

The Roomberg Family Office

Our Investment Discipline

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Text prior to 7/30/2025:

Portfolio Selection: How I select our investments

My portfolio is generally composed of more than 65 dividend stocks, of which about 1/3 are energy (mostly pipelines, which do well in any environment), about 1/3 are real estate (mostly REITs, which do better when interest rates are low or falling), and 1/3 are financial (mostly BDC's which do better when interest rates are rising or high).

I never try to predict the direction or change in interest rates, the Federal Reserve's actions, unemployment, or any other economic or political indicator. Warren and Charley Munger never did, and they became the most successful investors in history.

My intent is for the overall portfolio to generate 8% in dividends and 3% to 4% in annual appreciation.

When it comes to investments in bitcoin, gold, or any stocks with low dividends or "penny stock" characteristics:

- Individual investments cannot exceed one-half of one percent of all investments.
- The total of all such holdings cannot exceed two percent of all investments.

Lessons from Rida Morwa:

- Rida Morwa’s “Rule of 42,” (Keep your portfolio to 42 OR MORE holdings and trim any holding of 3% back to 2.5%).
 - Charley Munger was sometimes quoted as saying that anyone who took the time to understand company balance sheets would not need more than three stocks. The reality is that balance sheets occasionally hold fraudulent or at least wildly optimistic content. Examples where shareholders were wiped out have included

<ul style="list-style-type: none"> ▪ Bear Stearns ▪ Blockbuster ▪ Borders Group ▪ Circuit City ▪ Enron ▪ Kmart ▪ Lehman Brothers ▪ PanAm 	<ul style="list-style-type: none"> ▪ Sears ▪ Sharper Image ▪ ToysRUs ▪ TWA ▪ Worldcom ▪ Bed, Bath and Beyond
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As a result of the above surprises (often due to fraud, which can lead to unexpected delistings and losses of up to 100%), whenever any stock reaches significantly more than 3% of my portfolio, I trim it back to between 2% and 2.5%.

As a result of this approach, the worst-case scenario is that my portfolio could be degraded by a surprise of little more than 3%.

Not mentioned in the above list are companies whose shareholders lost most or all of their holdings during a restructuring that saved the business but screwed the shareholders. That list would include:

- - AIG
 - Chrysler
 - GM
 - Tyco
 - and many, many others.
- Rida’s “Rule of 25,” (live on 75% of your dividends and reinvest 25%).
 - This ensures the portfolio will at least grow a little in a year when stock prices are flat.
- Rida’s RoC Vs. NAV Rule: When it comes to high dividend stocks, ignore the “Return of Capital” (RoC) metric as this is merely a U.S. IRS designation where higher RoC

reduces short term taxation. Instead, focus on whether NAV (Net Asset Value) has been stable or increasing over time. If so, then it is likely that the stock in question is well managed.

Lessons from Jim Cramer:

- Bail on bad news: If both the CEO and CFO are unexpectedly “retired” or fired without much notice, or if the company and/or officers are indicted, sell first and ask questions later.
- Jim has sometimes been seduced and blinded by positive reputations of company executives. As an example, he praised his friend, Eddie Lampert, year after year while Lampert, the executive of Sears and K-Mart, not only drove both companies into liquidation, but resulted in 100% losses to many investors.

Lessons from John Maynard Keynes:

- In 1924, economist John Maynard Keynes published the following quote:

“The inactive investor who takes up an obstinate attitude about his holdings and refuses to change his opinion merely because facts and circumstances have changed is the one who in the long run comes to grievous loss.”
- The above quote has been abbreviated and attributed to many people as “When the Facts Change, I Change My Mind. What Do You Do, Sir?” (This is the version Jim Cramer repeats most often.)

When NOT to sell:

If the analysis of any given stock has not changed (i.e. the business, balance sheet, and dividend coverage are good, and the CEO and CFO have not resigned due to any legal issues), it does not matter if a given stock is up or down when it comes time to trim. (But all things being equal, “down” stocks are often “on sale” and so opportunities to buy more unless already at 2 1/2 percent.)

I NEVER use the "stop loss" option when purchasing stock. During the dot.com era, I experienced multiple "stop-loss" sales when a particular stock ran into some bad news and subsequently missed out on the subsequent recovery. Instead, the "Rule of 42" protects

me even if a holding goes to zero (like Sears, Enron, MCI, the original Pets.com, and Lehman Brothers).

