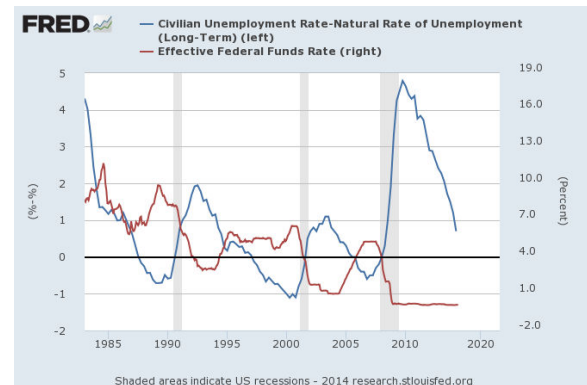


Economy & Market Valuation

The stock market in the second quarter saw a slow and steady rise of around 4.6% with very low volatility. We believe that the reason for the low volatility in the second quarter was the market belief that the Federal Reserve will keep interest rates low or zero for an extended period of time. The market is expecting the first increase in interest rates in 2015. In July we saw increased market volatility after stronger than expected economic reports and global issues such as sanctions against Russia and default by Argentina. Stronger economic reports changed the view of some of the market participants that interest rate hikes can happen sooner than what they were expecting. We think that the economy in the second quarter strengthened and will likely remain strong for the rest of 2014. The first reading of second quarter GDP growth rate came out at 4%. Employment reports are showing monthly gains of more than 200,000 per month and higher inflation is still not on the horizon. We have been of the opinion for a long time that in the absence of higher inflation Fed will stay accommodative which will be positive for the market. One of the scenarios that we see which can result in a large correction in the market is a fast pace of interest rate increases by the Fed because of higher inflation. For now we see the possibility of increased volatility and a correction in the market in 2H of 2014. We do not see a recession or a bear market on the horizon. We will take advantage of the correction and increased volatility as and when it happens and will add to our positions or initiate new positions if we find attractive prices on stocks that we want to buy.

As we can see in the graph, the unemployment rate has dropped to 6.2% but is still higher than

the lowest employment rate seen in previous cycles.



Investment Philosophy and Examples

We at Oxford Chase, try to invest in securities which are mispriced by the market for one or the other reason. We cannot predict when the mispricing in the security will disappear. It could be one month, one quarter, one year or even more. We invest with safety of principal and long term time horizon in my mind. We follow Warren Buffet's two investing principles. The first is never to lose the principal and second is never to forget the first principle.

In our last report we talked about some of our investments like BAC, IMOS and MU. Our thesis on BAC has not changed. If we see lower prices we will add to our positions in the portfolios.

We have a company called 'Mannkind' in some of our portfolios with an aggressive risk profile. Mannkind has developed a rapid acting inhaled insulin for diabetic patients called 'Afrezza'. Afrezza was finally approved by the FDA after a long wait. The stock has seen substantial appreciation on the news of FDA approval from our cost price. We have not sold our position as we think the best is yet to come. We expect Mannkind to sign a partnership for the marketing of Afrezza and launch the drug in 4Q2014 or early part of 2015.