, credit risk, and inflation risk. Some of these risks can be reduced by selectively purchasing bonds that have strong creditworthiness and a short time until maturity.

INTEREST RATE RISK is the chance the value of your bond declines due to interest rate fluctuations.

CREDIT RISK is the possibility the bond issuer fails to pay you, also known as defaulting.

INFLATION RISK is the chance that the income from your bond purchases less in the future than it does today due to inflation.

Corporate bonds can be classified by their credit quality as determined by rating agencies like Moody's, Standard & Poor's, and Fitch. Bonds that are rated highly are considered investment-grade. Non-investment grade bonds are often called high-yield bonds, speculative grade bonds, or simply junk bonds.

Bonds issued by corporations face additional headwinds when the stock market is under pressure. This is particularly true of high-yield bonds.

As demonstrated in the following chart, high-yield bonds can behave very much like stocks in a bear market.

Performance of Value Stocks, Growth Stocks, and High Yield Bonds During Financial Crisis

Source: Bloomberg (Value Stocks illustrated by the S&P Value Index, Growth Stocks illustrated by the S&P Growth Index, High Yield Bonds illustrated by the Bloomberg Barclays VLI: High Yield Total Return Value Unhedged USD Index).July 2008-March 2009.

Ironically, it is this characteristic that gives us the most attractive opportunity to invest in corporate bonds. When investors are feeling good about the economy, there are no fears of recession, and corporations are generally considered healthy, there is typically a narrow yield spread between corporate bonds and government bonds like Treasury and municipal bonds.

A yield spread is the difference in yield between two debt securities with the same maturity but different credit quality.

But when investors become fearful, corporate bond spreads widen. This is particularly true of high-yield spreads. It doesn't mean that every high-yield bond is a buy in a recession. After all, many of them are being sold because investors expect them to default. But in such a panicked environment, babies can be thrown out with the bathwater, producing relatively attractive bond yields issued by high-quality companies with a strong ability to continue paying.

SAM's current view:

Investment-grade corporate bond spreads fluctuate regularly. At times when they are yielding close to what you'd receive from a government-issued bond, we don't see much benefit to owning corporates. But astute investors can capture meaningful yield pickups when spreads widen. When it comes to high-yield bonds, like any other investment, they tend to offer higher yields for a reason—you're taking on more risk. However, when this asset class becomes distressed, like in a deep recession, these bonds can trade for a fraction of par value and offer tremendous upside. In our view, that is the preferred time to go bargain hunting.