How I select my stocks:

- I initially identify most potential investments by daily reading of articles and posts from a "core" team of analysts on Seeking Alpha.com.
- I then read posts and articles from a "second tier" of analysts, both for supporting and opposing views.
- In the end, it is my responsibility to judge whose analysis both makes the most sense to me and fits my own risk profile.
- In my publicly posted portfolio, I credit the analyst whose analysis made so much sense that I made the purchase.
- When looking for investments, I generally ignore mainstream news articles (i.e. CNBC, Bloomberg, The Wall Street Journal, The New York Times, Yahoo Finance, and The Economist). I do view or read all of those sources to keep awareness of the world environment, but rarely do any of those sources help me buy, hold, or sell stock.

Weekly reading: My Seeking Alpha "core" Analysts whose analysis triggers me to research further:

- BDC Buzz
- Brad Thomas (iREIT+Hoya)
- High Dividend Opportunities (Rida Morwa)
- High Yield Investor (Sam Smith)
- High Yield Landlord (Jussi Askola, Austin Rogers, R. Paul Drake)
- Leo Nelissen
- Roberts Berzins
- Samuel Smith
- The Dividend Collectuh

Seeking Alpha Analysts I read mostly for supporting or opposing views on recommendations by my "core" analysts:

- ADS Analytics
- Bram de Haas
- Cappuccino Finance
- Cestrian Capital Research
- Damon Judd
- Dane Bowler, Ross Bowler
- David Ksir
- Dividend and Value Investor
- Dividend Sensei
- Double Dividend Stocks
- Erik Conley
- Financially Free Investor
- Guido Persichino
- Justin Law
- KD Research
- Logan Kane
- Quad 7 Capital
- Steven Cress, Quant Team
- The Value Portfolio
- Wise Bull
- Wolf Report
- Yuval Rotem

(By selecting "follow" at the top of any of the author's posts, that author's public articles will automatically be added to your news feed to make weekly reading a breeze.)

Just as crucial as Seeking Alpha articles:

- The comments section following every article often contains intelligent discussions between investors and between investors and the article authors. This is where real education occurs.
- The quality of the debates and discussions in the Seeking Alpha groups I pay for is usually (not always, but usually) by better-educated investors than those I have found on Finance.Yahoo.com, Reddit, Facebook, and X (formerly Twitter). As a result, I rarely pay attention to those sites.
- Even on SeekingAlpha, I ignore sarcasm, political comments, and cheerleading. The intelligent posts more than compensate for the crap.

- While I have been a paying member of Morningstar.com for more than 30 years, the lack of comment sections means there is no way members can question or challenge analysts about their articles. This has meant that I depend on and read less of Morningstar every year. However, Morningstar still earns their keep when I occasionally cannot find timely in-depth analysis of a specific stock. In those instances, something is better than nothing.

Lesson from Kevin O’Leary (Also known as Shark Tank’s “Mr. Wonderful”):

- Bonds are where money goes to die.

I am always fully invested:

- The monthly flow of dividends more than pays the bills. If we need more money than the 60% we usually retain for our expenses, diverting the remainder for one or more months is no big deal. In any case, the “sequence of returns risk” discussed endlessly on investment and budgeting websites is just not a concern we have.
- What about having cash for the next great opportunity?
 - Assume that at any point in time, I have 65 or more holdings. If a “great” opportunity arose and I wanted to invest more money in it than the excess dividends received that month, I would either build the position over multiple months or liquidate one or more stocks with lesser promise.

Where does the yield data on my master spreadsheet come from?

- Most come from SeekingAlpha.com.
- For between 3 and 6 stocks, I need to either query Schwab, Yahoo Finance, or, in one case, the company’s own website.

Few partnerships in pre-tax accounts!

- 401ks should rarely hold stocks that issue K-1 statements because of the IRS “UBTI” tax penalties. (This is mostly related to pipeline stocks.)
- (Look up UBTI on Investopedia.com for more information.)
- Instead, look for stocks that either do not issue a K-1 or that explicitly say their dividends do NOT incur UBTI. (Refer to the spreadsheet column titled “Tax Forms.”)

What is the meaning of values in the “Max %” column that are less than or equal to 1.5%?

