

HIGH DIVIDEND YIELD INVESTING

A practical portfolio analysis - September 2023

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Stock Market Research Platform

High Dividend Yield Investing

When it comes to investing, people often like to define themselves, and stick to a strategy no matter what. However, I would argue, that there is no right or wrong strategy, it is all about the price you are paying for something at that moment in time. At some point, growth stocks are the cheap ones, at other points, high dividend yield stocks might be the best buys.

With the above premise in mind, I'll take a look at a high yield portfolio and discuss the risks and potential rewards of it at this moment in time - September 2023.

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The high yield portfolio under analysis

The portfolio:

Print

Datum: 24 augustus 2023 Laatste wijziging: 24 augustus 2023	Fonds code	Fonds type	First call dates	Broker*	Actuele koers	Jaar dividend	Dividend rendement	Freq. uitkering	Risico	Bron bel.
CONSERVATIVE										
AGNC Investment Corp. 6.5%	AGNCO	PREF	10/24	L/M	\$23.38	\$1.60	6.84%	K	L	15%
AGNC Investment 7% F2F	AGNCN	PREF	10/22	L/M	\$25.69	\$2.59	10.08%	K	L	15%
ALTA 10% Series A Preferred Stock	ALTG-A	PREF	12/27	L/M	\$25.90	\$2.50	9.65%	K	L	15%
Arbor Realty Trust, 6.25% Series F	ABR-F	PREF	10/26	L/M	\$20.40	\$1.56	7.65%	K	L	15%
B. Riley Financial	RILYZ	Bond	08/23	L/M	\$17.91	\$1.31	7.31%	K	L	0%
Babcock and Wilcox 8.125%	BWSN	Bond	02/22	L/M	\$23.80	\$2.04	8.57%	K	L	0%
Cherry Hill Mortgage Investment 8.25% Fix/Float Series	CHMI-B	PREF	4/24	L/M	\$21.33	\$2.06	9.66%	K	L	15%
Chimera Investment Corp 8% Series	CIM-D	PREF	3/24	L/M	\$21.45	\$2.00	9.32%	K	L	15%
Compass Diversified	CODI-C	PREF	1/25	L/M	\$24.74	\$1.97	7.96%	K	L	0%
Costamare Inc. PFD E	CMRE-E	PREF	1/23	L/M	\$25.28	\$2.20	8.70%	K	L	0%
Gaslog Ltd 8.75 % Pref Perp	GLOG-A	PREF	4/20	L/M	\$24.59	\$2.22	9.03%	K	L	0%
Gladstone Investment Corp. 8.00%	GAINL	Bond	08/25	L/M	\$25.16	\$2.00	7.95%	K	L	0%
Global Ship Lease Pref	GSL-B	PREF	8/19	L/M	\$25.41	\$2.18	8.58%	K	M	0%
Harrow Health	HROWM	Bond	12/24	L/M	\$26.00	\$2.96	11.38%	K	L	0%
Kemper Corporation	KMPB	Bond	03/27	L/M	\$19.25	\$1.47	7.64%	K	L	0%
New York Mortgage Trust - 7.875% Series E	NYMTM	PREF	01/25	L/M	\$22.48	\$1.96	8.72%	K	L	15%
NuStar Logistics L.P., 7.625%	NSS	Bond	1/18	L/M	\$26.30	\$3.07	11.67%	K	M	0%
PennyMac Mortgage Investment Trust	PMT-A	PREF	03/24	L/M	\$22.56	\$2.03	9.00%	K	L	15%
Rithm Capital Corp. 6.375% PFD, F2F	RITM-C	PREF	2/25	L/M	\$20.02	\$1.59	7.94%	K	L	15%
Runway Growth Finance Corp. 8.00% Babybond	RWAYZ	Bond	7/27	L/M	\$24.62	\$2.00	8.12%	K	L	0%
Sachem Capital Corp. 7.125% Note	SCCB	Bond	6/21	L/M	\$25.03	\$1.80	7.19%	K	M	0%
Saratoga 8,125%	SAY	Bond	12/27	L/M	\$25.00	\$2.03	8.12%	K	L	0%
SiriusPoint Ltd 8.0% Series B, F2F	SPNT-B	PREF	02/26	L/M	\$24.91	\$2.00	8.03%	K	M	15%
The Necessity Retail REIT 7.50% PFD A	RTLPP	PREF	3/24	L/M	\$20.29	\$1.88	9.27%	K	L	15%
Tsakos Energy Navigation Pref-E	TNP-E	PREF	5/27	L/M	\$25.10	\$2.31	9.20%	K	M	0%
Two Harbors Investm Corp. 8.125% Series A	TWO-A	PREF	4/27	L/M	\$21.56	\$2.03	9.42%	K	L	15%
ADVANCED										
Apollo Commercial Real Estate Finance	ARI	REIT		L/M	\$10.99	\$1.40	12.74%	K	M	15%
Arbor Realty Trust, Inc. ***	ABR	REIT		L/M	\$16.01	\$1.72	10.74%	K	M	15%
Ares Capital Corporation	ARCC	BDC		L/M	\$19.41	\$1.92	9.89%	K	M	15%
Ares Commercial Real Estate Corporation	ACRE	REIT		L/M	\$10.33	\$1.40	13.55%	K	M	15%
Capital Southwest INC	CSWC	BDC		L/M	\$22.02	\$2.24	10.17%	K	M	15%
Essential Properties Realty Trust***	EPRT	REIT		L/M	\$24.04	\$1.12	4.66%	K	M	15%
Hannon Armstrong Sustainable Infrastructure***	HASI	REIT		L/M	\$21.64	\$1.58	7.30%	K	M	15%
Hercules Capital	HTGC	BDC		L/M	\$16.33	\$1.92	11.76%	K	M	15%
Mainstreet Capital	MAIN	BDC		L/M	\$40.10	\$2.82	7.03%	M	M	15%
Omega Health Care	OHI	REIT		L/M	\$31.12	\$2.68	8.61%	K	M	15%
Owl Rock Capital Corporation *	OBDC	BDC		L/M	\$13.79	\$1.32	9.57%	K	M	15%
PennyMac Mortgage Investment Trust	PMT	REIT		L/M	\$13.40	\$1.60	11.94%	K	M	15%
Realty Income***	O	REIT		L/M	\$56.47	\$3.06	5.42%	M	M	15%
Saratoga Investment Company	SAR	BDC		L/M	\$25.70	\$2.84	11.05%	K	M	15%
STAG Industrial***	STAG	REIT		L/M	\$36.78	\$1.47	4.00%	M	M	15%
TriplePoint Venture Growth	TPVG	BDC		L/M	\$11.08	\$1.60	14.44%	K	M	15%
VICI properties***	VICI	REIT		L/M	\$30.88	\$1.44	4.66%	K	M	15%
W. P. Carey***	WPC	REIT		L/M	\$64.90	\$4.26	6.56%	K	M	15%

At first impression, one can say the portfolio is extremely diversified, the average yield should be in the high single digits and the portfolio consists of high yield bonds (junk bonds), preferred shares, REITs and business development corporations that are all usually very high yield payers. Let me look at them all individually to get a better picture.

Individual analysis

When it comes to analyzing a portfolio, I always prefer to look at each component first, bottom up, to then get a general view of the risks and the possible rewards.

When it comes to investing into something, whether it is a bond, business development corporation, REIT, it doesn't really matter because the analysis is always based on the same:

- What are the future cashflows and what is the risk that we don't get those future cash flows?

I'll keep a value investing perspective on things. Thus, if there is too much risk of permanent capital loss, that immediately goes into the too hard pile. Also, if it is a cyclical or there are potentially any other issues, I think it is better to quickly put it away than to risk chasing something only to get burned afterwards.

I hope to give a good overview of the risks and rewards of high yield investing and my personal research goal is to maybe find one security that could be a real value investment offering certainty in the yield, and perhaps also long-term growth.

Preferred shares

AGNC Investment Corp 6.5%

AGNC is an investment corporation and yes, the yield is there but over the last decade there has been more capital destruction than other. What is the point of getting a good yield when your principal is deteriorating?

Market Summary > AGNC Investment Corp

9,69 USD

+ Follow

-10.30 (-51.53%) ↓ all time

8 Sept, 16:00 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



From [their website](#):

About Us

Founded in 2008, AGNC Investment Corp. (“AGNC”) is an internally-managed real estate investment trust (“REIT”). We invest predominately in agency residential mortgage-backed securities on a leveraged basis, financed primarily through collateralized borrowings structured as repurchase agreements.

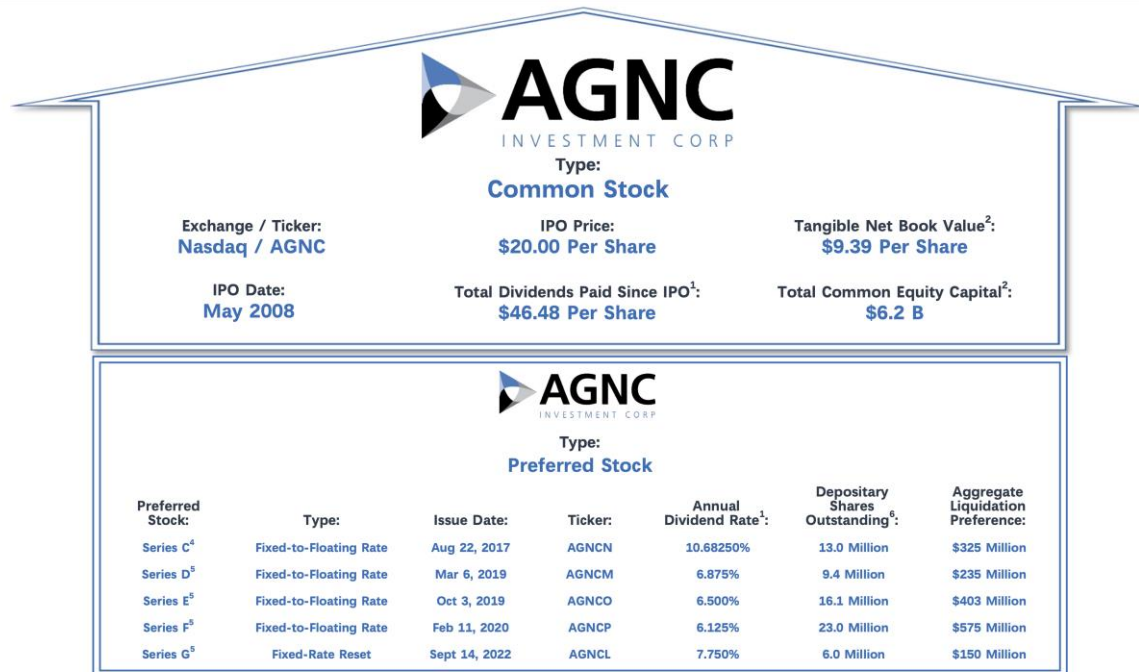
Our Value Proposition

- Industry-Leading Performance
- Highly Efficient Operating Cost Structure
- Disciplined Risk Management
- Stockholder Focus
- Liquidity and Scale

[more](#)

We have the common stock and preferred stocks.

Capital Stock Highlights



The portfolio has the series E preferred with a dividend of 6.5%.

AGNC Investment DS REP 1/1000 Cumulat... NASDAQ: AGNCO

Market Summary > AGNC Investment DS REP 1/1000 Cumulative Pref Shs Series E

23,47 USD

+ Follow

-1.44 (-5.78%) ↓ all time

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1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open: 23,33 | Mkt cap: 5,87B | 52-wk high: 23,99

These preferred shares are issued to attract capital, then reinvested in mortgage backed securities at a higher rate.

With interest rates going up, the price of the mortgage backed securities is down, so when marked to market, the company has had a loss in the quarter. But ok, there is plenty of liquidity on the markets, so the bonds owned keep paying interest and all is well.

Q2 2023 Other Highlights



- **\$58.0 B Investment Portfolio as of Jun 30, 2023**
 - \$46.7 B Agency MBS
 - \$10.2 B net TBA mortgage position
 - \$1.1 B credit risk transfer ("CRT") and non-Agency securities
- **7.2x Tangible Net Book Value "At Risk" Leverage as of Jun 30, 2023 ¹**
 - 7.2x average tangible net book value "at risk" leverage for the quarter
- **Cash and Unencumbered Agency MBS Totaled Approximately \$4.3 B as of Jun 30, 2023**
 - Excludes unencumbered CRT and non-Agency securities
 - Represented 58% of tangible equity as of Jun 30, 2023
- **9.8% Average Projected Portfolio Life CPR as of Jun 30, 2023**
 - 6.6% actual portfolio CPR for the quarter
- **3.26% Annualized Net Interest Spread and TBA Dollar Roll Income for the Quarter, Excluding Estimated "Catch-Up" Premium Amortization Benefit ²**
 - Excludes 7 bps of "catch-up" premium amortization benefit due to change in projected CPR estimates
- **Capital Markets Activity**
 - Issued 10.7 MM common shares through At-the-Market ("ATM") Offerings at an average offering price of \$9.86 per share, net of costs, or \$106 MM

From what I see, this is a game of spreads. But investing in MBS for 30 years fixed, means that the yield on those will be low. If they must refinance on higher yields, it will not look good. The below is a great example of what happens when the interest rate tide turns:

Income Statements



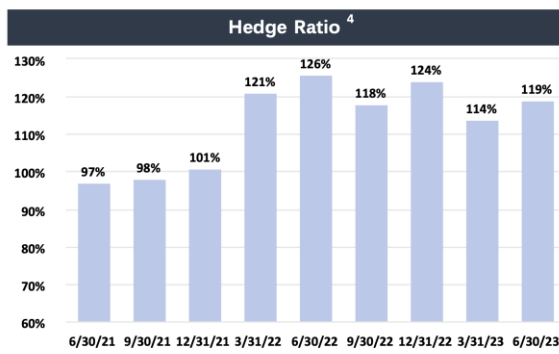
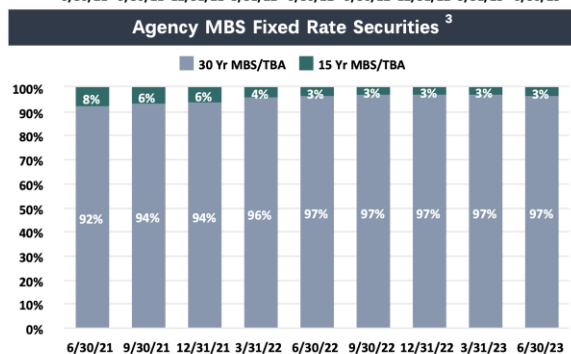
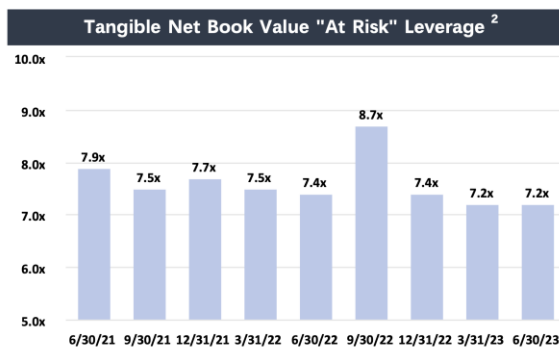
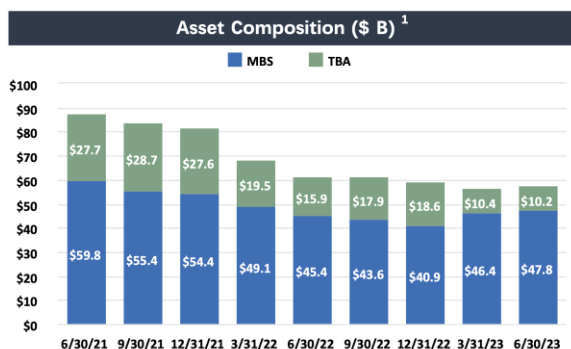
(\$ in millions, except per share data) (Unaudited)	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022
Interest Income	\$457	\$351	\$347	\$373	\$395
Interest Expense	(526)	(449)	(322)	(196)	(80)
Net Interest Income	(69)	(98)	25	177	315

From making \$315 million in Q2 2022, they are losing money with their game now. If interest rates don't get lower soon, this will be worthless. They work with hedges and derivatives to cover things up and things go well for now.

Net Interest Income	(69)	(98)	25	177	315
Realized Loss on Sale of Investment Securities, Net	(255)	(81)	(1,068)	(560)	(946)
Unrealized (Loss) Gain on Investment Securities Measured at Fair Value through Net Income, Net	(363)	594	1,462	(1,738)	(987)
Gain (Loss) on Derivative Instruments and Other Investments, Net	996	(544)	156	1,474	1,204
Total Other Gain (Loss), Net	378	(31)	550	(824)	(729)
Compensation and Benefits	(14)	(14)	(5)	(11)	(12)
Other Operating Expenses	(9)	(8)	(9)	(8)	(8)
Total Operating Expenses	(23)	(22)	(14)	(19)	(20)
Net Income (Loss)	286	(151)	561	(666)	(434)
Dividend on Preferred Stock	(31)	(30)	(29)	(26)	(25)
Net Income (Loss) Available (Attributable) to Common Stockholders	\$255	\$(181)	\$532	\$(692)	\$(459)
Net Income (Loss)	\$286	\$(151)	\$561	\$(666)	\$(434)
Unrealized Gain (Loss) on Available-for-Sale Securities Measured at Fair Value through Other Comprehensive Income, Net	(65)	142	135	(372)	(245)
Comprehensive Income (Loss)	\$221	\$(9)	\$696	\$(1,038)	\$(679)
Dividend on Preferred Stock	(31)	(30)	(29)	(26)	(25)
Comprehensive Income (Loss) Available (Attributable) to Common Stockholders	\$190	\$(39)	\$667	\$(1,064)	\$(704)
Weighted Average Common Shares Outstanding – Basic	598.8	579.3	568.4	528.7	526.2
Weighted Average Common Shares Outstanding – Diluted	599.7	579.3	569.5	528.7	526.2
Net Income (Loss) per Common Share – Basic	\$0.43	\$(0.31)	\$0.94	\$(1.31)	\$(0.87)
Net Income (Loss) per Common Share – Diluted	\$0.43	\$(0.31)	\$0.93	\$(1.31)	\$(0.87)
Comprehensive Income (Loss) per Common Share – Basic	\$0.32	\$(0.07)	\$1.17	\$(2.01)	\$(1.34)
Comprehensive Income (Loss) per Common Share – Diluted	\$0.32	\$(0.07)	\$1.17	\$(2.01)	\$(1.34)
Dividends Declared per Common Share	\$0.36	\$0.36	\$0.36	\$0.36	\$0.36

But, playing with derivatives works until it doesn't. Hedging was likely cheap but now it is likely much more expensive and thus also riskier.

What I know? I know that the interest payments are higher than the interest income! This cannot be good and yes, you can try to be smart with hedges, but that is costly too. This means that the game they are playing works, until it doesn't.



¹ MBS includes CRT securities; TBA includes forward settling non-Agency securities

This is an interest rate game where you depend on the price of the hedges and on the certainty the hedge counterparty will pay its obligations. This game works until it doesn't, thus, NOT A VALUE INVESTMENT despite the yield! Last year, when refinancing was an issue for a bit, this looked bad and October 2022 wasn't that bad at all. If a real crisis comes, this is a permanent loss of capital categorization.

Market Summary > AGNC Investment DS REP 1/1000 Cumulative Pref Shs Series E

23,47 USD

+ Follow

-1.44 (-5.78%) ↓ all time

8 Sept, 16:00 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



However, this might be something Seth Klarman looks at when it is cheap, but you need to know exactly what the collateral, how to get to it etc. Buying now is a big NO, buying when there are clouds on the sky like in 2020 or in October 2022 might be something, but you need to know what you are doing! **CONCLUSION: RISK TOO HIGH FOR REWARD AT CURRENT LEVELS!**

ALTA 10% Series A Preferred Stock

These have been issued in October 2020 offering 10% on the investment of \$25,000. Here is [the SEC document](#).

Alta Equipment Group deals with construction equipment and I can tell you that is a cyclical business. When things go wrong, those go wrong big, and the first warning sign is having to raise money offering 10%!?!?!?!?!?