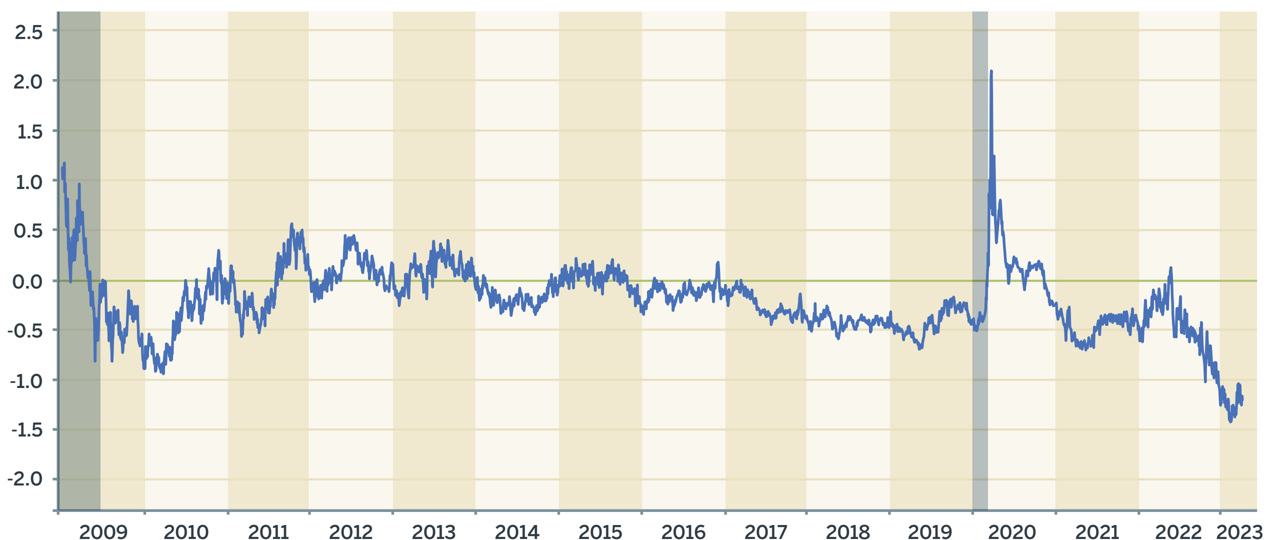
Municipal bonds

Municipal bonds are debt securities issued by local, county and state governments. They are often issued to raise capital used to pay for public projects like fixing roads or building bridges. The two most common types of municipal bonds are revenue bonds and general obligation (GO) bonds. The difference is the source used to make interest payments and principal repayments. Revenue bonds are backed by a specific source like road tolls or hospital revenues.

GO bonds draw from the general revenues from the entity and may include sources like income taxes, property taxes, and general funds.

The yields available from most municipal bonds are typically meager on their own. As the chart below demonstrates, they usually yield less than US Treasury bonds, which are considered risk-free. The exception is during recessions, when investors tend to pile into US Treasury instruments as a safe haven.

US AAA Municipal Bond Yield less 10-Year Treasury Yield Spread (basis points, daily)



Note: Shaded areas denote recessions according to the National Bureau of Economic Research.
Source: Merrill Lynch and Board of Governors of the Federal Reserve System

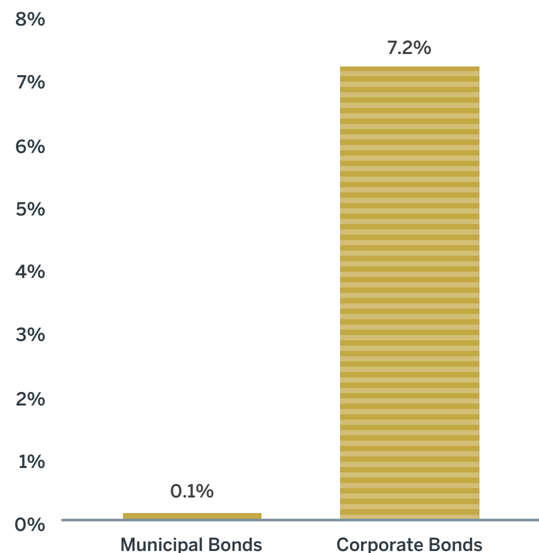
However, the stated yield only tells part of the municipal bond story. That is because any income or gains they generate are typically exempt from federal income tax for most investors. For that reason, it is more appropriate to calculate a tax-equivalent yield when determining the expected return from a municipal bond investment. The tax-equivalent yield is the return that a taxable bond (like a corporate bond) would need to equal the yield on a tax-exempt bond (in this instance a municipal bond). How to calculate the taxable equivalent yield will depend on your income tax bracket.

Tax-equivalent yield = tax free bond yield / (1-tax rate)

When considered from this perspective, municipal bond yields start to look more attractive. The higher your income tax rate, the higher the tax-equivalent yield gets, since the avoidance of taxes gets progressively more valuable.

Besides tax efficiency, municipal bonds are typically considered a safe, low-risk investment. And it's true that they've historically had very low default rates. Over five-year time horizons, 7.2% of corporate bonds have defaulted on average. Over the same period, municipal bond defaults have been exceedingly rare.

Default Rates Over Five-Year Horizons



Source: *Moody's, "US municipal bond defaults and recoveries, 1970-2021".*

However, a low default rate only addresses one type of risk (credit risk). In addition to being mindful of issuer risk (because some municipal issuers *will* default), interest rate risk and inflation risk can have very real impacts on municipal bond prices.