- Some stocks have higher risks than I am comfortable holding a “full” position of between 2% and 3%. For those stocks, lower maximum holdings apply.

What is the significance of the table that lists the analysts who have most influenced my decisions, and the number above their name?

- To see the writers whose analysis most closely fits my worldview, start by reading articles by the three or four people with the highest numbers. (Each number represents the number of articles by that person who finally convinced me to make a purchase.)

Why do I only hold a subset of stocks recommended by the investment clubs I pay membership fees to?

- The portfolios published by the clubs often contain recommendations of stocks that I see are too risky, potentially too low in total return, or whose business model or business prospects I can't figure out. Ultimately, I am responsible for all stock purchases I make. It is my responsibility to NEVER make a purchase I do not fully understand.

Why does my publicly available data not display the dollar value of my holdings?

- That information is nobody's business outside of my wife, my CPA, my attorney, my investment advisor, and the IRS.
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Update: 7/30/2025:

Until now, my logic for allocating my portfolio in thirds has been that “REITs do better when interest rates are low or falling, BDCs do better when interest rates are high or rising, and energy partnerships seem to do well regardless of the level or direction of interest rates.”

As a result, I have paid little attention to the day-to-day news about interest rates and potential changes. There always seem to be arguments on every possible change direction or lack thereof.

However, based on recent news, the overall direction of interest rates over the next one to three years appears to be lower unless there is an unexpected, non-temporary spike in inflation.

One of my “core” analysts on SeekingAlpha.com is Roberts Berzins. To date, Roberts has consistently promoted BDCs as strong investments. In reading all of his analyses, I have been impressed by his logic and research. I also respect his willingness to defend his positions to critics using facts and logic.

- In 1924, economist John Maynard Keynes published the following quote:

“The inactive investor who takes up an obstinate attitude about his holdings and refuses to change his opinion merely because facts and circumstances have changed is the one who in the long run comes to grievous loss.”

Today, Roberts published an article titled "BDC Investors: Prepare For An Imminent Market Rotation." (<https://seekingalpha.com/article/4805449-bdc-investors-prepare-for-imminent-market-rotation>).

This article has convinced me that I need to reduce the allocation of BDCs in my portfolio

I acknowledge that circumstances may change and that Roberts’ analysis may prove incorrect. But I am willing to forgo some (not all) of the superior dividends paid by BDCs as a form of Risk Management.

So what will I do now?

In the immediate term, I will reduce my BDC holdings from 33% of the portfolio to 16%. I will temporarily reallocate 17% cash raised in this to REITs and Energy companies.

However, I am also concerned that this may be trading the BDC risk for unexpected risks to imprudently high allocations in energy and REITs. As a result, I am investigating creating a fourth “category” for investment allocations.

Currently under consideration are:

Josh Brown’s “Best Stocks in the Market Right now.”

I have been following Josh both online and on CNBC for more than 10 years. He is very focused on selecting stocks that dominate their market segment. He is highly focused on growth, which I have largely avoided over the last ten years.

I have purchased a “CNBC Pro” subscription to better follow Josh.

Jenny Harrington Recommendations

CNBC’s Jenny Harrington has focused on dividend stocks and likely aligns more closely with my investing philosophy than any other analyst. I may even open an account with her investing company, “Gilman Hill Asset Management.”

As of this writing, her holdings are published at:

<https://fintel.io/i/gilman-hill-asset-management-llc>.

Update January 7, 2026

The portfolio's "Total Return" (i.e. dividends plus realized and unrealized capital gains) for 2025 was 11.91%. This brought the ten-year total annual average return to 22.95%. (A chart of year-by-year statistics can be found at <https://www.roomberg.com/stocks/yearly.total.return.html>.)

The issue with Business Development Companies (BDC's)

Since my July update, analyst concerns about BDC finances have only solidified. With many BDCs borrowing at fixed rates (from major banks and via bonds) and lending to their customers at floating rates, their margins and profitability remain at risk.

At this point, many articles have shifted from asking whether dividends will be cut to almost certain that they will be cut by 20% or more and that stock prices will decline significantly when that occurs.

Jim Cramer often says that, in the short term, 50% of a stock's price in a sector is set by the market segment, as ETFs pull their cohorts up or down regardless of individual circumstances. This means I need to be especially careful when deciding which holdings to increase and which to reduce.

