



PORTFOLIO  
WEALTH  
GLOBAL

# Classic Issue



**HIGH-YIELD MASTERS:**  
Fat Yields for a Zero  
Interest Rates World

# High-Yield Masters: Fat Yields for a Zero Interest Rates World

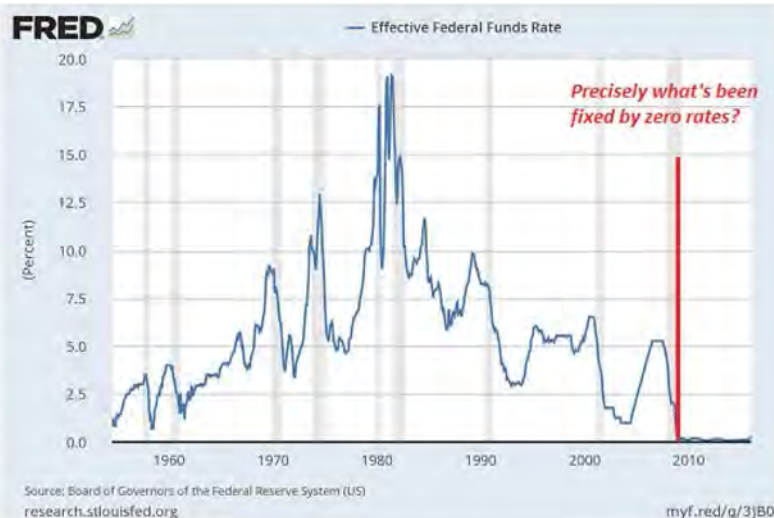
One of my favorite restaurants is one that specializes in the fusion of tastes.

This restaurant is famous for blending Indian, Peruvian, and Japanese foods, and the dishes are remarkable.

A well-balanced portfolio is also a fusion of diversified asset classes and different objectives.

Just like a basketball game has a defensive and an offensive aspect to it and involves many substitutions to accomplish many separate goals, so does the 4-Seasons Portfolio, which is set out to achieve many financial goals.

The most troubling financial situation of our era is the challenging environment that low interest rates have placed us in.



As an investor, it is not your task in life to protest against the government, however logical and emotionally tempting it may be.

When an airplane crashes, your 1st mission is to strap yourself and breathe from your mask before helping anybody else, because that's the only way you can help others.

Strengthen your financial fortress immediately, and then show others the way if you choose to.



**High-Yield Masters: 8% Yield Stocks -  
Core Portfolio Blueprint for a Zero Interest Rate World –**



We have scoured the entire spectrum of stocks that are high yielders to find the most undervalued and safe ones using this criteria:

- > Dividend history: 5 years of increases.
- > Dividend yield: 5%+ yield.
- > Low payout ratio.
- > High 10-year dividend growth rate.
- > Low 10-year stock price standard deviation.

We narrowed the initial list down to 48 companies, and from there down to only 2 stocks that will provide you with generous income, and that's an essential aspect of a well-rounded portfolio.

The dividend yield on the S&P 500 at the end of 1981 was 5.3%. That was the last year the S&P 500 would close with a yield above 5%.

year the S&P 500 would close with a yield above 4%.

The financial crisis caused the S&P 500's yield to close above 3% in 2008. Since then, the S&P 500 has averaged yields of around 2%.

Yields are lower now than ever before for four primary reasons:

1. Taxation laws favor share repurchases over dividends.
2. Lower interest rates increase stock valuations and push down yields.
3. Demand for yield from the retiring current generation is pushing down yields.
4. CEO compensation is often tied to share price performance, which rewards share repurchases (fewer shares mean a higher share price and a lower dividend yield).

## Two Companies to Ignite Your Yields



Genesis Energy (NYSE: GEL) is a midstream oil and gas MLP

The company currently has a \$4 billion market cap as of the 16th of November 2016.

Genesis Energy handles the delivery of crude oil to and from refineries. It also provides sulfur removal and other services inside of refineries.

The company delivers the services via a network of rail, truck, terminal, marine, and pipeline assets.

