



YTD as of 9/30/2022



Alpha Portfolio **-14.39%**

**MARKETS**

DOW JONES	<b>-20.92%</b>
S&P 500	<b>-24.80%</b>
NASDAQ 100	<b>-32.82%</b>
REIT INDEX	<b>-30.89%</b>
SMALL CAP	<b>-25.86%</b>
HIGH YIELD	<b>-17.95%</b>

**BOND YIELDS**

10 YR TREAS	3.80%
YTD CHANGE	<b>+229%</b>
30 YR TREAS	3.76%
YTD CHANGE	<b>+135%</b>

**SINCE INCEPTION**

<b>THROUGH March 31, 2022</b>	
BROXTON	<b>488.05%</b>
S&P 500	<b>404.65%</b>
DOW JONES	<b>377.31%</b>

**Third Quarter Earnings! Above: Some of the big tech names that have reported so far**

Earnings are proving out what we said in the last newsletter: "Right now, we still do not have a recession. Accounting firm [Deloitte is predicting a 4-6%](#) increase in holiday spending versus 2021 and 3<sup>rd</sup> quarter GDP grew at 2.6%." Visa chairman Alfred F. Kelly reported: "In Visa's fiscal fourth quarter, we saw a continuation of many of the spending trends present throughout 2022: strength in consumer payments, resilience in eCommerce and ongoing recovery in cross-border travel." Bank of America chairman Brian Moynihan reported: Our U.S. consumer clients remained resilient with strong, although slower growing, spending levels and still maintained elevated deposit amounts." However, Broxtton has another way to discern up and close recession signs: the provision for credit losses at Synchrony Financial. They have 66 million active credit card accounts in the middle to lower credit quality, servicing brands such as:

Lowe's and Sam's Club, Amazon and PayPal. They are on the front lines. What did we find? Although delinquencies are normalizing and rising year over year, provisions for credit losses and delinquencies over 30 and 90 day are lower than the last normal year, 2019. As we have said numerous times: it's not possible to predict recessions or economics. After 2008 the Queen of England basically questioned why no one predicted that one when visiting the London School of Economics. So, the reason the market is going up right now is the fact that there is no recession appearing in the 3<sup>rd</sup> quarter earnings. Next issue: Does Neo Keynesian economics work? No. Why are we practicing it? The answer lies in organizational psychology and phenomenon's such as "group think."



Why are tech earnings a disaster? We touched a few times on the fact that technology goes through an adoption cycle that is independent of the economic cycle, and when it's over growth ends and competition grows. The above companies all have flourished as a result of the growth in handheld devices such as smart phones, which grew from 60 million in 2009 to 300 million in 2020 but growth slowed to 1% in 2022. So, the adoption phase is over and now the competition phase is starting. "And Alexander wept, seeing as he had no more worlds to conquer." Specifically, Amazon, Google, Netflix and Facebook all saw sharp slow downs which were not recession related. The companies had mistakenly built costs into 3<sup>rd</sup> Q towards the continuation of growth not the end, so their profit margins crashed.

**Abercrombie & Fitch Co. (ANF):** We are highlighting the 8.75% senior secured notes at Abercrombie (ANF). 2022 has been a difficult year for most clothing retailers. The primary reasons include unforeseen elevated costs and sometimes currency headwinds. Also, many consumer closets are at a different place in the replacement cycle due to the higher 2021 activity. Abercrombie ended 2nd quarter with \$369 million in cash and just \$308 million in debt. The business should recover to normal levels over the next 18 months. [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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