The last 2 years have been good to great years for such businesses, but this company doesn't make any money:

	INCOME STATEMENT	BALANCE SHEET	CASH FLOW STATEMENT	RATIOS	SEGMENTS		
Income Statement TIKR.com	31/12/17	31/12/18	31/12/19	31/12/20	31/12/21	31/12/22	LTM
Revenues	345.47	413.00	557.40	873.60	1,212.80	1,571.80	1,722.70
Total Revenues	345.47	413.00	557.40	873.60	1,212.80	1,571.80	1,722.70
% Change YoY 		19.5%	35.0%	56.7%	38.8%	29.6%	
Cost of Goods Sold	(257.43)	(302.90)	(405.30)	(659.10)	(898.40)	(1,152.20)	(1,252.20)
Gross Profit 	88.04	110.10	152.10	214.50	314.40	419.60	470.50
% Change YoY 		25.1%	38.1%	41.0%	46.6%	33.5%	
% Gross Margins 	25.5%	26.7%	27.3%	24.6%	25.9%	26.7%	27.3%
Selling General & Admin Expenses	(74.91)	(92.00)	(137.60)	(216.00)	(285.90)	(362.30)	(399.80)
Depreciation & Amortization	(1.53)	(2.30)	(2.80)	(6.60)	(10.50)	(16.50)	(19.20)
Total Operating Expenses	(76.44)	(94.30)	(140.40)	(222.60)	(296.40)	(378.80)	(419.00)
Operating Income 	11.60	15.80	11.70	(8.10)	18.00	40.80	51.50
% Change YoY 		36.2%	(25.9%)	(169.2%)	322.2%	126.7%	
% Operating Margins 	3.4%	3.8%	2.1%	(0.9%)	1.5%	2.6%	3.0%
Interest Expense	(6.21)	(15.10)	(20.50)	(23.80)	(24.00)	(31.80)	(44.60)
Other Non Operating Income (Expenses)	0.51	0.80	(26.60)	8.90	0.70	1.60	2.10
EBT Excl. Unusual Items	5.91	1.50	(35.40)	(23.00)	(5.30)	10.60	9.00
Other Unusual Items				(7.60)	(11.90)		
EBT Incl. Unusual Items	5.91	1.50	(35.40)	(30.60)	(17.20)	10.60	9.00
Income Tax Expense				6.60	(3.60)	(1.30)	(1.20)
Earnings From Continuing Operations	5.91	1.50	(35.40)	(24.00)	(20.80)	9.30	7.80
Net Income to Company	5.91	1.50	(35.40)	(24.00)	(20.80)	9.30	7.80
Net Income	5.91	1.50	(35.40)	(24.00)	(20.80)	9.30	7.80
Preferred Dividend and Other Adjustments					(2.60)	(3.00)	(3.00)
Net Income to Common Incl Extra Items 	5.91	1.50	(35.40)	(24.00)	(23.40)	6.30	4.80

The long-term liabilities are higher than the market capitalization which means that if there is one bad year, bond holders will simply take the company over and you as a shareholder, preferred or not, get nothing. Too big of a risk for not a great business.

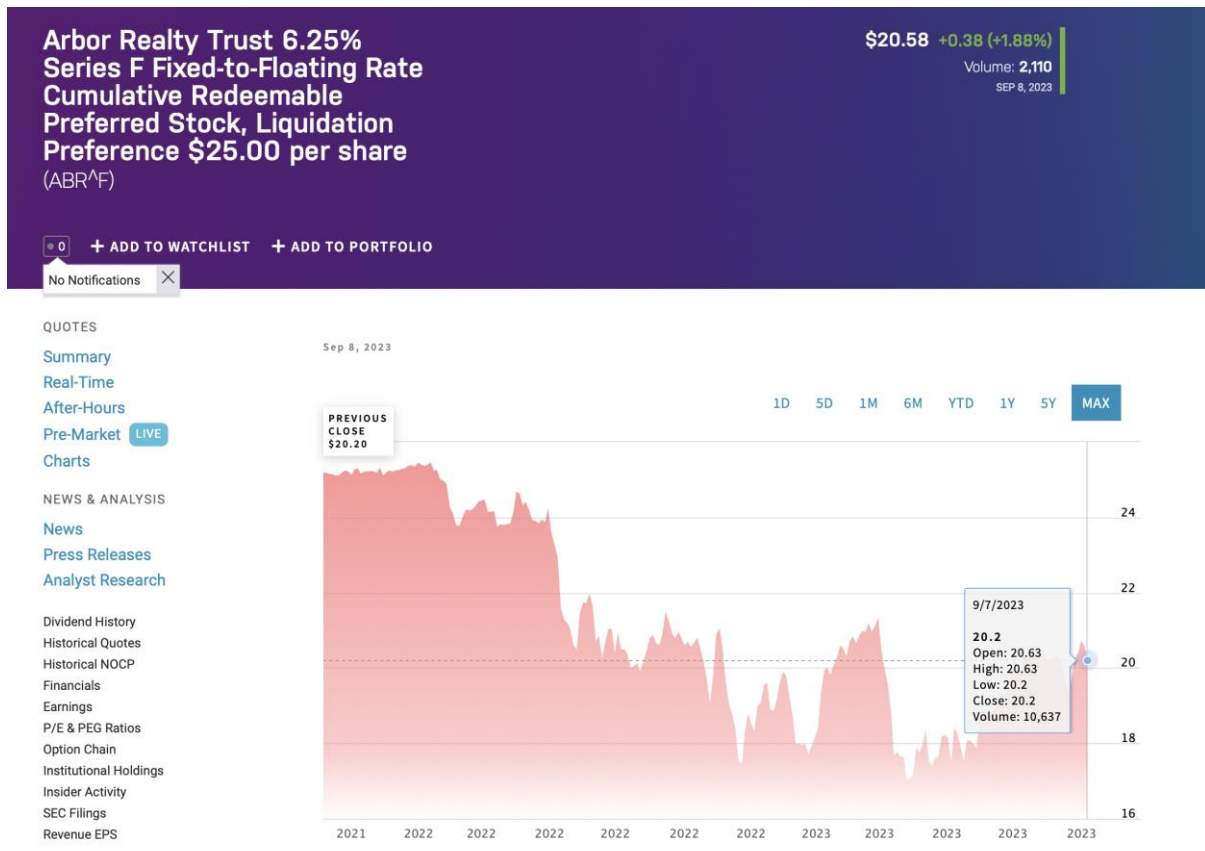
INCOME STATEMENT **BALANCE SHEET** CASH FLOW STATEMENT RATIOS SEGMENTS

Balance Sheet TIKR.com	31/12/17	31/12/18	31/12/19	31/12/20	31/12/21	31/12/22	LTM
Cash And Equivalents ⓘ	0.16	1.50		1.20	2.30	2.70	2.30
Total Cash And Short Term Investments	0.16	1.50		1.20	2.30	2.70	2.30
Accounts Receivable ⓘ	52.91	65.90	101.20	137.80	182.70	232.80	226.70
Notes Receivable ⓘ	0.29						
Total Receivables ⓘ	53.20	65.90	101.20	137.80	182.70	232.80	226.70
Inventory	84.20	109.70	137.20	229.00	239.20	399.70	498.00
Prepaid Expenses ⓘ	2.64	3.30	5.00	13.60	24.40	28.10	32.50
Other Current Assets	1.11		0.70				
Total Current Assets	141.31	180.40	244.10	381.60	448.60	663.30	759.50
Gross Property Plant And Equipment ⓘ	18.82	21.20	23.50	33.80	158.60	189.20	198.10
Accumulated Depreciation ⓘ	(9.31)	(10.60)	(12.10)	(15.80)	(23.10)	(26.80)	(31.80)
Net Property Plant And Equipment	9.51	10.60	11.40	18.00	135.50	162.40	166.30
Long-term Investments						3.50	3.90
Goodwill ⓘ	4.70	7.60	8.60	24.30	41.90	69.20	70.40
Other Intangibles ⓘ	0.32	0.10	3.00	26.30	43.40	60.70	56.30
Other Long-Term Assets	107.61	143.90	187.10	296.00	313.20	331.50	373.80
Total Assets	263.45	342.60	454.20	746.20	982.60	1,290.60	1,430.20
Accounts Payable ⓘ	26.93	22.50	31.10	58.90	73.50	90.80	79.10
Accrued Expenses ⓘ	8.10	8.30	16.00	30.10	39.30	55.10	49.90
Short-term Borrowings	137.49	204.60	272.70	316.10	154.80	256.80	348.00
Current Portion of Long-Term Debt ⓘ	6.72	8.00	7.10	7.80	2.60	4.20	2.80
Current Portion of Capital Lease Obligations	0.61	0.70		0.90	16.20	14.80	20.80
Unearned Revenue Current	4.14				15.20	14.10	12.20
Other Current Liabilities	8.75	7.10	16.50	20.50	20.60	35.40	28.50
Total Current Liabilities	192.74	251.20	343.40	434.30	322.20	471.20	541.30
Long-Term Debt	53.66	70.10	86.50	135.00	408.40	528.70	609.30
Capital Leases	2.85	2.10	5.10	0.60	97.40	117.30	118.70
Unearned Revenue Non Current ⓘ				4.90	4.20	4.90	4.90
Deferred Tax Liability Non Current					6.90	6.40	6.40
Other Non Current Liabilities	3.62	7.00	42.40	14.50	8.80	22.30	8.20
Total Liabilities	252.86	330.40	477.40	589.30	847.90	1,150.80	1,288.80
Additional Paid In Capital ⓘ				216.20	217.40	222.80	224.70
Retained Earnings ⓘ	10.59	12.20	(23.20)	(53.40)	(76.80)	(74.20)	(76.50)
Treasury Stock ⓘ				(5.90)	(5.90)	(5.90)	(5.90)
Comprehensive Income and Other						(2.90)	(0.90)
Total Common Equity	10.59	12.20	(23.20)	156.90	134.70	139.80	141.40
Total Equity	10.59	12.20	(23.20)	156.90	134.70	139.80	141.40
Total Liabilities And Equity	263.45	342.60	454.20	746.20	982.60	1,290.60	1,430.20

For now, the high yield portfolio has 3 very risky positions that all go bad at the same moment. Not recession proof.

Arbor Realty Trust. 6.25% Series F

The yield is already higher than when issued as the price is down 25%:



In short, this is another leveraged play:

Arbor Realty Trust

Company Overview

- Internally managed **multifamily focused** REIT with a **premium operating platform** creating many **diverse income streams** generating strong earnings in all cycles
- **Balance sheet** loan origination – strong risk-adjusted returns; drives GSE/Agency business
- **GSE/Agency** loan origination – capital light; significant earnings and cash flows with high barriers to entry
- **Servicing** – Generates significant prepayment protected annual revenue with 9-year w/a remaining life
 - ~\$28.9B portfolio earning ~\$117M/year
 - ~\$2.8B cash/escrow balances earning ~\$110M/year
 - ~\$227M combined or ~\$1.15 per share
- **SFR** – Single-family rental platform with strong levered returns and **3 turns on our capital** through construction/bridge/permanent loans
- Best-in-class highly aligned senior management team with significant ownership (12%)

Recent Highlights

- Generated distributable earnings of **\$0.62 per share** in 1Q23, which is \$0.20 in excess of our current dividend, representing a **payout ratio of 68%**
- 11 straight years of **dividend growth**; 11 increases in the last 13 quarters, with the **lowest payout ratio** in the industry – annualized dividend of \$1.68
- **Industry leading performance metrics**
 - 18.2% and 19.7% ROEs in 2022 and 1Q23
 - 40% dividend growth in last 13 quarters
 - 45% increase in book value (over last 3 years)
 - 126% (18% annualized) 5-year total shareholder return*
- Repurchased ~\$37M of stock at an average price of \$10.53, representing a 17% discount to book value
- Continued to **enhance funding sources** in 2022 & 1Q23:
 - Closed four securitizations totaling \$3.9B
 - Increased warehouse capacity by \$1.8B
 - Raised ~\$700M through equity/debt offerings

NOTES: 1) All amounts in this presentation are as of 3/31/23 unless otherwise noted.
*Assumes no reinvestment of the common dividend.

ARBOR
ARBOR REALTY TRUST, INC.

People have likely forgotten how this looks like when the risks materialize:

Market Summary > Arbor Realty Trust Inc

15,91

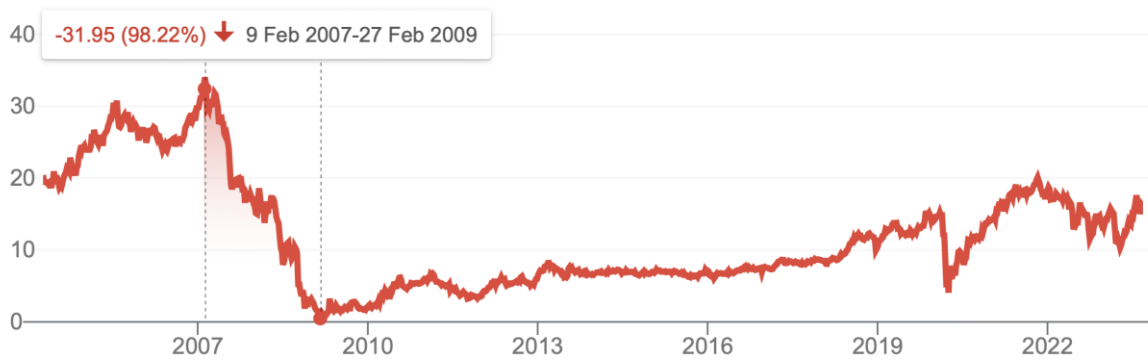
USD

+ Follow

-4.52 (-22.12%) ↓ all time

8 Sept, 16:00 GMT-4 • Disclaimer

1D 5D 1M 6M YTD 1Y 5Y Max



And, you would think they got out of it? Yes, but at a total loss for the shareholders through dilution etc. I mean, you can get 10 years of dividends, but if there is one crisis in those 10 years, your money is gone. NOT FOR ME.

Cherry Hill Mortgage Investment 8.25% Fix/Float Series

The normal stock looks ugly:

Market Summary > Cherry Hill Mortgage Investment Corp

3,92 USD

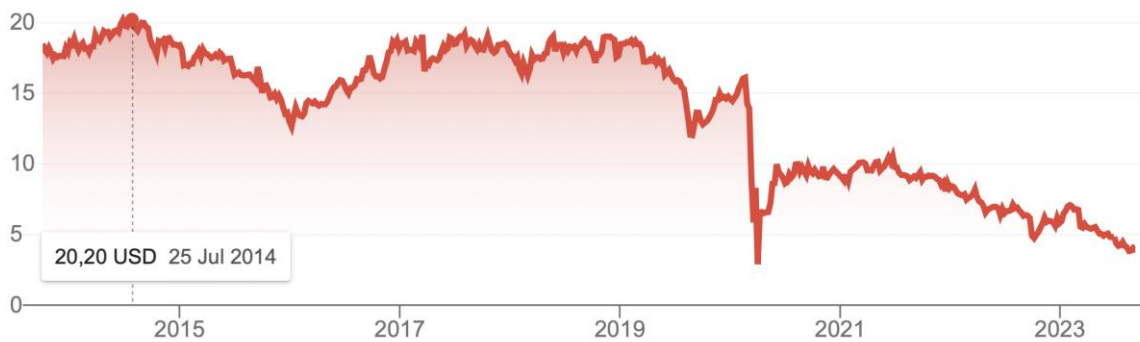
+ Follow

-14.58 (-78.81%) ↓ all time

Closed: 11 Sept, 06:37 GMT-4 • Disclaimer

Pre-market 4,04 +0,12 (3,06%)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	3,90	Mkt cap	105,75M	52-wk high	7,24
High	3,94	P/E ratio	-	52-wk low	3,70
Low	3,90	Div yield	15,31%		

The same story as above, 'risk-adjusted' which means that there is risk and the yield should cover for it.

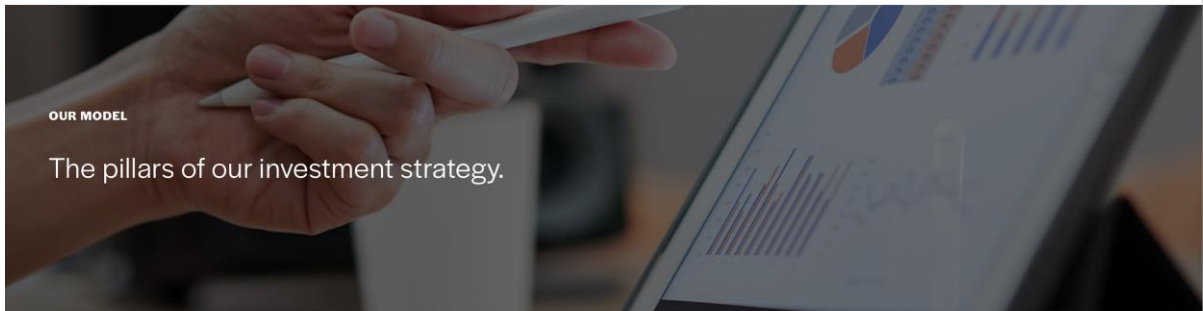


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[Our Model](#)

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Our focus is on investing in, managing and growing a diversified portfolio of mortgage servicing rights (MSRs) and residential mortgage-backed securities (RMBS) to provide investors with attractive risk-adjusted total returns and opportunities for capital appreciation.

Servicing-Related Assets Acquisition

Selectively acquire Mortgage Servicing Rights (or MSRs) through flow or bulk purchases with mortgage servicers.

Agency RMBS Acquisition

Opportunistically acquire and manage Agency Residential Mortgage Backed Securities (or RMBS) on a leveraged basis.

Non-Agency RMBS Acquisition

From time to time, purchase fixed and floating-rate tranches of non-agency assets (e.g. RMBS backed by jumbo, non-qualified mortgages, etc.).

Short term borrowings make most of the balance sheet! Thus high costs now:

INCOME STATEMENT **BALANCE SHEET** CASH FLOW STATEMENT RATIOS SEGMENTS

Balance Sheet TIKR.com	31/12/16	31/12/17	31/12/18	31/12/19	31/12/20	31/12/21	31/12/22	LTM
Cash And Equivalents 🔍	15.82	27.33	31.83	24.67	83.89	63.92	57.32	53.02
Investment In Debt and Equity Securities	63.34	112.35	71.42	88.82	63.84	60.61	116.26	39.98
Long-Term Investments	63.34	112.35	71.42	88.82	63.84	60.61	116.26	39.98
Trading Asset Securities	9.12	13.83	24.26	18.29	15.97	10.52	45.53	26.50
Other Receivables	9.30	8.58	11.23	11.85	4.86	5.12	55.93	11.37
Loans Held For Sale 🔍	1.57	2.16	2.81	3.84				
Restricted Cash 🔍	22.47	29.17	8.19	67.04	46.33	12.86	8.23	7.89
Other Current Assets	1.43	5.90	9.94	16.65	18.25	17.61	15.09	7.99
Deferred Tax Assets Long-Term (Collected)				2.76	21.52	20.61	15.55	15.58
Other Long-Term Assets	669.82	1,851.37	1,993.60	2,710.65	1,338.83	1,111.62	1,094.91	1,279.18
Total Assets	792.88	2,050.69	2,153.28	2,944.57	1,593.49	1,302.86	1,408.83	1,441.51
Accounts Payable 🔍	6.20							
Accrued Expenses 🔍	7.62	14.17	15.32	19.46	6.96	4.95	10.18	8.15
Short-Term Borrowings	595.31	1,666.88	1,602.41	2,349.98	1,155.86	866.77	850.68	987.38
Current Portion of Long-Term Debt 🔍	2.84							4.88
Long-Term Debt	20.05	39.03	157.54	166.99	111.38	145.27	183.89	170.09
Current Income Taxes Payable			0.15					
Other Current Liabilities	4.82	7.27	11.85	8.77	6.73	7.06	98.56	8.45
Deferred Tax Liability Non-Current		0.84	2.08					
Other Non Current Liabilities	0.04	0.04						
Total Liabilities	636.87	1,728.23	1,789.35	2,545.19	1,280.92	1,024.05	1,143.31	1,178.94
Preferred Stock Convertible		57.92	65.64	115.28	115.38	115.38	115.38	115.38
Total Preferred Equity		57.92	65.64	115.28	115.38	115.38	115.38	115.38
Common Stock 🔍	0.08	0.13	0.17	0.17	0.18	0.19	0.24	0.27
Additional Paid In Capital 🔍	148.46	229.64	298.61	299.18	301.00	311.26	344.51	363.61
Retained Earnings 🔍	12.09	35.24	34.65	(59.45)	(141.98)	(158.48)	(168.99)	(202.24)
Comprehensive Income and Other	(6.39)	(2.94)	(38.40)	41.41	35.59	7.53	(29.10)	(17.59)
Total Common Equity	154.23	262.07	295.03	281.31	194.79	160.49	146.66	144.06
Minority Interest	1.78	2.48	3.26	2.78	2.40	2.95	3.48	3.13
Total Equity	156.01	322.46	363.93	399.38	312.57	278.82	265.52	262.57
Total Liabilities And Equity	792.88	2,050.69	2,153.28	2,944.57	1,593.49	1,302.86	1,408.83	1,441.51

Chimera Investment Corp 8% Series

Do I need to comment?

Market Summary > Chimera Investment Corporation

5,85 USD

+ Follow

-68.65 (-92.15%) ↓ all time

8 Sept, 16:00 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	5,86	Mkt cap	1,33B	52-wk high	8,41
High	5,90	P/E ratio	-	52-wk low	4,48
Low	5,82	Div yield	12,31%		

Ugly balance sheet, same as others.

