CHADDD GARCIA ON CHIT CHAT MONEY PODCAST

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Ryan: Welcome to Chit Chat Money. Today is our Thursday deep dive episode where we interview an investor or another analyst to discuss a single stock or industry. And today we are talking about Chemed. It is a little bit of a misleading name. They are the parent company of Roto-Rooter, which might be a brand people are more familiar with, and Vitas, which is maybe a less known brand, but an intriguing business on its own. And we're talking with Chadd Garcia. Chadd is the portfolio manager of the Ave Maria Focused Fund. We've had Chadd on twice now, and I really like his investment approach, his style. He looks for true compounders and usually it's companies that are, I'd say, overlooked or kind of lesser known. And so, and those tend to be, I think, a lot of the investments that do the best. So, I think you'll enjoy this one. The company is called Chemed, but without further ado, here's our interview with Chadd Garcia.

Intro Speaker: Welcome to Chit Chat Money. On this show, host Ryan Henderson and Brett Schaefer interview industry experts and riff on the world of investing as a quick reminder Chit Chat Money is an ACM Media Group podcast. Ryan and Brett are also general partners at Arch Capital and Arch Capital may have positions in the securities discussed in this podcast. Anything discussed on Chit Chat money by Ryan or Brett, or any other podcast guests is not formal advice or recommendation. Now please enjoy this episode.

Ryan: All right, today we are joined by now second time guest Chadd Garcia. Chadd is the portfolio manager of the Ave Maria Focused Fund. Last time he was on, we talked about eDreams. So, feel free to go check that out if you want to hear more from him. But we're talking about probably a company most people haven't heard of today. I certainly hadn't heard of it until you kind of brought it up. And the name, I think, can be maybe a little misleading, but it's called Chemed. So, I guess before we get into the business, how did you come across this to begin with?

Chadd: I think I would see it on Twitter occasionally, a couple posts here and there. I mean, certainly not too often. But you know, somebody mentioned Chemed and one of their two underlying businesses, which is Roto-Rooter, is a brand name that's well known to everybody. And, you know, I think when I saw it, I would look at it and I would glance at the financials really quickly and do a cursory look and think it's a little bit expensive, you know, interesting, but expensive. But, you know, as often the trick with quality compounders is just getting on the train and never getting off. But the disruption that happened when Covid was first starting gave a little reprieve in the in the stock price. And you know, as it went down early February of 2020 gave me the opportunity to do a hard look at it and, you know, did a hard look and liked it. We launched the Ave Maria Focused Fund in May of 2020, and, you know, it was still trading at attractive levels. So, it was one of the first inclusions in the fund.

Ryan: Oh, okay. So, you've owned it for a couple of years then, I guess. You mentioned Roto-Rooter. Can you provide some history behind the business? How did they go from kind of this, uh, seems like unrelated name to being an owner of two separate businesses? Basically, how did they come to be who they are today?

Chadd: Well, looking back at their history, it was a spin out of W.R. Grace, the chemical conglomerate. And when it was first spun out in the early 1970s, it had two businesses. One was a specialty chemicals business, and the other business was a health care business that became Omnicare, which was a pharmacy that was sold to, I believe, CVS maybe 6 or 7 years ago. And Grace kept their ownership in this in the spin out or held a lot of a lot of the stock and then they ultimately sold it in 1980. The company started getting very active. They ended up buying Roto-Rooter in ‘80 and ‘81. They spun it out. Omnicare. So that left them with Roto-Rooter and then their flagship business, which is the chemicals business. They operated those into the ‘90s. They got busy again in the ‘90s. Somebody came along and offered them a price that was too good to pass up for their specialty chemicals businesses. So, they ended up selling the specialty chemicals business around the same time. A private equity firm came to them as they needed a deal financed, and so they ended up buying 20% of Vitas, which is the leading hospice services provider in the in the country. And so, they financed that deal through a convertible preferred, which gave them about 20% of the business. Fast forward another decade, the private equity sponsor came to the company and said, hey, get ready, we're going to sell this business." And so, you're going to get a check soon. The company said, "well, what what's your sale price?" And they were told the sale price. And the company said, "well, we're not sellers at that price, we're buyers." And so, they ended up buying the 80% of Vitas that was outstanding for $431 million. So, and that's the long, long history of very large kind of transformative transactions.

Brett: And that leads us to where we are today. We do want to talk about it later. I know a lot of people like Ed because of their capital allocation skills. You mentioned in your write-up on them, which we will link to in the show notes, that you want to include them in the next edition of The Outsiders. But first, let's talk about the two business segments they have today. First is Roto-Rooter. For anyone that doesn't know, because I'm sure a lot of people like us, we've heard the name before. What services does Roto-Rooter provide and who are their main competitors?

