



YTD as of 3/31/2020
Alpha Portfolio **-19.67%**

MARKETS

DOW JONES **-23.10%**
S&P 500 **-20.00%**
NASDAQ 100 **-10.44%**
REIT INDEX **-24.72%**
SMALL CAP **-30.91%**
HIGH YIELD **-12.36%**

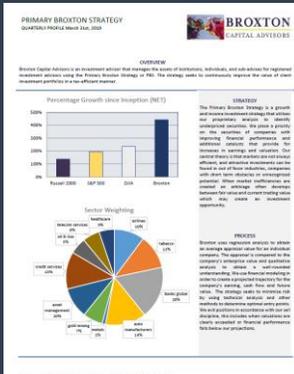
BOND YIELDS

10 YR TREAS **.70%**
YTD CHANGE **-1.22%**
30 YR TREAS **1.35%**
YTD CHANGE **-1.05%**

SINCE INCEPTION

THROUGH DEC 31, 2019
BROXTON **460.73%**
S&P 500 **240.02%**
DOW JONES **274.63%**

BROXTON PERFORMANCE



In April stock indexes continued a questionable rebound led by a massive federal reserve intervention into the bond market. In early March, for example, the IShares Investment Grade bond fund (LQD) was trading in the \$131- \$134 area with a yield of slightly over 3%, by March 20th the shares had dropped to a low of \$104 and a yield of about 4%. By early April, the index had recovered back to \$132. The rebound of 25%+ was a direct result of the government buying all types of bonds and ETF funds in a multi trillion-dollar intervention announced in March. These actions and possible repercussions are addressed by Bob Cooke below.

Another headline grabbing event was the large negative move in the April futures oil contract. Oil for April delivery dropped below negative \$40 per barrel price briefly! This was mainly due to allowing speculators to remain long in the delivery month. Futures contracts are contracts for future sale and delivery of commodities. Historically, speculators, who have no intention of actually delivering or taking delivery of physical commodities, are not allowed to participate when a contract enters the delivery month. The day before the delivery window opened, for the April crude contract, speculators suddenly found themselves in danger of being assigned ownership as prices plunged. This is the fault of the brokerage firm margin clerks who allowed their clients to speculate there. Since none of the speculators could accept the actual oil to be delivered, they had to sell at any price. Sucked into the debacle were traders and brokers who were allowed to trade derivatives on the contract. Oil, one of the most volatile commodities of all time, is currently in a massive slump from the corona virus.

Charlie Munger is best known for being Warren Buffets right hand man. He recently commented on the question of buying stocks. He stated that Berkshires' top priority is to weather the storm and emerge "with a whole lot of liquidity," he said. "We're not playing, 'oh goody, goody, everything's going to hell, let's plunge 100% of the reserves [into buying businesses]." We, at Broxton, agree, because we probably have not seen the end of the effects of the virus on the economy and stocks. Stock highlights below:

Unum Group (UNM): \$15.76 Unum Group provides life and disability insurance to companies and individuals. The book value is around \$49 per share and the company is forecasted to earn over \$5 per share in 2020. Unum's portfolio consists of high-quality bonds. Unum is projected to have a minimal impact from the virus.

Unisys (UIS): \$12.35: Unisys provides technology, software and consulting solutions to large companies worldwide. Recently, UIS sold its U.S. Federal unit for \$1.2 billion. This brought the cash per share up to \$27 giving the company ample liquidity to weather the storm. The company's security sensitive technology solutions are gaining traction.

Massive Actions of the Federal Reserve in 2020

By Bob Cooke

We have never seen anything of this magnitude before! Since the beginning of the Corona Virus crisis the Federal Reserve has injected almost \$6 trillion into the economy and financial markets in a massive effort to prevent the fall of stocks and bonds. Clem Chambers a Forbes contributor commented: "The Federal Reserve and the other central banks and their governments are levitating stocks with galaxies of new money". The Fed has purchased more than \$2 trillion in securities since March. These purchases included ETFs, municipal bonds and corporate bonds. To the right is the ETF IShares investment Grade Bonds (LQD) which fell in March but was buoyed by the Fed buying starting in March. This was indicative of the entire market and other bond indexes; bonds and ETFs have similar chart patterns. This may be good news in the short term, but it causes several problems as well. The reason that the bonds and indexes traded down was the anticipation of payment problems in real estate, corporate, consumer loan and municipal bonds. Defaults are projected to increase. Some municipal bonds are projected to have problems since certain municipalities have seen their tax receipts drop. Many cities, states and counties are now reliant on the federal government for financial assistance. All of the bonds traded down to reduce the very real risk of ownership. This is normally how the fixed income markets heals and entice new investors. Since the entire spectrum of bonds was blanket purchased, lower quality bonds also traded sharply higher. Lower prices on lower at risk bonds alert investors to the additional dangers inherent in these securities. Although the Fed "saved prices" it did not allow for the normal market mechanism of higher interest rates on these securities, which reduces risk.



Again, we quote Charlie Munger: The federal government will "be so active" that the worst-case scenario won't be a long-lasting Great Depression, he said. "But we may have a different kind of a mess," "All this money-printing may start bothering us." Mr. Munger was referring to one of the risks of the current strategy. The prices of goods and services could start to rise as a result of the money printing. So, for now the buy everything monetary intervention saved prices but is actually increasing risk and may give us other types of problems!

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.