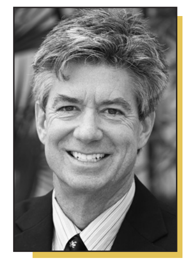
THE OXFORD COMMUNIQUÉ
WITH ALEXANDER GREEN

GREAT PROFITS IN THE COMPANY OF GOOD FRIENDS | AUGUST 1, 2016, VOLUME 29, NO. 8

The Ten-Baggers of Tomorrow

A Select Group of Stocks Set to Rise 10-Fold... or More

Dear Member,



ALEXANDER GREEN

Recently, I looked at a list of the five best-performing stocks of the last 10 years and noticed some familiar names.

Over the period, **Incyte Corp.** (Nasdaq: INCY) rose 1,655%. **Baidu** (Nasdaq: BIDU) rose 1,952%. And **Ebix** (Nasdaq: EBIX) rose 2,278%.

Those are spectacular returns, to be sure.

Why did these relatively little-known companies look so familiar? Because I had recommended each of them to subscribers of the *Communiqué* or my trading services.

We made good money on these stocks and many others. But we did not hold them 10 years – and we did not earn 17- to 23-fold returns.

That got me thinking.

Maybe it was time to introduce a new kind of portfolio in the *Communiqué*, one that invests in potential blockbusters whose shares are far more volatile than the overall market. That would require a different type of analysis... and a different sell strategy too.

Over the past few months, my research team and I have performed a great deal of due diligence. Today we are unveiling the result, a new portfolio dedicated to more speculative companies with the potential to rise 10-fold or more.

Please understand that we have changed nothing about how we run or select stocks for our award-winning Oxford Trading Portfolio, All-Star Portfolio or Gone Fishin' Portfolio.

But this one is different. We call it the "Ten-Baggers of Tomorrow." And if you are willing to gamble a bit to earn *much greater than average* returns, read on.

Seven Traits Ten-Baggers Share

Peter Lynch, manager of the Fidelity Magellan Fund from 1977 to 1990, is the greatest mutual fund manager of all time.

During his tenure, his fund's assets grew from $18 million to over $19 billion. This was partly because he earned a 29.2% compounded annual return, a record that remains unmatched in the mutual fund industry. And it was also due to shareholders who rewarded this performance by plowing additional money into the fund.

What was Lynch's great secret? He was a master at identifying successful growth stocks or, more particularly, *hypergrowth* stocks.

In his book *One Up on Wall Street* – still an investment classic – Lynch coined the term "ten-baggers." That was how he described stocks with prospects so explosive that they had the potential to rise 10-fold or more.

Lynch invested in many of these during his time at Magellan. And in recent months, my research team and I have been poring over the ten-baggers of the last few decades to learn everything we could about them.

Although you would recognize some of these stocks – like **Priceline** (Nasdaq: PCLN) and **Netflix** (Nasdaq: NFLX) – the vast majority are not household names, even though their share prices have risen 10-, 20-, 30-fold or more.

And here's the important thing. Although these were different companies, in different industries, run by entirely different people, most had several characteristics in common both *before* and *during* their dramatic runs higher.

We have isolated these characteristics and turned them into seven investment criteria – a checklist if you will – to guide us toward the "Ten-Baggers of Tomorrow."

Here are some of the characteristics we found that ten-baggers typically have in common:

1. They are tremendous innovators. Companies that rise 10-fold or more offer revolutionary technologies, new medical devices, blockbuster drugs, and other state-of-the-art products and services. Over the last 10 years, for instance, investors have been stunned by the moves up in **Tesla Motors** (Nasdaq: TSLA) with its electric cars, **Apple** (Nasdaq: AAPL) with its cutting-edge electronics, and **Amazon.com** (Nasdaq: AMZN) with its breakthrough e-commerce platform and one-click ordering system.
2. They experience terrific sales growth. Notice I said sales growth, not profit growth. A lot of the best-performing companies were not profitable in the early stages of their run-ups. But even if they were losing money, they usually experienced top-line growth of 30% or more.
3. They protect their margins. Huge sales numbers attract competition the way honey attracts bears. That means a firm has to be able to protect its innovation with patents, brand names and trademarks. Otherwise, competitors will flock to the industry, grab market share and force down margins.
4. They beat consensus estimates. Some investors think earnings alone propel stocks higher. This is largely true over the very long term. But in the nearer term, it is all about beating expectations. Even if a company loses money, if the loss is smaller than expected it can register as a significant beat. That means the shares are likely to push northward.
5. They are small cap to midcap companies. It will not surprise you to learn that most of the best-performing stocks of the last few decades started out as small companies. A study by the Chicago research firm Ibbotson Associates reveals that every dollar invested in a basket of large cap stocks in 1926 and held through the end of May of this year – with dividends reinvested – would have grown to more than $5,200. But every dollar invested in a basket of small cap stocks would have grown over the same period to more than $25,100. Huge companies simply can't grow at the breakneck pace of smaller companies.
6. They are relatively unknown. The fewer people who understand what a company is doing – and the less media attention and Wall Street coverage it gets – the better the chance that the shares are mispriced. Hot stocks with splashy stories have not been the best performers historically. By the time a company becomes widely known, much of its parabolic move upward may well be over.
7. They have had at least one near-death experience. It would be pleasant to believe that the best-performing stocks of the past just pushed steadily higher in a more or less straight line. But that is almost never the case. Virtually all of them took significant tumbles along the way

