



YTD as of 10/31/2019
Alpha
Portfolio **+8.62%**

MARKETS

DOW JONES **+15.99%**
S&P 500 **+21.37%**
NASDAQ 100 **+27.76%**
REIT INDEX **+26.45%**
SMALL CAP **+16.09%**
HIGH YIELD **+ 7.04%**

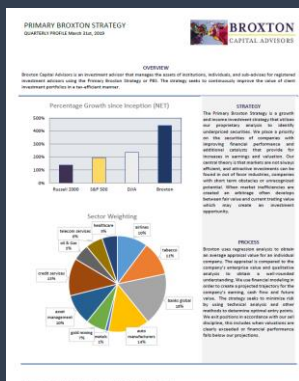
BOND YIELDS

10 YR TREAS **1.69%**
YTD CHANGE **-1.00%**
30 YR TREAS **2.18%**
YTD CHANGE **-0.85%**

SINCE INCEPTION THROUGH DEC 31, 2018

BROXTON **408.77%**
S&P 500 **158.73%**
DOW JONES **199.13%**

BROXTON PERFORMANCE



Happy Thanksgiving! The Alpha Portfolio advanced 1.79% in October. The general market became stronger on news that China and the U.S. could possibly reach an early stage trade deal. In early November, bond yields rose close to 2% on the 10-year treasury before falling back into the 1.7% area. Although an extremely low yield, the U.S. 10-year bond is one of the higher yielding sovereign bonds in the world. Many countries have negative yielding bonds, such as: Germany (-.37%), Switzerland (-.58%) and of course Japan (-.10%). In fact, according to Bloomberg, there are over \$19 trillion in negative yielding bonds and over 30% of global government bonds have negative yields. One fact seems to be that the yield drought is driving stocks higher. Bond yields worldwide had started to climb higher in October and November but due to several problems the Federal Reserve began to pump money into the economy in what is now called "quantitative easing forever." The Fed plans to put in at least \$60 billion a month and continue to inject 100s of billions of dollars into what is called: "the overnight REPO market" for at least the next six months but possibly forever? Overall, we don't view this as creating stronger world-wide financial markets but as creating markets that are dependent on increasingly larger government interventions.

Ford (F): Ford unveiled its new Mustang in November. We all know the iconic Mustang but how has it been upgraded? Well now it's an all electric SUV! The car is one of the first production electric vehicles in the Ford line up and is part of Ford's effort to convert to 50% EV offerings over the next few years. This is also part of the company's efforts to streamline production and reach \$2.50 in EBIT (earnings before interest and tax) per share from the automotive division (\$10 billion per year). At the end of 2019 Ford predicts that it will be about two thirds of the way there with automotive EBIT of \$6.5-7 billion. Ford vs. Ferrari Vs. Tesla? The movie Ford vs. Ferrari follows the victory of Ford in the 1960s at Le Mans raceway in Europe. However, more recently Tesla demonstrated their new "truck" winning a tug of war against a Ford F150. Ford countered saying that putting an EV against a conventional drive train was unfair and both companies have agreed to a rematch of their respective EVs.

Amarin (AMRN): Amarin received 100% approval from a committee to expand its prescription label to include information on the cardiovascular health benefits of their drug Vascepa. The FDA should give its final ruling in late December. In Trials Vascepa was shown to reduce heart attack and stroke by 31 and 28%.

Qudian (QD): We hit the sidelines on QD after the company reported 3rd quarter results. Although net income increased by 52%, QD signaled that they would begin a shift to a new business model and that the 2019 full year earnings forecast would be lowered after being raised in July.

High Expectations??

In the last 18 months a number of publicly listed companies were launched that grow Marijuana for recreational or medicinal use. Many of the shares briefly skyrocketed before plunging. Aurora Cannabis (ACB) shares shot from \$1 up to \$12 and are now at \$2. Tilray which debuted at \$20 per share in 2018 briefly shot to \$300. Marijuana was legalized in Canada in 2018 and this led to a gold rush of new entrants. But as the industry matured investors began paying more attention to the financials. Recently, Canopy Growth Corp. (CGC) reported large losses and negative margins. Part of the problems for the industry revolve around the rapid expansion of growing facilities. More recently thousands of people were hospitalized due to THC Vaping and some died. A few of the companies also issued bonds as well. ACB and TLRY both issued bonds which promptly sank! ACB 5.5% Notes fell 35% and the Tilray bonds fell almost 50%!



Help may be on the way! According to Forbes contributor Tom Angell: "A key congressional committee plans to hold a historic vote on a bill to end the federal prohibition of marijuana next week, two sources with knowledge of the soon-to-be-announced action said. The legislation, sponsored by House Judiciary Committee Chairman Jerrold Nadler (D-NY), would remove cannabis from the Controlled Substances Act (CSA) and set aside funding to begin repairing the damage of the war on drugs, which has been disproportionately waged against communities of color." The House Judiciary Committee passed the Marijuana Opportunity, Reinvestment and Expungement (MORE) Act in a 24-10 vote last week, setting the stage for a full floor vote. Federal legalization could increase demand possibly helping the growers. This may improve the situation. We will observe and see! **To the right: 8-month Price chart of Tilray (TLRY) OUCH!!**



Broxton Capital Advisors

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