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CHASE
INVESTMENT
COUNSEL

CORPORATION

PRESERVING & GROWING WEALTH
Since 1957

MARKET COMMENTARY

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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. In an effort to mitigate risk during a volatile stock market, we look at both the positive and negative factors influencing the stock market and attempt to help our investors continue to meet their long-term financial objectives without taking on too much risk.

The stock market’s rise since its bottom in June has been surprisingly strong and widespread. However, a number of technical indicators recently were beginning to indicate that stocks, especially the Nasdaq, were close to “overbought” and ripe for a correction. Several of the major indexes recovered to their respective 200-day moving averages, a major upside resistance level, but were unable to successfully rise further. With the recent decline, it would be normal for the market to finally test its bear market lows and especially timely since September is the worst performing month for the S&P 500 Index (“S&P 500”) since 1950 at least. Even if the substantial recovery and the recent improvement in volume and breadth could ultimately prove to be an indication of the end of the bear market, the current monetary policy should provide significant headwinds to further gains as Federal Reserve Chairman Powell reminded everyone last week. There are also a number of economic negatives such as mortgage demand dropping to a 22 year low last month as new home sales fell to 8.1% in June from May that bear watching.

We are aware that according to the CFRA (Center for Financial Research and Analysis) the S&P 500 has never set a lower low in any of the post-World War II Bear markets after recovering over 50% of its peak to trough decline. That fact suggests that the Bear market low should already be in. At its June 16th bottom the S&P 500 had declined 23.5%. Its recent recovery of 17.5% from the bottom was more than 74% of its loss providing the signal the bottom had been made. Nevertheless, there is enough uncertainty in both markets and the economy at this time to warrant a conservative investment posture, which to us means focusing on high quality defensive equities and maintaining a sizeable emphasis on cash equivalents such as treasury bills in our balanced accounts.

A handwritten signature in blue ink that reads "Derwood".

Derwood S. Chase, Jr.
Founder & Chairman Emeritus

A handwritten signature in blue ink that reads "Peter".

Peter W. Tuz, CFA, CFP®
President

A handwritten signature in blue ink that reads "Buck".

Buck Klintworth, CMT, CFP®
Senior 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 58 years of age and over 26 years of experience. Three of our officers have MBAs, one is a CFA and one is a CMT. 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*

Craig T. Redinger (2021), *Attorney*

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.