SAM's current view:

We believe investment-grade municipal bonds offer a compelling reward-to-risk ratio in the current environment. They are a reliable source of income generation, and current municipal bond yields are higher than we've seen in several years. Because of their tax-advantaged characteristics, we find these particularly attractive for individuals in higher income tax brackets and do not recommend them in tax-deferred accounts like IRAs. We prefer investment-grade municipal bond issues and favor municipalities with strong creditworthiness. Municipal bonds should be a relatively safe part of your portfolio. We don't believe this is an area to stretch for yield by purchasing bonds from issuers with questionable financial health, or that have an exceedingly long time until maturity.

U.S. Treasury bonds

Treasury bonds are issued by the U.S. federal government. They are generally exempt from state and local taxes. Treasury debt obligations are classified by their maturity date (when investors are paid the face value of the bond). There are three main types, though for simplicity, we will refer to them all as Treasury bonds in this section.

TYPE	MATURITY AT ISSUE
TREASURY BILL	UP TO 1 YEAR
TREASURY NOTE	2-10 YEARS
TREASURY BOND	20-30 YEARS

U.S Treasury bonds have long been considered a safe-haven asset. And for good reason. The U.S. Treasury has never defaulted on its debt obligations.

They are also a very liquid investment. In fact, the U.S. Treasury securities market is the most liquid securities market in the world. That means that investors can expect to easily sell their Treasury investment before maturity if they choose to do so without a noticeable concession from the current market price (of course the market price itself will fluctuate over time, particularly for Treasury bonds with longer maturities).

We found the Treasury market to offer such paltry yields over the past few years that it was in our view largely not investable. That has changed. It seems remarkable now that the 10-year Treasury was yielding under 1% during most of 2020 and the beginning of 2021. Yields are much more attractive now, particularly for short maturities.

10-Year Treasury Yield

Source: Bloomberg

SAM's current view:

While we have long-term concerns about the U.S. national debt, in the short-term we believe the U.S. to be among the most reliable debtors in the world. Whether investors are seeking shelter from market turbulence, a meaningful yield on funds needed in the near-term, or safety beyond FDIC coverage limits, we believe Treasury bonds can be a meaningful part of an income portfolio.

Treasury inflation-protected securities (TIPS)

TIPS provide protection from inflation because the principal value of TIPS is indexed to inflation and is periodically adjusted up when inflation increases. Coupon payments on TIPS are a fixed percentage of the principal, so as the principal value goes up, the income payments to bondholders increase. At maturity, the TIPS investor either receives the inflation-adjusted higher principal or the original face value. Said differently, TIPS never pay back less than face value at maturity.

Since TIPS are issued by the U.S. government, they have the same low risk of default as U.S. Treasury bonds. They have the added benefit of offering some protection against inflation, but that protection doesn't come without cost. TIPS typically pay lower interest rates than other government-issued bonds.

When expectations for future inflation are high, investors naturally want the protection offered by TIPS. TIPS will usually pay a very low yield when investors believe that high inflation is just around the corner. And if their inflation fears don't materialize, they won't receive much compensation in the form of rising yields from their TIPS.

Conversely, when fears about future inflation are low, TIPS will fall out of favor, the cost to protect against inflation will become cheaper, and the hurdle for TIPS to outperform Treasury bonds becomes lower. The optimal time to buy TIPS is when inflation expectations are low but higher inflation is indeed around the corner.

Of course, if the future rate of inflation was knowable, it would be easy to determine if TIPS are a good buy. We don't have that luxury. But we can at least get an idea of what inflation expectations look like. We do that by looking at TIPS/Treasury breakeven rates.

5-Year Breakeven Inflation Rate

Source: Bloomberg

The breakeven rate is the inflation rate at which there would be no advantage to holding TIPS over U.S. Treasury bonds. The chart above shows that the breakeven rate has recently been hovering around 2.5%. If inflation will average above 2.5% over the next 5 years, TIPS should outperform Treasury bonds. If inflation averages below the breakeven, you'll be better off with Treasury bonds. Note that during the recession of 2020 (shaded grey) when there was very little fear of inflation would have been the optimal time to favor TIPS over Treasury bonds. If you waited until inflation spiked in 2021 to buy TIPS, you faced a much higher breakeven rate.

