CHASE INVESTMENT COUNSEL CORPORATION

$1,000,000,000,000. 1E+12. One trillion.

350 Old Ivy Way, Suite 100
Charlottesville, Va 22903-4897
Phone: 800-293-9104
Fax: 434-293-9002

Peter W. Tuz, CFA, CFP®
President & Director
Portfolio Manager

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It is probably not proper to begin any writing with numbers, but this is what one trillion dollars looks like in numerical form. The number has come up frequently recently, in both a good way and in a bad way.

With equity markets, and especially technology stocks, being strong there are several companies that are getting close to having market capitalizations more than $1 trillion. It is obviously a number that some company will cross eventually, maybe even in 2018. The largest now is Apple, with its $928 billion market cap, followed by Amazon, with a market cap of $830 billion and Microsoft, with a market cap of $787 billion. Alphabet has a market cap of $751 billion when its two share classes are added together. It would only take a move up of 8% to get Apple across the $1.0 trillion market cap mark. It would be harder, but doable for Amazon to rise another 20% and cross the $1 trillion mark.

As Wall Street Journal writer James Mackintosh noted in the June 15, 2018 paper, “bigness” is a mixed blessing at best. It obviously is the mark of a company whose stock is highly valued because its products and services are in great and growing demand. But the law of large numbers generally kicks in and growth slows. Apple today makes up about 4% of the S&P 500’s total market cap, “the most of any company since Exxon Mobil in 2008.” Earlier in the 1970s, Mackintosh noted International Business Machines (IBM) made up 9% of the index while General Motors and AT&T both had larger shares than Apple has today. Exxon Mobil at its 2008 apex had a $95 stock price; it is about $82 today, 10 years later. It has a weighting of about 1.5% in the index while AT&T, with its $200 billion market cap, has a 0.9% weighting and IBM a 0.6% weighting.

The point of all this is just to note that company fortunes and valuations can change a lot over time and bigness today is no guarantee of bigness in the future, nor of a money-making stock price.

The “bad” $1.0 trillion mentioned earlier was discussed by “The Budget Guy” Stan Collender at a conference in Washington D.C. on June 12. He believes the U.S. annual budget deficit will never fall below that figure again. Prior to the enactment of the 2017 tax cut legislation, budget deficits were big – about $900 billion per year. The $1.0 trillion mark is due to expected lower corporate tax collections. There are a few big caveats to the assumption of ongoing $1.0 trillion budget deficits. One is that economic growth doesn’t accelerate from about 2% to 3%. The other is that federal spending never is reigned in. If either occurs, the $1 trillion figure might not be reached, or at least not as quickly. Mr. Collender’s main point is that the annual federal deficit is getting unimaginably big. Consider this: $1.0 trillion in $100 bills would be 10.0 billion bills, enough to make a stack of about 679 miles high. Or consider this: there are about 328 million people living in the U.S. currently. If every one of us put up an extra $3,050 this year, we wouldn’t have the deficit. If you wanted to be nice and just tax each of the 129 million full-time workers in the U.S. an additional $7,752 this year above what they currently pay, you could balance the budget too. Someday this overspending will probably catch up with us, but until then, stay tuned.

Regards,

Peter

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The S&P 500® Index is a broad based unmanaged index of 505 stocks, which is widely recognized as representative of the equity market in general.

You cannot invest directly in an index.

Index performance is not indicative of fund's performance.
Past performance does not guarantee future results. Current performance can be obtained by calling 888-861-7556.

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As of June 18, 2018, the Chase Growth Fund held 3.0% Apple Inc., 5.3% Amazon Com Inc., 4.1% Microsoft Corp., 4.7% Alphabet Inc., 0.0% Exxon Mobil Corp., 0.0% International Business Machines, 0.0% General Motors Co., and 0.0% AT&T Inc. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security.

As of June 18, 2018, the Chase Mid-Cap Growth Fund held 0.0% Apple Inc., 0.0% Amazon Com Inc., 0.0% Microsoft Corp., 0.0% Alphabet Inc., 0.0% Exxon Mobil Corp., 0.0% International Business Machines, 0.0% General Motors Co., and 0.0% AT&T Inc. Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security.

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