as the result of a product recall, a class-action suit, a financial crisis, a market crash or some other big, unexpected negative. Translation: Get ready to strap on your safety belt.

I will be describing each of these criteria in greater detail in the *Communiqué* in the months ahead.

Not every company that makes it into our Ten-Baggers of Tomorrow Portfolio will meet every one of our criteria. But some will meet all of them, and all will meet most of them.

Here are the first two recommendations.

Based in Miami, **Opko Health** (Nasdaq: OPK) is a diversified healthcare company specializing in pharmaceuticals and diagnostics. The diagnostics division includes Bio-Reference Laboratories, the nation's third-largest clinical laboratory.

This division also creates innovative in vitro medical tests that allow physicians to perform complex laboratory assays in minutes. It is working on drugs to treat cancer, diabetes, Alzheimer's, multiple sclerosis and Parkinson's disease. And it is developing new protein vaccines for influenza.

The firm has teamed up with **Bristol-Myers Squibb** (NYSE: BMY) to develop a test for early diagnosis of Alzheimer's. It has also made a string of high-profile buyouts over the years. And while it continues to look for new acquisitions, the cost of these buyouts has weighed on bottom-line results.

Opko is not currently profitable. However, it has beaten consensus estimates by an average of 238% in each of the last four quarters.

And the company should be in the black before long. Revenue is increasing 867% year over year. I expect the company to become profitable next year.

Someone who agrees that the company's prospects are excellent is Chairman and CEO Dr. Phillip Frost. He's been a regular investor in the stock not just for months but for years. He currently owns more than 183 million shares. (That's right… 183 *million.*)

That's a strong vote of confidence about the firm's future prospects and a good reason to own a few shares yourself.

The Future Is Bright for This Energy Leader

Another potential ten-bagger is **First Solar** (Nasdaq: FSLR).

Based in Tempe, Arizona, it is a leader in solar energy or, as the company puts it, "photovoltaic (PV) energy solutions." The company has developed, constructed and currently operates many of the world's largest grid-connected PV power plants. Its installed capacity worldwide tops 10 gigawatts.

First Solar invests more in research and development than any of its competitors. And it delivers electricity at a cost that is competitive with fossil fuels.

Many investors shrug and say that with oil in the basement, the incentive to switch to solar is diminishing, hurting the industry's prospects.

Not so. There is no correlation between oil prices and solar energy.

Why? Because in the U.S., virtually no oil is used to generate electricity. The current breakdown on how domestic energy is generated is 33% coal, 33% natural gas, 20% nuclear, 6% hydro, 7% renewables and 1% oil.

Natural gas prices have also dropped significantly, yet electricity prices have hardly budged. That's because what moves the cost of electricity is the transmission and distribution infrastructure. Those haven't changed – and neither has the positive outlook for solar energy.

Like Opko, First Solar is not currently profitable. But revenue is growing at an 81% rate, and the firm has beaten consensus estimates by an average of 116% in each of the last four quarters.

By integrating technology and services, the firm is delivering reliable and affordable solar energy. This is bound to be an important part of our energy future.

A Different Exit Strategy

Our Ten-Bagger recommendations are qualitatively different from the companies we generally recommend. They will tend to be smaller, sometimes unprofitable – as with these first two recommenda-

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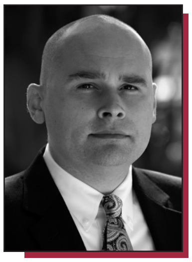
Don't Let Fear Doom Your Portfolio

Matthew Carr, Emerging Trends Strategist, The Oxford Club



MATTHEW CARR

"Historic recurrence" is a fancy way of saying, "History has a tendency to repeat itself."

