



YTD as of 6/30/2023

Alpha Portfolio 4.23%  
Smart Yield 4.23%

MARKETS

DOW JONES 3.78%  
S&P 500 16.18%  
NASDAQ 100 38.74%  
REIT INDEX 2.67%  
SMALL CAP 7.40%  
HIGH YIELD 1.96%

BOND YIELDS

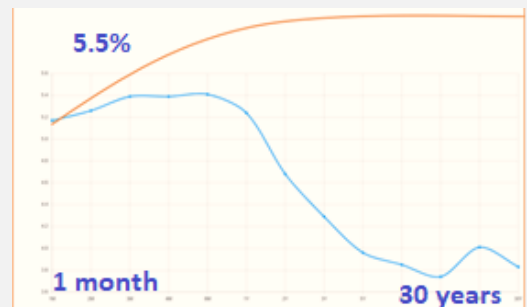
10 YR TREAS 3.85%  
YTD CHANGE -0.75%  
30 YR TREAS 3.68%  
YTD CHANGE -3.02%

SINCE INCEPTION

Through December 31, 2022  
BROXTON 424.77%  
S&P 500 333.17%  
DOW JONES 363.43%

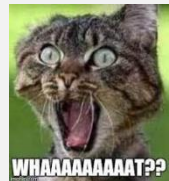


**Yield Curve:** As we see on the left in blue is the current shape of the yield curve with higher yields in the 1 year area than the 15 or 25 year area. In the orange we drew what a normal yield curve would look like. So the expectation would be for the yield curve to normalize here, but what would be the ramifications? Bonds further out in maturity would drop 15-20%. Could this



have an effect on stocks? Yes; Currently we are trading at about 19.5 X next years earnings. July 21, Factset: "The forward 12-month P/E ratio for the S&P 500 is 19.5. This P/E ratio is above the 5-year average (18.6) and above the 10-year average (17.4)." higher long term rates can mean lower PE ratios. July 21, Factset: "For Q2 2023, the blended earnings decline for the S&P 500 is -9.0%." **So currently the market is challenged by weaker earnings and possible normalizing of the yield curve.**

**Recession update: Signs of economic growth** The International Monetary Fund raised its 2023 prediction from the 2.8% assessed in April to 3%. After the global financial crisis that started in 2007, central banks in advanced economies eased monetary policy by reducing interest rates until short-term rates came close to zero, limiting options for additional cuts. Covid related inflation has caused a course change and there could be some benefits here. There are around \$52 trillion in bonds, so for every average 1% increase in the bond interest, there is another \$500 billion in interest created, so a homogenous 5% rise (ignoring any other factors) would increase the economy by 10%. So far higher rates have done nothing to slow the economy and may produce a massive GDP growth effect that is undetectable, of course by economists who are mostly still predicting some sort of recession.



**War in Ukraine:** The no benefit to anyone war continued and it is now acknowledged that the Ukrainian summer offensive failed.

**Under Armour: (UAA)** is a well-known clothing company that produces sports apparel. There is strong potential for the brand and the operational challenges are dissipating. The question is: can UAA return to growth? New CEO Stephanie Linnartz is going to try! Our buy and price target of \$9 are based on 12.4 X projected 2025 fiscal year EPS and the healthy balance sheet. Investors are being enticed with a 70% discount from the 2 year high of \$27. Also, we feel that UAA has possibilities beyond these numbers if CEO Linnartz can navigate the company and reignite the brand. [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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