



YTD as of 8/31/2022

Alpha Portfolio **-11.77%**

MARKETS

DOW JONES	-13.12%
S&P 500	-16.80%
NASDAQ 100	-24.78%
REIT INDEX	-19.83%
SMALL CAP	-17.51%
HIGH YIELD	-14.34%

BOND YIELDS

10 YR TREAS	3.13%
YTD CHANGE	+162%
30 YR TREAS	3.25%
YTD CHANGE	+135%

SINCE INCEPTION

THROUGH March 31, 2022

BROXTON	488.05%
S&P 500	404.65%
DOW JONES	377.31%



SMART YIELD

The Three moving parts of 2022 Above: the Bank of England (one of the worlds central banks)

2022 is in the process of delivering some great bargains that will ultimately pay off very well. Currently, we are witnessing some of the largest mispricing we have seen in the markets. Investors still seem intent on trying to bet on growth stocks while selling the better performing value shares. So, there are still multiple companies trading at a huge multiple of revenues, which do not make money, and an equal number trading at half or less of their historical earnings multiples. So, at this time we see three moving parts of this market: the Federal Reserves of the world, the repricing of securities and the recession fears. Right now, we still do not have a recession. The [Atlanta Fed](#) sees a .3% rise in 4th quarter GDP and accounting firm [Deloitte is predicting a 4-6%](#) increase in holiday spending versus 2021. So, we don't have a recession yet... A main culprit currently is the repricing of securities based on interest rates. Higher rates are not guaranteed to deliver a recession but in general they do cause a repricing of securities. So, at 0% federal Reserve funds rate stocks are worth an earnings yield of 5% or a PE multiple of 20. And at 4% rate stocks are worth an earnings yield of 7,8 or 9% or a PE multiple or 30-40% lower than last year. Since there is no recession right now we consider this to be the primary reason for the down market. Currently the Nasdaq 100 index is down 32% year to date. We see the Federal Reserve banks of the world as being the third part, with financial markets eager for the banks to support them as has been the practice in the past. However, we are a fan of free markets and believe that financial markets should stand on their own. The bank current effort is not a move towards free markets but apparently is only a byproduct of the current inflation fight by the Banks!



Milton Friedman quote: "The great advances of civilization, whether in architecture or painting, in science or literature, in industry or agriculture, have never come from centralized government." We believe this also applies to economic benefits from government intervention in the financial markets! **Reminder: we conclude the current inflationary period would end in 2023** [July Newsletter](#)

Genworth Financial Inc. (GNW): As predicted Genworth has survived, again, on its' own, but no one really seems to care, and the stock is going down of course. GNW owns two large independent insurance companies: Genworth Life Insurance and Enact. Genworth Life has total assets of \$76 billion dollars and Enact is a publicly traded mortgage insurance company with an equity market cap of over \$3 billion. GNW has undergone a financial transformation by deleveraging. This led to the reduction of over \$2 billion in holding company debt and upgrades from both ratings agencies. [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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