The Hindus and Egyptians wrote about it. So did Friedrich Nietzsche.

There's a theory that the Big Bang that created the universe wasn't the first one... nor will it be the last. The universe expands until entropy takes control. Then it cools, contracts and collapses... and the process starts all over again.

The rise and fall of empires is all about historic recurrence.

And my trading service *Prime System Trader* analyzes historic recurrence.

The same patterns repeat again and again. As an investor, you just have to recognize them. And you have to use them to your advantage.

The markets were rocked momentarily by "Brexit." But I'm going to show you that it was nothing new. It was historic recurrence in action.

The End of the World?

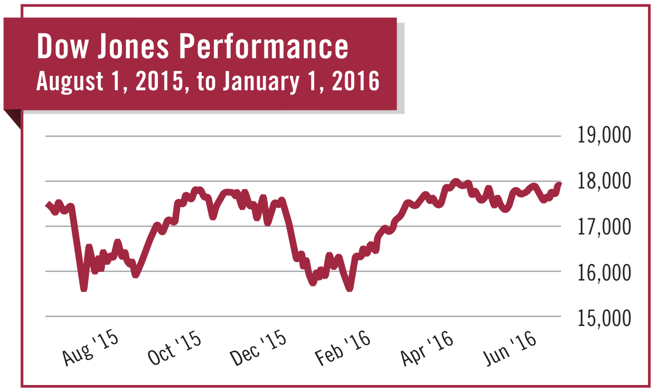
You probably remember the global market collapse back in August 2015. Investors flew into a tizzy. *The end of the world was nigh.*

The culprit? China, which devalued its currency against the dollar.

The Dow Jones Industrial Average opened August 2015 at 17,696. It hit a low of 15,370 on August 24 – the day the Dow opened down 1,000 points.

By the end of 2015, the Dow had shaken off the currency scare and was back above 17,400.

Then, in January, China devalued its currency again. The Dow collapsed, suffering its worst start to the year ever, and finished the month down nearly 1,000 points.



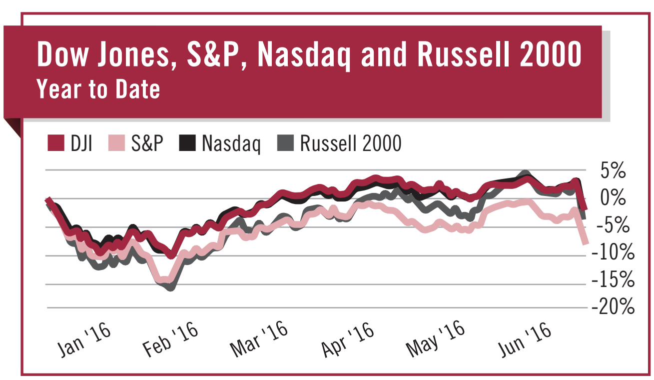
But by June 23, the Dow had gained back what it had lost and then some. The Dow closed that early summer day at 18,011. In fact, all the indexes were up substantially from their lows seen on February 11. And then the unthinkable happened... *Brexit.*

The End of the World, Part 2?

The markets were walloped by Brexit.

Across the globe, over a two-day span, $3 trillion was wiped from the board. The U.S. accounted for $1.3 trillion of the sell-off.

The Dow Jones tumbled nearly 1,000 points in the two days following the results of the referendum. The S&P 500 fell more than 100 points, and the Nasdaq lost more than 300 points.



The reaction was swift and brutal, beyond the pummeling the British pound took (which fell to a 31-year low against the dollar).

Investors became increasingly uncertain and afraid. *The end of the world is nigh!*

The destruction – despite resulting from what is largely a European event – spread around the world as major currencies buckled and the markets dropped.

Throughout this bull run in the markets – from the bottom in March 2009 following the financial crisis to the current Brexit crisis – investors have been confronted by a laundry list of events that sparked sell-offs. Many were believed to spell doom.

Here are just a few...

The U.S. lost its AAA credit rating in 2011. We had the fiscal cliff in 2012 and the U.S. debt default risk in 2013.

Again in 2013, the budget sequestration was projected to plague defense spending-dependent companies like **Lockheed Martin** (NYSE: LMT). (I'll point out that shares of Lockheed are up 100% since then.)

And in 2015 – one year to the day before Brexit – the markets stumbled over concerns about Greece.

