CHADD GARCIA ON THE AL KRESTA SHOW

NOVEMBER 2023

Al Kresta: Good afternoon. I'm Al Kresta. It's been a while since we got an overview of the economy. And of course, now we're talking about reining in inflation. The Federal Reserve has taken interest rates from near 0% during Covid to now 5%. Is this a strategy that's working? My guess. Chadd Garcia is vice president of Schwartz Investment Counsel, Inc., and lead portfolio manager of the Ave Maria Focused Fund, one of our sponsors here on Kresta in the afternoon. He's also co-portfolio manager of the Ave Maria Growth Fund and responsible for the equity research functions for the firm. In the past Chadd analyzed public equities as a managing director at SRC advisors, and before that he had worked in private equity as a managing director at Gulf Coast Capital Partners and as vice president at Comvest Partners. Chadd, good to have you back. Thanks.

Chadd Garcia: Nice to be here, Al. How are you doing?

Al Kresta: Doing fine. And, you know, looking how would you assess the state of the economy right now?

Chadd Garcia: Well, we had massive amount of inflation to deal with coming out of Covid given interest rates going to zero and then the massive amount of government stimulus. And to deal with that, the Fed has had to raise interest rates, which they've taken from basically 0 to 4.5% on the ten-year period, which on an absolute basis is not that high, certainly below historical standards. But the rate of change, you know, doing that in 18 months was pretty massive. And so, I'm surprised that nothing has broken so far. We did have a scare with the regional banking crisis a little earlier in the year, but everything seems to be holding in strong and unemployment rates.

Al Kresta: Have interest rates peaked, by the way?

Chadd Garcia: I think they have. Okay. You know the Fed is not going to come out and say, you know, ring the bell, and say we've won inflation. Jerome Powell, his time as Fed chair is going to be coming to an end. And he doesn't want to leave high inflation. So, he's going to talk tough. But if you look at unemployment is certain to go up. The CPI inflation number was at 3.7% last month. That's down from its peak of 9.1%. You know oil prices around $75 a barrel that's coming down. So, inflation is certainly heading the right way. You know there's some things that could come out and endanger that. But right now, everything's looking great.

Al Kresta: Well, is the fear of recession still in the air?

Chadd Garcia: Yeah. I think people have been afraid about a recession for a long time. Yeah, but the fear is still in the air. You know, the question is, is the lending going to be soft landing or is it going to be a hard landing? And so, the argument for a soft landing is that the consumer is strong. You know, we are starting to see some cracks in consumer spending and their ability to spend. Credit card debt has reached its highest level of $1.1 trillion. That being said, the level of credit card debt versus the amount of money that people have as cash in the bank is at one of the lowest rates in 20 years. So, while credit card debt is high, people also have high cash balances. Okay, the lower end of the consumer, the subprime level is starting to show some cracks. And delinquency rates are starting to creep up. Right now, about 3% of all debt in the country is delinquent. And, while that may seem high, if you look at the same period, pre-COVID and Q4 2019, it was it was much higher. So even though 3% sounds bad, it's not as bad as it once was.

Al Kresta: As it was.

Chadd Garcia: As it normally is. Yeah. The labor market is strong. If we do get a recession, the recession would be made by the Fed taking rates up as quickly as they did, as opposed to if you look at the great financial crisis that was a that was there was an extreme event with the housing market collapsing. Or if you look at Covid, the government forcing the economy to basically shut down, you know, large external events are harder to deal with than if it's just a slowdown from rising interest rates because the fed.

Al Kresta: So, this would be controlled?

Chadd Garcia: And the Fed's rates are high now. So, there's room for them to bring things down. Bring the roof down if they need to or pull some other levers in order to get the economy going again. So, what worries me would be more about more an external event. I mean, if you look at the geopolitical situation around the world, it doesn't seem like the world is getting any safer. It seems like we're on the precipice of a lot of hot wars in several locations.