INCOME STATEMENT **BALANCE SHEET** CASH FLOW STATEMENT RATIOS SEGMENTS

Balance Sheet TIKR.com	31/12/16	31/12/17	31/12/18	31/12/19	31/12/20	31/12/21	31/12/22	LTM
Cash And Equivalents 🕒	177.71	63.57	47.49	109.88	269.09	385.74	264.60	200.94
Investment In Debt and Equity Securities	7,497.82	7,216.14	14,675.08	11,955.42	3,981.82	2,631.90	1,578.43	1,228.53
Long-Term Investments	7,497.82	7,216.14	14,675.08	11,955.42	3,981.82	2,631.90	1,578.43	1,253.75
Trading Asset Securities	9.68	48.91	37.47	3.61			4.10	6.33
Loans and Lease Receivables	8,753.65	13,678.26	12,572.58	14,292.82	13,112.13	12,261.93	11,359.24	11,929.54
Other Receivables	79.70	100.79	123.44	562.65	81.16	69.51	61.77	71.28
Restricted Cash 🕒	45.49	13.10	201.33	141.19				15.30
Other Long-Term Assets	120.86	101.29	51.25	53.11	78.82	58.32	133.87	32.50
Total Assets	16,684.91	21,222.07	27,708.64	27,118.67	17,523.02	15,407.40	13,401.99	13,509.64
Accounts Payable 🕒	537.23	584.63	1,152.63	1,262.50	111.89	488.99	25.90	35.48
Accrued Expenses 🕒	48.67	61.89	110.40	63.60	40.95	20.42	30.70	37.43
Short-Term Borrowings	2.35	0.32						
Current Portion of Long-Term Debt 🕒	6,752.26	8,764.57	15,153.86	14,109.99	5,448.78	4,897.30	3,966.47	3,114.82
Long-Term Debt	6,123.86	8,080.32	7,491.94	7,630.72	8,064.80	6,178.35	6,647.58	7,690.17
Other Current Liabilities	97.01	95.37	95.99	98.57	77.21	86.15	64.55	52.34
Total Liabilities	13,561.38	17,587.09	24,004.81	23,165.38	13,743.63	11,671.21	10,735.19	10,930.24
Preferred Stock Redeemable	0.06	0.19	0.29	0.37	0.37	0.37	0.37	0.37
Total Preferred Equity	0.06	0.19	0.29	0.37	0.37	0.37	0.37	0.37
Common Stock 🕒	1.88	1.88	1.87	1.87	2.31	2.37	2.32	2.26
Additional Paid In Capital 🕒	3,508.78	3,826.69	4,072.09	4,275.96	4,538.03	4,359.05	4,318.39	4,289.45
Retained Earnings 🕒	(1,105.29)	(990.68)	(997.26)	(1,033.25)	(1,319.42)	(1,030.65)	(1,883.62)	(1,923.36)
Comprehensive Income and Other	718.11	796.90	626.83	708.34	558.10	405.05	229.35	210.67
Total Common Equity	3,123.48	3,634.79	3,703.54	3,952.92	3,779.01	3,735.82	2,666.43	2,579.03
Total Equity	3,123.53	3,634.98	3,703.83	3,953.29	3,779.39	3,736.19	2,666.80	2,579.40
Total Liabilities And Equity	16,684.91	21,222.07	27,708.64	27,118.67	17,523.02	15,407.40	13,401.99	13,509.64

compass Diversified

Huge debt pile and this is then an investment that works until it doesn't, until the debt burden gets too high, and the investments aren't stellar as expected.

	INCOME STATEMENT	BALANCE SHEET	CASH FLOW STATEMENT			RATIOS		SEGMENTS	
Balance Sheet TIKR.com	31/12/16	31/12/17	31/12/18	31/12/19	31/12/20	31/12/21	31/12/22	LTM	
Cash And Equivalents	39.77	35.73	48.77	100.31	60.02	160.73	61.27	67.35	
Total Cash And Short Term Investments	39.77	35.73	48.77	100.31	60.02	160.73	61.27	67.35	
Accounts Receivable	181.19	159.45	205.55	191.41	206.73	277.71	341.44	296.29	
Total Receivables 	181.19	159.45	205.55	191.41	206.73	277.71	341.44	296.29	
Inventory	212.98	237.35	307.44	317.31	350.59	565.74	732.43	788.28	
Prepaid Expenses	18.87	19.30	29.67	35.25	40.38	57.01	75.05	95.25	
Other Current Assets		75.00	89.76		50.64				
Total Current Assets	452.82	526.82	681.19	644.27	708.37	1,061.19	1,210.19	1,247.17	
Gross Property Plant And Equipment	227.18	184.74	257.55	380.26	370.70	503.10	585.68	584.70	
Accumulated Depreciation	(84.81)	(81.16)	(110.95)	(141.48)	(133.39)	(192.18)	(226.52)	(222.97)	
Net Property Plant And Equipment	142.37	103.58	146.60	238.78	237.32	310.92	359.16	361.72	
Long-term Investments	141.77								
Goodwill	491.64	371.57	471.12	438.52	666.51	882.08	1,133.40	1,072.95	
Other Intangibles	539.21	393.01	615.59	561.95	834.08	872.69	1,127.94	1,096.26	
Deferred Charges Long-Term	4.70	2.78	5.25	4.03	2.81	6.59	7.23	6.43	
Other Long-Term Assets	4.65	422.55	452.59	4.34	149.44	10.79	11.71	11.16	
Total Assets	1,777.16	1,820.30	2,372.34	1,891.89	2,598.52	3,144.26	3,849.63	3,795.69	
Accounts Payable	61.51	63.82	77.17	70.09	91.70	124.20	94.21	90.23	
Accrued Expenses	90.95	91.08	111.07	111.69	136.61	181.46	197.77	192.11	
Short-term Borrowings									
Current Portion of Long-Term Debt	9.70	8.15	5.60				10.00	10.00	
Current Portion of Capital Lease Obligations				18.89	21.23	27.24	30.02	29.44	
Current Income Taxes Payable	6.23	5.21	5.10	3.54	6.07	6.83	7.83		
Unearned Revenue Current					7.96	12.80	10.20		
Other Current Liabilities	34.13	43.92	60.33	5.26	31.16	9.09	9.80	9.09	
Total Current Liabilities	202.52	212.19	259.28	209.48	294.71	361.62	359.83	330.87	
Long-Term Debt	558.36	587.99	1,100.37	394.45	899.46	1,284.83	1,824.47	1,757.67	
Capital Leases				76.96	68.18	110.29	144.72	149.71	
Pension & Other Post Retirement Benefits	3.26	3.62	3.80	4.70	4.00	2.90	1.10	1.70	
Deferred Tax Liability Non Current	110.84	36.15	33.98	33.04	67.84	97.76	156.64	137.47	
Other Non Current Liabilities	7.64	54.35	55.56	7.40	44.18	2.33	0.91	0.67	
Total Liabilities	882.61	894.30	1,452.99	726.02	1,378.37	1,859.73	2,487.67	2,378.09	

If the market for such companies disappears, the company goes into liquidation and the bond holders or bankers become the owners...

Costamare Inc. PFD E

Market Summary > Costamare Inc

9,75 USD

+ Follow

-2.00 (-17.02%) ↓ all time

8 Sept, 16:00 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	9,60	Mkt cap	1,15B	52-wk high	11,85
High	9,79	P/E ratio	2,38	52-wk low	7,71
Low	9,58	Div yield	4,72%		

How does the shipping business work? You borrow money to buy ships! That works until there is a crisis in the cyclical sector due to a recession and too many ships build. You let the company go bankrupt and then buy back the same ships at 10% of the price first paid and start a new company. The other shareholders pay the price, rinse and repeat....

Who is the best in the shipping business? Greece and Norway:-)



Costamare Inc. is a Greek and Marshall Islands corporation and one of the world's leading owners and providers of containerships for charter. Its headquarters are in Athens, Greece. [Wikipedia](#)

Shares being issued, tangible book value going down, debt going up, minority interests going up....

Supplementary Data:

Total Shares Out. on Filing Date	59.90	59.90	59.90	59.90	64.90	69.45	72.20	71.90
Book Value / Share	14.30	12.97	11.13	13.55	12.27	11.75	11.54	12.14
Tangible Book Value	(174.44)	12.22	(420.26)	(189.06)	(704.48)	(946.88)	(1,428.34)	(1,296.34)
Tangible Book Value / Share	(2.91)	0.20	(7.02)	(3.16)	(10.85)	(13.78)	(19.78)	(18.03)
Total Debt	568.06	596.14	1,105.97	490.29	988.87	1,422.36	2,009.21	1,946.82
Net Debt	528.28	560.41	1,057.20	389.98	928.84	1,261.62	1,947.93	1,879.47
Total Minority Interest	38.14	52.79	59.97	50.55	120.12	172.71	225.04	240.82
Equity Method Investments	141.77							
Buildings	35.39	7.20	9.82	7.99	15.71	13.35	13.39	13.55
Construction In Progress	8.31	15.42	8.87	10.56	10.82	15.34	18.09	16.57
Full Time Employees	3,020.00	3,827.00	4,770.00	4,002.00	4,362.00	3,968.00	4,711.00	

As always, it could be good, but too risky for me...

Gaslog Ltd 8.75 % Pref Perp - INTERESTING 8%...

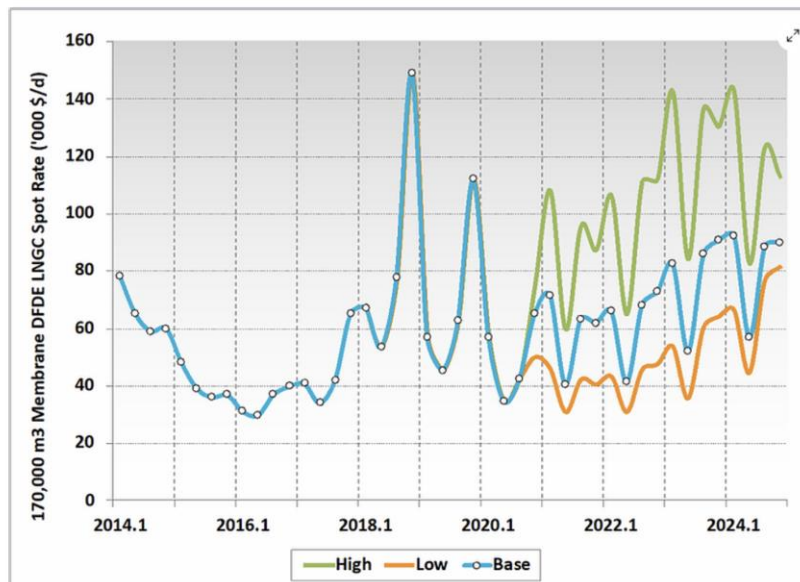
LNG ships! For now, natural gas is going well. But then again, it is always about shipping. The same story as above applies. LNG rates look strong now, so the company shouldn't have any payment problems. But then again, if the cycle turns...

LNG Rates Back in Accord with Marsoft Analysis

Spot rates to remain strong into the first quarter of next year



by Editor — 3 years ago Reading Time: 1 min read



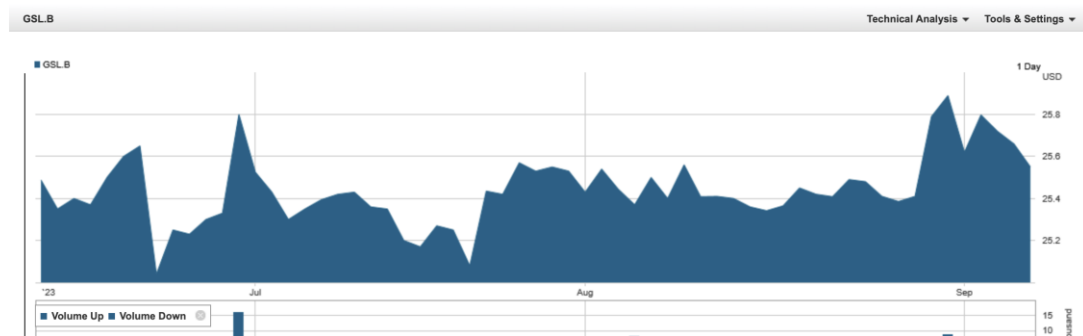
if the cycle turns, then...

Global Ship Lease Pref

More container ships - that gets ugly in case of recession or global issues (think China).

GSL 8.75% Perpetual Preferred Shares

NYSE: GSLB \$25.55 <small>Sep 8, 2023 4:00 PM EDT</small> Form 8937 Dividend to Preferred Shares 2019	Change	0 (0.00%)	Today's High	\$25.71
	Volume	0	Today's Low	\$25.55
	Today's Open	--	52 Week High	\$25.92
	Previous Close	\$25.55	52 Week Low	\$10.47



Should be ok, depends on tanker pricing, but company has less debt than other leveraged things we discussed till now. But, beware of recession for tanker ships.

New York Mortgage Trust - 7.875% Series E

Market Summary > New York Mortgage Trust Inc

9,21 USD + Follow

-349.99 (-97.44%) ↓ all time

8 Sept, 16:00 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	9,20	Mkt cap	840,42M	52-wk high	12,96
High	9,30	P/E ratio	-	52-wk low	8,28
Low	9,20	Div yield	13,03%		

It works, until it doesn't. Market cap 840 million, debt \$3.5 billion?!?! Just small movements make it risky. Plus, preferred yield is 8%, but stock is 13%? Maybe a bit less risky, but read well the prospectus of the preferred!!!!

PennyMac Mortgage Investment Trust

Another stock with 12% dividend and 8% preferred!

Market Summary > PennyMac Mortgage Investment Trust

12,88 USD

+ Follow

-5.92 (-31.49%) ↓ all time

8 Sept, 16:00 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	12,91	Mkt cap	1,12B	52-wk high	15,78
High	12,96	P/E ratio	21,03	52-wk low	10,78
Low	12,85	Div yield	12,42%		

The game here is to get enough dividends before disaster hits, like we have seen with the stock of New York Trust just here above.

Rithm Capital Corp. 6.375% PFD, F2F

The normal stock:

Market Summary > Rithm Capital Corp

10,13 USD

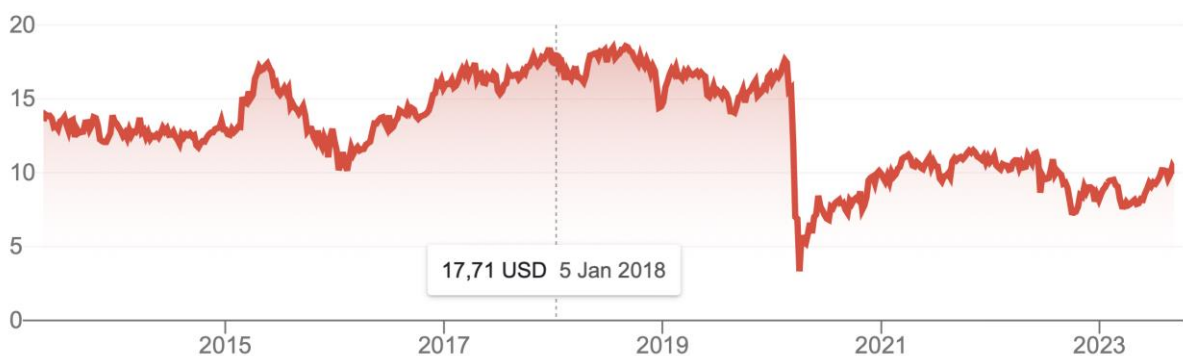
+ Follow

-3.37 (-24.96%) ↓ all time

Closed: 11 Sept, 07:42 GMT-4 • Disclaimer

Pre-market 10,17 +0,040 (0,39%)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open 10,13 Mkt cap 4,90B 52-wk high 10,45

Two things here:

First - Inception 2013 and they say great economic returns, but that is over more than a decade:

Investment Expertise that Delivers Results

Our highly-disciplined investment approach and diversified portfolio of assets is designed to perform across changing market conditions.

2013
2023

\$34B

In Assets

\$7.1B

Total Equity

\$4.7B

Total Dividends Since Inception⁽¹⁾
As of June 30, 2023

176%

Total Economic Return⁽²⁾
Since Inception

1. Total Dividends (as of June 30, 2023)

2. Total Economic Return Since Inception: Total Economic Return represents Rithm book value change from June 13, 2013 through June 30, 2023, plus common dividends declared during that time, divided by Rithm book value as of June 13, 2013.

Plus, they measure returns on book value, not on reality. They paid out \$4.7 billion in dividends, lost \$2.5 billion in market cap, thus total return for investors is \$2.2 billion, thus 50% in 10 years, thus less than 5% per year.

Secondly: F2F preferred yield (Fixed to floating)

The fixed yield is there just for a while, then will be likely lower, thus hard to price this and also hard to value and understand the risks.


Fixed-to-Floating rate preferred stocks **start with a much higher initial coupon and after a period of 5 to 10 years they convert into a floating rate preferred.** Unlike the pure floating rate preferreds the spreads on fixed-to-floating rate preferreds are much higher.


SiriusPoint Ltd 8.0% Series B, F2F

Now, this is an insurer offering 8% preferreds?????

SiriusPoint Ltd

Insurance company




siriuspt.com

SiriusPoint is a **global underwriter of insurance and reinsurance providing solutions to clients and brokers around the world.** Bermuda-headquartered with offices in New York, London, Stockholm and other locations, we are listed on the New York Stock Exchange (SPNT).

Market Summary > Siriuspoint Ltd

10,37 USD + Follow

-2.93 (-22.03%) ↓ all time

8 Sept, 16:00 GMT-4 • Disclaimer

1D 5D 1M 6M YTD 1Y 5Y Max



Open	10,38	Mkt cap	1,71B	52-wk high	11,34
High	10,38	P/E ratio	22,42	52-wk low	4,42

Insurance is a very difficult business, but the point of it is that you get the premiums upfront, invest that money, and then make money on the difference between what you made and the costs you need to pay for insurance claims. As Buffett says, on float. Raising money at 8% to do insurance means you will go bust sooner or later because you simply can't compete with Buffett on such terms.

P.S. I am not a specialist on insurance, it could be great, but definitely not for me.

The Necessity Retail REIT 7.50% PFD A

A new REIT competing in the environment.

Market Summary > Necessity Retail REIT Inc Class A

7,53 USD

+ Follow

-6.45 (-46.14%) ↓ all time

Closed: 11 Sept, 07:05 GMT-4 • Disclaimer

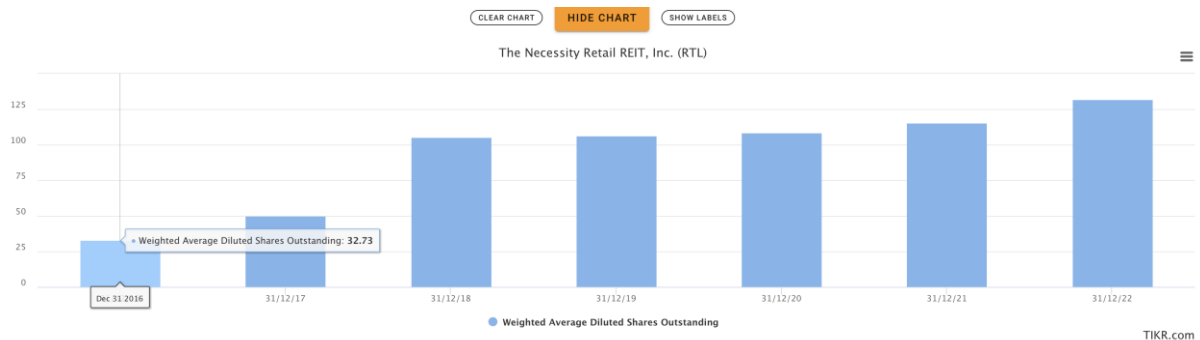
Pre-market 7,54 +0,0100 (0,13%)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open 7,45 Mkt cap 1,01B 52-wk high 7,63

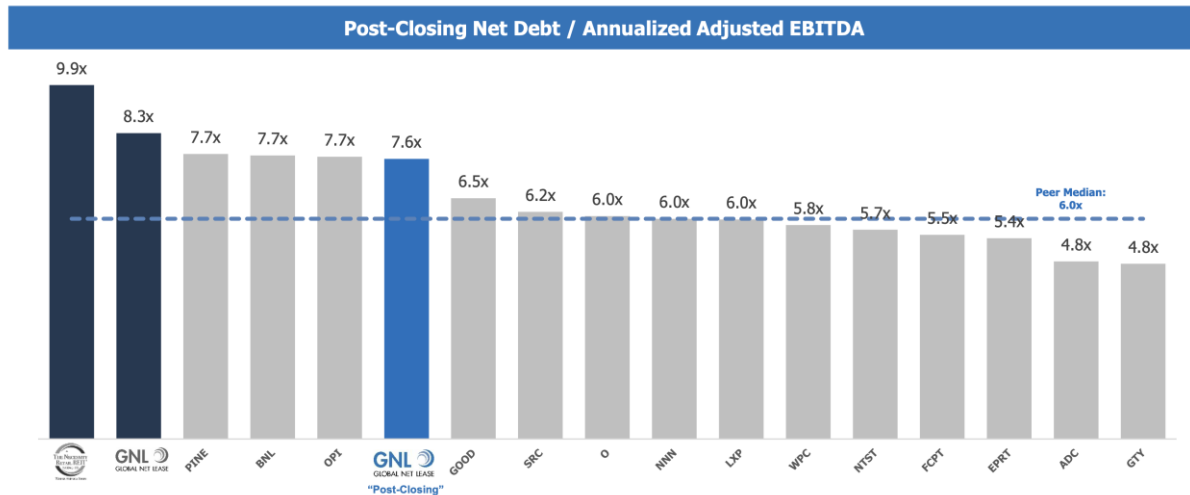
A normal REIT, quadruple the number of shares outstanding, chase money for deals, get fees and smile to shareholders.



