



YTD as of 2/29/2020  
Alpha Portfolio **-10.21%**

### MARKETS

DOW JONES **-10.71%**  
S&P 500 **-7.95%**  
NASDAQ 100 **-3.20%**  
REIT INDEX **-5.88%**  
SMALL CAP **-11.67%**  
HIGH YIELD **-2.16%**

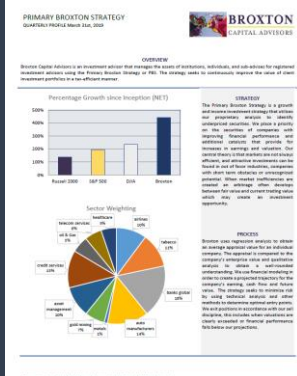
### BOND YIELDS

10 YR TREAS **1.92%**  
YTD CHANGE **-.77%**  
30 YR TREAS **2.39%**  
YTD CHANGE **-.63%**

### SINCE INCEPTION

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

### BROXTON PERFORMANCE



In March indexes fell for the month with small cap value leading the way by falling 40% from high to low. The Alpha portfolio fell around 8% for the month. The Covid 19 crisis was to blame but another crisis appeared in early March when the Russian government failed to help out on a Saudi Arabian request to slow oil production amid a rising oil glut also caused by Covid 19. This caused a 36% drop in the S&P Oil and Gas ETF (XOP) on Monday March 9 and major drops in oil and all of the oil indexes. The main problem for many of the U.S. companies is that the cost of fracking a barrel of oil now exceeds the market price. Concern spread also to the banks which hold portfolios of oil loans.

Meanwhile steady coverage of the crisis included news on the closure of many restaurants, sports arenas and other venues including Sea World and Disneyland. We looked at one restaurant (Cheesecake Factory) to examine the effect on its employees and vendors:

- \$ 2.5 billion in revenue annually
- \$ 900 million paid to employees
- \$ 630 million paid to landlords and utilities
- \$ 560 million in food costs
- After other costs and reinvestments keeps around \$125 million
- Most locations currently shuttered or operating at a reduced level
- Restart costs estimated at \$150-450 million
- Restart time frame until cash flow break even 6-18 months



We estimate that the Cheesecake Factory could receive \$100-300 million in government assistance.

So pretty large numbers but a good demonstration of the effect of one restaurant chain on the economy. Currently it is expected that the recovery from the current stoppage of the economy could take until the third quarter of 2020. Although this may be optimistic due to the hit that the U.S. consumer is taking which usually leads to a drop in consumer confidence. When consumer confidence is low consumer habits tend towards spending less which slows the recovery. So, at this point we will have a better information source when we begin to get the earnings from the 1<sup>st</sup> quarter 2020.

Above: Orcas await the return of visitors to SeaWorld.

## 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.

[www.broxtoncapital.com](http://www.broxtoncapital.com) 310 208 2151