The company currently has 635 miles of onshore oil pipelines, 270 miles of onshore CO2 pipelines, 2,600 miles of offshore pipelines, 78 barges, 41 push boats, 1 offshore oil tanker, 3.3 million barrels of storage, and 165 trucks. Close to 50% of the company's earnings come from its offshore pipelines.

## Genesis Energy, L.P.

### Partnership Overview

- **Master Limited Partnership (NYSE: GEL)**
- **L.P. market capitalization of ~\$4.2 billion**
- **Integrated portfolio of assets focused on providing services to:**
  - Handle crude oil upstream of refineries
  - Perform sulfur removal and other services inside refineries
  - Handle products (primarily intermediate and heavies) downstream of refineries
- **Culture committed to health, safety and environmental stewardship**

### Investment Highlights

- **Integrated asset portfolio creates opportunity across the crude oil production / refining value chain**
- **Substantial footprint of increasingly integrated assets and service capabilities**
- **Fixed margin businesses, limited commodity price exposure**
- **Significant organic projects underway in and around existing assets**
- **Disciplined financial policy**
- **Competitive equity cost of capital with no GP incentive distribution rights (IDRs)**

The company has pipelines in Baton Rouge and Houston coming online in the 4th quarter, which will boost growth.

In total, the company will spend approximately 50% of its capital expenditure budget on onshore pipelines.

Genesis Energy has delivered excellent distribution growth of 15% per year over the last decade. The company's most recent distribution increase was 10%.

## Business Objectives

- **Identify and Exploit Profit Opportunities Across an Increasingly Integrated Asset Footprint**
- **Continue to Optimize Existing Asset Base and Create Synergies**
- **Evaluate Internal and 3rd Party Growth Opportunities that Leverage Core Competencies, Lead to Further Integration and Expand Geographic Reach**
- **Leverage Existing Customer Relationships Across Businesses and Attract New Customers**
- **Maintain Focus on HSSE**

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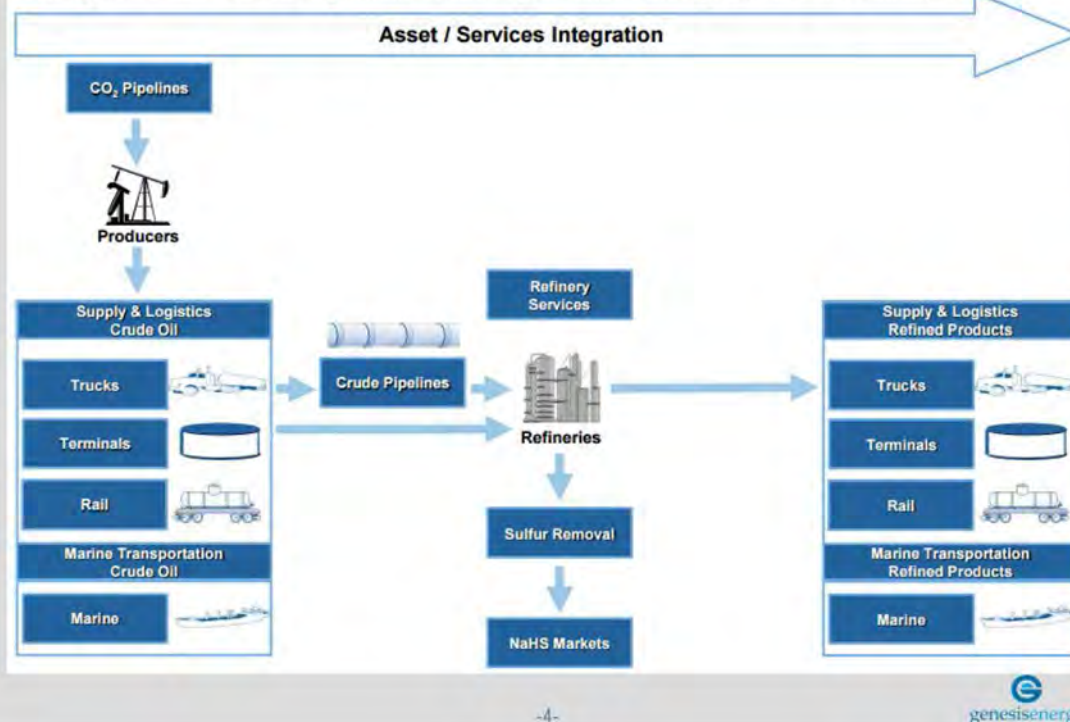
This company has excellent management, to say the least.