The two highest leverage REITs are merging and by miracle leverage will decline:-)) On synergy savings! hahahahah

COMBINED COMPANY WILL HAVE REDUCED LEVERAGE

Over time, the 84% AFFO payout ratio expected to provide opportunities for the Company to further reduce leverage.



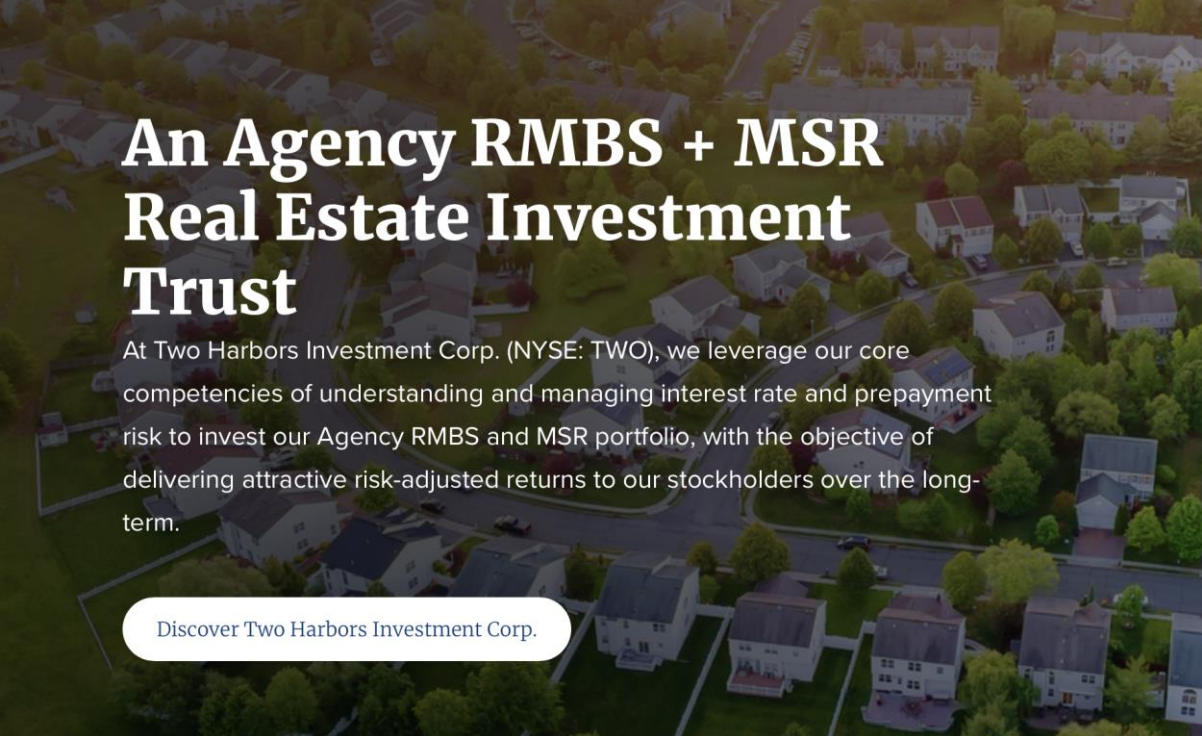
This could be ok, but I think the retail business in the US will be a tough one going forward... Time will tell! Not a spectacular investment for sure, for me, risky to hold an 8% preferred, you need 12 years just to cover your investment and you could get nothing....

Tsakos Energy Navigation PrefE - Shipping

So, we have leveraged mortgages, troubled REITs and shipping preferreds for high yield. Hm, in a crisis, you will not have much capital and very low yields:-)

Two Harbors Investm Corp. 8.125% Series A

Another mortgage portfolio (RISK- ADJUSTED)>.....



**An Agency RMBS + MSR
Real Estate Investment
Trust**

At Two Harbors Investment Corp. (NYSE: TWO), we leverage our core competencies of understanding and managing interest rate and prepayment risk to invest our Agency RMBS and MSR portfolio, with the objective of delivering attractive risk-adjusted returns to our stockholders over the long-term.

[Discover Two Harbors Investment Corp.](#)

BONDS

If you sell bonds with a yield that seems something, you call them HIGH-YIELD bonds as there is a powerful connotation to it. If you just look at those from an investing perspective and want to buy value with your money, you call them with their real name: JUNK BONDS!

Junk bonds don't have an investment grade rating, offer a high yield to attract money because there is the risk that the issuer doesn't pay.

Here is the categorization for bonds:

speculative and often referred to as high yield or junk bonds.

Investment grade	Moody's	Standard & Poor's	Fitch
Strongest	Aaa	AAA	AAA
	Aa1	AA+	AA+
	Aa2	AA	AA
	Aa3	AA-	AA-
	A1	A+	A+
	A2	A	A
	A3	A-	A-
	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
Non-investment-grade			
	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
	B1	B+	B+
	B2	B	B
	B3	B-	B-
	Caa1	CCC+	CCC+
	Caa2	CCC	CCC
	Caa3	CCC-	CCC-
	Ca	CC	CC
Weakest			
	C	C	C
		D	D

Source: [Fidelity](#)

But, it is very important to understand what does this mean. Here is the [Fitch table](#):

AAA: Highest Credit Quality

'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA: Very High Credit Quality

'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A: High Credit Quality

'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB: Good Credit Quality

'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

BB: Speculative

'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments.

B: Highly Speculative

'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

CCC: Substantial Credit Risk

Very low margin for safety. Default is a real possibility.

CC: Very High Levels of Credit Risk

Default of some kind appears probable.

C: Near Default

A default or default-like process has begun, or for a closed funding vehicle, payment capacity is irrevocably impaired. Conditions that are indicative of a 'C' category rating for an issuer include:

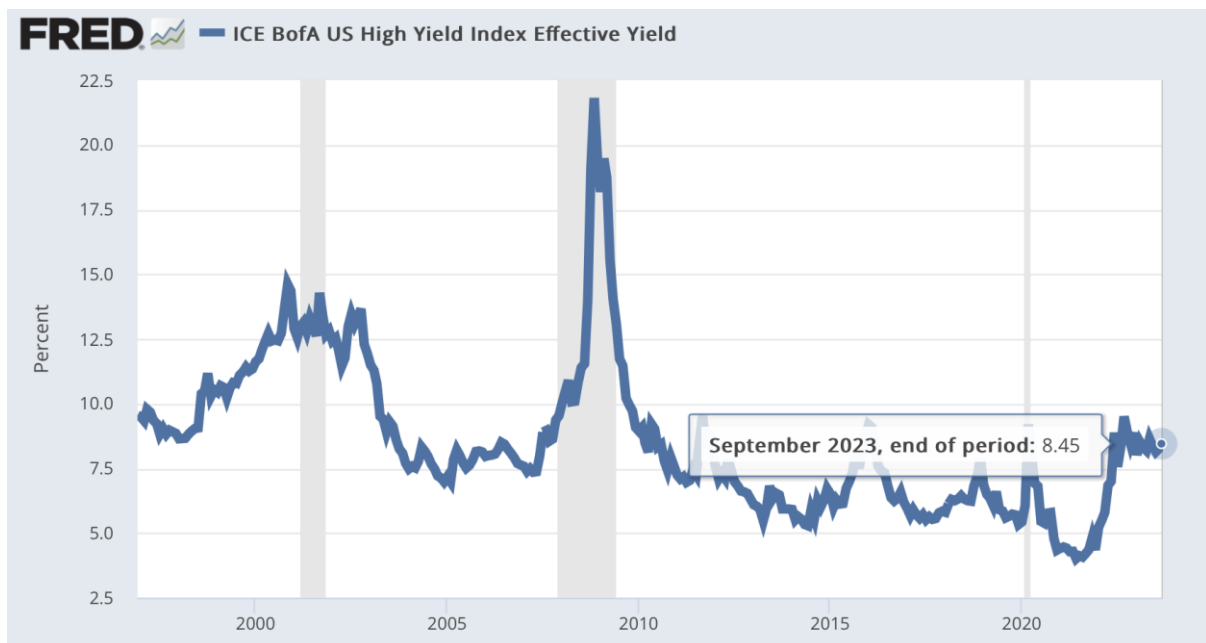
The best of the non-investment grade bonds has a BB+ rating with Fitch, which means the following and is called speculative:

BB: Speculative

'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists that supports the servicing of financial commitments.

In simple words, if something changes in the world, like a recession, interest rates, inflation, business adversities etc. it is possible the business will not have the financial flexibility to service the payments. Of course, this also means that while things remain as is, all is well.

Currently, high yield bonds are priced around 8.5%:



Source : [FRED](#)

8.5% is some kind of historical average, but those investing in high yield at 3% two years ago, likely lost a lot of money. If the yield goes to 14%, in a stagflatory environment, you can lose a lot, if the yield goes back to 4%, you make good money.

Let's check some bonds, the key is to assess the risk of the issuer.

B. Riley Financial 7.31%

They are a diversified financial services provider. But, if I look at the balance sheet, I see borrowed securities, huge pile of debt and low equity.

	INCOME STATEMENT	BALANCE SHEET	CASH FLOW STATEMENT	RATIOS	SEGMENTS			
Balance Sheet TIKR.com								
	31/12/16	31/12/17	31/12/18	31/12/19	31/12/20	31/12/21	31/12/22	LTM
Cash And Equivalents	112.11	132.82	179.44	104.27	103.60	278.93	268.62	107.58
Securities Owned	16.58	145.36	273.58	408.21	777.32	1,532.10	1,129.27	1,072.44
Securities Borrowed		807.09	931.35	814.33	765.46	2,090.97	2,343.33	2,938.52
Accounts Receivable	18.99	51.49	79.86	70.44	53.61	91.65	211.99	159.20
Other Receivables	3.01	5.69	40.52	275.02	407.91	915.74	769.14	749.55
Gross Property Plant And Equipment	10.81	20.00	35.31	79.04	79.31	92.08	138.98	
Accumulated Depreciation	(5.02)	(8.02)	(19.79)	(18.51)	(18.83)	(22.24)	(23.25)	
Net Property Plant And Equipment	5.79	11.98	15.52	60.54	60.48	69.84	115.73	113.65
Goodwill	48.90	98.77	223.37	223.70	227.05	250.57	512.60	526.83
Other Intangibles	41.17	56.95	91.36	220.53	190.75	207.65	374.10	354.33
Deferred Tax Assets Current								
Restricted Cash	3.29	19.71	0.84	0.47	1.24	0.93	2.31	2.32
Other Current Assets	6.17	27.81	76.56	57.47	7.37	363.97	293.74	135.10
Deferred Tax Assets Long-Term (Collected)	8.62	29.23	42.40	31.52	4.10	2.85	3.98	2.85
Deferred Charges Long-Term			2.92	0.45				
Other Long-Term Assets				51.24	63.86	46.73	86.41	90.95
Total Assets	264.62	1,386.90	1,957.71	2,318.18	2,662.73	5,851.92	6,111.20	6,253.31
Accounts Payable	2.70	2.65	5.65	4.48	16.39	75.72	100.69	60.26
Accrued Expenses	53.17	71.69	108.66	130.71	113.59	224.26	178.40	145.94
Short-Term Borrowings	10.04	804.69	930.52	810.50	759.81	2,088.69	2,334.03	2,929.27
Current Portion of Long-Term Debt					37.25	0.36	25.26	21.30
Current Portion of Capital Lease Obligations							19.85	
Long-Term Debt	27.70	205.86	540.47	805.42	963.03	2,032.95	2,421.51	2,306.13
Capital Leases				61.51	60.78	69.07	79.28	96.47
Current Income Taxes Payable					29.18	39.78	14.76	18.66
Current Unearned Revenue								
Other Current Liabilities	12.47	28.55	40.05	43.57	12.42	57.11	73.08	45.71
Unearned Revenue Non Current	4.13	3.14	69.07	67.12	68.65	69.51	85.44	77.09
Deferred Tax Liability Non-Current					34.25	93.06	29.55	46.62
Other Non Current Liabilities	4.02	4.48	4.63	4.62	28.42	51.23	64.84	43.93
Total Liabilities	114.23	1,121.06	1,699.05	1,927.93	2,123.77	4,801.72	5,426.69	5,791.37
Common Stock	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Additional Paid In Capital	141.17	259.98	258.64	323.11	310.33	413.49	494.20	452.25
Retained Earnings	9.89	6.58	1.58	39.54	203.08	248.86	(45.22)	(49.14)
Comprehensive Income and Other	(1.71)	(0.53)	(2.16)	(1.99)	(0.82)	(1.08)	(2.47)	(0.60)
Total Common Equity	149.35	266.03	258.06	360.66	512.59	661.27	446.51	402.52
Minority Interest	1.05	(0.18)	0.60	29.59	26.37	388.93	238.00	59.42
Total Equity	150.39	265.85	258.66	390.25	538.96	1,050.20	684.52	461.94
Total Liabilities And Equity	264.62	1,386.90	1,957.71	2,318.18	2,662.73	5,851.92	6,111.20	6,253.31

Too risky even to hold the bond because if the conditions in the markets they operate change, it all changes...

Babcock and Wilcox 8.125%

Babcock & Wilcox 

Nuclear power company



 babcock.com

Babcock & Wilcox is an American energy technology and service provider that is active and has operations in many international markets across the globe with its headquarters in Akron, Ohio, USA. Historically, the company is best known for their steam boilers.

[Wikipedia](#)

Low demand for steam boilers?

Market Summary > Babcock & Wilcox Enterprises Inc

4,93 USD

+ Follow

-94.70 (-95.05%) ↓ all time

8 Sept, 16:00 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



They are losing money and there is no equity:

INCOME STATEMENT BALANCE SHEET CASH FLOW STATEMENT RATIOS SEGMENTS

Income Statement TIKR.com	31/12/16	31/12/17	31/12/18	31/12/19	31/12/20	31/12/21	31/12/22	LTM
Revenues ⓘ	1,420.94	1,341.43	1,062.39	859.11	566.32	723.36	889.82	1,027.18
Total Revenues	1,420.94	1,341.43	1,062.39	859.11	566.32	723.36	889.82	1,027.18
% Change YoY ⓘ	(19.1%)	(5.6%)	(20.8%)	(19.1%)	(34.1%)	27.7%	23.0%	
Cost of Goods Sold ⓘ	(1,282.68)	(1,317.21)	(1,192.03)	(698.85)	(426.47)	(542.76)	(704.19)	(815.77)
Gross Profit ⓘ	138.27	24.22	(129.64)	160.26	139.85	180.61	185.62	211.41
% Change YoY ⓘ	(55.1%)	(82.5%)	(635.3%)	223.6%	(12.7%)	29.1%	2.8%	
% Gross Margins ⓘ	9.7%	1.8%	(12.2%)	18.7%	24.7%	25.0%	20.9%	20.6%
Selling General & Admin Expenses ⓘ	(217.74)	(188.16)	(265.45)	(155.74)	(149.02)	(105.32)	(140.11)	(160.27)
R&D Expenses ⓘ	(8.85)	(7.61)	(3.78)	(2.86)	(4.38)	(2.50)	(3.81)	(4.18)
Total Operating Expenses	(226.59)	(195.77)	(269.23)	(158.60)	(153.40)	(107.81)	(143.91)	(164.45)
Operating Income ⓘ	(88.32)	(171.55)	(398.88)	1.66	(13.55)	72.79	41.71	46.95
% Change YoY ⓘ	(271.0%)	94.2%	132.5%	100.4%	(916.3%)	637.2%	(42.7%)	
% Operating Margins ⓘ	(6.2%)	(12.8%)	(37.5%)	0.2%	(2.4%)	10.1%	4.7%	4.6%
Interest Expense ⓘ	(3.70)	(25.93)	(49.61)	(94.90)	(59.80)	(39.39)	(44.98)	(46.89)
Interest And Investment Income	0.80	0.51	0.24	0.92	0.65	0.53	0.64	1.01
Income (Loss) On Equity Invest. ⓘ	16.44	(9.87)	(11.60)					
Currency Exchange Gains (Loss) ⓘ	0.48	(20.90)	(28.54)	(16.60)	58.80	(4.29)	(0.58)	1.32
Other Non Operating Income (Expenses)	(3.04)	15.42	0.26	0.29	(1.13)	(1.27)	(3.94)	(4.00)
EBT Excl. Unusual Items	(77.34)	(212.33)	(488.13)	(108.64)	(15.03)	28.37	(7.16)	(1.60)
Merger & Restructuring Charges	(42.31)	(18.34)	(16.76)	(11.71)	(11.85)	(15.57)	(13.98)	(15.39)
Impairment of Goodwill		(86.90)	(40.05)				(7.22)	(7.22)
Gain (Loss) On Sale Of Investments		0.04						
Gain (Loss) On Sale Of Assets	0.03	(0.01)	38.38	0.34	3.16	13.98	8.84	1.36
Asset Writedown ⓘ								
Insurance Settlements					26.00			
Legal Settlements ⓘ				(0.48)		(4.90)	(5.60)	(5.60)
Other Unusual Items			(49.24)	(3.97)	(6.19)	7.43	9.60	9.60
EBT Incl. Unusual Items	(119.63)	(317.55)	(555.80)	(124.45)	(3.92)	29.31	(15.52)	(18.85)
Income Tax Expense ⓘ	(2.71)	(63.71)	(102.22)	(5.29)	(8.18)	2.22	(11.06)	(13.54)
Earnings From Continuing Operations	(122.33)	(381.26)	(658.03)	(129.73)	(12.10)	31.54	(26.58)	(32.39)
Earnings Of Discontinued Operations	7.25	2.24	(66.83)	0.69	1.80			
Net Income to Company	(115.08)	(379.02)	(724.86)	(129.04)	(10.30)	31.54	(26.58)	(32.39)
Minority Interest	(0.57)	(0.81)	(0.44)	7.07	(0.02)	(0.64)	3.72	2.78
Net Income	(115.65)	(379.82)	(725.29)	(121.97)	(10.32)	30.89	(22.86)	(29.61)

	INCOME STATEMENT	BALANCE SHEET	CASH FLOW STATEMENT			RATIOS		SEGMENTS	
Balance Sheet TIKR.com	31/12/16	31/12/17	31/12/18	31/12/19	31/12/20	31/12/21	31/12/22	LTM	
Accounts Receivable	457.06	394.12	341.93	233.78	187.63	212.24	297.40	351.78	
Other Receivables	61.15	71.92	44.66	23.26	35.44	34.55	38.51	47.83	
Total Receivables	518.20	466.04	386.59	257.04	223.07	246.80	335.91	399.61	
Inventory	85.81	72.92	61.32	63.10	74.45	79.53	102.64	118.61	
Deferred Tax Assets Current									
Restricted Cash	27.77	25.98	17.07	13.17	10.09	1.84	15.34	18.34	
Other Current Assets	49.87	123.61	41.43	35.13	31.15	29.40	27.00	26.62	
Total Current Assets	777.53	732.26	549.62	412.22	396.09	582.43	557.61	618.22	
Gross Property Plant And Equipment	332.54	322.89	293.93	290.13	233.89	254.51	263.14	266.17	
Accumulated Depreciation	(198.90)	(208.18)	(203.04)	(180.58)	(138.00)	(138.72)	(147.34)	(154.44)	
Net Property Plant And Equipment	133.64	114.71	90.89	109.55	95.89	115.79	115.80	111.73	
Long-term Investments	98.68	59.09	15.75	12.77	15.31	12.21	8.79	7.45	
Goodwill	267.40	85.68	47.11	47.16	47.36	116.46	156.99	158.15	
Other Intangibles	71.04	42.07	30.79	25.30	23.91	43.80	60.29	56.80	
Accounts Receivable Long-Term			3.44	5.74	0.63	1.59	0.79		
Deferred Tax Assets Long-Term	163.39	97.47							
Other Long-Term Assets	17.47	190.97	7.90	13.78	19.89	40.99	42.38	34.52	
Total Assets	1,529.14	1,322.23	745.50	626.52	599.08	913.27	942.66	986.88	
Accounts Payable	220.74	205.40	199.88	109.91	73.48	85.93	139.16	180.38	
Accrued Expenses	129.20	77.76	79.81	76.78	86.62	60.81	79.16	83.17	
Short-term Borrowings	14.24	169.31	31.26	103.95					
Current Portion of Long-Term Debt			144.90	179.00		12.38	4.29	4.44	
Current Portion of Capital Lease Obligations				4.29	4.88	6.40	4.78	5.08	
Unearned Revenue Current	210.64	172.00	149.37	75.29	64.00	68.38	133.43	140.35	
Other Current Liabilities	42.72	119.86	106.78	53.27	41.85	19.49	11.18	12.23	
Total Current Liabilities	617.54	744.33	711.99	602.49	270.83	253.38	372.00	425.64	
Long-Term Debt	9.80	94.30			347.63	327.91	348.70	353.78	
Capital Leases				38.84	36.72	56.05	54.07	52.55	
Pension & Other Post Retirement Benefits	301.26	250.00	281.65	259.27	252.29	182.73	136.18	135.08	
Deferred Tax Liability Non Current						1.40	10.05	10.37	
Other Non Current Liabilities	39.60	42.90	29.16	20.85	22.58	33.17	23.76	22.48	
Total Liabilities	968.19	1,131.53	1,022.79	921.46	930.05	854.64	944.74	999.90	
Preferred Stock Non Redeemable						0.08	0.08	0.08	
Total Preferred Equity						0.08	0.08	0.08	
Common Stock	0.54	0.50	1.75	4.70	4.78	5.11	5.14	5.14	
Additional Paid In Capital	806.59	800.97	1,047.06	1,142.61	1,164.44	1,518.87	1,537.63	1,543.17	
Retained Earnings	(114.68)	(492.15)	(1,217.91)	(1,339.89)	(1,342.92)	(1,321.15)	(1,358.88)	(1,383.89)	
Treasury Stock	(103.82)	(104.79)	(105.59)	(105.71)	(105.99)	(110.93)	(113.75)	(113.82)	
Comprehensive Income and Other	(36.48)	(22.43)	(11.43)	1.93	(52.39)	(58.82)	(72.79)	(64.22)	
Total Common Equity	552.15	182.10	(286.13)	(296.36)	(332.08)	33.07	(2.65)	(13.62)	
Minority Interest	8.80	8.60	8.83	1.42	1.10	25.47	0.49	0.53	

UGLY.