Al Kresta: Yeah, no, I agree. I told my kids that I don't recall the geopolitical situation appearing so unstable in all my years of watching. So yeah, I understand the presidential election coming up next year. You know, in your estimation, do either assuming that President Biden will run and that his opponent will be former President Trump, do any one of them strike you as especially strong at handling the economy?

Chadd Garcia: Well, I don't think the S&P has ever been down in a presidential year because. The party is in power and wants to keep it up in order to remain in office. Right. But, you know, both President Trump and President Biden are populists. They just appeal to different parts of the population. And so, I would hope that we would get a leader that starts to deal with the excessive amount of debt that the US economy has right now. I think that's something that we need to really focus on. And I don't know if President Trump or Biden, unless forced to by the market, would be keen to take on that issue.

Al Kresta: Yeah, yeah. How bad is it? How bad is our debt in relationship to our productivity?

Chadd Garcia: Well, we're north of 100% of debt to GDP. And that, you know, typically starts to spell problems. But you know, can that continue as long as investors are willing to buy government debt and then it can keep going? But would hope that we start to deal with that because if interest rates are going to be higher as debt comes due, the government needs to refinance that. And so that's where you get into the problem of more and more of the government expenditures going into interest payments.

Al Kresta: Let me let me ask you about the markets. And, you know, best time for investing. Your estimation. We have not recovered at least on the Dow. We've not recovered to our high point yet. And I'm not sure where it closed yesterday, but you see the market regaining the strength that it had two to three years ago?

Chadd Garcia: Well, I'm more focused on the companies that are in that area Focused Fund as opposed to the overall market. And you know the S&P this year has been quite, quite strong. And the Ave Maria Focused Fund has been much stronger. So that keeps me happy. But you know, with respect to when's the best time to invest, if you're a long-term investor, it's best just to stay invested in the market. I mean, if you look at the last 30 years, the S&P generated a 9.9% per annum return. And, if you were worried about timing it, then I think people that are worried about timing it would get in and out and they do it at the wrong times and they don't realize that that 9.9% compounded over 30 years, which is well over 1,000% return, I think it's $1 turns into $13. And so, if I were a long-term investor, I would just worry about making the same investment every month at the same time and automate it and not look at what the market's doing every month.

Al Kresta: Okay. Back to this idea of debt. You pointed out in some notes that you sent me that we went from $5 trillion in debt in 2000 to $31 trillion in debt today. How big is that? I would have to think that that's a drag on our economy. Is it?

Chadd Garcia: Well, the more money the government has to spend on interest on the debt, the less they have to spend on other expenditures, which fuels GDP. Or the more taxes they have to take from consumers to pay the debt, which takes money away from consumers ability to spend and fuel GDP. And so that's the concern that we have with such a high unsustainable amount of debt.

Al Kresta: And it's hard to see a political candidate who wants to tackle the debt is someone who's going to have to make a lot of hard choices, which will not be popular. And so, he's apt to lose his base of support. Is that a fair way of putting it?

Chadd Garcia: That's fair. It's easy to do things like spend more than you have when as a politician because it brings short term gains to the constituents, but long-term pain. Politicians are worried about the next election and not the long term, but it's going to be the market that's going to have to force this upon government to deal with. And the way that it does it is it just requires a higher interest rate for the debt that the government wants to sell it. So, if the government is going to spend more than they have, they'll have to issue debt. And in order to issue debt, they have to be able to sell that to investors and the investors want to get paid to take it. And, maybe the interest rates go up because the investors say, I need more interest to take on to take on the debt. And, you know, that's what's going to force the government to deal with it. Everybody thinks that the Federal Reserve sets the interest rate. They set the short-term rate, but the long-term rate is set by the market.

Al Kresta: Yeah. Well, let me jump to the Ave Maria Focused Fund that was launched in May of 2020. How's it doing?

