

Kiplinger Investing for Income

Strategies to Boost Your Cash Yield

How to Get Paid Properly While You Wait

Cash may not be king, but it sure isn't trash these days. Three-month Treasury bill yields surpassed the S&P 500 dividend yield in June of last year. T-bills next caught up to utilities in August 2022, when bills reached 2.7%—vs. 2.6% at the time for XLU, the giant SPDR utility sector ETF. The Dogs of the Dow were the next domino to fall. The Dogs, the 10 highest-yielding listings within the Dow Jones industrial average, entered 2023 yielding 4.5%. T-bills hit 4.55% on January 9 and have since grown their advantage over the Dogs. By October 13, the canines yielded an average 4.74%, vs. 5.35% for a three-month T-bill. Only 35 S&P 500 stocks yield more than T-bills—mainly banks and utilities whose current yields are up because their prices have plunged.

There are reasonable arguments, based on metrics like price to book value and price to earnings, for why bank and utility shares should be higher in a year. Real estate investment trusts, too. But we explained last month why utilities are downtrodden. Higher deposit rates and the lull in lending strain bank profits, so there is no urgency to redeploy cash reserves to these sectors until business results and investor sentiment recover. We expect a

rally in the prices for intermediate and long-term Treasuries and investment-grade corporate bonds sometime in 2024, but first we envision a couple more quarters of range-bound interest rate action and whipsawing bond

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values. Weaker economic and employment data will nudge the Federal Reserve to ease credit, which will finally give bond traders confidence that interest rates have hit their apex; as we wrote last month, scattered bond folks are “salivating.” But the move will be gradual. Rates “rode an

elevator up,” says FS Investments economist Lara Rhame, “but will take the stairs down.” This year has been a letdown for bond bulls, ourselves included. No wonder you can't watch CNBC or Bloomberg or scan investment blogs and commentaries without hearing calls to keep, or build, cash and other short-term liquid assets to 30% or 40% or even half of your portfolio.

We do not believe all readers, given their assorted personal profiles, should adopt the same asset allocation, so we do not prescribe one. And we maintain the principle that if you are wealthy enough to banish all market risk, you can “take a knee” and, after a yield drought that lasted a decade, finally collect useful interest income. Also, the current discourse about the best percent-

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ages for cash, bonds and stocks skips a key question: Whatever share of savings you opt for, how do you best select among all the options? Your mission starts by establishing what you want your money to accomplish while you wait to invest assertively. That also informs whether you take an expansive or a narrow view of what is acceptable as a cash alternative. Three approaches:

Maximum income. There are ways to exceed 5.3% from the benchmark Vanguard money fund or 5.4% on short-term CDs. The deal is to pick the highest-

paying elements of our Juiced-Up Cash portfolio (see page 8)—the Fidelity Floating Rate and RiverPark CMBS funds—or their equivalents from other providers. Then, if you are all-in, allow a small exception to our definition of quasi-cash as any fund with a duration below 1 (denoting minimal price sensitivity to movements in long-term interest rates) and take a minor position in a short-duration high-yield fund. **PGIM Short Duration High Yield (HYSAX)** distributes 6.1%, and while its duration is between 2 and 3, its 8.6% yield to maturity is so much greater than its duration that it is safe over longer periods. And PGIM runs this fund to take less risk per unit of yield than others in the same category. (As a rule, any fixed-income fund that yields twice its duration provides an ample margin of safety.)

Ironclad capital preservation.

This is a 100% commitment to holdings whose principal does not fluctuate. Any T-bill or note longer than three months does not technically count; however, 30-day and 90-day bills roll over so soon that if their market value goes from 100 to 98.6, who cares? Besides T-bills, you have money market funds, online savings accounts and (if you have access) stable value funds, though those insurance-company portfolios look better when rates are low or falling than when they are high or rising. If mulling a CD ladder, go no longer than one year because three-year and five-year rates are weaker than shorter ones. Fidelity's brokerage site lists a one-year-max CD ladder at 5.45% for three, six, nine and 12

months. That's a fine offer.

