

### **Economy and Market Valuation**

The US stock market in 1H, 2015 has not gone anywhere and is almost flat. The reason? Uncertainty surrounding the timing and pace of interest rate hikes. The situation in Greece and Euro Zone is creating another source of uncertainty. But we believe that the US bull market is not yet over and has room to run. It could be many years before the current bull market ends. Bull markets generally end with recessions and, for the US, a recession is nowhere in sight. For the US, the labor market and economy is growing at a healthy pace and barring very strong external shocks, we expect the US economy to continue growing aided by still very low interest rates. If there is a correction or drop in US markets because of external factors like Greece, we are ready to make use of these drops to add to our positions. We have experienced our best returns when we have bought at market lows.

### **Investment Philosophy and Examples**

We at Oxford Chase will invest in securities which can benefit from an increase in interest rates and have limited downside risk in case of a market correction. We think that banks will benefit from interest rate hikes and loan growth. Banks have not witnessed loan growth since the recovery began in 2009-2010. Banks did start seeing modest loan growth in Q3, 2014. We believe we will see increased loan growth in the coming year as the economy expands. Loan growth is a big positive for banks and should be positive for our position in Bank of America. AIG, which is another of our holdings, has shown good quarterly results and is still trading at a discount to its book value. It has been improving its ROE and is moving to its target rate of 10%. It is buying back its shares and has announced further increases in its buyback. We

believe AIG has very low downside risk even if the stock market goes through a correction. Apart from such big companies (or *mega caps*), we are also invested in *small cap* companies like Ebix and Retrophin. The stock prices for Ebix and Retrophin have seen very handsome gains in the last 6 months and we plan to hold on to these names as the fundamentals of these companies are very strong.