



YTD as of 8/31/2020
Alpha
Portfolio **-10.88%**

MARKETS

DOW JONES 0.00%
S&P 500 **+8.52%**
NASDAQ 100 **+38.70%**
REIT INDEX **-11.90%**
SMALL CAP **-6.18%**
HIGH YIELD **-3.31%**

BOND YIELDS

10 YR TREAS .69%
YTD CHANGE **-1.23%**
30 YR TREAS 1.45%
YTD CHANGE **-0.94%**

SINCE INCEPTION

THROUGH DEC 31, 2019

BROXTON **460.73%**
S&P 500 **240.02%**
DOW JONES **274.63%**

BROXTON PERFORMANCE



We saw a continuation of upside for many of the Nasdaq technology shares that were powering the market. This helped to continue to power the overall market but also highlighted one of the frustrating continuing trends: the performance of value securities versus growth securities. The chart below demonstrates the periods where value has outperformed growth, in blue, and underperformed in red. This discrepancy has helped to fuel what we believe is one of the biggest dislocations we have ever seen. Stock buyers continued to push the shares of companies that make little or no income higher, mostly in the technology space. Two recent IPOs, Palantir and Snowflake, debuted at gigantic multiples to revenues. Snowflake traded at over \$60 billion with a stunning over 100X revenue market value. Palantir was trading at over 20 X revenues for a market value of over \$20 billion. Snowflake was considered amazing because revenue grew over 100% from 2019 to 2020. However, it was a small amount of revenue, only \$241 million so far in 2020. If we look at a more mature growth company, Salesforce.com we see that the company has grown 70% since 2017 and trades at around \$215 billion. Salesforce.com has only made about \$1.5 billion in profits total **over the last 3 years**. So, these would be examples of growth shares. Meanwhile the value shares which make money only trade at single digit percentages of their growth peers. Viacom/CBS made \$15 billion in profits over the last 3 years, more than the 3 growth stories above combined, but only traded for a paltry \$17 billion or 5.6% of the value of the growth shares above. So, we believe that this is the most massive dislocation ever.

Chart 1: The worst ever returns to value stocks

Source: BofA Research Investment Committee, Fama & French.

Harmony Gold (HMY): Harmony reported that the company repaid close to 100% of outstanding debt in the year ending June 2020 and predicted gold production of 1.6 million ounces for this year making it a top 10 worldwide gold producer. At current gold prices the company will produce earnings before tax and accounting charges of well over \$1 billion but, was struggling to maintain its market value of \$3 billion recently. Meanwhile Moderna, a pharmaceutical company with small revenues and 100s of millions in losses and who promised to have a Covid-19 vaccine ASAP readily traded at \$25 billion. There are 56 individual Covid-19 vaccines in various stages of development (and well over 100 including preclinical vaccines).

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 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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