Each time, the markets shook off the fear and the losses and headed higher. Knowing this, we can look for opportunities to strike while other investors panic.

The View From 30,000 Feet

Investors like to think they're acting logically... *not irrationally*. But, more often than not, they're wrong.

Plenty of sectors were hit hard in the Brexit aftermath. For example, travel and transportation. These companies' ticket sales are exposed to currency fluctuations. And their share prices showed that irrationality ruled instead of logic.

In the two days following the Brexit vote, shares of **American Airlines** (Nasdaq: AAL) fell 15.5%. For American, 6.2% of its total capacity comes from the U.K. It's the most exposed of U.S. airlines. In comparison, **United Airlines** (NYSE: UAL) sees 5.3% of its capacity come from the U.K., while **Delta Air Lines** (NYSE: DAL) sees just 2.7%.

(It's worth noting that Delta owns a 49% stake in the U.K.'s Virgin Atlantic.)

Alaska Airlines (NYSE: ALK) fell to a 52-week low after Brexit because of its carry-forward partnership with British Airways.

But a company like **Hawaiian Airlines** (Nasdaq: HA) doesn't have flights to or from the U.K. Despite a slight 3.5% dip on the Friday after the referendum vote, shares of Hawaiian Airlines gained during the market rout.

That logic didn't apply to **Southwest** (NYSE: LUV). Southwest doesn't fly to Europe. Yet shares ended down 7.2% following the Brexit vote.

Airlines are a perfect microcosm of the irrationality of the markets. They are currently priced for disaster... not for something that's going to impact 6% or less of their business.

Shares of United are trading at 2014 levels. So are shares of Delta and Alaska. Meanwhile, shares of American are where they were in 2013.

The concern as the British pound dropped was that business travel from the U.K. to the U.S. would slip; the cost in pounds would be higher.

By that token, leisure travel to Europe should rise, as the cost in dollars would be cheaper. And an airline like Hawaiian Airlines almost exclusively serves leisure travelers.

It's Not Different

Last month, I wrote about using the S&P Volatility Index to play market volatility during the summer months. That volatility is now heightened because of Brexit.

Airline companies are another play for the summer months. As I explained, many airlines were driven down for irrational reasons. Some have absolutely no exposure to the U.K. or Brexit.

Plus, the second half of the year in the U.S. is travel season – with summer vacations and then holiday travel.

Historic recurrence strikes again and again. After every recent market stumble, investors scored significant profits. If you let fear dictate your decisions, you're the one who winds up being doomed. Not the markets. ■

How the News Media Costs You Millions

Alexander Green, Chief Investment Strategist, The Oxford Club

Many investors believe that they will earn higher returns if their decisions are deeply informed by the latest news and analysis.

This is almost certainly false.

What great investors share is not real-time access to reams of up-to-the-minute data and commentary. What they share is an informed, long-term perspective.

Recognize that the news is delivered through a dark prism. Each day, most buildings don't burn, most planes don't crash, most businesses don't fail and most people are not attacked by terrorists.

> "Each day, most buildings don't burn, most planes don't crash, most businesses don't fail and most people are not attacked by terrorists."

News is not ordinary, everyday events. It is the exceptions. And the rarer the better.

Most of us in the West live lives of peace, prosperity and relative affluence. Yet the media makes modern life appear to be one tragic and depressing slog.

Moreover, the information you receive is not only slanted toward the negative, but often distorted or even false.

For instance, millions of Americans believe that working-class people in this country pay most of the income taxes while the rich use high-paid accountants and complicated shelters to avoid "paying their fair share."

It's true that some of the well-off use every legal maneuver possible to minimize their tax bite. What would you expect in a country with a tax code that is 74,608 pages long?

But they are less successful than you might think.

Many readers seemed astounded a few weeks ago when I noted that the highest-earning 2.7% of U.S. households don't just pay the majority of income taxes. They pay more than the other 97.3% of us combined.

(That's according to the IRS, incidentally, not some right-wing think tank.)

Or consider the widely reported "fact" that the middle class is stagnating in this country. Why invest in equities when the vast majority of Americans are losing purchasing power? After all, consumer spending is 70% of GDP.

This analysis rings true at first blush. We all know individuals who are struggling today, especially those without a high school or college degree.

But this is only anecdotal evidence. Let's look at the big picture.

A recent study by the Urban Institute shows that from 1979 to 2014, the middle class fell from 38.8% of the U.S. population to 32%.

That sounds bad. Until you realize that we are migrating up, not down.

