



YTD as of 12/31/2021

Alpha Portfolio **+7.79%**

MARKETS

DOW JONES **+18.81%**
 S&P 500 **+27.04%**
 NASDAQ 100 **+26.81%**
 REIT INDEX **+36.59%**
 SMALL CAP **+13.46%**
 HIGH YIELD **-0.33%**

BOND YIELDS

10 YR TREAS 1.52%
 YTD CHANGE **+59%**
 30 YR TREAS 1.91%
 YTD CHANGE **+26%**

SINCE INCEPTION

THROUGH June 30, 2021

BROXTON **540.83%**
 S&P 500 **373.68%**
 DOW JONES **368.11%**



Are we heading for a correction in the indexes? 2022 got off to a bad start in January with the Nasdaq 100 dropping as much as 18% from the December highs. The ARK Innovation ETF fell as much as 32% for the year in late January. Most of the serious destruction was concentrated in the ultra-speculative Nasdaq shares. Fiverr International Ltd., ([FVRR](#)), dropped 77% from its 2021 high to a price of \$72. We actually like Fiverr as a company. Fiverr operates an online marketplace worldwide for (mostly) technology services. However, the shares are worth around \$15 currently due to the stage and size of the company. So far Microsoft and Apple reported good earnings, but Netflix earnings were not well received by investors. The group of larger Nasdaq shares are trading at close to 30 X earnings or a valuation of about 50% above historical averages. Above we show the price for the S&P 500 based on normal ratios in between the lines. A pullback to these areas would be considered a normal correction. Broxton portfolios fared much better because investor selling concentrated mostly on indexes and overvalued shares.



Steel company shares got a boost on Friday when U.S. Steel and Nucor's CEO's both called some pricing concerns temporary and said: Demand remains pent up for the markets and manufacturers are ramping up to meet continued high demand. The most often cited reason is the delay in auto manufacturing from chip shortages. [U.S. Steel \(X\)](#) We initiated coverage on U.S. Steel due to recent improvements. The medium and near-term outlook for steel pricing has stabilized and the company has vastly improved its balance sheet.



Although our base case includes a reduction in steel pricing through 2023, U.S. Steel Management sees improved pricing in 2022 versus 2021 for the majority of its business. X management is also expecting currently announced strategic investments to deliver approximately \$850 million of incremental EBITDA beginning in 2024.

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 310 208 2151