



### YTD as of 2/28/2021

Alpha Portfolio **+11.97%**

### MARKETS

DOW JONES **+1.20%**  
 S&P 500 **+1.73%**  
 NASDAQ 100 **+0.13%**  
 REIT INDEX **+3.46%**  
 SMALL CAP **+11.35%**  
 HIGH YIELD **-1.00%**

### BOND YIELDS

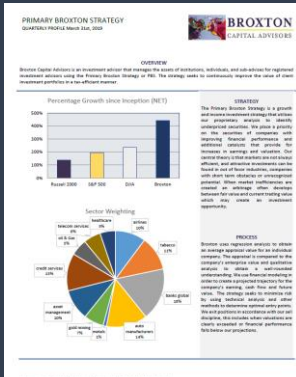
10 YR TREAS **1.46%**  
 YTD CHANGE **+0.54%**  
 30 YR TREAS **1.86%**  
 YTD CHANGE **+0.53%**

### SINCE INCEPTION

#### THROUGH DEC 31, 2020

BROXTON **433.67%**  
 S&P 500 **302.78%**  
 DOW JONES **311.40%**

### BROXTON PERFORMANCE



**Large losses from careless trading!** Nomura and Credit Suisse announced large losses connected to a highly leveraged player that bought Chinese and U.S. media stocks. It seems that as the shares fell the large banks could not cover their clients' losses by selling the shares held for collateral. We wonder why this happened because extending this type of margin is extremely perilous. Caught up in the selling was Viacom, which also announced a secondary offering to raise additional cash. Broxton unloaded a large portion of shares for clients at an average of around \$88. Avoiding carnage is always good but we are strong believers in Viacom and look forward to rebuilding the position. Viacom grew streaming revenues by 71% in the 4<sup>th</sup> quarter while increasing revenue and profits. In the same quarter: Netflix grew 24% while posting lower profits and Disney grew 73% in streaming while reducing other content sales by 56%. Part of the Viacom plan is to grow streaming profitably, which it is doing. The company also produces and sells content to Apple, Netflix, Amazon and Hulu.



**Cardinal Health (CAH):** We recently took a look at Cardinal Health. Cardinal Health, Inc. is the 14th highest revenue generating company in the United States. They distribute pharmaceuticals. Although a strong company we found that: Profits have shrunk slightly since 2016. Non-GAAP net income slipped from \$1.66 billion in 2016 to \$1.59 billion in 2020. The pharmaceutical distribution segment produced strong revenue growth since 16 but the margins fell. CAH is the largest pharmaceutical distributor to CVS and United Health. The company is also reserving for the probable [global opioid settlement](#) and thus far has reserved \$5.6 billion as an unfunded liability, and these reserves could grow. So, we recommend for investors to look for lower prices, clarity on the opioid settlement and margin stability in pharmaceuticals before buying.



**Deutsche Bank (DB):** Deutsche Bank (DB) is a large well-known German multinational bank and financial services company that recently announced they are "going normal". In July of 2019, management announced a "Strategic Transformation" initiative designed to improve sustainable returns to shareholders. Since 2018, the Strategic Transformation has reduced Core Bank expenses by roughly 4 billion Euro annually or 19%. Our models show adjusted net income per share increasing from €1.87 in 2021 to €3.07 in 2023. Not bad for a 10 Euro stock!

**United Natural Foods (UNFI):** United Foods advanced financially for the quarter showing a one dollar increase in net income per share and a more than 100% increase in operating income. What to thank for the increases? Stronger revenues with increasing operating leverage.

## 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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