Over that period, the wealthy – defined as households with an annual income of more than $100,000 – grew from 13% of the population to 31.2%. And the percentage of Americans who make up the working class and the poor plunged from 48.2% to 36.9%.

It's true that the rich – and particularly the top one-tenth of 1% – have seen their net worth grow the fastest.

If you can play basketball like LeBron James, sing like Taylor Swift or create a whole new segment of the travel industry like Airbnb founder Brian Chesky, you will line your pockets a lot quicker than the rest of us.

But, adjusted for inflation, total income in the U.S. is up 53%. It is higher for every quintile but the very poorest. (And those today have access to government benefits and entitlements that were not available in 1979.)

Another reason why intimate familiarity with the latest news doesn't generally lead to exceptional investment results is that news – by definition – is backward-looking.

Markets don't care what happened yesterday or last week. They look forward. Today's prices reflect investors' best assessment of what lies ahead over the next six to nine months.

Even this is foggy, of course, and only a calculated guess. But it is the best guess of millions of market participants who are incorporating every bit of material, public information available.

By contrast, when the media looks forward, what it describes as important or even "a crisis" often turns out to be a wet firecracker. You may recall in recent years The Sequester, The Fiscal Cliff, The Shutdown, The Rare Earth Shortage, The Avian Flu, The Ebola Crisis or (ahem) The Brexit.

So what is the long-term perspective that informs the best investors? It begins with a sense of optimism.

It is the knowledge that Americans today are living longer, healthier, safer, richer, freer lives than any people in the history of the world.

It is an understanding that innovation and capital markets are creating dramatic improvements in communications, transportation, manufacturing, computing, retailing, agriculture, food production, construction, healthcare, finance, pharmaceuticals, robotics, artificial intelligence, genetics and dozens of other industries.

And it is the realization that for more than two centuries, the best way to generate and protect wealth has been to own a large number of profitable and growing businesses.

See Page 11 for specifics. ■

The Ten Baggers of Tomorrow... *continued from Page 3*

tions – and almost always more volatile.

This requires us to use a different sell discipline.

Earning much higher returns requires taking bigger risks. That means greater volatility, the kind that can easily stop you out of a position. We saw this earlier this year with **Intrexon** (NYSE: XON), a company with a bright future but a crazy share price.

So we will not use our customary 25% trailing stop with the Ten-Baggers of Tomorrow Portfolio. Instead, a sell recommendation will be triggered if a company misses the quarterly consensus earnings estimate by 25% or more – or if we believe the company's business prospects have changed for the worse in some fundamental way.

Understand that these stocks are meant to be held longer term and will bounce around more than most. Our exit will be based not on share price fluctuations but on how the company's net income compares with expectations.

You'll be hearing more about these two stocks – and our Ten-Bagger methodology – in the near future.

For now, start with these two recommendations. We will flesh out the portfolio with further recommendations in the weeks ahead.

Action to Take: *Buy* ***Opko Health*** *(Nasdaq: OPK) and* ***First Solar*** *(Nasdaq: FSLR) at market. When we make our sell recommendation, we will notify you with a* Safety Switch Alert. ■

The Oxford Portfolio REVIEW

by Alexander Green

Britain's vote to leave the European Union sent world equity markets plunging last month. But they must have hit a trampoline because they quickly regained most of what they lost.

We saw something similar happen several months ago, first with the much ballyhooed "taper" by the Fed and then again with news of an economic slowdown in China. In both cases, the market quickly recovered what it had lost.

These events underscore the futility of trying to time the market and the advantage of focusing on business fundamentals instead.

Take **Owens & Minor** (NYSE: OMI), for example. Based in Mechanicsville, Virginia, Owens & Minor is a major supplier of basic consumable goods to hospitals, clinics and surgical centers.

It distributes more than 220,000 medical products through 55 distribution centers to more than 4,500 healthcare providers. Owens' catalog represents more than 1,600 manufacturers as well as more than 2,000 items from the company's own high-margin label, MediChoice.

This is big business. Company sales topped $9.8 billion over the last 12 months.

The Great Recession forced many hospitals to cut back on big-ticket, high-technology products like imaging and diagnostic equipment. But they can't avoid buying gloves, bandages, needles and syringes, sutures, trays, and basic nursing products.

Those are the things that Owens & Minor provides. And it keeps the competition at bay by making delivery and inventory management as fast and efficient as possible. Its 55 distribution centers run 24 hours a day, seven days a week.

