OXFORD CHASE ADVISORS LLC

4600 Avocet Drive
Peachtree Corners
GA, 30092

Ph: (1)678-313-6265
Email: info@oxfordchaseadvisors.com
Website: https://oxfordchaseadvisors.com/

Q3 2021 Newsletter

Economy & Market Valuation

The most important economic news of Q3 2021 in our view is that the Federal Reserve (Fed) has announced that it will start tapering its bond purchases soon. The tapering is likely to start in Nov'21 and continue till Mid'22. The Fed will not increase interest rates till H2 2022 but most likely will in 2023. This is the beginning of the process of removing the loose money supply. But the monetary policy is still very loose and will stay loose till we see substantial interest rate hikes. Loose monetary policy helps equity prices and the stock market. We did not see as big a taper tantrum as we saw last time when the Fed started tapering in 2013. We did see an almost 5% drop in the market after the Fed announced the taper. As an investor in the stock market, one should be ready for a 10% drop any time. In general, 10% drops occur almost every year. We are not predicting the timing of the next 10% drop. We have adjusted the portfolio to the taper and rate hikes later, by reducing our exposure to super high growth.

The demand for goods is running 20% higher than 2019 due to various reasons which are linked to Covid 19. This is resulting in supply chain constraints contributing to increased inflation. The supply chain will take time to heal. A good scenario for the US stock market is that supply chain issues are resolved in 2022 and inflation drops. In this scenario, the Fed does not have raise interest rates quickly. This scenario is good for the US stock market. A bad scenario is that high inflation persists in 2022 and the Fed is forced to start increasing rates faster to control inflation. Obviously, this scenario is also bad for the US stock market.

Investment strategy

Our investment strategy is very simple. Be invested in a collection of high-quality companies when the economic conditions are favorable. The companies should have high returns on capital, pricing power, defensible moat, good and growing addressable market and be run my competent management. The companies should have high probability of outperforming the markets on a long-term basis (5+ years). We tolerate significant under performance of a stock when the underlying fundamentals are intact.

Even though we have been in existence for less than a decade, for all clients until the end of 2020 we have outperformed S&P 500. This was mainly accomplished by owning high quality companies and adjusting allocation to cash in a timely manner. There have been many years where we have underperformed the market but in the longer term, our clients have been rewarded with outperformance.

We cannot guarantee the outperformance to S&P 500 or even a positive return on the portfolio. There is almost a 100% probability that we will underperform the major indices from time to time.