The company has weathered the storm of low oil prices, proving it can sustain and grow its distributions in all economic environments, and it has paid increasing distributions for 45 consecutive quarters.



## Genesis' Business Proposition

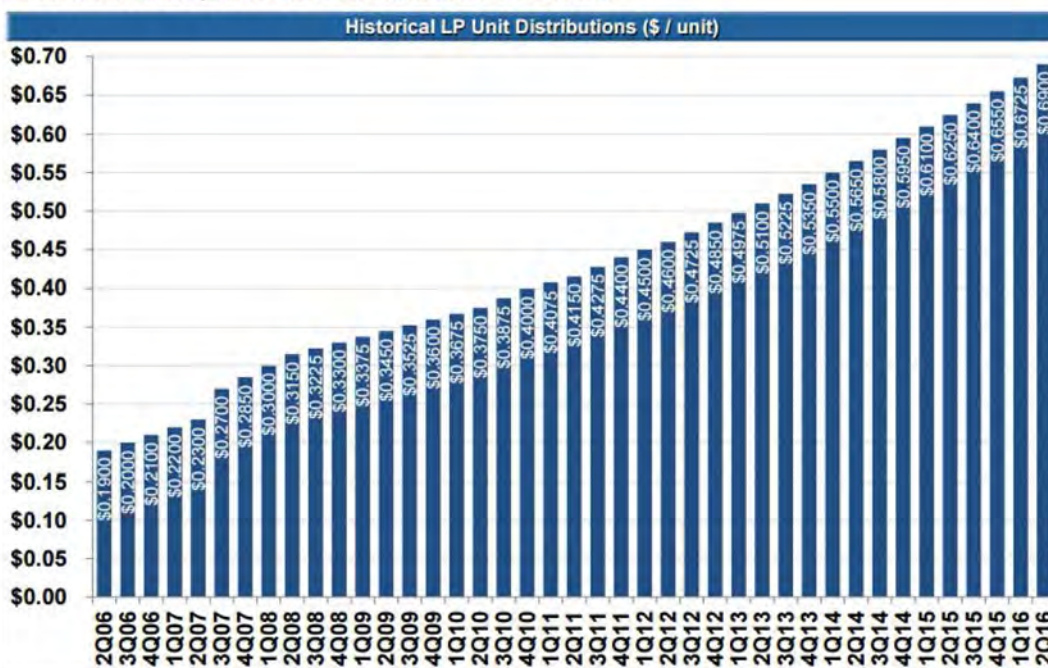
- Integrated asset & services portfolio creates opportunities with producers and refineries



The company's model is simple and it works. That's why the dividend yield is high and safe.