Gladstone Investment Corp. 8% - OK!

Gladstone Investment Corporation



Company



gladstoneinvestment.com

Gladstone Investment Corporation (Nasdaq: GAIN), a business development company, is a **private equity fund focused on acquiring mature, lower middle market companies** with \$20 to \$100 million in revenue, attractive fundamentals and strong management teams.

Trading at equity value!

Market Summary > Gladstone Investment Corporation

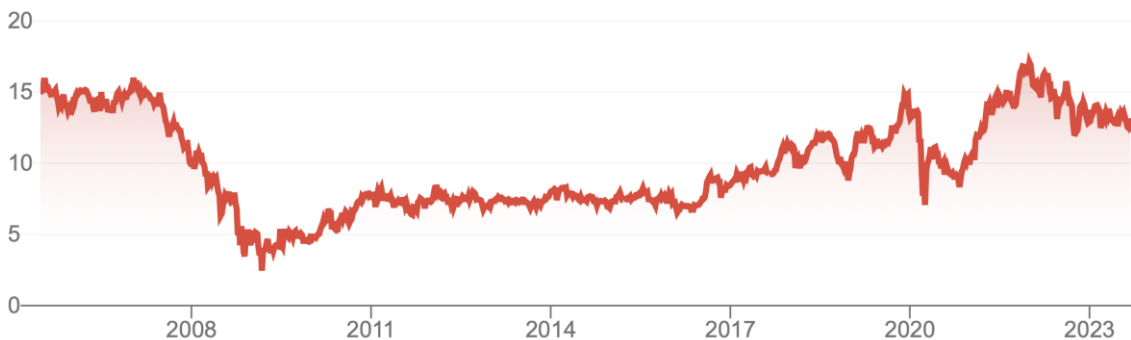
12,64 USD

+ Follow

-2.45 (-16.24%) ↓ all time

8 Sept, 16:00 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	-	Mkt cap	428,44M	52-wk high	14,64
High	-	P/E ratio	13,07	52-wk low	11,40
Low	-	Div yield	7,59%		

Now, it will all depend on the value of the companies they have. The income statement and balance sheet don't look as bad as the securities I analysed till now.

But, a business where the goal is for the administrator to make money on fees for management:

BDC differentiated through buyout investment strategy	
Publicly traded business development company	<ul style="list-style-type: none"> Nasdaq symbol "GAIN" market cap of \$438 million \$1.6+ billion invested since 2005 IPO 2026 Notes listed on Nasdaq under the symbol "GAINN," with an interest rate of 5.00% 2028 Notes listed on Nasdaq under the symbol "GAINZ," with an interest rate of 4.875% 2028 Notes listed on Nasdaq under the symbol "GAINL," with an interest rate of 8.00%
Buyout structure provides upside potential with strong downside protection	<ul style="list-style-type: none"> Primary equity investor - Lead majority of prospective transactions, often partnering with existing management teams Differentiated approach - <u>Turnkey provider of equity & secured debt to effect change of control buyouts</u> <ul style="list-style-type: none"> Target mix of total invested dollars per transaction is 25% equity & 75% debt (at cost) Traditional BDCs typically have equity exposure of 5 - 10% Monthly distributions from interest on debt investments and other investment income Supplemental distributions to shareholders from capital gains on investment exits
Dedicated lower middle market focus	<ul style="list-style-type: none"> Target lower middle market companies (EBITDA of \$4 - \$15 million) domiciled in the United States Focused on businesses that are cash-flow positive (no early stage) and have strong management teams Industry agnostic with investments in manufacturing, business services/distribution, and consumer products
Diversified portfolio across industry and geography	<ul style="list-style-type: none"> Current portfolio is diversified across 25 companies, 19 states, and 15 industries \$847 million in total assets at fair value
Experienced management team with proven track record	<ul style="list-style-type: none"> Externally managed by an SEC-registered investment adviser, <u>Gladstone Management Corporation, and administrator with over 70 professionals, collectively</u> Nine investment professionals dedicated exclusively to Gladstone Investment Corporation Proven investment track record across multiple economic cycles

(1) All information in this presentation is as of 6/30/2023, except as noted.

But ok, profitable and making money!

Portfolio is Broad and Diversified

Manufacturing	Business/Consumer Services	Consumer Products

Now, the market for such businesses was good over the last two years especially, which means what they have now could be overpaid as they always keep investing:

Growing Portfolio

From 4/1/2019 to 6/30/2023, we have:

- Made investments in 8 new companies, deploying approximately \$233 million of new capital ⁽¹⁾

Interesting BDC, ok balance sheet and income statement. The only risk I see is the market for these businesses after 2022/2023/// That will be the key here. I don't know any of the businesses above, so definitely not for me from a business perspective. The bond will likely do ok.

Harrow Health 11.38%

Harrow Health



Pharmaceutical
company

Harrow Health, formerly known as Imprimis Pharmaceuticals, is a publicly traded pharmaceutical company based in Nashville, TN. Since 2014, Harrow has started six healthcare businesses, including ImprimisRx, an ophthalmic-focused pharmaceutical company. [Wikipedia](#)

It is a pharma bet, not profitable, no equity, but they can borrow and thus they do so. I am not a specialist in pharma but I know it is mostly bets. If you do ok, you win big, but mostly you lose everything. Thus, not really smart to be a bond holder where your max upside is 11.38% while the downside is total.

INCOME STATEMENT **BALANCE SHEET** CASH FLOW STATEMENT RATIOS SEGMENTS

Balance Sheet TIKR.com	31/12/16	31/12/17	31/12/18	31/12/19	31/12/20	31/12/21	31/12/22	LTM
Short Term Investments	0.11	0.12	21.55	25.31	28.65	8.60	5.71	7.34
Total Cash And Short Term Investments	8.96	4.34	28.18	30.05	32.75	50.76	101.98	30.10
Accounts Receivable 🕒	2.92	1.53	1.91	2.01	2.66	4.47	6.25	18.26
Other Receivables			0.05		0.85	0.05	0.14	0.73
Notes Receivable 🕒		0.10						
Total Receivables 🕒	2.92	1.62	1.96	2.01	3.51	4.52	6.39	18.99
Inventory	1.84	2.25	1.83	3.30	3.96	4.22	6.54	8.56
Prepaid Expenses 🕒	0.83	0.59	0.66	0.48	0.56	0.92	2.19	1.53
Restricted Cash 🕒	0.20		0.20	0.20	0.20			
Other Current Assets						0.25	1.17	1.13
Total Current Assets	14.75	8.81	32.84	36.05	40.98	60.66	118.26	60.30
Gross Property Plant And Equipment 🕒	8.65	8.97	10.74	17.85	17.05	16.91	20.06	20.30
Accumulated Depreciation 🕒	(1.36)	(2.76)	(4.36)	(5.91)	(6.39)	(7.83)	(9.06)	(9.52)
Net Property Plant And Equipment	7.30	6.22	6.38	11.93	10.67	9.08	11.00	10.79
Long-term Investments		3.51	4.95	8.44	2.97	11.13		
Goodwill 🕒	2.23	2.23	2.23	0.33	0.33	0.33	0.33	0.33
Other Intangibles 🕒	2.97	2.86	3.06	2.34	2.52	17.13	25.84	152.28
Loans Receivable Long-Term		0.30						
Deferred Tax Assets Long-Term								0.29
Deferred Charges Long-Term							1.95	
Total Assets	27.25	23.92	49.45	59.09	57.47	98.33	157.38	223.99
Accounts Payable 🕒	3.54	3.89	4.97	7.41	3.65	5.17	6.44	10.51
Accrued Expenses 🕒	1.64	1.21	2.28	2.41	2.60	4.25	11.36	11.61
Short-term Borrowings								
Current Portion of Long-Term Debt 🕒	4.18	0.05	2.53	1.77	3.90			
Current Portion of Capital Lease Obligations	0.46	0.60	0.72	0.64	0.59	0.28	0.72	0.76
Unearned Revenue Current	0.09	0.03	0.12	0.06	0.07	0.02	0.11	0.13
Other Current Liabilities			1.28					
Total Current Liabilities	9.91	5.77	11.90	12.28	10.80	9.72	18.63	23.01
Long-Term Debt	7.99	14.01	12.00	12.22	12.38	71.65	104.17	169.71
Capital Leases	1.32	0.72		6.36	6.67	6.02	7.33	6.94
Deferred Tax Liability Non Current	0.94							
Other Non Current Liabilities	0.67	0.80	0.80	0.80	0.80			2.28
Total Liabilities	20.82	21.30	24.70	31.67	30.65	87.40	130.14	201.94
Common Stock 🕒	0.02	0.02	0.02	0.03	0.03	0.03	0.03	0.03
Additional Paid In Capital 🕒	83.26	91.43	98.94	101.73	104.56	106.67	137.06	142.74
Retained Earnings 🕒	(76.85)	(88.84)	(74.21)	(74.04)	(77.40)	(95.41)	(109.49)	(120.37)
Total Common Equity	6.43	2.62	24.75	27.71	27.18	11.29	27.60	22.41
Minority Interest				(0.29)	(0.36)	(0.36)	(0.36)	(0.36)
Total Equity	6.43	2.62	24.75	27.42	26.83	10.93	27.24	22.05
Total Liabilities And Equity	27.25	23.92	49.45	59.09	57.47	98.33	157.38	223.99

Kemper Corporation 7.64%

\$3 billion insurance company borrowing at 7%???

Market Summary > Kemper Corp

47,99 USD

+33.21 (224.70%) ↑ all time

11 Sept, 09:30 GMT-4 • Disclaimer

+ Follow

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	47,99	Mkt cap	3,07B	52-wk high	68,15
High	47,99	P/E ratio	-	52-wk low	40,64
Low	47,99	Div yield	2,58%		

They have been around for a while, I don't know their books, hopefully ok! But, then again, insurance is a tough business...

NuStar Logistics L.P., 7.625% but now 11.67%.

What does NuStar do?



Leading Pipeline and Terminal Operator

NuStar currently has approximately 9,500 miles of pipeline and 63 terminal and storage facilities that **store and distribute crude oil, refined products, renewable fuels, ammonia and specialty liquids.**

There is significant debt and the question is for how long will these assets be delivering money? Pipelines will not pipe forever... I personally don't like the debt, especially if we see oil prices lower, which means less piping. If that doesn't change, all well, but if the oil environment changes...

Runway Growth Finance Corp. 8.00% Babybond

What is Babybond? ^

A baby bond is **one that has a face value of less than \$1,000**. These small-denomination bonds are intended to attract ordinary investors who may not have large amounts to invest in traditional bonds. Baby bonds are most common among municipal issuers, or as government-issued savings bonds.

Recent IPO:

Market Summary > Runway Growth Finance Corp

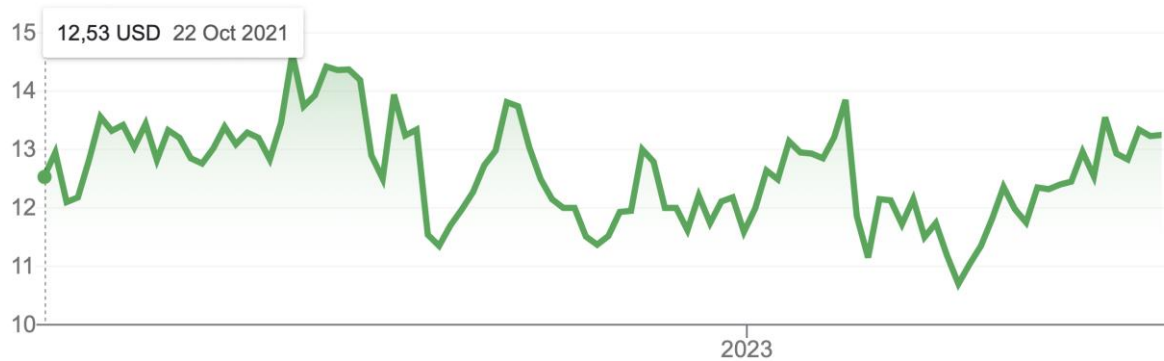
13,25 USD

+ Follow

+0.72 (5.75%) ↑ all time

11 Sept, 09:57 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	13,22	Mkt cap	536,55M	52-wk high	13,97
High	13,30	P/E ratio	8,33	52-wk low	10,47
Low	13,20	Div yield	12,08%		

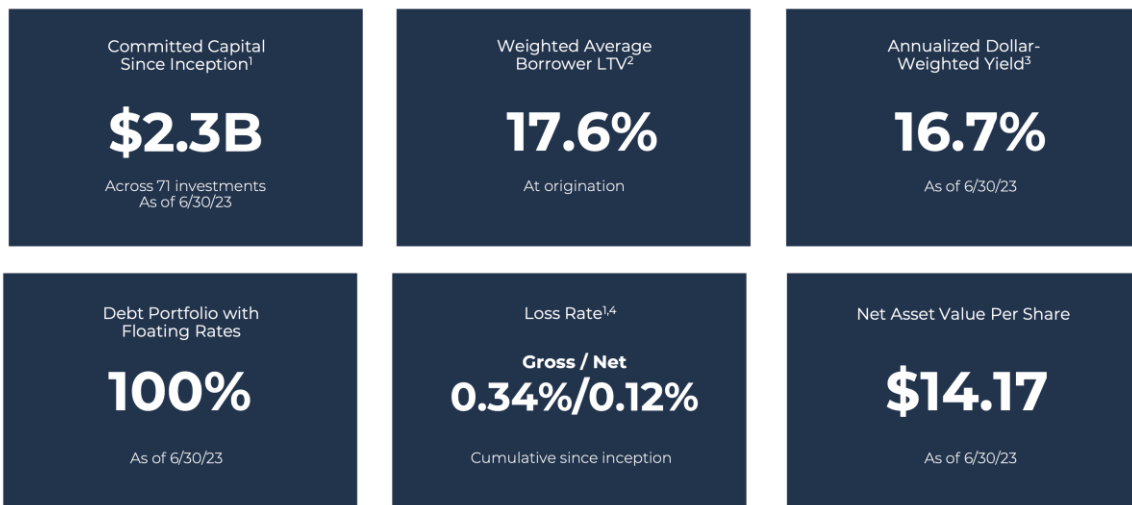
12% yield itself, higher than the bond.

Runway Growth Finance Corp. is a growing specialty finance company focused on providing flexible capital solutions to late-stage and growth companies seeking an alternative to raising equity. Our mission is to support passionate entrepreneurs in building innovative businesses. The company lends capital to companies looking to fund growth with minimal dilution – in turn, Runway Growth Finance seeks to produce favorable risk-adjusted returns for its shareholders. Runway Growth Finance is a closed-end investment fund that is regulated as a business development company under the Investment Company Act of 1940. Runway Growth Finance is externally managed by Runway Growth Capital LLC, an established registered investment advisor that was formed in 2015 and led by industry veteran David Spreng.

Are they lending to criminals at 16%?

Overview Of Runway Growth Finance Corp.

Our investment objective is to maximize total return to stockholders by providing financing solutions to late and growth-stage companies that are more flexible than traditional credit and less dilutive than equity.



Ok, this is very risky as they lend to late stage growth companies!!! Looks like they also get ownership or something. Not for me, too complex, I prefer simple businesses.

Leverage & Liquidity

Liquidity										
	2021				2022				2023	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Cash & Equivalents	\$1.8	\$0.9	\$0.9	\$4.7	\$3.5	\$6.8	\$5.8	\$5.8	\$3.3	\$37.7
Credit Facility Availability	\$98.0	\$98.0	\$135.0	\$154.0	\$129.0	\$117.7	\$250.0	\$88.0	\$128.0	\$190.0
Net Assets	\$473.5	\$477.7	\$504.2	\$606.2	\$597.5	\$579.4	\$573.7	\$576.1	\$569.8	\$573.9

Debt Capital Structure ¹			
KeyBank Credit Facility	\$190M Revolver availability	\$500M Revolving Credit Facility	\$500M Maximum accordion commitment
2026 8.54% Notes	\$25M Aggregate principal	8.54% Interest Rate	April 13, 2026 Stated Maturity
2026 4.25% Notes	\$70M Aggregate principal	4.25% Interest Rate	December 10, 2026 Stated Maturity
2027 7.50% Notes	\$80.5M Aggregate principal	7.50% Interest Rate	July 21, 2027 Stated Maturity
2027 7.00% Notes	\$20M Aggregate principal	7.00% Interest Rate	August 31, 2027 Stated Maturity
2027 8.00% Notes	\$51.8M Aggregate principal	8.00% Interest Rate	December 28, 2027 Stated Maturity

The thing is that if the VC market gets cold, this gets cold too. Very risky and depends on cycle like most of the junk bonds.

The Runway Difference

			
Public, pure-play late- and growth-stage lending platform	Disciplined approach to underwriting sponsored and non-sponsored deals	Sophisticated financing solutions meet the borrowers' needs as they scale	Seasoned management team with distinguished track record
<p>Decreasing market valuations coupled with a pullback in VC funding will likely keep private companies from going public and/or seeking to be acquired through a sale via M&A—leading to an increased demand for private capital to fuel continued growth</p> <p>Late- and growth-stage companies provide risk mitigation across economic and market cycles, generating consistent portfolio yield with industry leading low credit losses</p>	<p>Strategic focus on late- and growth-stage companies with strong equity sponsorship or insider ownership</p> <p>Non-sponsored deals provide unique portfolio expansion opportunity, facing less competition and favorable terms</p>	<p>Proprietary loan solutions prioritize optionality, flexibility and customization for borrowers:</p> <ul style="list-style-type: none"> EAGLE™ loan facility offers borrowers adjustable terms that can reflect improved credit ROSE™ loan facility blends longer-term and short-term financing to optimize pricing for borrowers 	<p>David Spreng*, Runway's Chairman, CEO, CIO, & Founder, named to Forbes Magazine's Midas List four times</p> <p>Senior executive team has average of 30+ years of experience</p> <p>Entered the public markets in 2021 with an established 5-year track record in the growth lending space</p> <ul style="list-style-type: none"> Demonstrated by 22 consecutive quarterly distributions since inception
<p>An established, differentiated growth lending platform with a clear path to create further value in any macro-economic environment.</p>			

Imagine the quality of the business you have if you need to borrow at 16%? I rest my case...

