CHASE INVESTMENT COUNSEL CORPORATION

September 20, 2021

Market Commentary

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, CFP®
Senior Vice President &
Portfolio Manager

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

Jennifer L. King, IACCP®, CIPM
CEO & Chief Compliance Officer

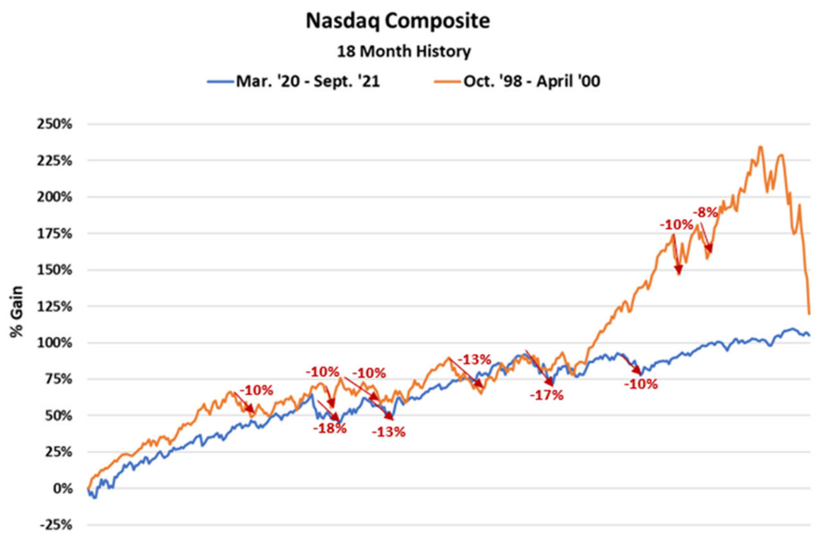
INTRODUCTION – Chase Investment Counsel Corporation uses a "bottom up" investment process combining fundamental analysis (the what) and technical indicators (the when) in making judgements about both market timing and stock selection. We focus on mitigating risk.

Although this might slow down soon, the stock market is still influenced by the Federal Reserve's continuing zero interest rate policy while providing excess liquidity and making large monthly purchases of Treasury securities. Simultaneously, Congressional fiscal stimulus money is flooding into assets of all types. Easy credit availability at low interest rates for both consumers and businesses should keep the strong recovery going and corporate earnings increasing. Normally that would be enough to sustain the upward trend in the stock market but record high valuations, inflation concerns, higher corporate tax and capital gains tax proposals, make an overdue correction likely. Historically, growth stock Price/Earnings (P/E) ratios have been restrained in periods of high inflation. While most of the quality, high-multiple growth stocks we own (Microsoft, Google, Nvidia, Amazon, Apple, Applied Materials, etc.) are contracyclical and have strong protective moats, they are certainly vulnerable to major market declines. The latest survey by the American Association of Individual Investors shows the highest level of bearishness by individual investors (39.3%) since at least April 21st.

During the last two months, Lowry Research, a CFRA business, notes its proprietary measures of Buying Power and Selling Pressure have battled for dominance. Lowry's deeper investigation of market trends finds small and mid-cap segment weakness has continued and even the large-cap stocks have experienced "bad breadth" as the very largest heavily weighted large-cap growth stocks have been largely responsible for the recent S&P 500 index new highs. Lowry's recommends caution and increased defensiveness in the form of trimming lagging stocks as well as holding more cash than normal. It reflects the fact that the longer-term upward momentum is weak. For instance, by September 16th only 51.2% of the NYSE Issues were still above their 30-week Moving Averages, which historically has denoted an unhealthy market. This implies there's a significant probability of the market finally having a significant correction. This would also be consistent with seasonal market movements as September has been the worst month of the year since 1950. Incidentally, October is known as the "turnaround" month, as it has contained the end of twelve post WWII bear markets. Many small and midcap members of the S&P 500, which have less institutional support, have already had a 10% correction. A reasonable expectation at this time would be a correction of less than 10% between now and the end of October followed by a rise to new highs early next year.

The adjacent chart updates the last 18 months of a typical major bull market (orange line) with the latest 18 months through August 31st (blue line). There is still substantial room for a more dynamic “melt-up” climax of the current bull market similar to most others.

At around 68% equites our balanced portfolios are already quite conservatively invested, but we may reduce some lagging performers or slightly increase cash equivalents in some portfolios. We continue to monitor numerous technical indicators for any further market deterioration.



Derwood S. Chase, Jr.
Founder & Chairman Emeritus

Peter W. Tuz, CFA, CFP®
President

Buck Klintworth, CMT, CFP®
Senior Vice President

Clay J. Sefter, 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 $500,000) 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*