Chadd Garcia: It's doing great. You know, this year it's up over the one-year period by about 20%. Its benchmark is up only around 4%. So, it's handily beating its benchmark. So yeah, we're quite happy with it. And if you look at Morningstar, which is a company that ranks mutual funds, on a one-year basis as of yesterday, it's in the top 4% of its comparable funds. And so, we're pretty happy with that.

Al Kresta: That's fantastic for people. We haven't talked for a while. For people who are unfamiliar with the Ave Maria Funds. Just tell us what you do.

Chadd Garcia: Sure. We have a family of six mutual funds, and we invest on behalf of our clients. We have over 100,000 clients, individuals, churches, endowments, etcetera. And we do it in a way that doesn't conflict with the teachings of the Catholic faith. So, we have moral screens, and these screens are various activities that that we believe conflict with our faith, and we screen those companies out and don't have any exposure to the companies that participate in offensive activities.

Al Kresta: Yeah. So, this is this is for Catholics who are very observant and want to make sure that their investments are, in accord with their faith commitments. The Ave Maria Mutual Fund is a great place to be. It's the largest Catholic mutual fund family in the US. Right? That's still the case?

Chadd Garcia: It is, it is. And right now, we have just under $3 billion under management within the fund family.

Al Kresta: Yeah. Tell people how they can get Ahold of the Ave Maria Funds and get more information.

Chadd Garcia: Sure. They can call us at 866-AVE-MARIA or visit us online at www.avemariafunds.com.

Al Kresta: Ave Maria funds.com. Chadd, good talking with you again. It won't be so long next time. Thanks. Chadd Garcia is vice president of Schwartz Investment Counsel, Inc. and lead portfolio manager of the Ave Maria Focused Fund and co-portfolio manager of the Ave Maria Growth Fund. I'm Al Kresta.

IMPORTANT INFORMATION FOR INVESTORS

Performance as of September 30, 2023

	Year to Date	1 Yr.	3 Yrs.^	Since Inception^*	Prospectus Expense Ratio[1]
Ave Maria Focused Fund	21.03%	36.02%	3.95%	6.90%	1.14%
S&P MidCap 400® Growth Index	6.88%	16.20%	7.62%	13.03%	

^ Annualized * Since Inception date is 5-1-2020

[1] The adviser has contractually agreed to limit the ordinary operating expenses (excluding Acquired Fund Fees and Expenses, interest, taxes, brokerage costs and extraordinary expenses) of the Ave Maria Focused Fund to an amount not exceeding 1.25% of the Fund's average daily net assets until at least May 1, 2024.

Performance data quoted represents past performance, which is no guarantee of future results. Investment return and principal value are historical and may fluctuate so that redemption value may be worth more or less than the original cost. Current performance may be lower or higher than what is quoted. Performance data reflects certain fee waivers and reimbursements. Without such waivers, performance would have been lower. ***Call 1-866-AVE-MARIA or visit www.avemariafunds.com for the most current month-end performance.***

Morningstar Percentile Rankings is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1. As of September 30, 2023, the rankings were as follows: Ave Maria Focused Fund (Mid-Cap Growth category) 1 year 1st percentile (1 out of 558 funds) and 3 years 34th (130 out of 520 funds).

Schwartz Investment Counsel, Inc., a registered investment adviser established in 1980, serves as investment adviser for Ave Maria Mutual Funds and invests only in securities that meet the Funds' investment and religious requirements. *The returns may be lower or higher than if decisions were based solely on investment considerations. The method of security selection may or may not be successful and the Funds may underperform or outperform the stock market as a whole.* All mutual funds are subject to market risk, including possible loss of principal. The thoughts and opinions expressed in this podcast are solely those of the person(s) speaking as of November 2023. Diversification does not ensure a profit or guarantee against loss.

Request a prospectus, which includes investment objectives, risks, fees, charges and expenses and other information that you should read and consider carefully before investing. The prospectus can be obtained by calling 1-866-283-6274 or it can be viewed at www.avemariafunds.com. Distributed by Ultimus Fund Distributors, LLC.

200-180-011524 / 17637725-UFD-11/24/2023