



# CHASE GROWTH FUND – QUARTERLY COMMENTARY

As of October 5, 2022

## Third Quarter 2022

Forget April, for investors at least September has once again proven to be the year’s cruelest month. Despite a decent mid-summer rally, markets were uniformly down in the third quarter and once again ended the period in “bear” market territory.

The S&P 500 index (“S&P 500”) lost 4.88% in the quarter and is now down 23.87% through September 30th. The Chase Growth Fund (CHASX) fell 4.22% in the quarter, not significantly different than the S&P 500’s performance. Our year-to-date results continue to be in-line with the S&P 500 with our fund, net of fees, down 23.89% versus the S&P 500’s drop of 23.87%. Our year-to-date performance remains significantly better than our peer group of mutual funds, the Lipper Multi-Cap Growth Index, which is down 34.96%.

Weak markets once again were a worldwide phenomenon with quarterly drops in the S&P Developed Markets index of 9.44% and 9.28% in the S&P Emerging Markets index.

Unlike the second quarter, there were some positive returns in various S&P sectors in the quarter. Consumer Discretionary stocks returned 4.36% in the quarter, followed by Energy with a 2.35% return and Financials with a 3.10% loss. The weakest sectors were Communications Services with a 12.72% loss,

***Performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. The most recent month-end performance may be obtained by visiting our website at [www.chasegrowthfund.com](http://www.chasegrowthfund.com). The Fund imposes a 2.00% redemption fee on shares held 60 days or less. Performance data does not reflect the redemption fee. If reflected, total returns would be reduced.***

Real Estate with an 11.03% loss and Materials with a 7.13% loss. Energy remains the only positive sector year-to-date with a 34.94% return.

The three “I’s” that have bedeviled markets since January continued to influence markets in the third quarter: inflation, interest rates and invasion.

After peaking at above 9% in June, inflation has moderated a bit, but remains over 8% through August. This has continued to prompt Federal Reserve Bankers to raise short-term interest rates, recently for the fifth time this year to the 3.00% to 3.25% level. It is quite likely we will see two more interest rate hikes in November and December. The rising rates continue to fuel fears that the country’s economy will fall into recession later this year or next year. In addition, rising short-term rates now are a reasonable alternative investment option for many people. Two-year U.S. Treasury notes currently yield about 4.0%. Although well-below inflation, this is far better than rates at any time in the past three years.

With the third quarter’s drop in equity markets, valuations going forward are more attractive than they have been in several months. The S&P 500 is now selling for 16.7 times expected 2022 earnings and 15.8 times expected 2023 earnings. These multiples are not out of line with (Cont’d pg 3 3rd Quarter)

	3rd Quarter 9/30/2022	1 Year 9/30/2022	5 Years Annualized 9/30/2022	10 Years Annualized 9/30/2022	Since Inception Annualized 9/30/2022
CHASX	-4.22%	-18.05%	6.87%	9.99%	7.54% (12/2/97)
Lipper Multi-Cap Growth Funds Index	-2.89%	-31.88%	8.21%	11.23%	6.95% (12/2/97)
S&P 500® Index	-4.88%	-15.47%	9.24%	11.70%	7.38% (12/2/97)
Expense Ratio (gross):	1.31%				
Expense Ratio (net):	1.14%*				

***\*Shareholders pay the net expense ratio. Chase Investment Counsel Corporation (the "Adviser") has contractually agreed to waive a portion or all of its management fees and pay Fund expenses in order to limit Total Annual Fund Operating Expenses (excluding AFFE, taxes, interest expense, dividends on securities sold short, extraordinary expenses, Rule 12b-1 fees, shareholder servicing fees and any other class-specific expenses) to 0.99% of average daily net assets to the Fund (the "Expense Cap"). The Expense Cap will remain in effect through at least January 27, 2023 and may be terminated only by the Trust's Board of Trustees (the "Board"). The Adviser may request recoupment of previously waived fees and paid expenses from the Fund for 36 months from the date they were waived or paid, subject to the Expense Cap at the time such amounts were waived or at the time of recoupment, whichever is lower.***



## Portfolio Review

Equity markets showed continued weakness in 2022's third quarter with the S&P 500 down 4.88% and the well-known Dow Jones Industrial Average down 6.17%. The quarter's results put the year-to-date losses for the S&P 500 and Dow Jones Industrials at 23.87% and 19.72% respectively. Unlike earlier this year, growth stocks outperformed value stocks in the quarter with the Russell 1000<sup>®</sup> Growth Index down 3.60% while the Russell 1000<sup>®</sup> Value Index was down 5.61%. The Chase Growth Fund (CHASX) fell 4.22% in the quarter versus a drop of 2.89% for similar funds in the Lipper Multi-Cap Growth universe. Year-to-date, the Chase Growth Fund is down 23.89% versus a drop of 34.96% for the Lipper peer group. Microsoft remains the mutual fund's largest holding at 5.72% of assets while Silicon Motion Technologies was the fund's smallest holding at about 0.98% of assets.