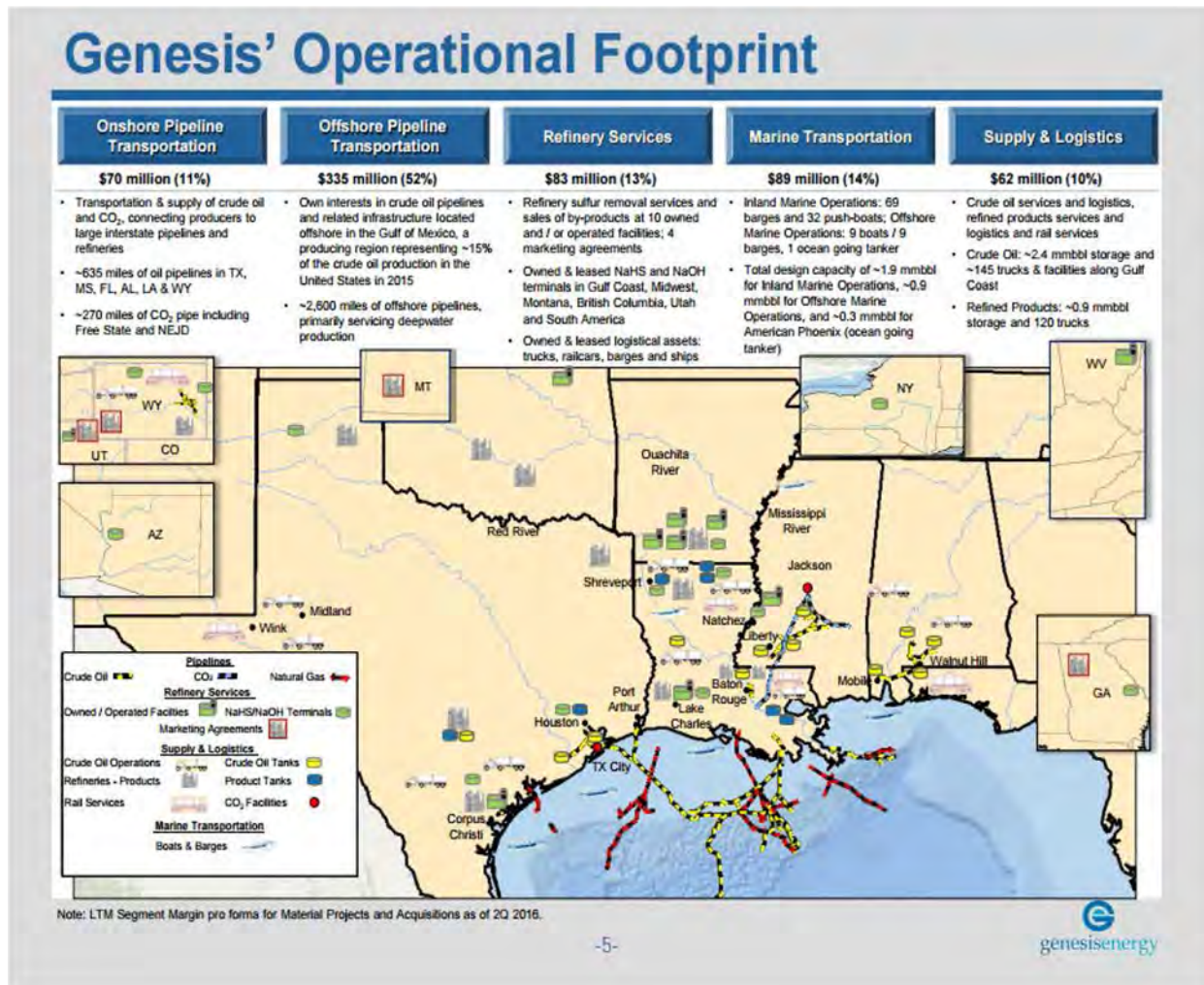
## Disciplined Distribution Growth

- 44 consecutive quarters of distribution increases to L.P.s



This type of growth is tremendous, and the beauty is that the yield today is 130% higher than average.

The company has weathered the storm of low oil prices, proving it can sustain and grow its distributions in all economic environments, and it has paid increasing distributions for 45 consecutive quarters.



This company is very diversified between onshore, offshore, refining, marine supply, and logistics operations. That's a huge advantage.

The company's current yield is 8.6%, which is amazing

## Our Recommendation: Consider Shares of Genesis Energy (NYSE: GEL) Below \$32.08.





## Company No. 2 – Banking a Fat Yield in Real Estate


Omega Healthcare (NYSE: OHI) is the largest skilled nursing/transitional care facility REIT based on its \$5.8 billion market cap as of November 16th, 2016.

The company has increased its dividend payments for 13 consecutive years, proving the solidity of its healthcare-related real estate portfolio.