Chadd: Well, let's talk about the history of Roto-Rooter really quick, because this is relevant to kind of how the business is set up today. Roto-rooter was founded in 1935 by a gentleman named Samuel Blank, and he created a machine to clean drains. And so, what he what he did was he attached a cable that had some blades on it to a Maytag washing machine motor, and that allowed somebody to clean their drains without having to dig up and replace the pipes, which was the practice prior to the invention of this machine. And so, he, in order to sell this machine, created what he called, you know, franchises, which was one of the first franchised businesses in the country. And he basically gave people the right to operate within a territory for a fee that was predicated upon the population base of that territory. And then presumably they would buy these machines from him. You know, fast forward to today. Chemed is the leader in non-emergency essential plumbing services. So, think drain cleaning or if you need a toilet fix or if you have a major leak that you need fixed, you call them. You don't call them when you want a faucet installed or a shower installed. So, the results are predicated on building new houses or house reformations were predicated upon just standard use and emergency services. Their competitors would be, for the most part, local plumbers or regional plumbers. There are not too many national competitors. They have about a 15%

market share in drain cleaning services and 2 to 3% market share in same day service for emergency plumbing and plumbing services.

Ryan: A couple of follow ups. So first of all, is that how royalty? I think royalty is the right term. The royalty fees still get paid. Is it just based on the population of the various territories?

Chadd: Well, they have three different types of businesses within Roto-Rooter. So, they have legacy franchisees. And they're really not like a franchisee that you would think that, you know, compared to like a McDonald's, they're more just they have the right to operate in an area. They receive no support from Roto-Rooter. They benefit from the name. And for that, they pay a fee that's based on population, just as it was set up in the 1930s. This type of business is operated by usually like a mom and pop. So, you have a husband who's a master plumber. He'll have some plumbers that work underneath him. The wife typically operates a call center and then does some of the back-office functions. And then they do their business, and they pay a fee to Roto-Rooter. There's about 369 of those. Roto-rooter overall has around 500 territories. In those territories. If it's a large territory, Roto-Rooter will operate those territories themselves. If it's a small territory that they control, that they've bought back from their franchisees, they may set up an independent contractor who, you know, like the like the franchisees who may be a husband-and-wife team. And then they would operate in that territory. They would receive support from the corporation and pay a 28% royalty to Chemed.

Speaker5: What is the incentive, I guess, from corporate to operate those large territories themselves? Is it basically like they think the economics would be better if they're doing it on their own as opposed to maybe those smaller territories are higher risk? Is that why they kind of avoid those?

Chadd: I think there's benefits of scale if you're operating in a large market. So, like Chicago is one that they would that they would operate. And so having a corporate structure in such a large market makes sense, whereas bringing like a corporate overhead structure to a rural market probably doesn't make sense. In a market where they have an independent contractor set up, they control the territory. And if independent contractors are not doing a good job, then they can find a new one. But the independent contractors in those territories have their own business and they can sell that business. They just can't sell the territory. And you can see people get rich, you know, that are set up by Roto-Rooter, you know, operating plumbing businesses in smaller markets.

Brett: Has Roto-Rooter historically gained market share or what have been those trends over time? Because I know you mentioned the 15%. Is there a path for them to, you know, getting to 30% over the next couple of decades or has it been fairly stable over time?

Chadd: Well, I would think that they're gaining market share, particularly in markets where they're buying franchisees out and converting those into corporate owned territories. So. You usually see a large pickup in growth in those markets because, you know, as I said earlier, franchisees receive minimal to no support from corporate. And corporate is much better at doing some critical functions, particularly with respect to marketing than a franchisee. A lot of their marketing is digital based and search engine optimization and corporate is just set up to do that a lot better than a husband-and-wife team.

Ryan: I was about to ask, are there any other competition in the space? Aside from more money to spend on marketing, are there any big advantages that Roto-Rooter has over kind of those smaller players?

Chadd: I would say technology is probably a pretty good differentiator. That's harder for a mom and pops to get in. So, you know, I tested them out when I had a plumbing issue. I ended up fixing it myself. But, you know, if you call up Roto-Rooter, they'll come out free and they'll give you an estimate. And they have their iPad, and they type in their estimate. You get an email. It's very standardized. And I think that's a pretty high level of customer service that you would that you would get and follow up and feedback where they can refine their service that you're not going to see at a mom-and-pop plumber plumbing business.