This keeps hospitals – which spend $0.40 of every dollar they take in on the supply chain – from having to stockpile goods.

Owens' bar code-scanning and voice-communication devices get hospitals exactly what they need in small bundles as soon as they need them.

Its supply chain business gives Owens a chance to cross-sell its consulting services to do inventory control and automate ordering for clients, too.

Many hospitals, in fact, have closed their warehouses entirely and rely on Owens for just-in-time deliveries. Given that the healthcare industry is looking for ways to cut costs, it's easy to envision more hospitals and clinics following this model.

The revenue stream here is highly predictable. Many clients with long-term contracts with Owens buy from it exclusively. And it has few contract cancellations. The company boasts a 98% customer satisfaction rate.

That's why the numbers here are excellent. In the most recent quarter, for instance, earnings jumped 27%. And there is still plenty of room for growth.

Right now Owens serves more than 4,000 hospitals and surgical centers. But there are more than 2,000 other hospitals and 3,700 surgical centers that are potential customers.

Its business is in the sweet spot. Hospitals are under pressure to cut costs. Obamacare is requiring more Americans to obtain health insurance. And tens of millions have been added to Medicaid.

That means demand for Owens' services will only rise.

Battling Our Next-Generation Cyber Foes

Over half of all U.S. businesses have had digital information stolen from them. Dozens of cybercrimes are committed every second. The annual cost of cybertheft now exceeds the cost of physical theft.

That's why we own a stake in the e-resistance: **Check Point Software Technologies** (Nasdaq: CHKP). Based in Tel Aviv, Check Point is the worldwide leader in securing the internet, providing customers with protection against all manner of cyberthreats.

Its customers include tens of thousands of government agencies and businesses around the world, including every member of the Fortune 100 and 98% of the Fortune 500.

It is the only vendor that delivers total security for networks, unified under a single management framework. That makes the firm the natural choice whenever a business or organization makes the decision to beef up internet security.

Over the last 12 months, sales at Check Point have grown 9% to nearly $1.7 billion. This is a lucrative business. The company's profit margin tops 41%. Plus, Check Point has zero debt and is sitting on $1.37 billion in cash. No wonder insiders own 22% of the outstanding shares.

There have been increasing concerns lately that world economic growth is diminishing. Yet the outlook for the cybersecurity industry is not.

FBR Capital Markets estimates that only 14% of all firewalls currently employ next-generation cybersecurity. That leaves miles of headroom for Check Point to upgrade or replace legacy systems.

U.S. companies, nonprofits, and federal, state and local governments are spending billions to lock down the valuable information they store in computer networks.

I estimate earnings at Check Point will grow from approximately $4.62 a share this year to nearly $5.25 next year.

Worldwide, more than 3.2 billion people are now online. And we have more of our lives in cyberspace than ever before. Cybercriminals are after your Social Security number, email address, date of birth, bank records, credit card numbers, health information and other sensitive data.

Thwarting attacks in the cyber realm is one of our greatest and most urgent priorities. That means it will also remain a highly profitable business.

Growth Is Virtually Assured

A recent survey by CAN Capital found that mobile payments technology is overtaking e-commerce as the biggest trend in retail consumers' spending habits.

According to new research by eMarketer, total mobile payment transactions this year are expected to exceed $27 billion.

As a result, an enormous new market has opened up for simple and secure online payment processing. And the company at the vanguard of this movement is **PayPal** (Nasdaq: PYPL).

Spun off from **eBay** (Nasdaq: EBAY) last year, PayPal is not a bank. But it offers many of the services that people associate with banks: money storage, remittance payments, credit and debit cards, even small business loans.

In fact, PayPal holds more customer money than all but 20 U.S. banks: over $13 billion. Yet PayPal doesn't have the regulatory headaches and costs of the banking industry.

According to Citigroup, last year banks worldwide earned 46% of their profits from individuals and small businesses. But 17% of the $1.2 trillion in U.S. and European revenue generated from those sources is vulnerable to financial technology – or "fintech," for short.

PayPal is at the forefront of the digital payments revolution. The company allows consumers and businesses to securely transact with each other online and – using mobile devices – in stores.

Just as Apple didn't need to become a wireless carrier to launch the iPhone, PayPal doesn't need to be a financial institution to revolutionize banking. Its free Venmo app, for example, allows users to transfer money without using a bank. It is perhaps the most visible example of something resembling a cashless society.

PayPal customers can easily access their money and safely move it. They can send money in the U.S. or abroad, make donations to a cause, or even pay over time with PayPal Credit, a reusable credit line without the plastic.