**The company has no debt maturities over the next 2 years and \$750 million in untapped liquidity on its credit lines.**

**Omega Healthcare operates in the fairly recession-resistant healthcare industry. People need skilled nursing facilities, regardless of the economy. It is not a discretionary expense.**

*Omega Overview: Key Credit Highlights*

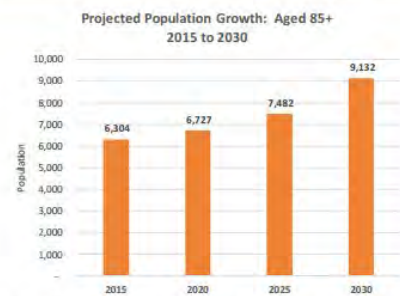


Financial Strength	<ul style="list-style-type: none"> <li>Conservative leverage level with Debt / Adj. EBITDA of 4.86x (Q1 2016), in-line with our leverage target</li> <li>Consistent and stable free cash flow with strong fixed charge coverage of 5.0x (Q1 2016)</li> <li>Low Secured debt / Adj. EBITDA of 0.3x and strong commitment to unsecured borrowing structure with ~\$9.3B of unencumbered assets</li> <li>Minimal short-term debt maturities</li> <li>Positive ratings trajectory with history of upgrades and commitment to investment grade profile</li> <li>Significant liquidity with \$750 million of cash and credit facility availability at 5/5/2016</li> </ul>
Portfolio Strength	<ul style="list-style-type: none"> <li>Strong portfolio TTM rent coverage of 1.8x (EBITDARM) and 1.4x (EBITDAR) at 12/31/2015</li> <li>Geographic and operator diversification with 83 operators across 42 states and the United Kingdom</li> <li>No upcoming material lease expirations and no material lease renewal risk</li> <li>Stable reimbursement outlook</li> </ul>
Experienced Management Team	<ul style="list-style-type: none"> <li>Senior management team with average tenure of 15+ years</li> <li>Proven ability to execute on strategies</li> <li>Proven ability to handle troubled assets</li> </ul>

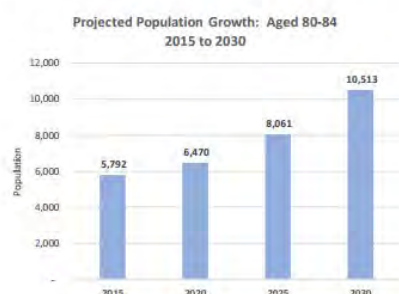
Omega Healthcare Investors has grown its dividend payments at nearly 10% per year over the last decade. The company is benefiting from demographics. Close to 40% of the company's skilled nursing facility patients are over 85 years old.



## Attractive Fundamentals: Demographic Trends Will Drive Volume

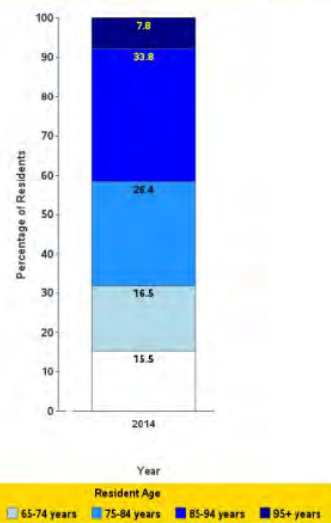


Source: US Census Bureau, December 2014 Release



AHCA "DC Updated", Presented by Mark Parkinson, Pres. & CEO, April 18, 2016

## Percentage of U.S. SNF Residents by Age



Source: CMS Nursing Home Data Compendium, 2015 Edition

**The population of 85+-year-old people in the United States is expected to grow by around 50% in the next 15 years.**

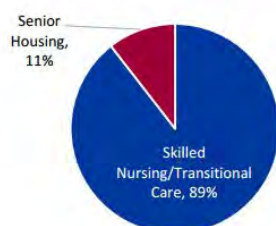
Couple that with the fact that a "Certification of Need" is required for government programs and you will understand how that reduces the number of new facilities being built. This increases occupancy rates at existing facilities, which is lucrative for Omega Healthcare (NYSE: OHI).

