



Broxton Portfolio

In April Broxton was down 4%, bringing the returns down to a negative .08% for the year. Although our companies have had excellent fundamental improvements many of the shares are not moving. Broxton's top three positions had operating income or earnings increases averaging 93% in 2017, as follows: (RDNT operating income + 100% 2016-2017, GNW operating income +127% 2016-2017, HMY 1st half 2018 headline earnings + 51%). The remaining positions had financial improvements averaging 40.25% with only one position posting declining year over year financial performance.

Part of the downturn in April was from Harmony gold. Although posting excellent results, HMY was panned by Deutsch bank and a few other brokers leading to a 15% drop in the shares. After hitting new highs, RadNet also pulled back about 10% for the month. The general market remained close to unchanged in April as the U.S., France and Britain attacked chemical weapons facilities in Syria and a major détente evolved on the Korean peninsula. Shares remained challenged as indexes continued to move lower and bond rates rose to a four-year high. We reduced shares in Micron, Orange and BOFI holdings.

Viacom: (VIAB) Viacom posted good earnings in April driven by sequential improvements in domestic advertising and affiliate revenue performance. Internationally, Viacom continued its winning streak, achieving double-digit revenue and profit gains in the quarter while expanding its global foot print. The Paramount division was helped by the box office hit "A Quiet Place," the first film produced and released by the studio's new management team. The company reported an increase in earnings of 16% and good progress on cost cutting initiatives. CBS the probable buyer of Viacom seems to have reached an inflection point and is heading higher. We most likely will be adding to this position due to the numerous positives. The shares are trading at a cheap 7-8 X 2018 earnings.

RadNet (RDNT) RadNet fell back after strong gains and will report earnings May 9th. Recent improvements in some hospital operators may be evidence of improving reimbursement rates which would be excellent for RDNT.

Genworth: (GNW) GNW had a boring April although it is becoming apparent that our original predictions are quickly becoming true. GNW still has a \$5.43 per share cash take-over offer from China Oceanwide that is awaiting approval.

ArcelorMittal (MT) MT is the largest steel company in the world with over 17 facilities in the U.S.. Recent volatility in the industry has been caused by the talk of steel tariffs but has been somewhat neutral for MT since they operate around the world and the U.S. The companies' stock dropped only 8% recently while U.S. steel fell as much as 35% on tariff delay rumors.

YEAR TO DATE

As of April 30, 2018

BROXTON **-0.78**

MARKETS

DOW JONES **-2.36%**

S&P 500 **-0.88%**

NASDAQ100 **3.33%**

HIGH YIELD **-1.79%**

REIT INDEX **-8.30%**

BOND YIELDS

10 YR TREAS **2.94%**

YTD CHANGE **.53%**

30 YR TREAS **3.09%**

YTD CHANGE **.357%**

SINCE INCEPTION

BROXTON **488.15%**

S&P 500 **170.59%**

DOW JONES **209.91%**

BROXTON PERFORMANCE



BOFI Holdings: (BOFI) BOFI dropped slightly after posting an earnings increase of 27% for the March quarter. BOFI Holding, Inc. engages in the provision of banking and financing services for single and multifamily residential properties.

HARMONY GOLD (HMY) As we commented above HMY was panned by three brokers which took the shares down for the month. We consider the criticisms to be untrue and somewhat part of the Wall Street echo chamber. The criticisms concerned gold reserves decreasing and the free cash flow capabilities of HMY. It is not argued that the company is increasing its' production to 1.5 million ounces annually or by 40-50% in the period beginning June 30. The new mines will be at costs that are \$200-250 per ounce lower than current production. Reserves are expected to increase due to acquisitions and exploration by the company. Upon our closer inspection we have verified that reserves are not being consumed at a faster rate than other companies. HMY has three different types of reserves. The most conservative is for 39 million ounces and the most inclusive is more than 100 million ounces. So at the rate of 1.5 million ounces per year we do not believe they are running out of gold. We expect HMY to generate close to \$1 billion in Free cash flow through 2022. A lot of this will be used for the companies' Indonesian project Wafi Goldpu, which could increase earnings per share by 40 to 60 cents. HMY is a vibrant gold producer with excellent prospects. HMY [recent presentation](#)

General Market

Bond yields continued to rise with the 10 year rate hitting a four year high. This usually has a negative effect on shares. If the S&P 500 index yield was to increase to 2.5% from 1.9% the index would fall in price by 27%. So we consider the index "yield sensitivity" to be extreme at this point. As first quarter earnings have been coming in the banking sector and technology has continued to do well. By far the worst performing sector in 2018 is consumer goods.

2018 has marked a rough year for the consumer goods sector. Companies such as Colgate, Procter and Gamble and Kraft Heinz have seen decreases of as much as 35%. The group began to fall due to concerns regarding growth and innovation after years of lagging performance. 2018 brought in the additional challenges of rising materials costs and increasing pressure from retailers, such as Wal-Mart, for the consumer goods companies to lower prices. Coke and Pepsi have been affected by higher aluminum prices and Goodyear tire has seen petroleum prices rise. Budweiser and Coors were not immune as both shares fell 12 and 27% respectively. What may be even worse for this group is the inability to pass on any cost increases to the consumer. Some clothing manufactures in this sector, such as Nike and Fossil Group, actually increased in value in 2018 because consumers are still buying. Things may remain difficult until we see more hustle from this group!

Broxton Capital Advisors

www.broxtoncapital.com

Broxton Capital is an investment manager located in Los Angeles and employs The Primary Broxton Strategy or "PBS." 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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