For its more than 180 million active customers, PayPal offers a global payments platform that is available 24/7 in 202 countries, enabling customers to get paid in over 100 currencies and move funds to their bank accounts in 57 currencies.

The firm is a huge beneficiary of the growing use of smartphones. Last year, 28% of the 4.9 billion payments PayPal processed were made on a mobile device.

Anyone can establish an account with PayPal for free. To sign up, you simply enter your name, address, phone number and email address, then link your favorite credit or debit cards.

When you make a transaction on one of the millions of websites that accept PayPal, you don't have the hassle or risk of filling out your personal information. (Instead, you simply enter your username and password and press a button to complete the transaction.) The vendor receives payment but never gets your credit card information.

PayPal's next-level encryption keeps transactions fully secure from start to finish. It thwarts fraudulent transactions. And if there is a problem, PayPal will put a hold on your funds until the issue is resolved.

When an online vendor offers payment processing through PayPal, it provides instant credibility. You know you won't have to turn over sensitive financial data – and the transaction will be quick and easy.

Since customers want this, vendors do too. In the most recent quarter, net income soared 43% on a 19% increase in revenue.

Despite these impressive figures, I see several factors influencing PayPal's near-term growth in a positive way:

- More merchants accepting payment methods besides credit cards and cash
- A steady increase in the number of people worldwide with internet access
- Increasing consumer and business transactions online
- The trend away from paper-based payment and toward digital payment
- Increasing consumer discretionary income worldwide
- Increasing cross-border trade worldwide
- The company's dominant share of the digital payments market
- The firm's ability to innovate new and more efficient methods of payment
- PayPal is specifically targeting the 2 billion-plus people around the world who are outside the traditional banking system.

Online payment processing may seem like a pedestrian business. But with people increasingly connecting and transacting online, future growth here is virtually assured.

Note: The Dreman Contrarian Small Cap fund in the All-Star Portfolio has recently been sold to asset manager Foundry Partners and has a new name: Foundry Partners Fundamental Small Cap Value. We bought this fund for David Dreman's expertise. As the fund is under new ownership, we recommend taking profits. ■

THE OXFORD TRADING PORTFOLIO

An active and diversified portfolio of the market's most compelling opportunities.

COMPANY/SYMBOL	REC. DATE	REC. PRICE	CURR. PRICE	RATING	TRAILING STOP	TOTAL GAINS
American Water Works (NYSE: AWK)	Apr-16	$68.59	$82.76	Buy	$63.57	21.2%
Check Point Software Technologies Ltd. (Nasdaq: CHKP)	May-14	$66.96	$82.48	Buy	$67.24	23.2%
Diageo PLC (NYSE: DEO)†	Mar-09	$49.80	$113.44	Buy	$92.85	170.1%
iShares MSCI Emerging Markets Fund (NYSE: EEM)	Nov-15	$35.94	$34.83	Buy	$26.59	-1.0%
Laboratory Corp. of America (NYSE: LH)†	Oct-15	$118.29	$135.55	Buy	$101.48	14.6%
Ligand Pharmaceuticals (Nasdaq: LGND)	July-16	$115.65	$126.76	Buy	$94.40	9.6%
Owens & Minor Inc. (NYSE: OMI)†	Nov-09	$28.65	$38.01	Buy	$30.69	53.7%
PayPal (Nasdaq: PYPL)	Jun-16	$39.06	$38.15	Buy	$29.30	-2.3%
Philip Morris Int'l (NYSE: PM)†	Mar-09	$35.63	$103.38	Buy	$77.32	258.3%
Pilgrim's Pride (Nasdaq: PPC)†	Dec-15	$18.67	$25.48	Buy	$19.48	51.2%
PVH Corp. (NYSE: PVH)	Feb-16	$66.41	$97.75	Buy	$77.06	47.2%
Rio Tinto PLC (NYSE: RIO)	Mar-16	$26.84	$32.13	Hold	$26.56	23.7%
Roche Holding AG (OTC: RHHBY)†	Dec-13	$34.98	$32.59	Buy	$27.94	2.1%
Ryanair (Nasdaq: RYAAY) ***ADR***	Jun-15	$69.74	$70.11	Hold	$65.73	2.9%
Sovran Self Storage (NYSE: SSS)	May-15	$91.95	$106.92	Buy	$87.73	20.9%
Target (NYSE: TGT)	Mar-14	$56.62	$72.54	Buy	$62.51	36.5%
TJX Companies (NYSE: TJX)	May-12	$41.09	$78.75	Buy	$59.22	98.6%
WisdomTree Japan Small Cap (NYSE: DFJ)	Feb-10	$39.90	$57.57	Buy	$43.34	58.6%

