# NOVEMBER 2023





### YTD as of 10/31/2023

Alpha Portfolio 2.96% Smart Yield 2.50%

#### **MARKETS**

DOW JONES -.26%
S&P 500 9.35%
NASDAQ 100 31.76%
REIT INDEX -11.59%
SMALL CAP -5.64%
HIGH YIELD -1.44%

#### **BOND YIELDS**

10 YR TREAS 4.88% YTD CHANGE 25.81% 30 YR TREAS 5.02% YTD CHANGE 26.13%

#### SINCE INCEPTION

Through December 31, 2022

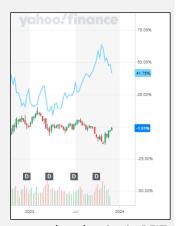
BROXTON 424.77% S&P 500 333.17% DOW JONES 363.43%





SMART YIELD

REIT Rebound Update #3: Investors suddenly showed a voracious demand for stocks following the last federal Reserve meeting in the hopes that the Fed was done raising interest rates. The meeting was followed up by a lower than expected inflation number in November adding fuel to the stock & bond rally. This led to an over all rally of around 10% for stocks and about 14% for REITS. The belegaured REIT index had fallen 40% from the late 2021 highs. However, could bonds be ahead of themselves? Fed Funds indicate that currently traders are expecting 3 rate cuts before the end of 2024 but officials are indicating no cuts at this time with inflation at 3.7% for October and the



target at 2%. To the right the fall in ten year interest rates compared to the rise in REIT stocks. Price drops in airline tickets, energy prices and used vehicles were the largest contributors to the reduced inflation numbers. Helping the stock rally was a slight return to positive earnings growth for companies in the 3<sup>rd</sup> quarter (up 4.3%) the first growth since third quarter of 2022.

Fisker stumbled after reporting 3<sup>rd</sup> quarter earnings. The company encountered logistical and delivery problems. This may easily improve in the next few quarters, but we estimate that Fisker will need to be producing 22,000 cars per quarter in order break even on EBITDA and will also need as much as \$1.5 billion in additional capital. Ultimately, the company



may offer a compeling investment opportunity if production and capital concerns are resolved! REPORT

Harmony Gold Mining Co. (HMY): HMY Recently, Harmony demonstrated several substantial financial improvements for the 3rd quarter of 2023. Operating costs dropped 7% and there was a 17% increase in production. The company also reduced long-term debt to zero and reported a strong increase in cash flow. Our price target of \$10 is based on 10 X 2024 projected earnings and 5.4 X our 2024 projected EBITDA. The company's Wafi project is now 50% partnered with top gold producer Newmont (NEM). And the project is expected to produce over \$15 billion in cash flow. This compares favorably to Harmony's \$3 billion enterprise value, and we do not believe that this opportunity is priced into the shares. 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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