

Economy & Market Valuation

The stock market for year 2015 ended in red and has shown a lot of volatility in the first two months of 2016. There are multiple reasons for the downturn. The first is that the US Federal Reserve raised interest rates in Dec. 2015. The second - a slowing growth rate in China and China's inability to get a firm handle on the financial and economic situation. The third being continued downturn in commodity prices, especially oil. We think that the second and third factors are linked and the slowdown in China is having a big impact on commodity prices. The US economy is growing at a moderate pace and is not being impacted in a big way by external factors. The US has added 13.8 million jobs since the 2008 recession low and the US added 242,000 jobs in Feb 2016. It is our conviction of a low probability of US recession that led us to stay the course and not take any decision in panic.

We do not expect a recession in US in 2016 as the job market is growing and US interest rates are still low. However, we do expect increased volatility in 2016.

Investment philosophy and Examples

We at Oxford Chase have taken positions in companies which are benefitting, and will continue to benefit from increased spending by the US consumer and are not dependent on exports. At the same time we are starting to initiate positions in low volatility securities that will give better returns than the market in high volatile situations. We did take profits in Ebix and trimmed the position after a huge run in Ebix's stock price and invested a portion in low volatility securities. We will continue to take advantage of the market runs and shift a portion of the portfolio to less volatile securities.

We understand that market is going through a lot of volatility but we believe that this is not the time to panic and move out of the market. If we are right, the market will stabilize and can even go higher once commodity prices stop dropping and the US economy continues growing. We take our job at OCA very seriously and constantly evaluate our portfolio positions and will take all necessary action in the best interest of our clients.