High flexibility. Here, you want extra yield but also instant access to your cash. The ideal scenario would be a competitive yield on a checking account, but dream on with that. The closest thing is an online savings account with no fees or restrictions on transfers. That's a matter of going to a site like www.bankrate.com that compares bank accounts, and then reading the details to make sure your cash is accessible with no friction. Another option is simply to build up cash inside your brokerage account. But make sure you are in an actual money market fund with a competitive yield and not a brokerage's proprietary holding tank that pays next to nothing.

A wild card for everyone. While the fund industry cannot and should not deem ultra-short bond funds to be cash, the risk-return and income profiles of funds like **FPA New Income (FPNIX)** and **T. Rowe Price Ultra Short Bond (TRBUX)** align with our objectives. The durations of 0.5 are cash-like. The FPA fund is famous for generating income in all conditions from packages of credit card bills and other loans. It currently yields 5.9%, but even when T-bills paid zero, FPNIX's distributions never fell below 1%, so you can expect to receive a fair spread. So far in 2023, FPNIX has a 3.7% total return—on pace for its best year since 2019. True, you can get more for now from a simple 90-day CD, but this type of fund is both opportunistic and a reliable income source. Just thinking a bit outside the cash box here.

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TELEPHONE: 212-221-9595, ext. 322

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www.kiplinger.com/go/getdigital

Kiplinger Investing for Income (ISSN# 2167-6240)

Published monthly, \$204.00 per year including first-class postage.

Kiplinger is part of Future plc, an international media group and leading digital publisher. Visit our corporate site at futureplc.com.

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Energy Income: More Than Just the Usual

As you know, we revere high-income energy investments, with pipeline partnerships and other pass-throughs heading the list. But do not overlook the opportunities in energy-company bonds and preferred stocks. Currently, these are often priced to yield as much or more than the same issuers' common shares or partnership units. This is a pathway to funnel limitless oil and gas cash flows to the fixed-income side of your 50-50 balanced equity/debt equation. Bonds and preferreds provide a prior claim on revenues and currently offer an extra element of timeliness due to energy companies' rising creditworthiness. Fitch, Moody's and Standard & Poor's have been upgrading energy outfits every week of late, or so it appears. These arbiters usually cite soaring free cash flow and stronger balance sheets, despite occasional new debt.

Moreover, bonds and preferreds expand the field of energy targets for income-first investors. Occidental Petroleum (OXY), whose shares are up 88% over the past three years after a controversial but so far successful takeover of Anadarko Petroleum, financed that \$55 billion buyout in part by slashing its common-stock dividends from 78 cents a quarter to a penny. Oxy now pays out 18 cents, but its 1.1% dividend yield is puny for a profitable oil company—or, honestly, any blue-chip, non-tech firm not named Boeing or Disney. However, as Oxy's shares climbed, the bond market bath did not spare it (or its competitors). **Occidental's 7.95% senior unsecured bonds due in June 2039** sank in price from 130 in late 2022 to 107 now, despite successive credit upgrades that lifted Oxy out of the junk-bond ditch in March to the investment-grade thoroughfare (making it a so-called rising star in the bond universe). That Oxy bond now lists at a yield to maturity of 7.3%, which is a junk yield for a bond that is not junk.

Another example is the freshly issued **7.375% senior notes due 2031 by Viper Energy Partners**, a West Texas oil and gas producer spun off from Diamondback Energy. Viper is rated a step below investment grade but might be in line for a promotion next year, helped by Diamondback's BBB status and Viper's access to its ex-parent's proven reserves. Viper's regular partnership units (VNOM) currently yield 4.9%, based on the latest variable quarterly dis-

tribution. That can grow, so the best plan here may be to own both the debt and the equity.

Even if you are not eager to buy individual bonds in a volatile industry, you can piggyback here with high-yield bond funds. A leading reason high-yield bonds are outgaining higher-quality taxable and tax-free indexes this year is the boost from these rising stars, many of which are in the energy category. Four of the best-performing high-yield mutual funds for 2023—**Brandywine Global High Yield (BGHCX)**, **Hotchkis & Wiley High Yield (HWHIX)**, **Payden High Income (PYHRX)** and **T. Rowe Price High Yield (PRHYX)**—list energy as their largest or second-largest sector (overweight relative to oil and gas's proportion of the high-yield-bond universe). This is yet another endorsement of active management over indexing in high-yield bonds. The same observation holds with leveraged high-yield closed-end funds. A notably energy-heavy CEF is **PHT**, the **Pioneer High Income** fund. It distributes 9.8% without returning capital and has returned 10.4% this year, well above the CEF category average. The fund's discount to net asset value has nevertheless widened to 12%, making it cheaper than usual. Closed-end funds can leave us shaking our heads—and finding oddities like that.