## Omega Overview: Facility and Investment Overview at December 31, 2015

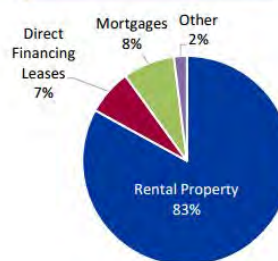


- Omega is the largest SNF-focused REIT
- As of March 31, 2016, Omega portfolio consisted of 969 <sup>(1)</sup> operating facilities
- Completed AVIV acquisition on April 1, 2015
  - Combination created operating, growth and cost of capital efficiencies
  - High quality and complementary portfolio
  - Significantly increased state and operator diversification
  - Accretive to adjusted FFO and FAD
- Completed over \$1.1 billion of investments since the Aviv acquisition

### Facility Statistics



### Revenue Statistics



The business model is very simplified, which is why it's my type of business.

The officers and directors of a company tend to have a unique insider's view of the business, and the only reason an insider would choose to take their hard-earned cash and use it to buy stock in the open market is because they expect to make money. Back on May 23rd, Director Thomas Franke invested \$186,059.80 into 6,000 shares.

## Portfolio Overview: Summary



- **As of March 31, 2016**
  - 969 operating healthcare facilities, located in 42 states and the UK, operated by 83 third-party operators
  - Gross real estate investments of approximately \$8.6B
- **Focused on leasing long-term care facilities (primarily skilled nursing facilities) to strong regional and local operators**
- **Long term triple-net master leases with cross collateralization provisions**
  - Strong credit profiles
  - Security deposits of three to six months
  - Monthly reporting requirements
- **Property level expenses are operator's responsibility (labor, insurance, property taxes, capital expenditures)**
- **Omega receives fixed rent payments from tenants, with annual escalators**
- **Operators receive revenues through reimbursement of Medicare, Medicaid and private pay for services**

Their portfolio is one of the most impressive I have seen anywhere in the world.

## Financial Overview: Shareholder Returns (cont'd)



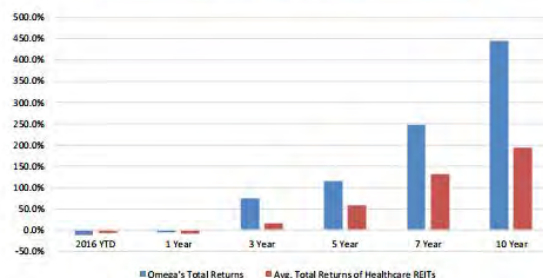
### Shareholder Returns Through 12/31/2015 <sup>(1)</sup>

	Total Return	Ann. Equiv.	Ranking <sup>(2)</sup>
1 Year:	-5.2%	-5.2%	3 <sup>rd</sup>
3 Year:	74.4%	20.4%	1 <sup>st</sup>
5 Year:	115.3%	16.6%	1 <sup>st</sup>
7 Year:	274.4%	20.8%	1 <sup>st</sup>
10 Year:	446.2%	18.5%	1 <sup>st</sup> (3)

### Dividends per Share and Return of Capital %

	Total Dividends	Tax Treatment			
		Ordinary Income	Return of Capital	% Ordinary Income	% Return of Capital
2011	\$ 1.55	\$ 0.99	\$ 0.56	63.8%	36.2%
2012	1.69	0.88	0.81	52.3%	47.7%
2013	1.86	1.54	0.32	82.6%	17.4%
2014	2.02	1.83	0.19	90.8%	9.2%
2015	2.18	1.13	1.05	52.0%	48.0%
	\$ 9.30	\$ 6.38	\$ 2.92	68.6%	31.4%

### Omega's Total Returns vs Healthcare REIT Average <sup>(2)</sup> (Years ending 12/31/2015)





The returns investors saw over the past decade are marvelous, and this will continue into the future.

**The company currently has a whopping 8.4% dividend yield, and it can keep on increasing.**

## **Our Recommendation:**

**Consider Shares of Omega Healthcare Investors (NYSE: OHI)  
Below \$27.52.**

## **Disclaimer**

This work is based on SEC filings, current events, interviews, corporate press releases and what we've learned as financial journalists. It may contain errors and you shouldn't make any investment decision based solely on what you read here. It's your money and your responsibility. The information herein is not intended to be personal legal or investment advice and may not be appropriate or applicable for all readers. If personal advice is needed, the services of a qualified legal, investment or tax professional should be sought.

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