

March 1, 2021

**CHASE
INVESTMENT
COUNSEL**

CORPORATION

350 Old Ivy Way, Suite 100
Charlottesville, VA 22903-4897
Phone: 800-293-9104
Fax: 434-293-9002
www.chaseinv.com



Derwood S. Chase, Jr.
Founder & Chairman Emeritus

Peter W. Tuz, CFA, CFP®
President & Portfolio Manager
Senior Security Analyst

Robert (Buck) C. Klintworth, CMT
Senior Vice President &
Portfolio Manager

Clay J. Sefter, CMT
Vice President, Research Analyst &
Assistant Portfolio Manager

Market Commentary

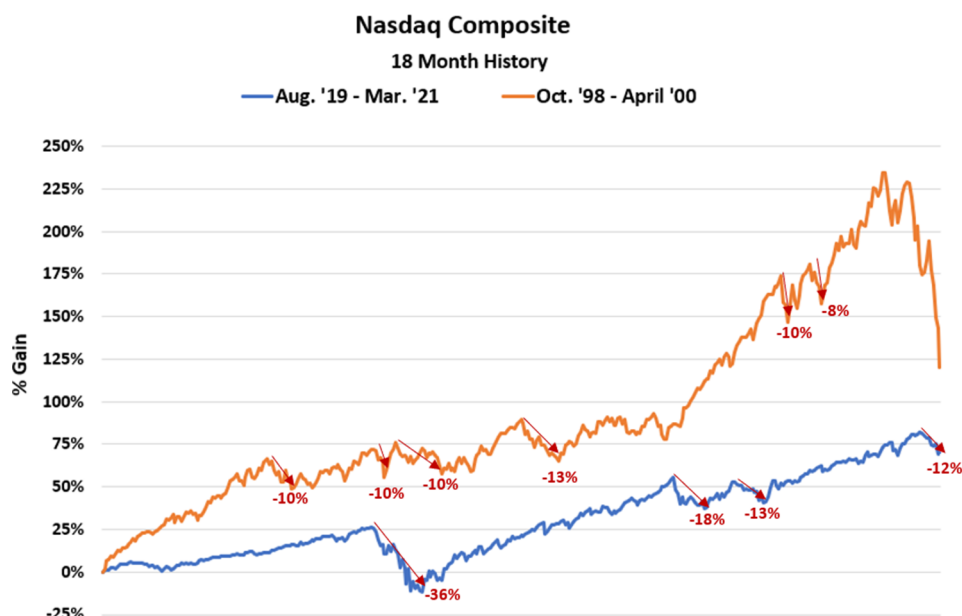
INTRODUCTION – Chase Investment Counsel Corporation uses a “bottom up” investment process combining fundamental analysis (the what) and technical indicators (the when) in making judgements about both market timing and stock selection. We focus on mitigating risk.

Every negative January (Stock Trader’s Almanac) since 1950 has been followed by at least a 10% correction or a flat year. February has historically been a weak month, but after an unusually strong first six weeks the S&P 500 needs to decline another 4½% just to reach the average February low since 1949 for a February when the incumbent party president loses. Lowry’s registered a short-term Sell signal on February 18th. Weakness largely reflects rotation from the technology sector to more value oriented sectors. Simultaneously, broader leadership by small and mid-cap stocks is a positive and consistent with a continuing intermediate term uptrend not a market topping. The main market drivers are the Federal Reserve’s continuation of a zero interest rate policy while providing excess liquidity and making large monthly purchases of Treasury securities. Credit is readily available along with the expectation of substantial additional stimulus spending by Congress. Eighty percent of the S&P 500 companies that have reported fourth quarter earnings had substantially higher than expected gains. The 26% increase in the M2 money supply has been largely responsible for the record inflows to global equities over the last three months. With most good growth stocks quite fully priced and more signs of investor euphoria, we expect increasing volatility.

With cases, hospitalizations, and deaths on the decline, a third Covid (easier to distribute) vaccine available this week, the high level of pent-up consumer demand with substantial accumulated savings, the lowest level

of consumer debt carrying charges to disposable income since post World War II, we anticipate a strengthening economy at least through 2021. Continuing excess liquidity and ample cheap credit should support higher stock prices especially with little competition from the low yielding short and intermediate term fixed income securities.

The adjacent Nasdaq chart compares the last 18 months of a typical major bull market (orange line) with the latest 18 months through February 28th



(blue line). There is still plenty of room for a more dynamic “melt up” similar to most others. We continue to believe that for the long-term good quality large and mid-cap growth stocks, including more reasonably priced cyclical growth companies such as major infrastructure beneficiaries, offer good potential. Additional weakness could provide attractive buying opportunities especially in Artificial Intelligence (AI) sectors as well as Information and Communication Services (5G), Payment Processing, and Health Services. We prefer growing companies with high profit margins that require little need for additional investment capital, with significant repeat business that is protected by patents, strong moats or a particular competitive advantage. In a high valuation market these stocks are vulnerable to any significant corrections even in a continuing bull market as shown on the chart. We are cushioning portfolio risk with diversification and by maintaining about 35% emphasis on short-term governments, good-quality bonds, and cash equivalents in balanced portfolios. We continue to closely monitor various technical indicators for any more serious threats to the intermediate upward trend.



Derwood S. Chase, Jr.
Founder & Chairman Emeritus



Peter W. Tuz, CFA, CFP®
President



Buck Klintworth, CMT
Senior Vice President



Clay J. Seftor, CMT
Vice President

Chase Investment Counsel Corporation is the oldest independent investment counsel firm domiciled in Virginia. We’re not in the brokerage business, but act as portfolio managers and purchasing agents for our clients. As Barron’s described us in 1972, we’re located “Far from the Madding Crowd” in Charlottesville, Va. Besides Derwood Chase, we have an excellent “next generation” group of officers that average 49 years of age and over 18 years of experience. Three of our officers have MBAs, one is a CFA and two are CMTs. We recognize that markets are driven by company fundamentals as well as technical factors which reflect investor sentiment.

In addition to our own research, and that from several brokerage firms, we utilize over 40 independent research sources selected with the benefit of over 50 years experience. Our investment process was developed over more than 60 years and is rather distinct in combining fundamental and technical analysis to mitigate risk and build diversified, high quality, reasonably priced growth oriented portfolios. We manage large, mid-cap, and all-cap equity oriented portfolios as well as balanced accounts for individuals and trust clients (minimum normally \$1 million) in 11 states. We also indirectly serve about 1,800 investors through our mutual fund product. As a smaller firm, we have a particular advantage in managing portfolios since we don’t need huge marketability to acquire or eliminate stock positions promptly without significantly affecting the market. We are not in the brokerage or banking business and do not have the conflicts of interest and the other priorities those businesses involve.

OUTSIDE DIRECTORS

Stuart F. Chase (1994), *Chairman, Chase Investment Counsel Corporation*
Edwin T. Burton (2004), *Visiting Professor of Economics at the University of Virginia.*
Robert J. King (2010), *Retired Investment Executive*
Luis Alvarez, Jr. (2013), *CEO, University of Virginia Law School Foundation*
Stephen K. Moore (2014), *Chief Economist, The Heritage Foundation*

The opinions expressed herein reflect those of Chase Investment Counsel Corporation and are subject to change without notice. Past performance does not guarantee future results. For further information please contact us at (434) 293-9104, (800) 293-9104 or derwood@chaseinv.com.