Sachem Capital Corp. 7.125% Note.

Sachem Capital is a **Connecticut-based real estate finance company** that specializes in originating, servicing and managing a portfolio of first mortgage loans. About Sachem Capital.



Sachem Capital Corp.
<https://www.sachemcapitalcorp.com>

Sachem Capital Corp. (SACH)

Stock price: SACH (NYSEAMERICAN)

US\$3.58 +0,04 (+1,13%)

another risk adjusted returns company, we all know what happens here when the risk takes over... It is all about timing and taking advantage while it lasts...

Market Summary > Sachem Capital Corp

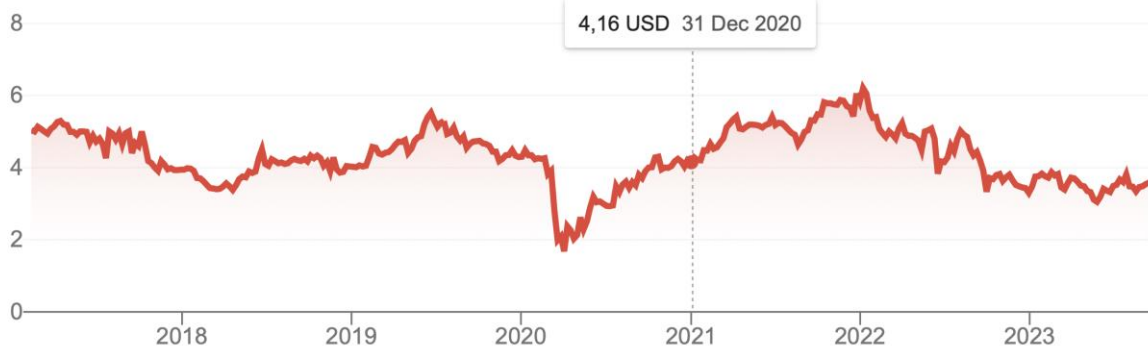
3,58 USD

+ Follow

-1.46 (-28.97%) ↓ all time

11 Sept, 10:01 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	3,55	Mkt cap	162,34M	52-wk high	4,48
High	3,58	P/E ratio	8,05	52-wk low	2,98
Low	3,54	Div yield	14,53%		

Saratoga 8,125%



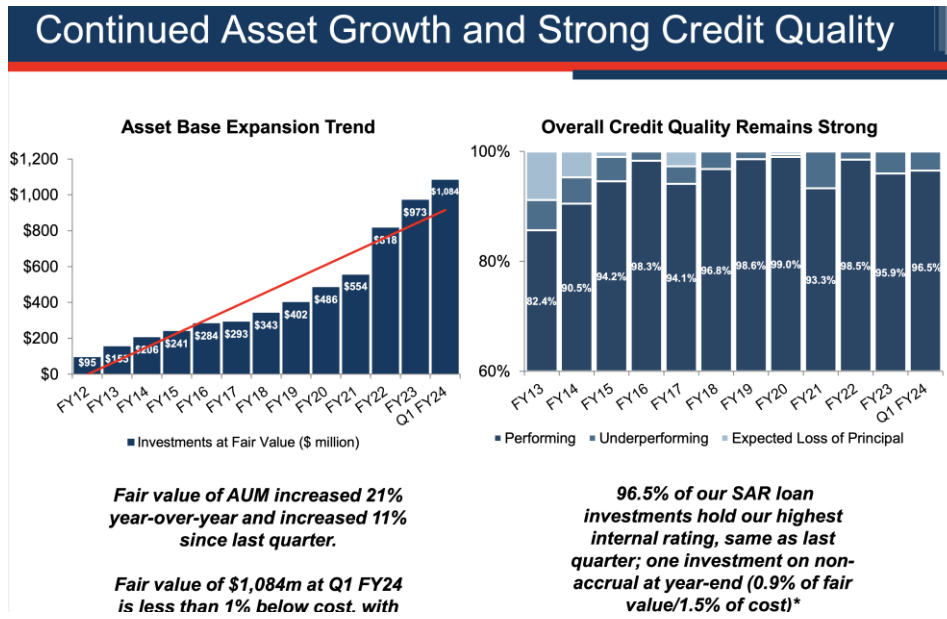
Another \$300 million market cap business...

Finding Solutions for your Capital Needs

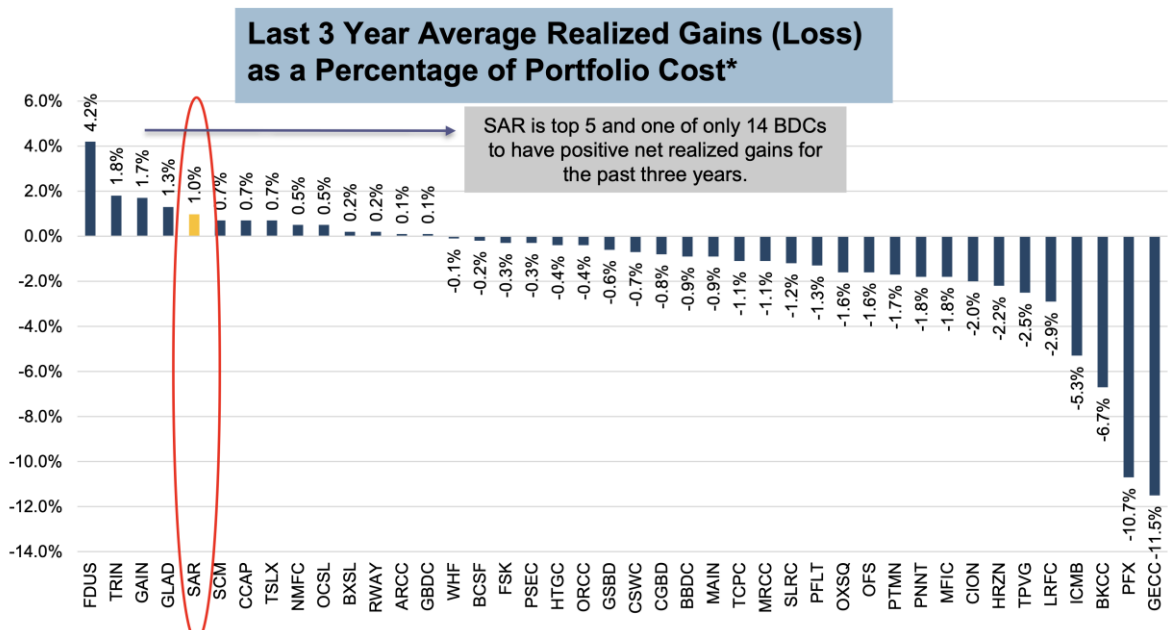
Saratoga Investment Corp. provides debt financing and equity capital to middle market companies.

[Learn how we can become your business partner >](#)

The following is what I mean when I say cycle: in 2013 18% wasn't performing, and that quickly goes to 50% in a proper crisis. But ok, as long as things go well, it will do ok.



Good indication of what BDC businesses look like when not looking good:

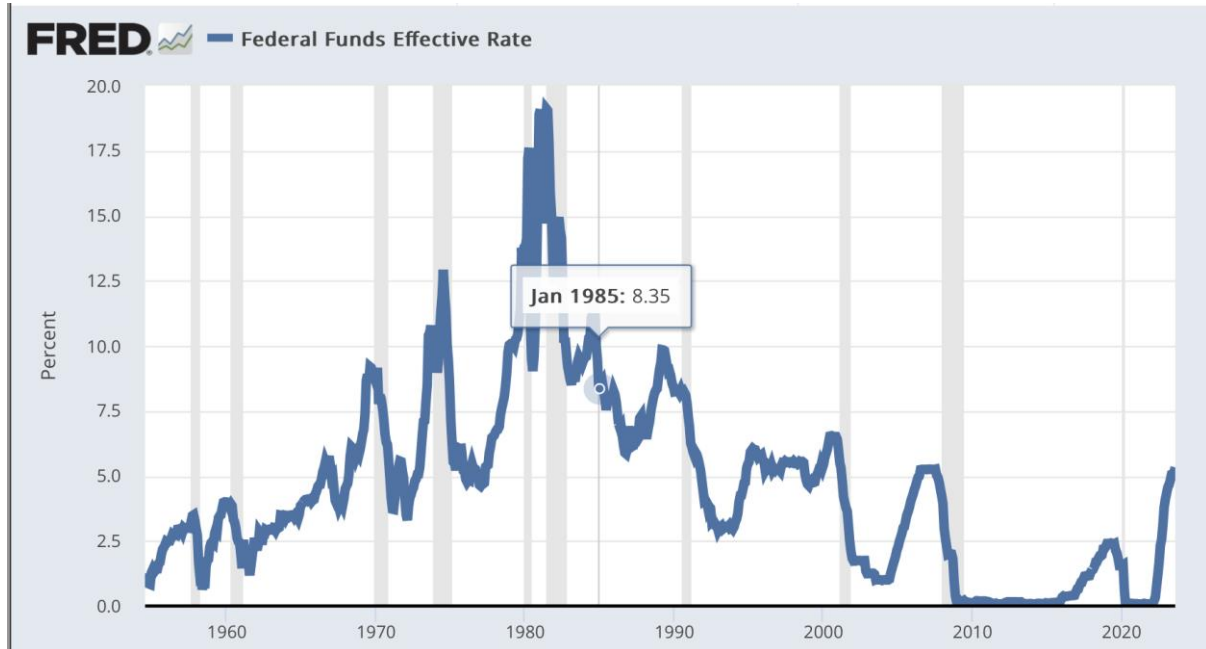


*Source: Ladenburg Thalmann - calculated as three year average realized gains as proportion of average cost
 SAR data excludes legacy investments not originated by Saratoga management

700 million of debt on 1 billion of what they say the investments are worth. Hm, maybe as a bond holder you get paid first, but the risks are there... I wouldn't sleep well with an 8% yield.

REITs

In a recent interview, [Nassim Taleb discussed](#) how real estate is extremely risky given the 100 trillion value based on valuation that isn't realistic with a 5% interest rate. The thing is that interest rates went nothing but down for 40 years, since when REITs got traction.



If interest rates persist a bit higher than expected, real estate could get risky. But, keep in mind, every REIT is different and thus also carries different risks.

REITs are usually leveraged real estate investment vehicles and thus depend on interest rates for the leverage and also real estate valuation. For example, if the capital yield is 4%, you need to pay \$1 billion for a property giving you \$40 million a year. If you can borrow \$1 billion at 3%, you make \$10 million per year. However, if interest rates go to 8%, your borrowing costs go up and the value of the property goes down to \$0.5 billion!!! That is the risk of investing in real estate.

Now, let's see individually about the risks and reward of REITs in this portfolio.

Apollo Commercial Real Estate Finance - 13% Dividend

**Apollo
Commercial
Real Estate**



Real estate investment trust company

apollocref.com

Apollo Commercial Real Estate Finance, Inc. (NYSE: ARI) is a real estate investment trust that primarily originates, acquires, invests in and manages performing commercial first mortgage loans, subordinate financings and other commercial real estate-related debt investments. 12 hours ago

A REIT managing loans etc. Hm,,,

Market Summary > Apollo Commercial Real Estate Financ Inc

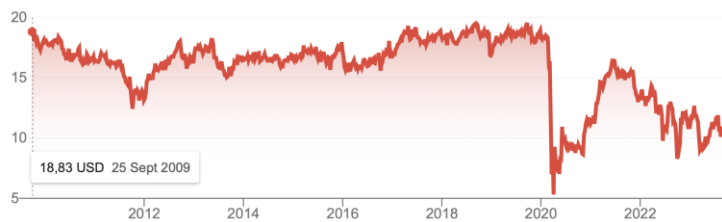
10,68 USD

[+ Follow](#)

-8.15 (-43.28%) ↓ all time

12 Sept, 16:00 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	10,65	Mkt cap	1,51B	52-wk high	12,74
High	10,80	P/E ratio	14,46	52-wk low	7,91
Low	10,62	Div yield	13,11%		

we have \$7,1 billion of debt, on \$9.3 billion of assets. The question is, can interest rates move against the company?

Consolidated Balance Sheets

(in thousands - except share data)

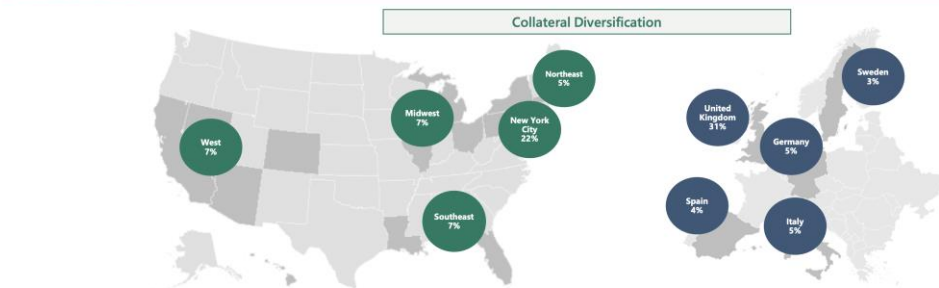
	June 30, 2023	December 31, 2022
Assets:		
Cash and cash equivalents	\$308,052	\$222,030
Commercial mortgage loans, net ^{a,c}	7,831,859	8,121,109
Subordinate loans and other lending assets, net ^{b,c}	463,569	560,881
Real estate owned, held for investment, net	478,581	302,688
Other assets	135,731	70,607
Assets related to real estate owned, held for sale	79,021	162,397
Derivative assets, net	63,546	128,640
Total Assets	\$9,360,359	\$9,568,352
Liabilities and Stockholders' Equity		
Liabilities:		
Secured debt arrangements, net	\$5,365,427	\$5,296,825
Senior secured term loan, net	761,605	763,813
Senior secured notes, net	495,238	494,844
Convertible senior notes, net	185,869	229,361
Accounts payable, accrued expenses and other liabilities ^d	165,473	227,360
Debt related to real estate owned, held for investment, net	160,928	160,294
Participations sold	-	25,130
Payable to related party	9,390	9,728
Liabilities related to real estate owned, held for sale	1,438	6,493
Total Liabilities	\$7,145,368	\$7,213,848
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, Series B-1, 6,770,393 shares issued and outstanding (\$169,260 liquidation preference) in 2023 and 2022	\$68	\$68
Common stock, \$0.01 par value, 450,000,000 shares authorized, 141,343,177 and 140,595,995 shares issued and outstanding in 2023 and 2022, respectively	1,413	1,406
Additional paid-in-capital	2,718,920	2,716,907
Accumulated deficit	(505,410)	(363,877)
Total Stockholders' Equity	\$2,214,991	\$2,354,504
Total Liabilities and Stockholders' Equity	\$9,360,359	\$9,568,352

a) Includes \$7,498,831 and \$7,482,658 pledged as collateral under secured debt arrangements in 2023 and 2022, respectively.
 b) Includes \$203,148 and \$191,608 pledged as collateral under secured debt arrangements in 2023 and 2022, respectively.
 c) Net of \$225,276 and \$159,724 CECL Allowances in 2023 and 2022, respectively, comprised of \$193,000 and \$133,500 Specific CECL Allowance and \$32,276 and \$26,224 General CECL Allowance, respectively.
 d) Includes \$4,834 and \$4,347 of General CECL Allowance related to unfunded commitments on commercial mortgage loans, subordinate loans and other lending assets, net in 2023 and 2022, respectively.
 See footnotes on page 22

if there is a crisis, it will be ugly, if not, it will be good:

Loan Portfolio Overview (cont'd)

(\$ in mm)	United Kingdom	New York City	Other Europe	West	Southeast	Midwest	Northeast	Other ^a	Total ¹¹
Hotel	\$182 / 2%	\$146 / 2%	\$613 / 7%	\$437 / 5%	\$365 / 4%	\$57 / 1%	\$9 / 0%	\$129 / 2%	\$1,938 / 23%
Office	404 / 5%	433 / 5%	498 / 6%	-	-	190 / 2%	-	-	1,524 / 18%
Retail	888 / 11%	250 / 3%	39 / 0%	86 / 1%	15 / 0%	98 / 1%	-	37 / 0%	1,414 / 17%
Residential	224 / 3%	872 / 10%	-	72 / 1%	33 / 0%	84 / 1%	46 / 1%	75 / 1%	1,406 / 17%
Mixed Use	493 / 6%	145 / 2%	-	-	-	-	-	-	639 / 8%
Healthcare	161 / 2%	-	-	4 / 0%	10 / 0%	14 / 0%	368 / 4%	13 / 0%	570 / 7%
Industrial	-	-	288 / 3%	-	-	-	-	-	288 / 3%
Other ^b	208 / 3%	-	-	-	134 / 2%	107 / 1%	33 / 0%	67 / 1%	550 / 7%
Total ^{11,12}	\$2,560 / 31%	\$1,846 / 22%	\$1,439 / 17%	\$599 / 7%	\$557 / 7%	\$550 / 7%	\$455 / 5%	\$322 / 4%	\$8,328 / 100%
General CECL Reserve									(\$32)
Carrying value, net ¹¹									\$8,295



a) Other geographies include Southwest (2%), Mid-Atlantic (1%), and Other (<1%)
 b) Other property types include Parking Garages (3%), Caravan Parks (5%) and Urban Predevelopment (1%)
 Note: Map does not show locations where percentages are 2% or lower
 See footnotes on page 22

Hard for me to assess, but I am thinking that there cannot be a competitive advantage in the above diversification, it is all market prices for the risks, and we haven't seen a RE crisis since 2009.

Arbor Realty Trust, Inc. 10.74%

There is already the bond in the portfolio, the risks are there...

Ares Commercial Real Estate Corporation 12.64%

Market Summary > Ares Commercial Real Estate Corp

10,44 USD

+ Follow

-7.38 (-41.41%) ↓ all time

12 Sept, 16:00 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	10,44	Mkt cap	565,18M	52-wk high	13,42
High	10,55	P/E ratio	-	52-wk low	7,52
Low	10,42	Div yield	12,64%		

More debt related investments:

Ares Commercial Real Estate Corporation

Focused on directly originating and managing a diversified portfolio of commercial real estate debt-related investments.

The unlevered yield on their portfolio is almost at 10%.

Loans Held for Investment Portfolio Details

(\$ in millions)											
#	Loan Type	Location	Origination Date	Current Loan Commitment	Outstanding Principal	Carrying Value	Interest Rate	SOFR Floor	Unleveraged Effective Yield	Maturity Date	Payment Terms ¹
Office Loans:											
1	Senior	IL	Nov 2020	\$156.8	\$156.8	\$154.0	(2)	1.5%	7.4% ²	Mar 2025	I/O
2	Senior	Diversified	Jan 2020	122.3	122.2	122.0	S+3.75%	1.6%	9.1%	Jan 2024	P/I
3	Senior	AZ	Sep 2021	115.7	79.1	78.7	S+3.61%	0.1%	9.2%	Oct 2024	I/O
4	Senior	NY	Jul 2021	81.0	72.2	71.7	S+3.95%	—%	9.5%	Aug 2025	I/O
5	Senior	NC	Mar 2019	68.8	68.8	68.7	S+4.35%	2.3%	9.8%	Mar 2024	P/I
6	Senior	NC	Aug 2021	85.0	68.0	67.7	S+3.65%	0.2%	9.2%	Aug 2024	I/O
7	Senior	IL	May 2018	58.9	56.9	52.5	S+3.95%	2.0%	—% ³	Dec 2023	I/O
8	Senior	IL	Dec 2022	56.0	56.0	55.6	S+4.25%	3.0%	9.9%	Jan 2025	I/O
9	Senior	GA	Nov 2019	48.6	48.6	48.5	S+3.15%	1.9%	8.6%	Dec 2023	P/I
10	Senior	MA	Apr 2022	82.2	38.1	37.5	S+3.75%	—%	9.5%	Apr 2025	I/O
11	Senior	CA	Oct 2019	33.2	33.2	31.9	S+3.45%	1.9%	—% ³	Nov 2023	I/O
12	Senior	CA	Nov 2018	22.9	22.9	22.8	S+3.50%	2.3%	8.9%	Nov 2023	I/O
13	Subordinate	NJ	Mar 2016	18.5	18.5	16.8	12.00%	—%	—% ³	Jan 2026	I/O
Total Office				\$949.9	\$841.3	\$828.4					

But, who will survive a difficult environment paying 10%??? Risky, but maybe I don't know...