Speaker5: What are the differences in like the margin profiles of franchise dollars coming in versus them kind of running their own corporate stores or locations? Or is it not broken out?

Chadd: No, they'll break it out. The royalties from franchisees are 100% margin because they don't do anything there. Independent contractors would be in the middle because again, they're just getting a royalty. Now there's some expenses that are that are associated with that and then a corporate owned would be the lowest. I tend to track acquisitions that they're doing and how fast they are acquiring franchisees and then just attract the margin profile over time. And so presently the EBITDA margins for Roto-Rooter is around 30%, whereas a decade ago it was around 15%. And so, you've seen them grow margins over time. In a time when they are bringing franchisees in-house, which means that the mix of the margins are going down. So, you're really just seeing the benefits of scale.

Ryan: Yeah, you mentioned we were kind of talking about that before the show and you mentioned that, and I think intuitively most people would think it's going the other way as they kind of move into more of a corporate owned location based. But yeah, that's really impressive. I guess I'm blanking on my other question. Oh, on the purchasing franchises, you mentioned that they've done two big deals as of late. Do you expect them to continue? Maybe not at the pace they have done lately with the two big ones, but do you expect them to continue kind of eating up or acquiring some of their smaller franchisees?

Chadd: Well, aside from these two deals, and this is with their other business, too, they've spent maybe $7 million a year on average on acquisitions. So, the acquisitions tend to be very small. There were a couple large Roto-Rooter franchisees that they purchased within the last 5 or 6 years. I don't think there's going to be another opportunity to do large acquisitions like that going forward. So just think about, you know, maybe smaller acquisitions on a on a go-forward basis. You know, what is interesting to look at, too, with respect to this business is just the resilience of it and their pricing power. And so, when Covid hit they have residential customers as well as commercial customers. So, think hospitals and restaurants, anything with, you know, lots of drainage pipes. The hospital business got decimated because anybody who wasn't essential wasn't getting into the hospital. The restaurant business got smoked, but the home business went through the roof because obviously, you know, more people were cooking at home and, you know, using their kitchens. Um, so they, they ended up doing quite well on the Roto-Rooter business during Covid. And then if you look at post Covid during the inflation period there. Same-store sales or revenue growth has been well into the double digits. And that's a reflection of their pricing power. So, a lot of that is just they're taking they're taking price. To keep up with inflation. And they're taking it because they have pricing power, and they can do it.

Ryan: Is there anything that you see as like a risk to Roto Rooter's business? I mean, they've obviously been around for a long time. They seem super durable. Is there any kind of competitive threat that would, that could hurt him down the road?

Chadd: Well, I think if there's any risk, it would be in two areas. One, if the brand name got damaged. And I don't think there's going to be like a Bud Light situation where there's some brand manager who's going to go crazy. I mean, these again, these ads are mostly digital marketing and search engine optimization. So, it's not like you're running commercials or whatnot. You know, a couple commercials, maybe on billboards or ads on billboards, but not, you know, marketing ads. There could be a situation where within one territory, a franchisee, you know, does a bad job and maybe the brand's name gets tarnished in that area, but that would be isolated. So, I don't think there's too much risk there. The bigger risk would be more of a long-term risk. Just, you know, the business is driven by new household formation and new business formation. And so as long as we're growing new households and new businesses are being developed, then there's a there's going to be plenty of drains out there to get clogged.

Brett: All right. That's a great overview of Roto-Rooter. We're going to transition to the second business here. Apologies if I mispronounced that. I always do. I'm going to say Vitas. How do you say it?

Chadd: Vitas. Vitas.

Brett: And then we'll stick with Vitas.

Chadd: I think it means I think it's life and Latin rite Vitas.

Brett: That's a that's a good name then. Let's explain. You know the basics of the Vitas hospice and care business. What's the typical customer here? What does the business look like just from a broader overview?