Turning to preferred stocks, the usual idea is to enter at or below \$25 and hold until the earliest call date, if not forever. This area also lets you pair an issuer's equity with its debt (preferreds align with a bond allocation). Energy Transfer Partners and NuStar Energy are two issuers of fixed-to-floating preferreds that in some cases now pay high and floating distributions because interest rates have risen to the point that the issuers will receive no benefit by refinancing into new, fixed-rate preferred shares rather than waiting (or hoping) for the floating rate to float downward. So **ETP-C, Energy Transfer's original 7.375% FTF issue**, pays its holders the three-month LIBOR rate, plus 4.530%. On October 13's close of \$25.50, that works out to 9.9%, and for now that outyields the partnership's regular units' 8.9%. ET has two more preferred series that are soon to float. If you are frustrated by utility stocks but value the industry's stability, utility preferreds often outyield the common shares but also have some price upside if long-term interest rates fall in the future.

Yes, There Are Low-Duration Stocks

Duration is a challenge for long- and intermediate-term bonds. The guideline is that a bond or bond fund will lose principal proportionate to its duration factor when yields rise one percentage point. Because 10-year Treasury rates are up from 3.8% to 4.8% this year, this implies that the Bloomberg Aggregate Bond index, with a duration of 6.3, ought to be off 6.3% before you add in interest income. The Agg's year-to-date total return, a loss of 3%, is true to that. Longer-term Treasuries and municipals are deeper in the red, their durations dwarfing their income, although the duration on newly issued bonds is lower as the coupons go higher.

By contrast, debt with the highest income per unit of duration is doing just fine. This starts with floating-rate loans, which have almost zero duration (because rates adjust every 30 days) and presently yield around 8%. Rising rates are a boon and will remain so until borrower defaults spike. The same principle holds for "asset-backed securities," packages of credit card bills and other short-term obligations; banks are ratcheting the interest rates higher. Funds that own such obligations are therefore insulated from those 10-year Treasury losses. (Eaton Vance publishes *Monthly Market Monitor* on its website with that and copious other duration, yield and performance data. The *Monitor* is free and is the finest package of its kind from any investment company.)

Because bond math expresses

duration in years—since the figure estimates the extent that rising rates erode the value of future cash flows—it is possible to confuse duration with maturity, although they are not the same. Hence, we believe it clarifies matters to show duration as a factor measuring interest rate price sensitivity and a basis for comparing different investment categories and funds within those categories.

And that leads to another idea. Why limit its use to bonds? Should not stocks, REITs and anything else that generates income also have a duration factor? Goldman Sachs and Charles Schwab think so. Both offer lists of low-duration stock sectors. The idea is that if you can count on immediate and recurring cash flow (think groceries, apartments, transportation, etc.), the duration factor is lower than when profits and later dividends depend on the success of products and services not yet in view (think drug companies hoping for breakthroughs). This is why most tech company shares can fall when interest rates rise, even if they are not big bor-

rowers and in fact have huge cash reserves. So just as low duration and high yield work well for loans and credit cards, shouldn't low-duration stocks with good dividends also work well? If they qualify, are they cheap or oversold?

Names on Goldman's filter include Verizon (despite its poor return this year), with a yield of 8.5% now; Valero, yielding 2.8%; various airlines; and most consumer staples companies and traditional regulated utilities. Though it is not on the list, we would think McDonald's, with its rapid cash turnover, qualifies; it just raised dividends 10% for shareholders of record on December 1. That brings its yield on October 13's closing price of \$248 to 2.7%. Obviously, every company has its own issues, so all stocks within these low-duration sectors do not behave the same. But this theme gives us hope that big dividend payers with large everyday cash turnover and depressed share prices—like Verizon and AT&T—can improve before interest rates fall and the bulls leave their pens.