Essential Properties Realty Trust - 4.665 Yield

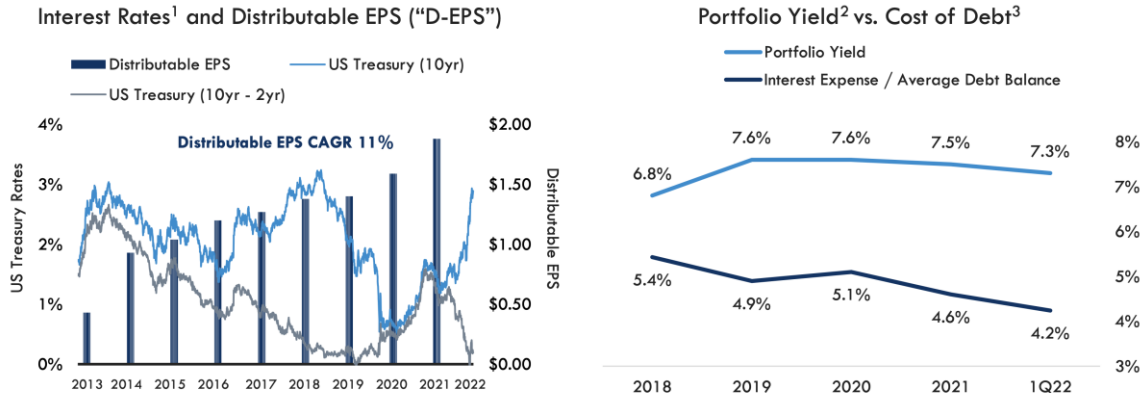
A low leveraged REIT, thus also the dividend yield is very low due to the lower risk.

(In thousands, except share and per share amounts)	June 30, 2023	December 31, 2022
	(unaudited)	(audited)
ASSETS		
Investments:		
Real estate investments, at cost:		
Land and improvements	\$ 1,370,069	\$ 1,228,687
Building and improvements	2,684,807	2,440,630
Lease incentive	17,681	18,352
Construction in progress	59,570	34,537
Intangible lease assets	87,946	88,364
Total real estate investments, at cost	4,220,073	3,810,570
Less: accumulated depreciation and amortization	(318,862)	(276,307)
Total real estate investments, net	3,901,211	3,534,263
Loans and direct financing lease receivables, net	227,405	240,035
Real estate investments held for sale, net	4,617	4,780
Net investments	4,133,233	3,779,078
Cash and cash equivalents	14,108	62,345
Restricted cash	—	9,155
Straight-line rent receivable, net	92,135	78,587
Derivative assets	47,865	47,877
Rent receivables, prepaid expenses and other assets, net	25,481	22,991
Total assets	\$ 4,312,822	\$ 4,000,033
LIABILITIES AND EQUITY		
Unsecured term loans, net of deferred financing costs	\$ 1,026,053	\$ 1,025,492
Senior unsecured notes, net	395,566	395,286
Revolving credit facility	—	—
Intangible lease liabilities, net	11,399	11,551
Dividend payable	43,705	39,398
Derivative liabilities	657	2,274
Accrued liabilities and other payables	28,182	29,261
Total liabilities	1,505,562	1,503,262
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, \$0.01 par value; 150,000,000 authorized; none issued and outstanding as of 6/30/23 and 12/31/22	—	—
Common stock, \$0.01 par value; 500,000,000 authorized; 155,172,501 and 142,379,655 issued and outstanding as of 6/30/23 and 12/31/22, respectively	1,552	1,424
Additional paid-in capital	2,863,857	2,563,305
Distributions in excess of cumulative earnings	(109,466)	(117,187)
Accumulated other comprehensive loss	42,785	40,719
Total stockholders' equity	2,798,728	2,488,261
Non-controlling interests	8,532	8,510
Total equity	2,807,260	2,496,771
Total liabilities and equity	\$ 4,312,822	\$ 4,000,033

\$4 billion of assets on 1.5 billion of liabilities with 2.5 billion of equity.

Hannon Armstrong Sustainable Infrastructures 7.3%


DISTRIBUTABLE EPS GROWTH ACROSS VARIETY OF INTEREST RATE MARKETS



A good example of what REITs are - as long as the yield is there and above the cost of debt, all great....

Will that ever change? Hm...

Omega Health Care 8.61%



OMEGA SNAPSHOT (NYSE:OHI)

1992 Year Listed	\$10.3B Total RE Investments	\$12.9B Enterprise Value
66 Operators	893 Properties (US & UK)	88,322 Number of Beds
BBB- Investment Grade	49% 5-Year TSR	8.7% Dividend Yield

For source information see page 60 onwards

INVESTOR PRESENTATION | 5

Attractive Investment Opportunity

INCOME STOCK
Dividend Yield of 8.7%

VALUE STOCK
Trades at 9.6x AFFO

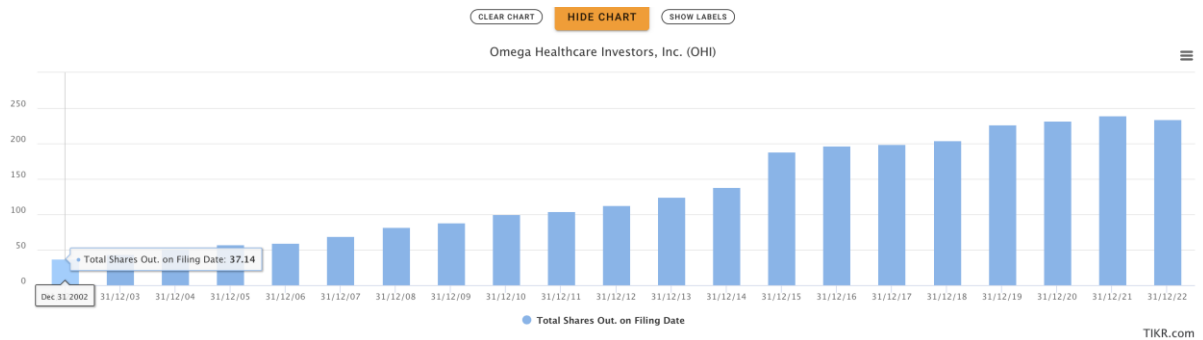
GROWTH STOCK
Annualized AFFO Growth of 7.0% since 2004

OMEGA

Information provided as of June 30th, 2023

SOURCE INDEX INVESTOR PRESENTATION | 15

AFFO (funds from operations) growth 7% but number of shares up 7X too.



Unfortunately, we are getting older>...

Demographic Tailwinds Expected to Drive Occupancy Growth For the Next 20 Years

The SNF industry has been battling with unfavorable demographics for more than a decade with the aging of the "baby bust" generation

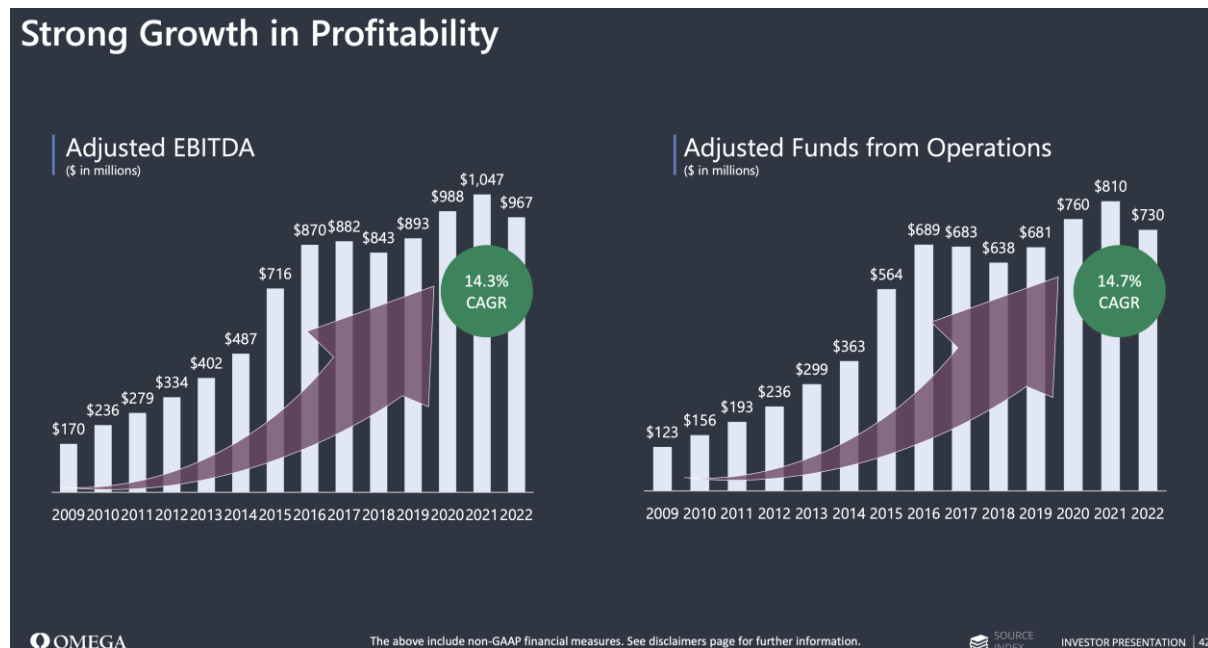
Based on birth rates beginning in the 1940s and current SNF utilization information, we believe the industry is at the beginning of a 20+ year secular tailwind. This belief is based on:

- 1 Medicare utilization of SNFs materially increases from 75 years old
- 2 This utilization increases through their late 80s
- 3 "Baby boomers" started turning 75 in 2016
- 4 The age 75+ cohort will grow on both an absolute and relative basis through at least 2040 as the baby boomers replace the baby bust generation within the 75+ population

OMEGA

INVESTOR PRESENTATION | 37

Hm, things have been more or less flat since 2016.



hm, 5x to EBITDA is significant leverage.



Effective Balance Sheet Management Provides Financial Flexibility

CONSERVATIVE CAPITALIZATION	SIGNIFICANT LIQUIDITY	FINANCIAL FLEXIBILITY	DIVIDEND PAYOUT RATIOS
Debt to adjusted Normalized EBITDA ratio: 5.11x	Availability under \$1.45B revolving credit facility: ~\$1.38B Well-laddered debt maturities: No material maturities until April 2024	Minimal encumbered assets: 4.9% <small>Of gross real estate assets are encumbered</small> Funded Debt to TAV: 48% <small>(Determined pursuant to bond covenants)</small> Adjusted Fixed Charge Ratio >1.5x: 4.1x	AFFO Payout Ratio: 90.0% FAD Payout Ratio: 95.4% Consistent dividend increases: \$0.67 <small>(\$2.68 annualized)</small>

OMEGA The above include non-GAAP financial measures. See disclaimers page for further information. SOURCE INDEX INVESTOR PRESENTATION | 53

58% debt to book is also high, 40% is considered ok.

Strong Balance Sheet and Secure Credit Ratings

 BBB- <hr/> S&P Global Ratings <hr/> FitchRatings	Funded Debt/Adj. Ann. EBITDA	5.13x	 Baa3 <hr/> MOODY'S
	Adj. EBITDA/Total Interest Expense Ratio	4.1x	
	Adj. Total Debt/Adj. Book Capitalization	58.3%	
	Adj. EBITDA/Fixed Coverage Ratio	4.1x	
	Adj. Total Debt/Total Market Capitalization	41.2%	
	2Q23 Funds Available for Distribution per share	\$0.70	

Ok, 7%, but with no growth.

PennyMac Mortgage Investment Trust 11.94%

more mortgage loans

PennyMac Mortgage Investment Trust is a real estate investment trust that invests primarily in residential mortgage loans and mortgage-related assets. PMT is externally managed by PennyMac Financial Services, Inc.



PennyMac Mortgage Investment Trust

<https://pmt.pennymac.com> › ...

You get paid until the party stops.

Market Summary > PennyMac Mortgage Investment Trust

12,76 USD

-6.04 (-32.13%) ↑ all time

Closed: 12 Sept, 17:21 GMT-4 • Disclaimer
Pre-market 12,70 -0,060 (0,47%)

+ Follow

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	12,79	Mkt cap	1,11B	52-wk high	15,78
High	13,05	P/E ratio	20,84	52-wk low	10,78
Low	12,75	Div yield	12,54%		

Realty Income

Stock down since 2019, so a dividend investment, likely nothing wrong with it, but don't expect miracles.

Market Summary > Realty Income Corp

55,15 USD

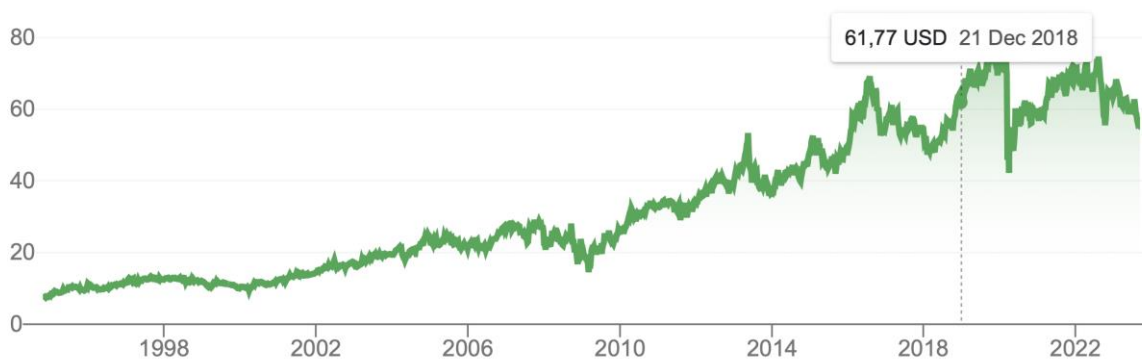
+ Follow

+46.80 (560.48%) ↑ all time

Closed: 12 Sept, 18:04 GMT-4 • Disclaimer

Pre-market 55,20 +0,050 (0,091%)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	55,15	Mkt cap	39,09B	52-wk high	68,85
High	55,34	P/E ratio	41,05	52-wk low	54,76
Low	54,92	Div yield	5,56%		

Investing in Bellagio at a \$5.1. billion valuation.



BELLAGIO LAS VEGAS

\$950 MILLION CASH INVESTMENT IN AN ICONIC ASSET

EXPECTED TO CLOSE 4Q 2023



August 25, 2023

5.2% cap rate, if the cap rate goes down for whatever reason and the cost of debt goes up, you are in trouble.

REALTY INCOM

Transaction Overview: Trophy Asset with Undeniably Attractive Residual Value

LONG-TERM TRIPLE NET LEASE WITH FAVORABLE ORGANIC GROWTH AND CAPEX REQUIREMENTS		
Asset Valuation	\$5.1 billion ⁽¹⁾ at 5.2% cap rate	
Lease Term	30-year initial term (26 years remaining)	
Contractual Rent Escalators	Next six years: 2.0% / Then greater of 2.0% or CPI (capped at 3.0% in years 11-20 and 4.0% in years 21-30)	
Renewal Options	Two 10-year options with fair market resets at each extension ⁽²⁾	
Capex Requirement	Years 1-4: 5.0% of revenues (original minimum of \$275 million from 2020 to 2023E) Years 5-12: 3.0% of revenues / Years 13-20: 3.5% of revenues / Years 21+: 4.0% of revenues	
IRREPLACEABLE LOCATION IN THE CENTER OF LAS VEGAS STRIP AND ATTRACTIVE CASH FLOW COVERAGE		
Time Period	March 31, 2023	December 1, 2019
TTM Property NOI	\$735 million ⁽³⁾	\$474 million ⁽⁴⁾
Cash Flow Coverage	2.8x ⁽⁵⁾	1.9x ⁽⁵⁾
LEADING GLOBAL GAMING OPERATOR		
Client	MGM Resorts International	
Corporate Liquidity	\$5.5 billion liquidity for U.S. segment ⁽⁶⁾	

All good, but no edge. Buffett doesn't invest in REITs.

STAG Industrial 4%

Market Summary > Stag Industrial Inc

36,38 USD

+ Follow

+24.13 (196.98%) ↑ all time

Closed: 12 Sept, 18:38 GMT-4 • Disclaimer
Pre-market 36,50 +0,12 (0,33%)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	36,47	Mkt cap	6,54B	52-wk high	38,83
High	36,67	P/E ratio	33,64	52-wk low	26,56
Low	36,31	Div yield	4,04%		

VICI properties

This is an interesting one! Investing in casinos, all good,

VICI **VICI Properties Inc**
NYSE: VICI

Overview

Compare

Financials

Market Summary > VICI Properties Inc

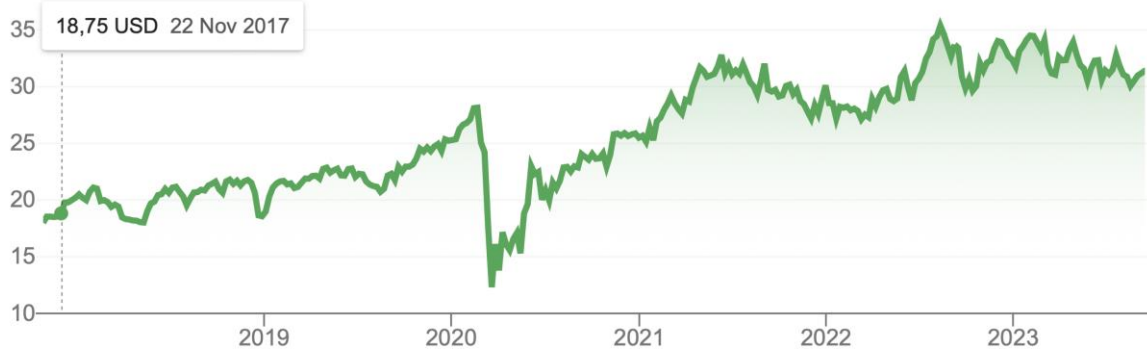
31,41 USD

+ Follow

+13.41 (74.50%) ↑ all time

12 Sept, 16:03 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	31,25	Mkt cap	31,83B	52-wk high	35,07
High	31,57	P/E ratio	14,47	52-wk low	29,29
Low	31,24	Div yield	5,28%		

But, read the following:

Vici Properties Inc. is a real estate investment trust specializing in casino properties, based in New York City. It was formed in 2017 as a spin-off from Caesars Entertainment Corporation as part of its bankruptcy reorganization. [Wikipedia](#)

Founded: October 6, 2017, [United States](#)

It is not always everything great!!! These are the risks...

W P Carey

Market Summary > WP Carey Inc

63,02 USD

+ Follow

+41.39 (191.35%) ↑ all time

12 Sept, 16:00 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	63,18	Mkt cap	13,48B	52-wk high	85,94
High	63,28	P/E ratio	17,65	52-wk low	62,68
Low	62,68	Div yield	6,79%		

same game as other REITs.

