



YTD as of 11/30/2022

Alpha Portfolio **-8.08%**

MARKETS

DOW JONES **-4.73%**
 S&P 500 **-14.17%**
 NASDAQ 100 **-26.26%**
 REIT INDEX **-24.08%**
 SMALL CAP **-15.77%**
 HIGH YIELD **-13.04%**

BOND YIELDS

10 YR TREAS **3.70%**
 YTD CHANGE **+219%**
 30 YR TREAS **3.82%**
 YTD CHANGE **+192%**

SINCE INCEPTION

Through September 30, 2022

BROXTON **401.04%**
 S&P 500 **302.72%**
 DOW JONES **299.47%**



Year End!

Yahoo Finance: "Stocks closed lower across the board on Friday to finish off the worst year for the U.S. stock market since the financial crisis. When the year's final closing bell rang on Friday, the S&P 500 and Dow were each off about 0.2%, while the tech-heavy Nasdaq fell a more modest 0.1%. With Friday's losses, the S&P 500 fell 19.4% in 2022, its largest calendar-year decline since a 38% drop in 2008. Closing at 3,839.50 on Friday, the S&P 500 now stands at the same level as March 2021. The Nasdaq Composite dropped 33% and stands at the same level as July 2020. The Dow, meanwhile, fell a comparably modest 9% in 2022, while the bond market suffered through its worst year in modern history."

Last month we highlighted Electric vehicle manufacturer Fisker: [Broxtion Report](#). But December turned into a disaster for a few of the car companies with Tesla falling 42% for the month and Ford falling 17%. In the case of Tesla: Musk sold tens of billions of dollars worth of his Tesla shares this year, in part to finance his \$44 billion purchase of Twitter. Tesla shares have declined about 68% for the year. We think that it is executing well and should be passing 3 million cars next year. That's more than Ford. What else was to blame for the other autos? Rising interest rates, fear of a recession that isn't happening, and higher input costs are putting pressure on auto stocks. The concerns on costs include automakers investing heavily in their respective EV transitions. We also cover Stellantis: [Broxtion Report](#) (formed in the 2021 merger between Fiat Chrysler and Peugeot S.A.) Although, STLA is showing good performance in 2022. This failed to spark investor interest. There may be concern on the transition to EV. STLA targets 50% EV sales in the U.S. and 100% in Europe by 2030. So it looks like the demand is softening as well, which can be seen in the used car market as well.

We recently took a look at Owl Rock Capital Corporation (NYSE: ORCC) is a \$13 billion leveraged bond fund comprised of "middle market" loans that is trading at a 21% discount to its' NAV. The company is one of the "funds" managed by the \$132 billion asset manager Blue Owl. ORCC is similar to other financial institutions, such as banks, but focuses on one area of lending: middle market loans (MMLs). MMLs are a segment of the U.S. corporate loan market utilized by companies that are generally too small for the bank loan or bond market and too large for other types of financing. The typical borrower profile for ORCC had an average annual revenue of \$632 million and EBITDA of \$136 million. Notable borrowers, in the ORCC portfolio, include Conair, the hair dryer company, Sarah Lee Frozen Bakery and Nutraceutical the vitamin company. MML portfolios have certain favorable characteristics. The loans are generally senior secured and pay interest at a floating rate that is based on interest indexes such as LIBOR. So, if interest rates rise, the loans pay more interest, and in general this flows through to the shareholders*. Since the loans are mostly senior secured they have good recovery rates in the case of defaults. [REPORT](#)



Broxton Capital Advisors

Broxton Capital is an investment manager located in San Juan and employs the Alpha Portfolio (AP). The AP is a growth and income investment strategy. The strategy attempts to continuously improve the value of investment portfolios by investing in equities, ETFs, including leveraged ETFs, options, bonds (investment grade and sub-investment grade, [which may also have limited liquidity]) and other securities. Long term strategies purchase securities which are underpriced according to our appraisal methodologies. Broxton uses regression analysis to obtain an average appraisal value for an individual company and places a priority on the securities of companies with improving financial performance and or additional catalysts that provide for increases in earnings and valuation. We use financial modeling in order to create a projected trajectory for the company's earnings, cash flows and future value. The strategy does not have any capitalization (market size), sector or industry allocation mandates. Broxton may also engage in certain types of activism in order to support positions and relay advantageous strategies to company managements. Broxton deploys technical analysis and momentum as indicators of movement for shorter term strategies, that may not involve deep fundamental analysis. Shorting (selling and then buying) of securities can be used as a long term or short-term strategy. We exit positions in accordance with our discipline, this includes when valuation targets are clearly exceeded or financial performance falls below our projections. Since the AP returns are calculated using a composite of accounts, the average account will not match the composite return and the return could be higher or lower. Broxton manages the Alpha Portfolio for other investment managers. The AP returns which are advertised or submitted to various databases are calculated using the accounts in the composite that are managed internally. Broxton is required to execute any trades internally first and then for other advisors second. Some advisor platforms prohibit or do not trade certain security types and some positions may be omitted for other reasons. In the case of smaller companies, we may judge that there are not enough shares traded to create a position at any or all advisors. Short term strategies may not be able to be implemented. Shares may trade at a higher or lower between purchasing at Broxton or one platform before another. Broxton uses a rotation strategy and attempts to obtain the best execution for all advisors. Any commentary is solely the opinion of the Broxton Capital Advisors. It refers to securities we hold in our portfolio and sometimes ones we are considering but does not represent a complete list of positions held at Broxton Capital Advisors. A complete list covering the last twelve months will be furnished upon request. Price targets are mentioned for information purposes only. Nothing contained herein constitutes a recommendation to purchase or sell securities at any designated price or time. All performance figures are net of fees and reflective of dividend reinvestment. As always, past performance does not guarantee future results. Please see the Alpha One Strategy Quarterly Performance for additional information regarding performance. Any intra quarter performance presented may change with additional auditing. The index performance presented above do not include fees or dividends and is derived from the following ETFs: DIA, SPY, QQQ, HYG, IWM and VNQ. The Broxton Strategies do contain dividends and fees. The treasury yields are derived from the CBOE 10 and 30-year interest rate index. Please visit our web site to obtain additional information and read form ADV 2A.

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