Timely Tactic of the Month

Earlier this year we cited QYLD, a Global X ETF that pairs a Nasdaq 100 index strategy with revenue from selling call options on the index. With the Nasdaq stuck in sideways, QYLD distributes 12.3% and is keeping its NAV in a tight range. Similarly, some closed-end funds with options strategies trade at unusual discounts to NAV, leveraging the option idea. Eaton Vance is a master of this. At \$7.61, **ETW**, the **EV Global Tax-Managed Buy-Write** fund, presents a wild, 12% discount to NAV and the biggest distribution among CEFs, at 9.3%. Some are capital gains and returned capital since funds can report option income as an ROC, but the options hedge volatility while boosting your yield.

Kiplinger 25 for Income

Last month, we added QYLD, the Global X Nasdaq covered-call ETF, and just in time: This month, the higher the distribution, the better the performance (except for Annaly and the Pimco closed-end fund). QYLD held its market value as high covered-call-option income in a sideways market showed its value. JQC, the closed-end Nuveen Credit Strategies Income fund, also hung tough, helped by a boost in its monthly distribution starting in September. And Suburban Propane led the way with a 10% gain, offsetting a comparable loss by Valero. (Spiking crude prices can hurt refiners' profit margins, but usually not for long.) The Fed goes from friend to foe of the bond market by the day, it seems, and a rise in long-term-bond yields knocked 2% to 3% off the NAVs of our bond funds. Rate pressure—or fear—also hurt REITs and utilities and even sent AT&T down 6% after a burst of enthusiasm for that dividend machine a month ago. Finally, ONEOK replaces Magellan Midstream. ONEOK's one-year, 31% return is excellent for the energy-partnership and pipeline-company field. No other changes.

Utility stocks		Price	Yield	Frequency
American Electric Power (AEP)	Traditional electric company serving 11 eastern and southern states	\$74.47	4.5%	quarterly
AT&T (T)	Wireless-service giant that grew out of the former SBC	14.36	7.7	quarterly
American Water (AWK)	Largest investor-owned water utility, serving 16 states	118.04	2.4	quarterly
High-yielding open-end bond funds				
Baird Core Plus Bond (BCOSX)	A rare general bond fund that usually beats its benchmarks handily	10.04	3.3	quarterly
Dodge & Cox Global Bond (DODLX)	A mix of domestic and foreign corporate bonds, mostly denominated in U.S. dollars	10.17	5.0	quarterly
Fidelity Capital & Income (FAGIX)	Creative and aggressive junk bond fund	9.15	5.1	monthly
Hotchkis & Wiley High Yield (HWHAX)	Boutique high-yield fund that concentrates on small companies	9.87	6.0	monthly
Payden Corporate Bond (PYACX)	Actively managed fund emphasizing BBB-rated U.S. corporate debt	9.12	4.2	monthly
TCW Emerging Markets (TGEIX)	A higher-quality approach to emerging markets, with all debt in hard currency	5.84	5.7	monthly
Closed-end mutual funds and ETFs				
AllianceBernstein Global High Income (AWF)	High-yield corporate bonds and government bonds from emerging markets	9.43	8.3	monthly
BNY Mellon Muni Bond Infrastructure (DMB)	A leveraged closed-end fund that likes transportation and hospital bonds	9.99	4.8	monthly
Franklin U.S. Low Vol High Div Index (LVHD)	High-yield stock fund with moderate sensitivity to daily market index swings	33.60	4.3	monthly
Global X Nasdaq 100 Covered Call ETF (QYLD)	High distributions from writing options on Nasdaq stocks	17.13	12.2	monthly
iShares U.S. Preferred ETF (PFF)	This exchange-traded index fund spreads your money in more than 301 preferred stocks	28.92	6.5	monthly
Nuveen Credit Strategies Income (JQC)	A leveraged floating-rate fund that also has some junk bonds	4.96	12.5	monthly
Nuveen Municipal Value (NUV)	This non-leveraged closed-end is an alternative to the BNY Mellon Infrastructure fund	8.22	4.1	monthly
Pimco Corporate & Income Strategy (PCN)	An unusual mixture of high-yield corporate, muni and foreign bonds	11.35	11.9	monthly
Real estate investment trusts				
Annaly Capital Management (NLY)	Borrows cheaply to reinvest in government-guaranteed mortgage securities	17.53	14.8	quarterly
Digital Realty Trust (DLR)	Developer and operator of data centers in the U.S., Canada, Europe and Asia	122.60	4.0	quarterly
Realty Income (O)	Landlord to chain stores and restaurants, also known for 50 years of monthly dividends	50.59	6.8	monthly
Welltower (WELL)	Develops and owns assisted-living facilities, hospitals and medical labs	85.15	2.9	quarterly
Energy investments and partnerships				
Brookfield Infrastructure Partners (BIP)*	Owns toll highways, ports and transmission lines	25.98	5.9	quarterly
ONEOK (OKE)*	Major diversified energy infrastructure partnership	69.12	5.5	quarterly
Suburban Propane Partners (SPH)*	Propane distributor normally yields substantially more than junk bonds	16.32	7.9	quarterly
Valero Energy (VLO)	World's largest independent refiner	126.05	3.2	quarterly