SAM's current view:

We are well aware of the eroding power inflation has on purchasing power. There is clearly value in protecting against it. However, predicting what inflation looks like in the future is difficult, if not impossible. Therefore, we tend to favor other investments that have some resilience to inflation but also have other favorable characteristics and are not such an outright bet on inflation rates like TIPS. That said, we have purchased TIPS in the past and likely will again in the future. SAM closely monitors breakeven rates, and we will look to take advantage when investor indifference to inflation reaches an irrational degree.

Closed-end funds

Many investors are familiar with open-ended funds (better known as mutual funds). A mutual fund is a company that pools investor capital and invests in a portfolio of securities. Investors buy and redeem shares of the fund at its net asset value (NAV). NAV is simply the value of the fund's assets minus its liabilities.

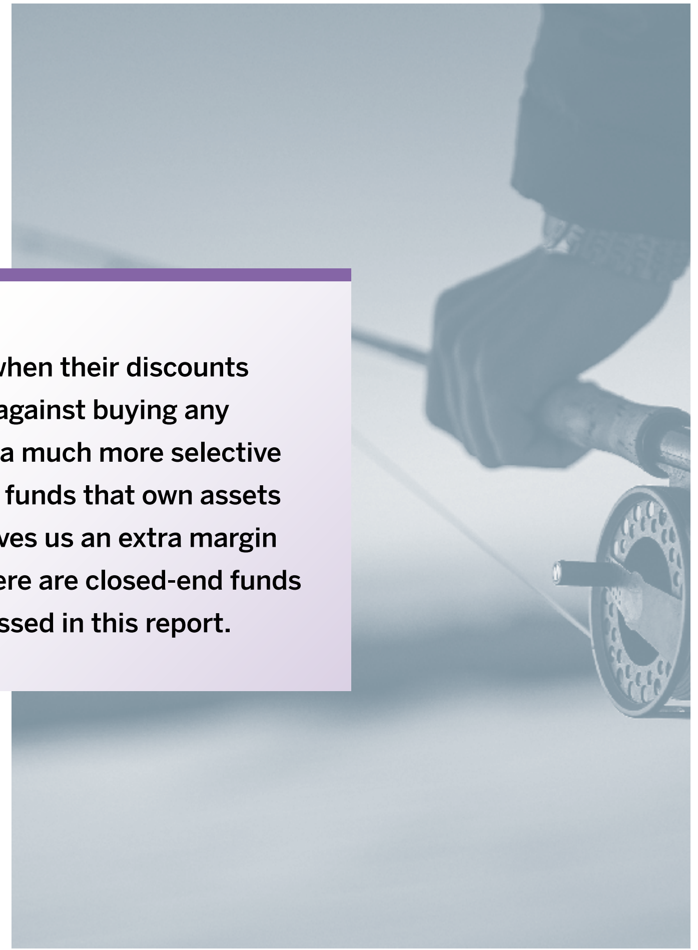
Closed-end funds are similar in that they are investment companies that are overseen by professional managers who actively buy and sell assets within the fund. But while mutual fund purchases and redemptions occur after the market closes, closed-end funds trade like an equity or exchange-traded fund with price fluctuations throughout the trading day.

Closed-end funds issue a finite number of shares during their initial public offering (IPO) and the fund will not typically redeem shares. Instead, the fund is bought and sold by investors on the secondary market. This feature leads to the price of the fund not always being consistent with the NAV.

When closed-end funds trade at a meaningful discount to their NAV, investors may have an opportunity to purchase the underlying assets "on sale" by investing in the fund. In practice, however, closed-end funds can be "value traps," as their discounts to NAV may never close entirely and can widen unexpectedly during market selloffs.

Income investors often favor closed-end funds because of their generous yields. This is often attributable to leverage, which is used by the majority of closed-end funds to enhance return and distributions to shareholders. But leverage also increases volatility and amplifies market risk. Proceed with caution.

There are many different types of closed-end funds, from generalist funds that invest in almost anything, to specialist funds that focus on specific asset classes, sectors, or countries, and plenty in between.



SAM's current view:

We believe that closed-end funds can be compelling when their discounts to NAV widen to extreme levels. However, we caution against buying any fund simply because the discount is wide. SAM takes a much more selective approach. We're only interested in owning closed-end funds that own assets that we already love. A substantial discount to NAV gives us an extra margin of safety on assets that we'd want to own anyway. There are closed-end funds that specialize in many of the investment types discussed in this report.

