Conference Recap

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For us here at Chase Investment Counsel, the most important event in April was our 45th annual investors conference held on the 25th. Kudos to Derwood (Chase) for initiating the event in 1973. Looking at markets then and now is a powerful argument for long-term investing. The performance of equities versus other well-known investments since that time was quite the eye-opener to our audience. The S&P 500 closed at about 107 on our conference date in 1973. It closed at 2639 the day of our conference. Other well-known investments, oil and gold, sold for $20.38 per barrel and $518 per ounce respectively. They closed at $67.70 and $1315.60 the day before our conference. As the table below shows, if you invested in the S&P 500, reinvested your dividends and avoided taxes you had impressive gains.

Returns as of 4/30/73-3/31/18	
S&P 500 (dividends reinvested)	10.5%
S&P 500 (appreciation only)	7.4%
S&P 500 (60%), 10 yr. US Treasuries	8.8%

Returns as of 3/31/73-3/31/18	
Barrel of Oil	2.6%
Ounce of Gold	2.2%

The assets that people expect to be inflation hedges (oil and gold) did just that – came close to matching inflation over the period. But in building wealth over the long term, equities were the clear winner.

We had two outstanding outside speakers at our conference: Richard A. Dickson, Senior Vice President/ Market Strategist at Lowry Research Group and Stephen K. Moore, Distinguished Visiting Fellow, the Heritage Institute. Both were bullish on equity markets, though for totally different reasons. Dickson, a technical analyst, believes that Lowry's proprietary "Buying Power" Index is not showing any signs of an impending market correction and furthermore indicates new highs are likely in the future. Typical top of market action, such as small-cap stocks falling before large-cap stocks, is absent today. This period reminded him of 1994-1996 which also had an extended rise without a 3% correction. That was followed by a pause of about six months and a drop of about 8% from previous highs. The S&P 500's 10% decline between late January and the bottom in early February and subsequent on-again, off-again rally could look like that period. Unlike the last few years, in which equity markets were driven by ultra-low bond yields, markets now are being driven by earnings and fundamentals. "TINA" (there is no alternative) is not a working market theory anymore.

Moore, a close friend of new Trump economic advisor Larry Kudlow, believes that the pro-growth policies of President Trump are just beginning to be felt in the economy. He citied low levels of unemployment in general and in black and Latino populations as a sign the tax plan and easier regulatory environment were spurring growth. Moore added that the Trump economic plan is focused on growth because of the anemic recovery after the 2007-2009 recession and financial crisis. The recently enacted tax plan is designed to spur economic growth. Without it, deficits will rise over the next few years. With economic growth of 3% or greater, Moore asserts, they will fall.

Besides being our conference week, we are now in peak first quarter corporate earnings seasons, the first under the recently enacted tax legislation. So far, results have been impressive. According to Lori Calvasina, head of equity strategy at RBC Capital, as of April 26th, 50% of the S&P 500 reported first quarter earnings. Of those, 79% had beaten consensus EPS estimates, an all-time high. Sell-side consensus 2018 EPS growth expectations have risen to 20%. The improvement is not all driven by lower tax rates. About 73% of the S&P 500 has beaten consensus revenues estimates as well.

Despite the glowing first quarter earnings, April ended with markets in much the same place as they were at the end of March with the S&P 500 and Russell 1000® Growth index both up about 0.35% while the Russell Mid-Cap® Growth index was down about 1%. There appears to be a three way tug of war between earnings, interest rates and politics. As always, the next few months should be interesting.

Regards,

Peter

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

Lowry's Buying Power Index measures the total demand level for stocks by both activity and intensity by tracking the number of stocks advancing while also recording their volume and points gained.

The Russell 1000® Growth Index contains those securities in the Russell 1000® Index with a greater-than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-to-earnings ratios, lower dividend yields and higher forecasted growth rates.

The Russell Midcap® Growth Index is a market capitalization-weighted index that measures the performance of those Russell mid-cap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000® Growth Index.

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.

The funds' investment objectives, risks, charges and expenses must be considered carefully before investing. The Statutory and Summary prospectuses (CHASX/CHAIX or CHAMX/CHIMX) contain this and other important information about the investment company, and may be obtained by calling (888) 861- 7556. Read carefully before investing.

Earnings growth is not representative of the fund's future performance.

EPS=Earnings Per Share.

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