Funds in italics pay tax-exempt income. Investments with an asterisk (*) are partnerships. Prices and yields as of October 13, 2023. SOURCES: Fund companies, Morningstar Inc., Yahoo.



Ask Jeff

Readers are invited to send questions about income investments to jkosnett@kiplinger.com. I'll answer you personally if there's no space here for a published reply.

Dear Jeff:

I know you do not advocate timing the markets. But since you (and your sources) expect bonds to rally by next year, what is the best vehicle to put me in position to benefit when these high Treasury yields fall?

David

Dear David:

That depends on just how much principal risk you wish to take here. A leveraged, high-quality closed-end bond fund with a long duration would be the obvious choice, though these types of funds do not usually concentrate on government bonds. But BHK, the Black Rock Core fund, checks many boxes: A duration of 10; a portfolio with about 30% in Treasuries and government mortgages; 35% leverage; a 3% discount to net asset value; and a 6% income-only distribution (there are also small returns of capital). TLT, an exchange-traded fund that owns only the longest-term Treasuries, is another high-wire vehicle if you want to position yourself for an eventual rise in long-term bond prices. Or you could simply accumulate new-issue long-term bonds from Treasury Direct or via your broker and figure on selling them if you can grab a capital gain someday, while collecting the respectable interest they pay in the meantime.

Dear Jeff:

Most bonds I am interested in are "continuously callable" without providing a schedule for when they are subject to being called. How does this feature affect an investor who wants to lock in an income stream for 10 years? And how can these listings indicate the same yield to maturity and yield to worst? That makes no sense.

Robert

Dear Robert:

In theory, if long-term rates plunge drastically, investment-grade bond issuers with 6% or heavier coupons will be motivated to redeem them and refinance. However, most such bonds are "make-whole call" bonds. That guarantees you cannot be forcibly redeemed below par value and in case of a call entitles you to receive the present value of all interest due on the original schedule. Thus, these bonds are rarely redeemed. As for posted yields, a few bonds that are immediately callable with no such protections and trade at a premium to par are in fact listed at a lower yield to worst (what you would get if the bond is called at the first opportunity) than to maturity. It is right to avoid them. And many corporate bonds offered in the secondary market are not callable. That explains why, for example, Walmart never redeemed its 6.2%

30-year bonds due in 2038 during the many years when rates were minuscule and the retail giant could sell new bonds at half that rate.

Dear Jeff:

What is going on with Realty Income? It has fallen back to the level of the early pandemic. What has it done to deserve this punishment?

Tom

Dear Tom:

A few days after you wrote, Realty Income (a longtime and possibly permanent member of the Kiplinger Income 25) dipped below \$50 per share for the first time since the general COVID-19 market scare of early 2020. It had been in a steady trading range between the high \$50s and low \$70s from 2015 until this summer. I can point to three problems for it now: Several analysts slammed the REIT and cut their price targets because Realty Income is diverging from its sole focus on freestanding national-brand retail sites and wandering into casinos and wineries and the United Kingdom in a quest for higher initial yields (called cap rates) on acquisitions. Also, some key retail tenants, such as Dollar General and Walgreens, are struggling these days, which crimps Realty Income's rent growth and property value prospects. Finally, Realty Income needs to refinance billions of dollars of 4% debt starting next year; the longer interest rates stay high, the more that cuts into funds available for distribution to investors. That said, the net asset value per share is around \$60, and the current yield is over 6%. It is too late to sell now.