Real estate investment trusts (REITs)

REITs offer access to property as an asset class in the form of a publicly traded security with more liquidity than a traditional real estate investment. The investable REIT universe includes many different options. Traditional REITs may own multifamily or commercial properties, while "mREITs" consist of bundles of mortgage-backed securities. There are also specialty REITs, for example, those dedicated to the healthcare sector. Because REITs must pay out 90% of their taxable income, they may offer robust yields that can be comparable to high-yield bonds.

In addition to attractive yields, REITs may offer protection against inflation, since they own physical assets that should appreciate in an inflationary environment. Along with gold, real estate is an archetypal inflation hedge. But unlike gold, real estate is a productive asset that can generate a nice income stream for its owners. We prefer to invest in REITs that exhibit pricing power. In other words, they have the ability to raise rents, which helps offset the damaging effects of inflation on purchasing power.

But REITs have their drawbacks. While they would seem to offer some diversification because they own real property, not collections of stocks or bonds, in a market downturn this benefit can be illusory. REITs tend to behave like equities during a stock bear market, when they can suffer severe price impairment.

SAM's current view:

We believe a few high-quality REITs can have a place in income portfolios today. However, we would encourage income investors to proceed with caution as REIT correlation to the broader equity market could be a significant downside. Commercial REITs and mortgage REITs face headwinds as office vacancy rates are on the rise. We suggest focusing on top operators with world-class properties (equity and specialty REITs) and low loan-to value and price-to-book ratios (mortgage REITs).

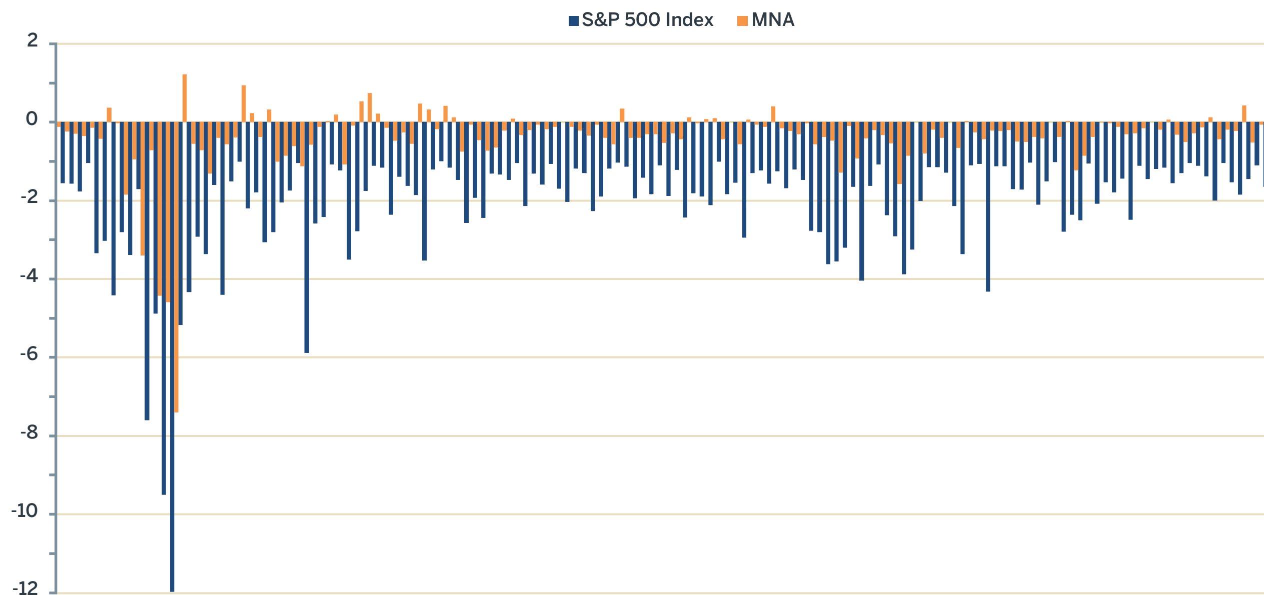
Merger arbitrage

Merger arbitrage refers to investing in the stock of a company that is the target of an announced acquisition. There is typically a difference between what the target company trades for and the ultimate acquisition price. In a successful merger arbitrage investment, the investor pockets this spread as income when the deal closes.