The table below illustrates the differences between the Chase Growth Fund's sector weightings and third quarter performance compared to those of the S&P 500.

	Sector Weights (9/30/22)		Sector Returns (6/30/22 - 9/30/22)	
	<u>CHASX</u>	<u>S&amp;P 500<sup>®</sup> Index</u>	<u>CHASX</u>	<u>S&amp;P 500<sup>®</sup> Index</u>
Cash Items	3.74		0.00	
Communication Services	4.07	8.49	-12.31	-12.72
Consumer Discretionary	10.60	11.43	-5.87	4.36
Consumer Staples	0.60	6.76	-2.05	-6.62
Energy	3.19	4.36	-0.75	2.35
Financials	10.30	10.81	-0.57	-3.10
Health Care	13.58	14.47	-3.64	-5.18
Industrials	16.78	7.82	3.99	-4.72
Technology	27.79	27.39	-6.27	-6.21
Materials	3.65	2.52	-10.56	-7.13
Real Estate	2.34	2.86	-14.48	-11.03
Utilities	3.36	3.08	-6.17	-5.99

Note: fund fees not included

### 3rd QUARTER TOP PERFORMING STOCKS

**Enphase Energy Inc.** was the fund's top performing stock in the quarter with a positive return of 41.3% in a down market. The California based company designs and manufactures devices that manage the generation, storage, and use of solar power. Its main product is a microinverter, a device that converts the DC current produced by solar panels into easier to use AC current. The company should have revenues of \$2.0 billion in 2022, up 44% over 2021 levels and should earn about \$2.10 per share this year versus \$1.02 last year. The company has a market cap of about \$34 billion.

**Valmont Industries Inc.** was the fund's second-best performing stock rising 19.8% in the third quarter. The company, based in Omaha, Nebraska, was primarily a manufacturer of irrigation equipment for the agriculture industry but in recent years has diversified into designing and manufacturing towers and other structures for the traffic, communication and utility markets. As power sources such as wind and solar grow, the company's products are used in connecting them to the various electrical "grids" around the country. The firm should have revenues of about \$4.0 billion in 2022 up from \$3.5 billion in 2021. Earnings per share this year should be about \$13.00 per share versus \$10.92 per share last year. The stock sells for about 21.5x expected 2022 earnings.

**LPL Financial Holdings** was the fund's third best performer, rising 18.6% in the third quarter. The company is the nation's largest independent broker-dealer, it provides services to about 20,000 independent financial advisors at about 800 broker-dealers and 500 registered investment advisors. Despite this year's difficult equity markets, the company is showing substantial growth, primarily from the addition of new customers. Revenues this year should be \$9.1 billion up from \$7.7 billion in 2021. Earnings per share this year should be about \$7.25 per share versus \$5.63 in 2021, a gain of about 29%. The company has a market cap of about \$19 billion.

### 3rd QUARTER WORST PERFORMING STOCKS

**Nvidia Corp.**, a California-based developer of 3D graphics and multimedia processing technology, was the fund's worst performing stock in the quarter falling 19.9%. Global turmoil in the market for chips used in gaming devices has resulted in revenues and earnings failing to meet expectations thus far this year. Revenues this year are expected to be around \$27 billion, flat with 2021 levels, and well below the \$33 billion expected at the start of the year. Earnings this year should be \$3.20 per share, below last year's levels. The stock made up 1.4% of the fund's assets at the end of September.

**Photronics Inc.**, was the fund's second worst performing stock in the quarter falling 19.3%. The Connecticut based company manufactures and sells photomasks, products integral to the manufacturing of integrated circuits, flat-panel televisions and other types of electrical and optical components. Despite having better than expected earnings and revenues in the third quarter, the company warned about revenues and earnings in the upcoming quarter. The stock was eliminated from the fund's holdings during the third quarter.

**Visteon Corp.**, a Michigan-based designer and manufacturer of automotive electronic products was the fund's third worst performing stock falling 17.6% in the third quarter. Although the company also had better-than-expected results thus far this year, fears of a slowdown in auto sales affected the stock. The stock made up about 1.4% of the mutual fund's portfolio at the end of September.