What's New in Cash

October's surprise is a good one. The amazement through mid month is that the financial markets, led by U.S. stocks, did not fall apart. The thinking is that investors have made their peace with the prospect of higher-for-longer interest rates and note that the all-important earnings season is off to a good start. The Russell 2000 small-company stock index is the exception and is still floundering. But dozens of energy companies have hit their year-to-date highs this month, and so has a sleeper group: insurance companies, which benefit from high interest rates because they earn more investing their premium payments. IAK, the iShares Insurance ETF, returned 8% from October 2 through October 17. It doubled its distribution from June to September for a yield of 1.8%.

Crime truly does not pay. Financial scams are no joke, but it is amusing to note how little profit some recently busted fraudsters promised their victims. The Securities and Exchange Commission just raided one bogus real estate promoter who offered “reliable monthly distributions at an 8% annual rate” and a fake “high-interest liquid savings company” selling bogus 9% promissory notes. That sounded terrific when CDs and savings accounts paid zero. But now low-risk and obviously genuine legal investments evidently pay as much or more than Ponzi schemes. That said, there are still plenty of questionable illiquid and private real estate and credit offerings where even if there is no fraud, you would be crazy to pay the fees and accept the promoters’ words you can ever get your money out.

A reversal in REIT yields. The average dividend yield on property-owning REITs, now 4.4%, just fell below the 10-year Treasury yield for the first time since—get this—2011. This switcheroo is a combination of rising Treasury yields and stagnating REIT dividend growth, despite many REITs careening to less than their net asset values. REITs showed during the past decade that they are more accurately described as tax-privileged growth stocks than bond substitutes. The best-performing REIT subsectors for 2023 are single-family homes and data centers, which yield less than 3%. The highest-yielding groups, malls and offices, are deeply in the red. Bottom-fish there at your peril.



Flashback



Since 2012, we have advised readers to follow domestic economic and financial developments and discount geopolitical events. We are seeing the wisdom of this thinking once again. The attack on Israel happened on the Saturday morning of a three-day weekend, allowing maximum time for everyone to ruminate and enter sell orders. Yet the atrocity neither unsettled markets nor sent crude oil prices skyward. Stocks rose when the market reopened, and long-term interest rates fell with the inevitable “flight to safety” into U.S. assets. UUP, the Invesco Dollar Bullish ETF, opened higher. At \$29.91 it sits a few cents below its 2023 high and shows a 7.6% year-to-date return.

Six days into the war, a mixed inflation report reversed some of the rally. The following morning, big banks reported strong third-quarter profits. The markets steadied. Clearly, inflation/interest rate/recession signals, plus earnings season, command investor attention, with wars a lesser factor. During the week of October 9, we attended conference calls with fund managers at RS Investments and Janus Henderson. Both said nothing about Gaza and Ukraine. RS is wary of the U.S. consumer economy and says many stocks are overpriced relative to earnings prospects. Janus is extra-bullish on bonds on the idea that the Fed will react to economic torpor and end its rate hikes.

It is a theme worth reiterating. In August 2018, we led with “When (and Why) to Sell Anything.” Reasons include: Your portfolio is out of balance; the security went wildly past your price target; a dividend cut; or a company or fund changes strategy radically. “But we frown on anything that requires you to anticipate and act on political news headlines.” In October 2015, when China devalued the yuan and U.S. stocks plunged, we wrote that the “stock market brush fire strikes us as spurious.” The yuan is even weaker today, and yet SPY, the S&P 500 index ETF, has since returned 144%. As for Russia, two Belgian scholars found that while shares of U.S. and European firms with large investments in Russia fell soon after it attacked Ukraine, it is impossible to tie the war to movements in most stocks or broad indexes.