Over the last few years, I have been following the analysis of SeekingAlpha.com's "BDC Buzz" analysis team. (I pay a subscription fee directly to them, not Seeking Alpha, to get their most in-depth analysis.) When it comes to BDC analysis, I value this resource more highly than even the best of the other analysts I follow when evaluating BDC stocks, BDC preferred stocks, and BDC bonds.

I noted in the portfolio spreadsheet that BDC's lead analyst holds, which have had recent additions, and which he intends to add investments in the coming quarter.

As a result, I am greatly reducing holdings in most BDCs not recommended by BDC Buzz. Some of the cash freed by those sales will go to those holdings, which BDC Buzz estimates will exit the current BDC depression with higher total returns.

What About the Portfolio Strategy?

As explained in more depth in prior versions of this document, my original strategy included more than sixty dividend-stock holdings with funds more or less equally divided between BDCs (which generally do better when interest rates are high or going higher), Real Estate Investment Trusts (REITs, which generally do better when interest rates are low or going lower), and energy stocks (mostly regulated pipelines which generally do well regardless of interest rates).

By significantly reducing the portion of the portfolio allocated to BDCs, I needed to identify another stock segment to shoulder the Total Return burden.

I have been unable to identify another market segment with high dividends of sufficient safety.

As a result, I will revert to my pre-COVID approach and temporarily refocus on growth stocks until the consensus is that medium- and long-term interest rates have stabilized or are on a longer-term upward path.

Historically, the U.S. Federal Reserve has not only controlled short-term interest rates but has also indirectly influenced medium-term rates, as financial media commentators and professional investors frequently repeat the mantra of “Don’t fight the Fed.”

I am not “timing” the market; I am not looking for an absolute bottom in interest rates or BDC stock prices.

I only need a general consensus among the public on the direction, and over time, I expect to reallocate my growth holdings back into BDC dividend stocks.

Whose advice do I follow regarding growth stock investing?

In July, I began purchasing small amounts of growth stocks using the same rules and strategy I apply to dividend stocks. At that time, I added CNBC contributors Josh Brown and Jenny Harrington as analysts whose approach often seemed compatible with my own. In addition to Josh and Jenny, much of Stephanie Link’s analysis on CNBC makes sense to me.

I have been following the analysis by these three individuals for many years and understand where our views are aligned and where they differ.

I have read all of Jim Cramer's books published before 2025 and have followed him on television since 2000. I have learned a great deal from Jim, even though many of his recommendations do not align with my investing style.

In August of 2025, I started with small positions in Centene Corporation, Sabra Health, Care REIT, Inc., American Express Company, O'Reilly Automotive, Inc., and Shake Shack Inc., based on analysis by individuals already noted. I expect to add to these positions over time.

Amazon and Rockwell Automation are likely to be added to our portfolio, according to Stephanie Link's analysis.

A Different Possibility

As of this writing (1/7/2026), I have also been reading many analyses by SeekingAlpha.com's Steven Cress. When almost all my stock selection over the last thirty-five years have been based on fundamental analysis, Steven uses technical analysis.

(For an explanation and contrast of each type of approach, refer to this article:

[https://www.investopedia.com/articles/active-trading/101713/technical-vs-fundamental-investing-friends-or-foes.asp#:~:text=Technical%20analysis%20analyzes%20past%20market,inefficiencies%20in%20the%20short%20run. \)](https://www.investopedia.com/articles/active-trading/101713/technical-vs-fundamental-investing-friends-or-foes.asp#:~:text=Technical%20analysis%20analyzes%20past%20market,inefficiencies%20in%20the%20short%20run.)

On air, Jim Cramer has presented many hundreds of segments on technical analysis. This will be my first exposure to the discipline and so if I purchase any of these stocks at all, I will start with very small investments of between 0.1% and 1% positions and track performance from there.

For multiple years in a row, Steven Cress' SeekingAlpha.com stock picks have far outperformed the S&P 500. I may use his "Top 10 Stocks For 2026" published on 1/6/2026 as a small start to adding a degree of technically promising stocks to the mix.

Steven's picks for 2026:

1. MU Micron Technology, Inc.
2. CIEN Ciena Corporation
3. B Barrick Mining Corporation
4. CLS Celestica Inc.

5. INCY Incyte Corporation
6. ALL The Allstate Corporation
7. WLDN Willdan Group, Inc.
8. AMD Advanced Micro Devices, Inc.
9. COHR Coherent Corp
10. ATI ATI Inc.