Unlike many of the previously mentioned income investments, we see merger arbitrage as an income strategy that is largely uncorrelated to the broader stock market. For example, the HFRX Merger Arbitrage Index had a modest but positive return of about 3% from October 2007 to March 2009, a time when the S&P 500 fell over 50%.

In addition, a Merger Arbitrage basket (MNA) has historically demonstrated consistent resilience against significant drawdowns on days when the S&P fell by 1% or more, as illustrated by the following chart showing returns over a 5-year period.

MNA Performance on Days When the S&P 500 Index Dropped at Least 1%



Source: Bloomberg. Analysis run 4/4/18-4/4/23

Despite these attractions, merger arbitrage has sometimes been called "picking up pennies in front of a steamroller." While successful merger arbitrage opportunities can often yield an annualized return in the high single digits to the teens, if a merger fails to close as expected, the downside can be very substantial. This characteristic of merger arbitrage strategy puts a premium on rigorous due diligence and active monitoring of merger arbitrage holdings, as well as investing in a diversified "basket" of merger opportunities.

SAM

SAM's current view:
Though not "perfect," merger arbitrage is one of SAM's favorite income strategies in this market environment. It is one of the only income strategies we know of that is relatively uncorrelated to other forms of risk, e.g., to the broader economy or to the performance of the broader stock market. That said, we would advise income investors to be highly selective about which mergers to invest in and would suggest remaining flexible with your allocation to this strategy, moving capital in when the "pickings" are good, and shrinking your exposure when opportunities are less attractive.

Preferred stocks

Preferred stocks are considered a type of equity (like common stocks), but in reality are more of a hybrid security that combines elements of both bonds and common stocks. True to their name, preferred stocks receive preference in two key ways. One involves treatment if a company liquidates: if there's money left over for equity investors, preferred shareholders get paid before common shareholders receive a penny. The other preferential treatment is with dividends: companies can't issue common dividends without first paying preferred shareholders. For this reason, companies are typically loath to miss preferred dividend payments.

Most preferred stocks are issued at a face value of $25 and trade on the New York Stock Exchange (NYSE). They typically have no voting rights, another departure from common stocks. And they may be callable—that is, the issuing company may be able to repurchase them at par value after a set date.

SAM's current view:
We believe that limited exposure to select preferred stocks can make sense in an income portfolio. Yields on preferred stocks are near their highest levels in a decade. And their spreads to U.S. Treasury bonds are historically wide. They provide a desirable combination of relative safety and attractive yields—features that should always be on the minds of income investors. However, because banks make up roughly two-thirds of the $400 billion market of preferred stocks, you'll want to be mindful of banking health and trends before diving in.

The Stansberry Asset Management Approach

As an SEC-registered investment adviser that puts the interests of our clients first, SAM seeks out investments that we believe offer a favorable risk-reward tradeoff in the current market environment. Our three favorite income strategies at this time are owning high quality businesses that pay dividends, participating in merger arbitrage opportunities, and taking advantage of elevated U.S Treasury yields, particularly through shorter-term securities. However, we are finding select opportunities in all 10 of the investment areas that have been discussed. That is not something we would have been able to say just a few years ago, but it has thankfully become a favorable time to be an income investor. Today, there are many compelling opportunities across the income investment landscape.

The value and risk in different investment categories will undoubtably change over time. As an active manager, our clients trust us to navigate through whatever the market brings. SAM income-focused client portfolios are not only designed to generate positive returns and income streams, but also to shield your hard-earned funds from market volatility and to preserve your investment capital.

SAM

Interested in Learning More?

A SAM colleague would be more than happy to walk you through how we help clients achieve their long term financial goals every day.