NEW

THE TEN-BAGGERS OF TOMORROW PORTFOLIO

A select group of more speculative stocks with the potential to rise 10-fold... or more.*

COMPANY/SYMBOL	REC. DATE	REC. PRICE	CURR. PRICE	RATING	TOTAL GAINS
Opko Health (Nasdaq: OPK)	**Aug-16**	**New**	**New**	**Buy**	
First Solar (Nasdaq: FSLR)	**Aug-16**	**New**	**New**	**Buy**	

* We do not use our 25% trailing stop in this portfolio. Instead, a sell recommendation will be triggered if a company misses the quarterly consensus earnings estimate by 25% or more – or if we believe the company's business prospects have changed for the worse in some fundamental way.

THE OXFORD ALL-STAR PORTFOLIO

A diversified basket of funds and holding companies managed by some of the world's top-performing money managers.

COMPANY/SYMBOL	REC. DATE	REC. PRICE	CURR. PRICE	RATING	TRAILING STOP	TOTAL GAINS
Berkshire Hathaway B Shares (NYSE: BRK-B)	Jan-01	$44.58	$143.93	Buy	None	222.9%
Dreman Contrarian Small Cap (Nasdaq: DRSVX)	**Jul-09**	**$12.80**	**$19.88**	**SELL**	**None**	**130.0%**
Equity Residential (NYSE: EQR)	Jul-01	$28.05	$70.77	Buy	None	274.8%
Icahn Enterprises L.P. (Nasdaq: IEP)^	Nov-13	$78.23	$53.69	Buy	None	-10.6%
Markel Corp. (NYSE: MKL)†	Jul-15	$789.45	$939.58	Buy	None	19.0%
Templeton Dragon Fund (NYSE: TDF)	May-02	$9.20	$17.44	Buy	None	369.2%
Templeton Emerg. Mkts. Fd. (NYSE: EMF)	Jan-02	$8.80	$11.66	Buy	None	222.5%

* The All-Star managers make buy and sell decisions within these securities themselves. We do not use trailing stops here.

THE GONE FISHIN' PORTFOLIO

A simple but sophisticated long-term investment system based on a Nobel Prize-winning strategy.

COMPANY/SYMBOL	REC. DATE	REC. PRICE	CURR. PRICE	RATING	ALLOCATION	TOTAL GAINS
Vanguard Small Cap Index (NAESX)	Apr-03	$15.12	$56.84	Buy	15%	315.2%
Vanguard Total Stock Mkt. Index (VTSMX)	Apr-03	$19.59	$53.21	Buy	15%	213.6%
Vanguard Emerg. Mkts. Index (VEIEX)	Apr-03	$7.26	$22.55	Buy	10%	298.8%
Vanguard Europ. Stock Index (VEURX)	Apr-03	$14.89	$24.94	Buy	10%	152.5%
Vanguard High-Yield Corp. Fund (VWEHX)	Apr-03	$6.02	$5.80	Buy	10%	85.1%
Vanguard Inflation-Protected Securities Fund (VIPSX)†	Apr-03	$12.09	$13.76	Buy	10%	62.3%
Vanguard Pacific Stock Index (VPACX)	Apr-03	$5.56	$10.85	Buy	10%	152.9%
Vanguard Short-Term Investment (VFSTX)†	Apr-03	$10.82	$10.78	Buy	10%	43.6%
Vanguard Prec. Metals & Mining (VGPMX)†	Apr-03	$9.98	$12.21	Buy	5%	205.0%
Vanguard REIT Index (VGSIX)	Apr-03	$12.08	$30.04	Buy	5%	246.6%

* This strategy requires annual rebalancing and does not require the use of trailing stops. These prices do not reflect dividends.

† These stocks belong to the Escape Hatch Portfolio. To learn more and to view the portfolio (including the ETF equivalents of the Vanguard mutual funds), visit www.oxfordclub.com/escape-hatch.

^ Adjusted buy price based on averaging down on March 1 at $63.29.

Prices as of 7/11/16 | Note: For the absolute latest updates on all of *The Oxford Communiqué*'s portfolios – including the Trading, All-Star and Gone Fishin' – visit our website at www.oxfordclub.com.

THE OXFORD CLUB

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