(As of 1/29/2026, I have not yet purchased ANY of the stocks noted above.)

Update February 5, 2026:

In July 2025, Roberts Berzins published a professionally researched article predicting the meltdown of the [BDC](#) market. His logic impressed me despite the still-positive articles by other analysts I follow. This prompted me to reduce my BDC allocations slowly from 33% to 12% over the next several months.

Based on today's (2/5/2026) article, which concludes that the BDC selloff has been overdone, I may now dollar-cost-average back into BDCs at a rate of 0.5%-1% of my portfolio per month. My purchases may be suspended if we experience a dramatic decline in interest rates, BDC loan ratings, or employment numbers.

Update February 24, 2026:

Over the last month, the market has seen a dramatic downturn in the prices of many Business Development Companies (BDCs). There is no way of knowing if this is in any way a “bottom.”

Traditionally, low or falling interest rates translate into lower profits and stock prices for BDCs, as they generally borrow at fixed rates (from banks and through bond issuance) and lend at floating rates. As rates fall, BDC profits are squeezed, leaving fewer profits to pay dividends.

However, the market is also “forward looking,” and if big investors who operate pension funds, university and charitable endowments, and sovereign wealth funds think rates will stabilize in the coming year, stock price bottoming and subsequent rising may already be underway.

So while market “timers” caution against investing too early (the proverbial “catching a falling knife”), the underlying businesses of many (not all) BDCs make them attractive to invest in once again.

Some of my investments may still fall in price. But I expect BDCs with healthy balance sheets and strong business prospects to pay dividends and also have prices that will recover in the years to come.

What about BDCs that loan to software companies?

The financial press has been in a panic that A.I. products will enable small and new development companies to replicate expensive software products, undercut pricing, and then destroy the ability of software companies to repay loans back to the BDCs they do business with.

In the timeframe of the loans made by BDCs to software companies, my experience tells me this is nonsense.

For example, SAP sells its Enterprise Application Software mainly to very large companies, often for hundreds of thousands or millions of dollars per year. SAP introduced a major upgrade to its customers in 2010, with the original intent to quickly upgrade most or all of them to the new platform within a few years.

The newer SAP software has many capabilities that, in theory, will enable SAP customers to operate more efficiently, respond to their customers' changing needs faster, and improve profits, while experiencing fewer bugs and greater security than on the older platform.

As of 2025, 15 years have passed, and only 39% of SAP ECC customers have migrated to SAP S/4HANA!

Why? Because SAP customers see any change to their most important software as risking business operational disruption that could imperil their businesses.

Oracle and Microsoft each offer competing products that, in many industries, offer similar or even better features for much less money. But most SAP customers are sticking with SAP.

Even if A.I. enabled competing software for 90% less cost, it is doubtful that most large companies would be interested.

Similar stories abound for Oracle database, ServiceNow, and Salesforce.com core products. For example, while Amazon and Salesforce.com each migrated off Oracle's expensive database products, tens of thousands of other customers have made no move despite the wide variety of low-cost competing database products now on the market.

ServiceNow has been covered extensively in the press as particularly vulnerable to replacement by AI-enabled, lower-cost competitors. But the company's recent record sales, profits, and profit margins have been explained by the fact that ServiceNow's customers are only very large companies that do not want to risk operational disruption by switching to lower-cost options.

While the software companies noted above serve big customers, there are companies like TOAST (who service restaurants) and ServiceTitan (who service blue collar businesses) who sell comprehensive software that once purchased and used, become core to the operation of those companies. Once embedded, those companies rarely consider lower-cost alternatives.

Could all of this change in the future? Sure. But by then, their BDC loans will have been paid off, and the BDCs will have new companies to loan money to.

This is why as of 2026, I am comfortable investing in BDCs that loan to software companies and REITs that buy software company office buildings and become their landlords.

Why don't I just buy those software companies directly (as opposed to BDCs and REITs)?

There are several reasons:

1. Management of those companies don't share enough of their profits (via dividends) to interest me.
2. Also, REITs and BDCs generally do not suffer the wild swings in Total Return (price appreciation plus dividends) of the software companies, especially during market downturns.
3. Lastly, our existing strategy has outperformed the overall market for more than a decade.

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