



YEAR TO DATE

As of Jan 31, 2018

BROXTON 2.33%

MARKETS

DOW JONES 5.68%

S&P 500 5.63%

NASDAQ 100 8.76%

HIGH YIELD 0.00%

REIT INDEX -4.25%

BOND YIELDS

10 YR TREAS 2.72%

YTD CHANGE .31%

30 YR TREAS 2.94%

YTD CHANGE .20%

SINCE 2006

BROXTON 488.15%

S&P 500 170.59%

DOW JONES 209.91%

BROXTON PERFORMANCE



Broxton Portfolio

In January, Broxton was up 2.3% as primary indexes rose over 5%. However, many index shares seemed wildly overvalued to us. Late 2017 marked an inflection point for Broxton, which we outlined in our [Trading Procedures Update](#). We noted: "Some securities experience dramatic improvement in fundamentals but do not increase in price." We are now aligning our independent mathematical appraisal methodologies with market sentiment or changes in market sentiment. These changes have been met with success on five out of six of the new holdings, producing profits as of February 16, 2018. Kroger and Viacom are leading the way with 37% and 24% gains respectively, since purchase. The new additions are up an average of 16% vs. 6% for the S&P 500 since November 1, 2017. Here are updates on some of the holdings:

Energy Transfer Partners: (ETP) ETP reported record results for the 3rd quarter 2017. Since January 24th, the average oil and gas share declined 23%; leading to a 11.5% decline in ETP from its recent high. ETP operates pipelines at a fixed cost to its customers and does not have direct exposure to oil and gas, so we expect the operations to continue to improve and have a short-term price target in the mid-to-high twenties. ETP also has a dividend yield of 11.95%.

Viacom: (VIAB) Viacom, which owns Comedy Central, Nickelodeon, and Paramount, is trading at 8.5X this year's earnings and is in discussions with CBS for a re-merger. We bought shares slightly above \$27 and are targeting the high-thirties or low-forties.

Genworth: (GNW) GNW reported great earnings throughout 2017 that were up significantly over 2016. It trades at about 2.5X 2017 earnings. Our letter to the Board of Directors prompted the company to hold its first conference call in over a year which had good news. GNW owns \$140 worth of bonds per share of stock; so rising rates would help this company make a lot more revenue!

Arcelor Mittal: (MT) Arcelor is the largest steel company in the world and recently reported paying down debt while increasing earnings. News on possible import tariffs in the steel industry sent the shares higher last Friday. MT has 19 steelmaking, coke making, mining and finishing operations in the U.S.

BOFI Holdings: (BOFI) BOFI showed excellent loan growth in the fourth quarter sending the shares higher. The asset light model does not have bank branches and the average loan to value is less than 60%. BOFI is trading at less than 13X 2018 earnings predictions.

Harmony Gold: (HMY) Harmony recently reported earnings that were up 50% placing the PE ratio below 8. Earnings are set to improve with the Moab acquisition, which is closing in the next six months. After the purchase, HMY will be a 1.5-million-ounce producer annually and will have proven probable reserves of 100 million ounces.

Oi Telecom: (OIBR) Oi recently made plans to issue new shares as part of the restructuring process. Oi reported its first profitable quarter in November 2017 and has interest from China Telecom.

General Market

We continue to believe that many of the shares in the market are vastly overvalued. In addition, many shares are relying on the loose rules for Non-GAAP income reporting to make or exceed analysts' predictions. We estimate that 20-30% of the earnings for the S&P 500 index are now Non-GAAP. Netflix is a good example because it is a mature company that is trading at 147X operating income. This is 1000% higher than a normal growth company. Interest rates began to rise in February sending Real Estate Investment Trust and other rate sensitive shares lower.

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About Broxton Capital

Broxton Capital is an investment manager located in Los Angeles, CA. Broxton employs The Primary Broxton Strategy or "PBS" for managed accounts. The PBS is a bottom-up, fundamental strategy that seeks higher total returns with lower risk. The focus is on low-risk investments with attractive return (LRAR Securities) with an average holding period of 18 to 36 months. The strategy invests in high-yield, fixed income, and equities but does not have any allocation mandates.

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