### Chase Growth Fund—Top Contributions & Detractors

Contributors 6/30/2022 - 9/30/2022	Average Portfolio Weight 9/30/22	Return (%)	Contribution
Enphase Energy Inc	3.6%	41.3%	1.1%
Carlisle Companies Inc	4.0%	17.6%	0.6%
LPL Financial Holdings Inc	3.7%	18.6%	0.5%
Molina Healthcare Inc	3.7%	11.2%	0.4%
Valmont Industries Inc	2.1%	19.8%	0.3%

Bottom Contributors 6/30/2022 - 9/30/2022	Average Portfolio Weight 9/30/22	Return (%)	Contribution
Silicon Motion Tech Co	1.0%	-15.9%	-0.7%
Microsoft Corp	5.7%	-8.6%	-0.5%
Alphabet Inc	3.8%	-11.7%	-0.5%
Global Payments Inc	1.3%	-17.4%	-0.5%
Dollar Tree Inc	1.8%	-12.2%	-0.4%

#### (3rd Quarter Cont'd from pg 1)

historical averages. It is reasonable to ask, however, how accurate the estimates are especially going forward. Next year's consensus S&P 500 estimate of \$239.13 is 6% higher than the current 2022 consensus of \$226.41. With consumer spending at many retailers looking dubious, a strong U.S. dollar affecting many large U.S. exporting companies and energy companies unlikely to have as strong year in 2023 as in 2022, those estimates are likely to drop, something we will start to see when third-quarter earnings begin coming out in coming weeks.

The Russia-Ukraine conflict, itself a large part of the reason inflation remains high, shows some signs of momentum shifting towards Ukraine. However, it still poses a significant risk to both markets and economies. Several European countries, most notably Germany, are warning citizens of both expensive and scarce fuel as they go into fall and winter months.

As the fourth quarter starts there are some important things to consider. Markets usually show their best performance in the period from November to May. Historically, the third year of a presidential cycle is also strong. Bear markets, like the one we are in, end. According to LPL Research, in seven of the past 10 bear markets going back to 1957, markets were higher than they were at the start of the previous bear market by an impressive median gain of 23.8%. No telling whether that will happen by early 2023, one year past the start of this bear market. Stay tuned.

## Disclosure

Fund holdings and sector allocations are subject to change and should not be considered a recommendation to buy or sell any security.

*The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The Statutory and Summary prospectuses contain this and other important information about the investment company and may be obtained by calling (888) 861-7556 or visiting [www.chasegrowthfund.com](http://www.chasegrowthfund.com). Read carefully before investing.*

**The information on earnings growth is based on certain assumptions and historical data and is not a prediction of future results for the Fund or companies held in the Fund's portfolio. Past performance does not guarantee future results.**

The opinions expressed are those of the author and should not be considered a forecast of future events, a guarantee of future events nor investment advice.

**Mutual fund investing involves risk, principal loss is possible. The Chase Growth Fund may invest in mid-cap companies, which involve additional risks such as limited liquidity and greater volatility. The Chase Growth Fund may invest in foreign securities traded on U.S. exchanges, which involve greater volatility and political, economic and currency risks and differences in accounting methods. Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales.**

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.

Price earnings ratio (P/E) is the price of a stock divided by its earnings per share.

As of September 30, 2022 the Chase Growth Fund held 5.7% Microsoft Corp., 1.0% Silicon Motion Technologies Co., 3.6% Enphase Energy Inc., 2.1% Valmont Industries Inc., 3.7% LPL Financial Holdings Inc., 1.4% Nvidia Corp., 0.0% Phototronics Inc., 1.4% Visteon Corp., 4.0% Carlisle Companies Inc., 3.7% Molina Healthcare Inc., 3.8% Alphabet Inc., 1.3% Global Payments Inc. and 1.8% Dollar Tree Inc.

## Indexes

**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.

**Lipper Multi-Cap Growth Funds Index** measures the performance of 30 of the largest funds in the multi-cap growth category as tracked by Lipper, Inc.

**S&P Developed Markets Index** is a market capitalization weighted index that defines and measures the investable universe of publicly traded companies domiciled in developed countries outside the U.S. (over)



## Indexes Cont'd

**S&P Emerging Markets Index** is a market capitalization weighted index that defines and measures the investable universe of publicly traded companies domiciled in emerging markets.

**Dow Jones Industrial Index** is a price-weighted measurement stock market index of 30 prominent companies listed on stock exchanges in the US.

**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.

**Russell 1000® Value Index** measures the performance of the large cap value segment of the US equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected growth values. The Russell 1000® Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment.

An investment cannot be made directly in an index.

Investment performance reflects fee waivers in effect. In the absence of such waivers, total return would be reduced.

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