Chadd: Right. And so, I think in my mind there are a few customers, but let's start. Vitas is a hospice care provider. And so, what happens in hospice care? In medicine, you have curative care, so, they're trying to cure disease. In hospice care, what they do is if you have a terminal illness and you're in your latter days, you stop doing curative care. Curative care in the final days may have minimal efficacy and could often do more harm than good. And so, the focus is on managing pain and a patient's comfort, you know, during their final days. So that's palliative care. And if you look at the customers, obviously the customer would be the patient would be the primary customer that's, you know, in their final days and indeed in need of care and comfort. But there are other important customers. So, one would be the government. 94% of palliative care is paid for by Medicare. I usually stay away from health care investments if there's a large government risk. But after looking at this, I got comfortable. And the reason why is that 30% of every dollar spent on Medicare is spent in the last year of a patient's life. Most of that is in the last six weeks of a patient's life, mostly on curative care that doesn't cure. And paying for E.R. visits, for episodes that somebody may go through in their in their final days. And, you know, when I look at what's going on with this week with the fight that we're having over the debt ceiling and the strains on the federal government, and you look at the aging baby boomer population who are going to be using these services in the next decade or two in high amounts. I would imagine that Medicare is going to get strained even more. And palliative service providers like Vitas are a pressure release. For them because it saves them money on care that is not going to cure the patient and may do more harm than good. The other customer would be some of their channels. And so, the way that you that they get customers would be from hospitals. Skilled nursing facilities or assisted. So, nursing homes and then assisted living, limited assisted living facilities. And then after that bucket, everybody else. The government has caps on how long a person can stay within a hospice program, and this is applied to the population base. So not on an individual program. You have to manage your populations that that their stay in the program is not going to be too long. Additionally, if the stage is too short, it's very expensive and you can actually lose money on a on a stay that's too short because it's expensive to intake a person into the program and fill out the paperwork and order the necessary medications that they're going to need. So, if you have too short of a stay, it gets expensive. Hospitals sometimes have their own hospice programs. If somebody comes from the hospital, their stay tends to be short. So, there's a little of a pressure release there that if they can send some of the patients over to Vitas, it'll alleviate some of the expenses of running their program. Skilled nursing facilities often some conflict with regulations of recommending patients go to their own facilities. And so, it's good for them to send some off to Vitas and then assisted living facilities. Their patients tend to live longer within the hospice program. And so, they may be hitting their Medicare cap and they'll need to send some patients off to Vitas as well.

Ryan: What's the rationale for why government limits days in hospice?

Chadd: Maybe it's a prevention too, to put people into it where if they're not terminally ill.

Ryan: Okay. Um, what are Vitas' costs? What are their biggest expenses?

Chadd: Their biggest expense would be skilled medical professionals. Nurses that work on the intake part of the business and nurses that actually provide the care. Post Covid, the health care industry lost 20% of their workers. And so, the business still is not back to its pre-COVID levels. And the hardest part for them was to retain the workers, which they've done. They've done a great job and they've done a better job than I would say that their competitors are doing. And they're seeing that as an opportunity right now to recruit more nurses from the competitors and grow the business.

Brett: Oh, Ryan, you have one. Or do you want me to go?

Ryan: I was just curious how Covid affected this business overall. You mentioned that the obviously coming out of it and there's our health care workers maybe didn't want to be there as much, but how else was the business impacted?

Chadd: Well, let's. 96% of this of the care for Vitas is done in a patients. So, as you think about the cost of the business, again, like there's some there's some there's some medicine that's used and, you know, given to the patient. So that's definitely cost, but it's a small amount. The biggest expense would be. The health care workers. They do have some facilities for high acuity patients or sicker patients, but that's maybe about 1.5% of revenue. Another 1.5% of revenue would be like 24 hours oversight in a home. The rest of it, 96%, is just kind of routine coming to a person's home, checking on them, training their family. You know, overseeing what's going on and then leaving. So that we'll talk later about the return profiles of both the businesses. But, you know, there's not much. Fixed expense in the business. Very minimal PPA.

Brett: Gotcha. Now that that is quite important. We want to transition to close kind of the last section of the episode is going to be on capital allocation and your thoughts on management and the valuation. But the final question I think to wrap up how these businesses work, what are the durable growth prospects for these end markets? And how durable or not is customer demand? I know you mentioned it's tied a bit to the housing cycle. So, I guess, what do you think of the industry durability and growth prospects for both Vitas and Roto-Rooter to close things out here on this section?

Chadd: Well, with Roto-Rooter, I would say that they have a long history of generating organic growth and they have a runway to acquire franchisees and they have a history of accelerating growth once they acquire franchisees. And so other than that, it's going to be what's the overall economy of the US and population base of the US doing? And if we have problems there, then there's going to be problems in a lot more places aside from Roto-Rooter. With respect to Vitas, this is one that excites me the most with respect to the future. Because of what I mentioned earlier, the budget challenges aren't going to get any easier in the next decade or two. And you have a massive population base that's going to be a user of palliative care services that are, you know, within that age demographic in then in the next two decades. And so there should be some massive growth there. By respect to I mean, if you look at how they've grown, Vitas, most of it was grown organically and through greenfield in new areas as opposed to acquisitions like they've done in Roto-Rooter. They have done a couple acquisitions in the past within Vitas, but it was mostly to acquire some licenses in a certain region and then they would just greenfield the rest of the business.