SAM
420 Lexington Avenue, Suite 2216
New York, NY 10170
646.854.2995
info@stansberryam.com
STANSBERRYAM.COM

SCHEDULE A CALL:
https://stansberryam.com/contact/

Michael Joseph, CFA
Deputy Chief Investment Officer, Portfolio Manager

About the Author

Michael is a Portfolio Manager and Deputy Chief Investment Officer at SAM. His duties include sourcing investment opportunities and conducting ongoing due diligence across SAM's portfolios. Michael co-manages our Income and Tactical Select strategies.

Prior to joining SAM, Michael worked with high-net-worth private clients for the largest independent wealth management firm in the United States. He was also a senior analyst for one of the largest investment-grade bond managers in America. Michael joined SAM in 2017.

Michael's investment thinking has been featured in publications including Fortune, Advisor Perspectives, and the Stansberry Digest. He has also been a featured speaker at the annual Stansberry Conference, the Legacy Investment Summit, and the Titan Investors Conference.

Michael holds an MBA from the University of California, Davis and a BA from San Francisco State University where he majored in History. He earned the Chartered Financial Analyst (CFA) charter in 2017.

Michael currently resides in Arizona with his wife and two children. He serves as a Board Member for Copper State Credit Union, an Advisory Board Member for the Arizona Council on Economic Education, and is a member of the Practice Analysis Working Body of the CFA Institute.

SAM

Important Notes

Stansberry Asset Management ("SAM") is a Registered Investment Advisor with the United States Securities and Exchange Commission. File number: 801-107061. Such registration does not imply any level of skill or training. This presentation has been prepared by SAM and is for informational purposes only. Under no circumstances should this report or any information herein be construed as investment advice, or as an offer to sell or the solicitation of an offer to buy any securities or other financial instruments.

The information contained herein has been prepared by SAM for its intended recipients and all intellectual property relating to this information vests with SAM unless otherwise specified. This report has been prepared solely for informational purposes and not in a fiduciary capacity. The information contained in this presentation is for use by the intended recipient and cannot be reproduced, shared or published in any manner without the prior written consent of SAM.

SAM's management team is responsible for the investment decisions of SAM. The members of SAM's management team are not officers or editors of Stansberry Research and have no financial interest in Stansberry Research.

The success of the client accounts depends on the ability and experience of SAM and there can be no assurance that SAM will generate any gains or profits for client accounts. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. SAM portfolios are not restricted to the strategies, securities and instruments referenced herein. Future returns are not guaranteed and a loss of principal may occur.

The statements and views expressed herein may not express current views or positions. This report is provided on an "as is" basis, without warranty, express or implied. SAM does not undertake to update forward-looking statements. SAM makes no guarantees as to the profitability of any investment strategy. While this report has been prepared with all reasonable care from sources believed to be reliable, SAM assumes no responsibility or liability for any errors or omissions or misstatements howsoever caused. This report is not intended to be, and should not be construed as, investment advice. No guarantees or warranties regarding accuracy, completeness or fitness for purpose are provided by SAM and under no circumstances will SAM or any of its officers, representatives, associates or agents be liable for any loss or damage, whether direct, incidental or consequential, caused by reliance on or use of this report. This limitation of liability applies regardless of any negligence or gross negligence of SAM or any of its officers, representatives, associates or agents. The recipient of this report accepts all risks in relying on this report.

Stansberry Research is a subscription-based publisher of financial information. Stansberry Research is not regulated by the Securities and Exchange Commission. Stansberry Research and SAM are overseen by different boards and are operated separately by different management teams.

The writers at Stansberry Research are not personally involved in the day-to-day management of SAM or its investment advisory services, but some of them may choose to become clients of SAM.

Although SAM will utilize investment research published by Stansberry Research, SAM has no special or early access to such research. It receives information from Stansberry Research just like any other subscriber does—after the issues are published.

An arrangement exists under which Stansberry Research will be compensated by SAM for SAM's use of the "Stansberry" name, for marketing to Stansberry Research subscribers, and in certain instances if a reader enters into an investment advisory relationship with SAM. Additional information about this arrangement and Stansberry Research will be furnished upon request.

In some circumstances, this report may employ data derived from third-party sources. No representation is made as to the accuracy of such information and the use of such information in no way implies an endorsement of the source of such information or its validity.

646.854.2995 • info@stansberryam.com • STANSBERRYAM.COM