BDCs

Business Development Company



A Business Development Company is a form of unregistered closed-end investment company in the United States that invests in small and mid-sized businesses. This form of company was created by the US Congress in 1980 in the amendments to the Investment Company Act of 1940. [Wikipedia](#)

Ares Capital corporation

Market Summary > Ares Capital Corporation

19,62 USD

+ Follow

+4.32 (28.24%) ↑ all time

Closed: 12 Sept, 17:54 GMT-4 • Disclaimer

Pre-market 19,68 +0,060 (0,31%)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	19,71	Mkt cap	10,94B	52-wk high	20,17
High	19,73	P/E ratio	11,99	52-wk low	16,53
Low	19,62	Div yield	9,79%		



Ares Capital Corporation (NASDAQ: ARCC) is the largest publicly traded business development company¹ in the U.S. and focuses on providing direct loans and other corporate investments to private middle market companies

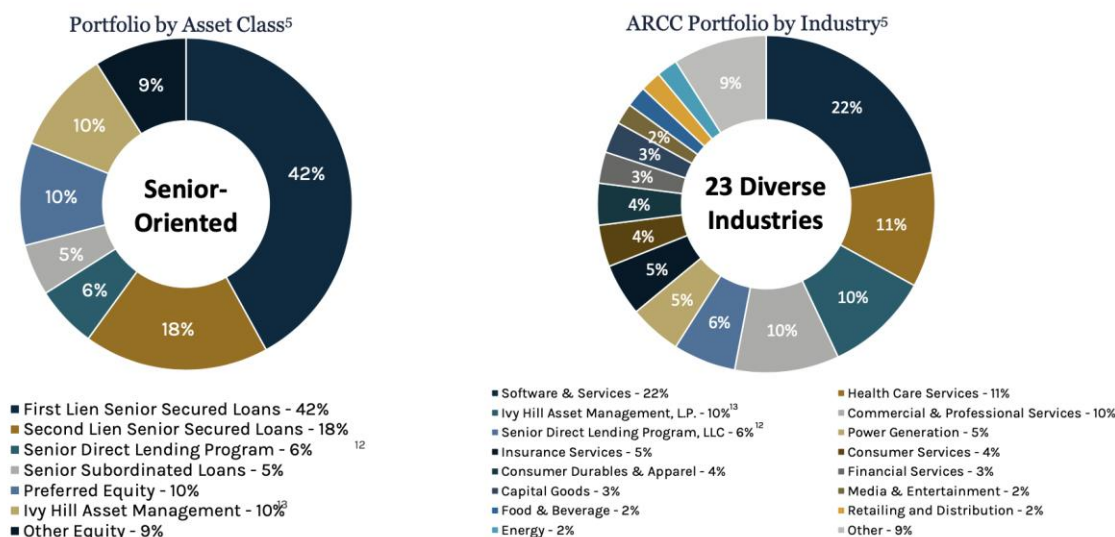
Key Statistics



A Market Leading Company in Direct Lending



Diverse Portfolio by Asset Class and Industry¹¹



All information as of June 30, 2023, unless otherwise noted. Past performance is not indicative of future results. There is no assurance that dividends will continue to be paid at these levels or at all. Refer to endnotes and Index Definitions for additional important information.

www.arescapitalcorp.com

Mostly credit:

Ares Management

» With approximately \$378 billion in assets under management, Ares Management Corporation is a global alternative investment manager operating an integrated platform across five business groups

Profile	
Founded	1997
AUM	\$378bn
Employees	~2,640
Investment Professionals	~910
Global Offices	35+
Direct Institutional Relationships	~1,980
Listing: NYSE - Market Capitalization	\$30.2bn ¹

Global Footprint²



The Ares Differentiators

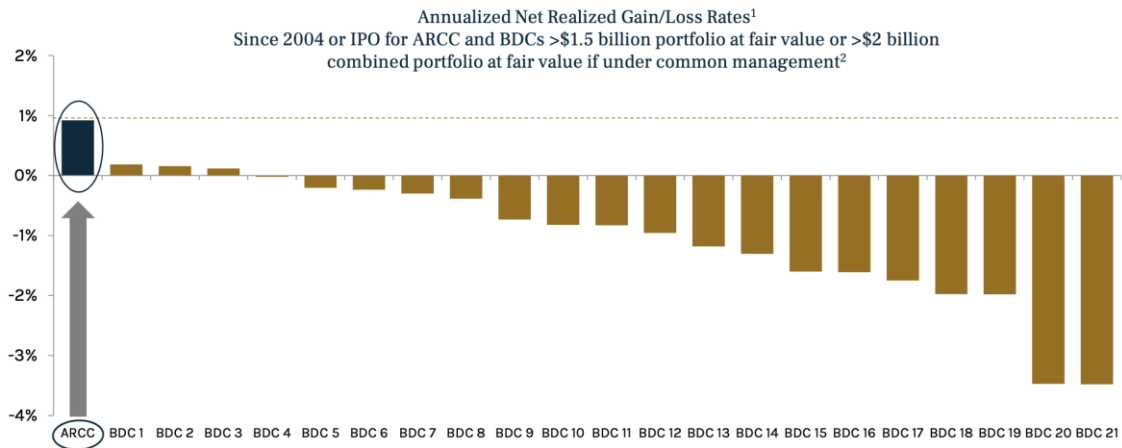
Power of a broad and scaled platform enhancing investment capabilities	Deep management team with integrated and collaborative approach
20+ year track record of compelling risk adjusted returns through market cycles	A pioneer and leader in leveraged finance, private credit and secondaries

	Credit	Private Equity	Real Assets	Secondaries	Other Businesses
AUM	\$250.1bn	\$35.5bn	\$64.8bn	\$23.0bn	\$4.2bn
Strategies	Direct Lending	Corporate Private Equity	Real Estate Equity	Private Equity Secondaries	Ares Insurance Solutions ³
	Liquid Credit	Special Opportunities	Real Estate Debt	Real Estate Secondaries	Ares Acquisition Corporation
	Alternative Credit		Infrastructure Opportunities	Infrastructure Secondaries	
	APAC Special Situations		Infrastructure Debt	Credit Secondaries	

what? Most BDCs lose money over time, only ARCC is good:

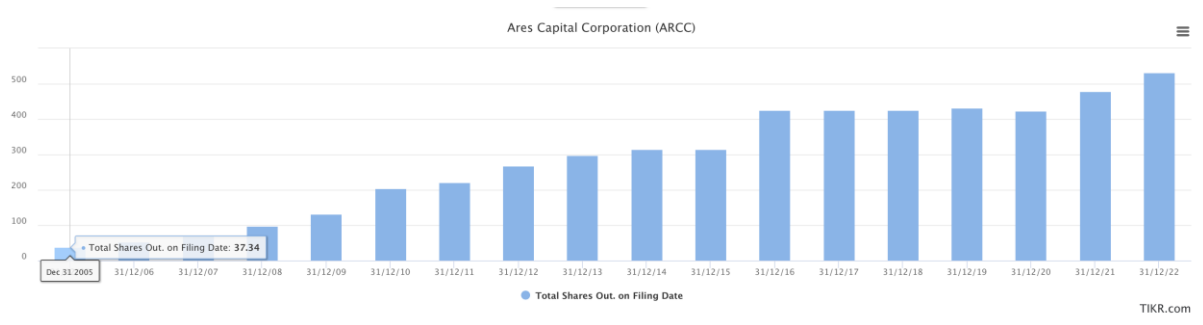
Strong Investment Performance

» ARCC has generated strong net realized gains relative to the BDC peer group



ARCC has generated net realized gains since inception

All good, but the problem starts when there is no market for what they do, from financing to other.



How big is the door to get out of the mid-market lending theatre. I don't know, but the dividend yield is there to cover the risks.

Capital Southwest INC - 10%

Same business as Ares above, similar yield:

Capital Southwest - Middle market lending and support ...

Capital Southwest (NASDAQ: CSWC), is an internally-managed, credit-focused BDC that is an active capital provider to lower middle market companies across ...

Hercules Capital Inc - 10%

Venture lending:

Market Summary > Hercules Capital Inc

16,09 USD

+ Follow

+3.51 (27.90%) ↑ all time

12 Sept, 16:00 GMT-4 • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	16,18	Mkt cap	2,45B	52-wk high	18,05
High	16,19	P/E ratio	7,25	52-wk low	10,94
Low	16,04	Div yield	9,94%		

we have been in an extremely hot market for startups, ventures etc..

Mainstreet capital - 7% - more middle market debt

Market Summary > Main Street Capital Corp

40,65 USD

+ Follow

+25.65 (171.00%) ↑ all time

Closed: 12 Sept, 16:01 GMT-4 • Disclaimer

Pre-market 40,65 0,00 (0,00%)

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



Open	40,71	Mkt cap	3,35B	52-wk high	43,15
High	40,87	P/E ratio	9,19	52-wk low	31,66
Low	40,56	Div yield	6,94%		

Balance sheet looks ok.

MAIN Balance Sheet Summary

(\$ in 000's, except per share amounts)	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23
LMM Portfolio Investments	\$ 1,816,255	\$ 1,910,915	\$ 2,060,459	\$ 2,112,619	\$ 2,170,226
Private Loan Investments	1,309,020	1,476,934	1,471,466	1,491,395	1,499,310
Middle Market Portfolio Investments	363,468	354,286	329,119	306,243	295,853
Other Portfolio Investments	108,846	117,010	116,299	116,067	111,184
External Investment Manager	118,320	112,490	122,930	132,650	133,970
Short-term Investments	1,861	1,855	1,904	1,943	—
Cash and Cash Equivalents	43,383	61,158	49,121	39,752	70,886
Other Assets	64,592	100,318	90,587	92,586	138,809
Total Assets	\$ 3,825,745	\$ 4,134,966	\$ 4,241,885	\$ 4,293,255	\$ 4,420,238
Credit Facilities	\$ 380,000	\$ 561,000	\$ 607,000	\$ 564,000	\$ 580,000
SBIC Debentures	343,323	343,618	343,914	328,206	343,943
Notes Payable ⁽¹⁾	1,133,618	1,133,766	1,048,188	1,097,435	1,097,559
Other Liabilities	103,641	117,162	134,197	130,692	143,788
Net Asset Value (NAV)	1,865,163	1,979,420	2,108,586	2,172,922	2,254,948
Total Liabilities and Net Assets	\$ 3,825,745	\$ 4,134,966	\$ 4,241,885	\$ 4,293,255	\$ 4,420,238
Total Portfolio Fair Value as % of Cost	109 %	108 %	109 %	110 %	113 %
Common Stock Price Data:					
High Close	\$ 43.65	\$ 45.28	\$ 39.50	\$ 42.49	\$ 41.17
Low Close	34.59	33.23	32.57	36.87	38.10
Quarter End Close	38.53	33.64	36.95	39.46	40.03

But still, all depends on interest rates! They will likely survive, could be ugly for a while, but that is why the yield is 7%, not 10.



Stable, Long-Term Leverage – Significant Unused Capacity

	Facility	Interest Rate	Maturity	Principal Drawn
<p>MAIN maintains a conservative capital structure, with limited overall leverage and an intentional mix of secured, floating rate revolving debt and unsecured, fixed rate long-term debt</p> <p>Capital structure is designed to correlate to and complement the expected duration and fixed/floating rate nature of investment portfolio assets</p>	\$980.0 million Corporate Facility ⁽¹⁾⁽³⁾	SOFRA+1.875% floating (7.1% ⁽⁴⁾)	August 2027 ⁽¹⁾	\$410.0 million
	\$255.0 million SPV Facility ⁽²⁾⁽³⁾	SOFRA+2.50% floating (7.8% ⁽⁴⁾)	November 2027 ⁽²⁾	\$170.0 million
	Notes Payable	3.00% fixed	Redeemable at MAIN's option at any time, subject to certain make whole provisions; Matures July 14, 2026	\$500.0 million
	Notes Payable	5.20% fixed	Redeemable at MAIN's option at any time, subject to certain make whole provisions; Matures May 1, 2024	\$450.0 million
	Notes Payable	7.74% ⁽⁵⁾ fixed (weighted average)	Redeemable at MAIN's option at any time, subject to certain make whole provisions; Matures December 23, 2025	\$150.0 million
	SBIC Debentures	3.00% fixed (weighted average)	Various dates between 2024 - 2033 (weighted average duration = 5.1 years)	\$350.0 million

Owl Rock Capital Corporation - middle market lending 9.57%

Saratoga Investment Company - did the bond already

TriplePoint Venture Growth - lending 14% !!!

My Conclusion-The Risk and Reward!

The easiest thing to sell to clients is stable income, that is the holy grail that everybody aims for. Just somewhere where I can put my money, get a good yield and not think about it. Unfortunately, such strategies, including a high yield investing strategy, works until it doesn't. Now, you can call me crazy, but I see risks in the above, huge risks, where I wouldn't sleep well if I have my money in the above. Now, I hope nothing happens and this continues as is and I look stupid in a decade, but it is important to mention the risks.

There are 3 pillars to the above portfolio:

- Real Estate, mostly refinancing
- Financing to companies, all extremely high yield
- Cyclicals, some shipping

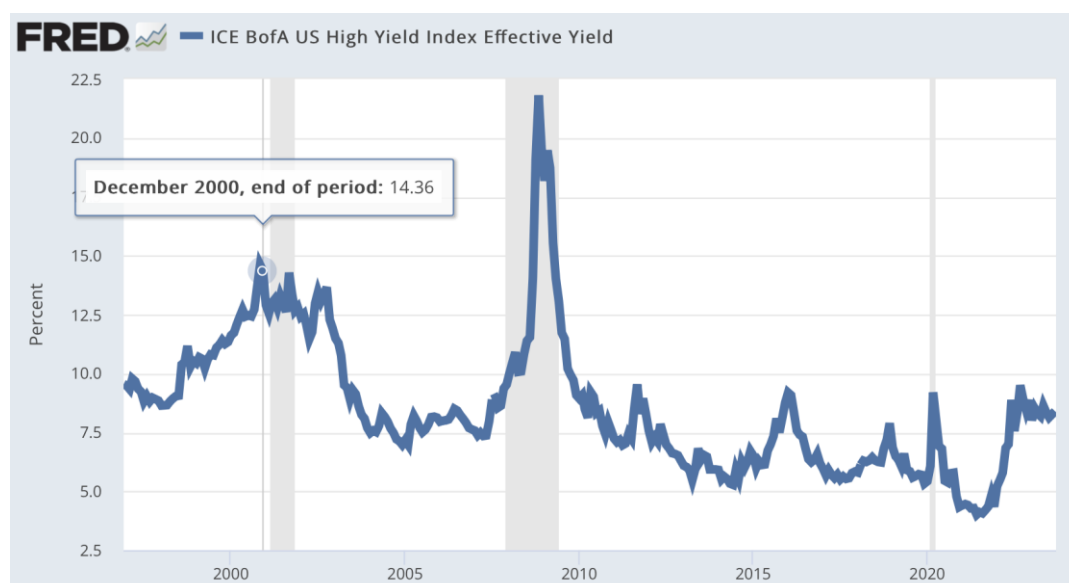
By holding the above, yes, you get out with an average yield of 9%, which is then the reward. After analysing the whole portfolio, growth is not to be expected going forward as all of those are at peak cycle, thus it is most likely harder times ahead (think venture capital, think real estate, think cyclical). So, let's put the reward at fixed 9%, what are the risks?

Given this is mostly a credit portfolio, one might forget that we are in the largest credit bubble in the last 100 years. Thus, the risks you are running while getting paid 9%, is that the credit market related to these high yield (read: junk) instruments gets into issues.

How does that look like?

Well, first, all these companies depend on refinancing, but if the value of the assets you need to refinance is below the refinancing needs, there is nobody willing to give you money, thus you default.

Ok, it is well diversified, but still, if required rates on junk go up, you find yourself with 30 to 50% down, especially given that the last decade has been golden for ventures, credit etc... which are the core components of the portfolio. The current high yield is around 8%, but for a period around 2000, for more than a few years, the high yield was 12%. That would be 50% down on this portfolio. Plus, if there are issues, some would lower payments or not pay at all. Thus, that is a big issue not to forget when investing in high yield.



The high yield of 9% isn't much of a gain compared to 5.5% on short term Treasuries that run no risks for USD denominated investments. So, the risk is higher, but the reward too.

I would personally prefer a lower yield but with a much smaller chance of permanent loss of capital.

To conclude, you are getting a 9% yield here for a reason. The diversification should allow for survival, but it could be lower than expected returns for a long time!

More specific on the risks:

Conclusion on preferred shares

The preferred shares give more certainty to dividend payments but nothing more than that. Thus, are very risky even if the categorization in the portfolio (Risico column) is low.

Print

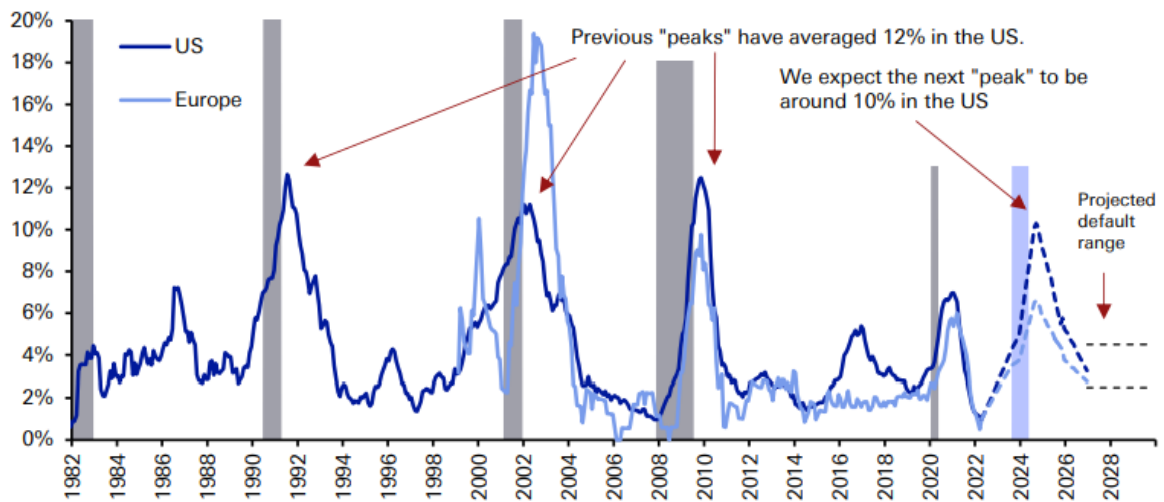
Datum: 24 augustus 2023 Laatste wijziging: 24 augustus 2023	Fonds code	Fonds type	First call dates	Broker*	Actuele koers	Jaar dividend	Dividend rendement	Freq. uitkering	Risico	Bron bel.
CONSERVATIVE										
AGNC Investment Corp. 6.5%	AGNCO	PREF	10/24	L/M	\$23.38	\$1.60	6.84%	K	L	15%
AGNC Investment 7% F2F	AGNCN	PREF	10/22	L/M	\$25.69	\$2.59	10.08%	K	L	15%
ALTA 10% Series A Preferred Stock	ALTG-A	PREF	12/27	L/M	\$25.90	\$2.50	9.65%	K	L	15%
Arbor Realty Trust, 6.25% Series F	ABR-F	PREF	10/26	L/M	\$20.40	\$1.56	7.65%	K	L	15%
B. Riley Financial	RILYZ	Bond	08/23	L/M	\$17.91	\$1.31	7.31%	K	L	0%
Babcock and Wilcox 8.125%	BWSN	Bond	02/22	L/M	\$23.80	\$2.04	8.57%	K	L	0%
Cherry Hill Mortgage Investment 8.25% Fix/Float Series	CHMI-B	PREF	4/24	L/M	\$21.33	\$2.06	9.66%	K	L	15%
Chimera Investment Corp 8% Series	CIM-D	PREF	3/24	L/M	\$21.45	\$2.00	9.32%	K	L	15%
Compass Diversified	CODI-C	PREF	1/25	L/M	\$24.74	\$1.97	7.96%	K	L	0%
Costamare Inc. PFD E	CMRE-E	PREF	1/23	L/M	\$25.28	\$2.20	8.70%	K	L	0%
Gaslog Ltd 8.75 % Pref Perp	GLOG-A	PREF	4/20	L/M	\$24.59	\$2.22	9.03%	K	L	0%
Gladstone Investment Corp. 8.00%	GAINL	Bond	08/25	L/M	\$25.16	\$2.00	7.95%	K	L	0%
Global Ship Lease Pref	GSL-B	PREF	8/19	L/M	\$25.41	\$2.18	8.58%	K	M	0%
Harrow Health	HROWM	Bond	12/24	L/M	\$26.00	\$2.96	11.38%	K	L	0%
Kemper Corporation	KMPB	Bond	03/27	L/M	\$19.25	\$1.47	7.64%	K	L	0%
New York Mortgage Trust - 7.875% Series E	NYMTM	PREF	01/25	L/M	\$22.48	\$1.96	8.72%	K	L	15%
NuStar Logistics L.P., 7.625%	NSS	Bond	1/18	L/M	\$26.30	\$3.07	11.67%	K	M	0%
PennyMac Mortgage Investment Trust	PMT-A	PREF	03/24	L/M	\$22.56	\$2.03	9.00%	K	L	15%
Rithm Capital Corp. 6.375% PFD, F2F	RITM-C	PREF	2/25	L/M	\$20.02	\$1.59	7.94%	K	L	15%
Runway Growth Finance Corp. 8.00% Babybond	RWAYZ	Bond	7/27	L/M	\$24.62	\$2.00	8.12%	K	L	0%
Sachem Capital Corp. 7.125% Note	SCCB	Bond	6/21	L/M	\$25.03	\$1.80	7.19%	K	M	0%
Saratoga 8,125%	SAY	Bond	12/27	L/M	\$25.00	\$2.03	8.12%	K	L	0%
SiriusPoint Ltd 8.0% Series B, F2F	SPNT-B	PREF	02/26	L/M	\$24.91	\$2.00	8.03%	K	M	15%
The Necessity Retail REIT 7.50% PFD A	RTLPP	PREF	3/24	L/M	\$20.29	\$1.88	9.27%	K	L	15%
Tsakos Energy Navigation Pref-E	TNP-E	PREF	5/27	L/M	\$25.10	\$2.31	9.20%	K	M	0%
Two Harbors Investm Corp. 8.125% Series A	TWO-A	PREF	4/27	L/M	\$21.56	\$2.03	9.42%	K	L	15%

All the businesses look ugly from a business perspective and risks, thus if the environment changes, you can easily wipe 50% of the preferred shares in the portfolio.

Conclusion on bonds

Bonds should be the stability of a portfolio, but these are all related to risky businesses. If you look at default rates, you can see how 10% of those could default in a crisis, thus that is already a yield a bit lower plus potential loss of capital. So, it all returns to normal if you paid too much. When the risk of default is high, it might be interesting to invest as things return to normal.

S&P speculative grade issuer default rates and DB's projected path



Source : Deutsche Bank, S&P

Conclusion on REITs

It is simple, low risk REITs have a low yield, higher risk have a higher yield, so investing in REITs now is playing with fire. Not something I specialize in and also not interested given the interest rate situation.

Conclusion on BDCs

The portfolio consists mostly of credit companies offering loans to smaller companies. All these yields around 10% and that is because smaller companies are riskier and therefore the higher yield.

The environment has been great in the past for these, so I am worried how would this look like in bad environments.