



YTD as of 4/30/2019  
BROXTON **+10.53%**

MARKETS

DOW JONES **+13.98%**  
S&P 500 **+17.65%**  
NASDAQ 100 **+22.87%**  
REIT INDEX **+16.36%**  
Small Cap **+18.21%**

BOND YIELDS

10 YR TREAS 2.69%  
YTD CHANGE **-0.18%**  
30 YR TREAS 2.94%  
YTD CHANGE **-0.08%**

SINCE INCEPTION

THROUGH DEC 31, 2018  
BROXTON **408.77%**  
S&P 500 **158.73%**  
DOW JONES **199.13%**

BROXTON PERFORMANCE



**Broxton Portfolio**

In April the Broxton portfolio was up about 3%. The market peaked on May 1 after Apple reported better than expected earnings. The Apple earnings weren't good, revenues were down about 9% and net income declined about 17%. The shares rallied sharply but have since sank. Also, in early May the market was confronted with the news of a large deterioration in the U.S.-China trade talks. With the president stating that discussions were moving "too slowly." Tariffs were increased from 10% to 25% on Chinese products and another increase of \$325B was prepared. The Shanghai Composite tumbled 5.6% on the news. Later in the month the U.S. also imposed restrictions on a single Chinese company, Huawei. The tough trade restrictions continued with a ban on any business with Huawei by U.S. companies without a U.S. government license. This dealt a serious blow to the company which relies on the Google operating system for its smart phones. The trade dispute setbacks were combined with the unsuccessful IPO of UBER. Uber opened down from its initial price and closed down 7% on its first day of trading. We considered the IPO to be a flop due to the massive losses at UBER (\$1 billion in 4<sup>th</sup> Quarter). The Broxton portfolio:

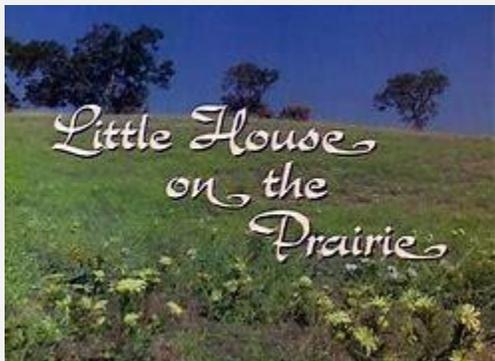
**Qudian (QD):** QD beat earnings by a whopping 40% or 15 cents and is fast closing in on the \$2 or more per share earnings for 2019. Year over year growth in earnings was 200%. The company also displayed early plans for an expansion into Asian countries such as Malaysia, Indonesia and Thailand which have more that 1 billion citizens. We believe that QD could easily be a \$40 stock. QD makes loans to consumers using a cell phone app that allows people to make purchases, much like our credit cards.

**Harmony Gold (HMY)** The company reported results for the 9 months ended March 31: total gold production increased by 29% to 33,673kg (1,082,611 ounces) with underground recovered grade 6% higher due to the acquisition of Moab Khotsong and a further build up in production from Hidden Valley. Another project under development; Wafi Goldpu, has \$50 billion in gold and copper reserves. Harmony is completing the environmental phase of the project and the mine should begin production in 3-5 years.

**Prospect Capital (PSEC)** PSEC reported earnings on May 8<sup>th</sup> with a 10% advance in earnings from the prior year and increases in Net Asset Value over the prior quarter. PSEC is a publicly traded closed-end investment company portfolio that has direct business investments in manufacturing, industrials, energy, business services, financial services, food, healthcare, and media, as well as many other sectors. Prospect invests primarily in first-lien and second-lien senior loans and mezzanine debt. The company trades at a 29% discount to its net asset value per share.

## The New Economics of TV!

### OLD WAY



Historically we got our television program watching done by watching shows with commercials every 10 minutes or so. Well....things have changed. Thanks to new high-speed internet we can choose many ways of watching. In our recent report on the possible Viacom CBS merger, we touched on the fact that historically content providers like CBS, sold their shows or network stream to distributors like cable companies that owned the

### NEW WAY



infrastructure to transmit the content. Now we have a handful of new distributors, content producers and a new level of infrastructure as well. New distributors include Netflix and Amazon, who also produce content themselves or contract it from the likes of Viacom. Some content producers like CBS are offering their own streaming services. Distributors like ROKU are having their technology pre-installed on TVs. ROKU is a new type of distributor. With 5G coming down the pipeline cell phone companies are also getting into the game. T Mobile is offering free video services. AT&T recently bought Time Warner which owns HBO and Turner networks and is offering a streaming service as well. As of today, Amazon announced that they may buy Boost mobile from Sprint as well as some spectrum, if they have any to offer. This would put Amazon onto Sprints network as a reseller but also position them for future communications growth. Sounds like a battle Royale may be forming!

## Did Genworth just get left at the Alter?

Genworth has been waiting for over 30 months to consummate its buyout from China Oceanwide at a price of \$5.43 per share. A fact that we have been covering in a marathon of reports since November of 2016. Since January of this year it has become apparent that China Oceanwide is in default on its' large real estate development project in downtown Los Angeles and has not paid the construction companies who are building the project. As we pointed out China Oceanwide is not an insurance company but a real estate developer. So, we do not think they will consummate the \$2.6 billion deal with Genworth shareholders. Too bad for Genworth management who stood to make over \$50 Million on the deal personally. Since management talked down the value of the company to do the below market deal, the stock seems ready to crash once the deal is confirmed to be dead. This may present a good opportunity to buy if we can get some new management. It looks like the deadline date of June 30 will not be extended!



## Broxton Capital Advisors

Broxton Capital is an investment manager located in San Juan 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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