There are potentially disastrous crises. Number one would be a U.S. Treasury default caused by lawmakers’ refusal to lift the debt ceiling. Any breach in full faith and credit that ends the dollar’s dominant reserve status would be irreversible. If China attacked Taiwan, endangering the semiconductor industry, that would be a different economic story than Israeli mobilizing for war. But in the main, fear does not pay. Fear. Does. Not Pay.

Model Portfolio: Juiced-Up Cash

As we discuss on the front page, cash is this year's hottest financial fashion trend. The Federal Reserve keeps shining its lights on short-term money, not only by sending three-month Treasury bill yields to 5.5% but also by prevaricating about what news would block any further tightening. Moreover, many interpreters of the official inflation data keep the pressure on by picking out one or two elements, such as used-car prices or child-care costs, to feed the prolonged high-inflation narrative. The public chimes in by routinely insisting the pace of price gains is higher than the government's findings. We doubt that, and we point to the creative independent statistical aggregator Truflation (www.truflation.com). It estimates current U.S. inflation at 2.3%, which if accurate tells savers and investors two things: One, the Fed is getting closer to closure on monetary tightening. Two, cash, cash alternatives and low-duration short-term credit are fabulous assets, especially when their yields exceed 5% all over the place.

Our portfolio's results from June 16 through October 13 confirm this. Helped by rising monthly distributions, our hypothetical \$50,000 grew to \$50,935, an annualized return of 5.6%, up from 4.2% when we last inspected the juicer in July. Whether you think 5.6% represents a real (after inflation) gain depends on your personal expenses; if you have a paid-for house and little or no floating-rate credit card or other debt, you are almost certainly ahead of the curve. In any case, an assortment of floating-rate funds, online savings and short-term bonds is a sound defense against shocks and surprises and the inevitable swings in equity investments, such as stocks and oil and real estate trusts.

Fidelity Floating Rate Income led the way with a small gain in share price on top of \$281 in income, for an annualized four-month return of 11.0%. MINT, the Pimco ETF, rose in net asset value from \$99.52 to \$99.90 and passed out enough dividends for a 6.3% annualized return. The PGIM and Vanguard funds basically broke even as talk of "higher for longer" Federal Reserve interest rates nicked their NAVs. But every element of our portfolio is in the green for the year to date. If you prefer to put all your cash into short T-bills and bank accounts to eliminate any price risk, we understand and do not

object. But however you define cash or near-cash, you get compensated and sometimes enriched as well. No changes to the lineup.

\$10,000 Online savings account. Bankrate.com says the market leaders are up to 5.25%. We credited 4.8% for this current measuring period. Next time, we will be crowding 5.5%.

\$10,000 Fidelity Floating Rate Income (FFRH, \$9.21, yield 8.4%) continues to pump out bigger monthly distributions, even when its share price clammers upward; it started the year at \$8.98. The fund's 9.4% year-to-date return, which is net of fund expenses, compares well to the iBoxx U.S. Leveraged Loan Index's 9.16% and most other funds in the bank-loan category. This is a treasure.

\$10,000 RiverPark Floating Rate CMBS (RCRF, \$8.60, 7.9%) owns pieces of real estate credits whose rates reset frequently. The fund has a healthy 7.6% year-to-date return with almost zero duration, which is why we justify classifying it, as well as other loan funds, as a cash alternative. It is also shaking off the fuss about commercial real estate credit risk. RiverPark has proved it is an expert judge of loan quality.

\$6,667 PGIM Short-Term Corporate Bond (PBSMX, \$10.21, 3.2%) continues to recover from a bad 2022. Its 2.4% year-to-date return is decent, and PGIM currently increases its distribution each month.

\$6,667 Pimco Enhanced Short Maturity Active ETF (MINT, \$99.90, 5.2%) bounced up from \$99.52 and hiked its payout sharply in September; it maintained that level in October. On September 30, the fund traded above \$100 for the first time in 18 months and is still close.

\$6,666 Vanguard Short-Term Bond ETF (BSV, \$75.08, 2.6%) slid a half-percent pricewise but also raised its monthly distribution from 14.6 cents a share in June to more than 17 cents, keeping pace with the Federal Reserve and the yields on money market funds.