



YTD as of 7/31/2022

Alpha Portfolio **-10.81%**

MARKETS

DOW JONES **-9.54%**
 S&P 500 **-13.26%**
 NASDAQ 100 **-20.71%**
 REIT INDEX **-14.70%**
 SMALL CAP **-15.82%**
 HIGH YIELD **-10.14%**

BOND YIELDS

10 YR TREAS **2.64%**
 YTD CHANGE **+113%**
 30 YR TREAS **2.97%**
 YTD CHANGE **+107%**

SINCE INCEPTION

THROUGH March 31, 2022

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



Tough Times Ahead for Tech Stocks?

The Federal Reserve Bank of Kansas City hosted Jackson Hole (above) symposium didn't deliver great news for stocks. Morgan Stanley's Michael Wilson: "Chair Powell's messaging on Friday was crystal clear, and the equity markets did not take it well." Wilson notes that shares are facing a double threat from rising interest rates (which make tech stocks worth less) and deteriorating earnings. Amazon, Facebook and Apple all posted lower earnings year over year for the second quarter. Broxton's Byron Stead: "It's pretty much almost an exact replay of the 2000 tech debacle. The first stocks to fall are the tertiary tech shares that have little substance. This includes companies like DocuSign, which never made earnings but traded for as much as \$60 billion and now have dropped more than 80% from their highs. Then secondly, the popular larger tech shares begin to fall." Broxton's Allen Cooke: "Investors confuse the adoption cycle for certain new technologies as a no-lose investment opportunity due to the rapid growth. As the adoption cycle ends, growth slows down and competition increases. This also causes a drop in earnings. Unfortunately, this is usually when the stocks are at their highest levels." Historically this has been great news for value shares, which Broxton owns, because investors shift back to investing in companies that make money and demonstrate value to the consumer. Over the last 10 years growth stocks have outperformed value, but over the last 100 years value shares have outperformed growth shares by over 1300% or 13 X. So the shift to value should provide profitable opportunities.

Chairman of the Federal Reserve at Jackson Hole



Recap in last month's newsletter we concluded the current inflationary period would end in 2023 "We can expect that the current inflation period, which started in April of 2021 will abate by May or June of 2023." [July Newsletter](#)

Roku, Inc. (ROKU): Roku is a tech stock which has fallen over 80% from its' high and is simultaneously facing a slowdown in the adoption cycle for its' technology and strong competition. Roku offers streaming media content through connectible television devices (CTV) or as an embedded component in televisions. The company is the clear CTV leader in North America with Samsung and Apple tied for second (but gaining market share). Roku offers movies, TV shows, original content, live linear television channels, and more than 50 premium subscription channels such as such as Amazon, Disney+, HBO Max, Hulu, Paramount+, Netflix, and YouTube. Although Roku has a strong growth history and strategic value, there are near-term challenges. The company reported negative operating results in the second quarter, and we predict that Roku will not return to positive EPS and operating income until 2024. [REPORT](#)



Broxton Capital Advisors

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