Chadd: If you look at their margin profile in Vitas, their margins are about 18 to 20%. Call it something to have 20% EBITDA margins quarter to quarter move around a little bit. Right now, they're at 15% because of investments that they're making with hiring nurses to get gear up for growth. The margins of their competitors are probably about 5 to 7%. So, they definitely do benefit from, from scale. One interesting thing to note here is that the government sets the reimbursement rate. And so, the reimbursement rates would be kind of low acuity standard care on a per day basis and then a higher rate for high acuity care on a on a per day basis. And right now, it's averaging they're getting paid just under $200 per person per day in the program. The government adjusts this based on a basket of various costs. But the government has been very slow to adjust the reimbursement rate to keep up with inflation, which is hurting the entire industry. This is why their margins are 15% right now as opposed to 20%. It's hurting the smaller ones even more. And, you know, Chemed has been very vocal to the government saying you need to increase the rates not just for us, but if you don't do it, what you're going to do is you're going to put smaller hospices out of business. And you know, that's not going to be good for you because you need the hospice providers to as a pressure release for Medicare expenses. So, you know, they can complain about it, or they can use it as an opportunity. And so, they're using it as an opportunity. They've invested $40 million in retention and recruitment bonuses for Vitas. They've spent about $36 million of that $37 million of that to stabilize their workforce. The rest of it they are using to recruit new nurses. I think they've picked up in the last year 450 new nurses. Their earnings, that they're going to get from the nurses that they've hired, they told me that they would pay about 80 million bucks for that. So, for a single digit million investment there, they're getting revenue that they would pay or they're getting earnings that they would pay $80 million for. So that seems like quite a nice rate of return. And they also noted that while they haven't done too many acquisitions in the past on Vitas, this dislocation that the government is causing may allow them to go out there and buy some distressed hospice care businesses that they can later use as platforms to build off of.

Brett: Now, that's a very interesting industry backdrop. We have a lot of questions here about generally, you know, what management is going to do, what or what they're thinking about, what their strategy is. I think the best way to maybe go about this is what are your general thoughts on the management team?

Chadd: Well, the CEO and the CFO have been in the business for decades. Both of them came through Omnicare. So, they were part of the business that was spun off in ‘81. The CEO is a lawyer by training, was a general counsel for a little while and he's been president and CEO of CMD since the mid- ‘90s and early 2000 respectively. The CFO has been CFO since 2000 and it's been a while since I first spoke with them. But so, I don't want to put words in our mouth, so I'll just I'll summarize it. But when I first spoke with them, they came off as having an agnostic view of, of both the businesses. They viewed the businesses as vehicles to grow free cash flow per share. And when I asked them about dividends, they gave me my preferred answer with what kind of dividend do you pay, a de minimis dividend that's growing. And the reason why we do it is to check the two boxes for investors that care about such things. A that you have a dividend and B, that it that it grows, but it's de minimis. So, if you look at their if you look at their capital allocation, you know, they have a nice chart that goes back to 2007. I probably should just pull up the filings and update it for myself. Going back to 2003 when they had both of these two businesses. But since 2007, they've generated $2.8 billion in cash. About three quarters of a billion went to the combined dividend payments, acquisitions and CapEx. $2.1 billion of that was used in share repurchases in lumpy fashion. So, they'll build cash and when the share trades at a level they think is a good deal, they'll come in and they'll come in strong and buy back shares.

Ryan: You mentioned that they have disposed of businesses or sold businesses in the past. A friend of the show, John Rotondi, wanted us to ask this question and we were kind of messaging about it. If they were to sell one today, what do you think management would do with the cash?

Chadd: Well, if you look at the slides, they have at the at the end of each of the businesses, they talk about this and they do it because they don't want the company to ever trade at a holdco discount. And so, their philosophy and keeping it from trading at a discount would be to over disclose the KPIs of each business. Be willing to make a transformative transaction such as spinning one off or selling it. And then finally to buy back stock. And so, if they sold off Vitas, which at this point, it is unclear whether to have a hospice business that's independent, such as Vitas or having it as part of another health care system like a hospital is the way to go. If it ever looks like the hospital way is the preferred way, they will sell it to the hospital system. But if they sold off to us, you know, maybe they can do something that's tangential to Roto-Rooter. There's an American leak detection, which is a franchise business that that seems to be complementary. But, you know, maybe that would work. But what I would think they would do is they would look at it agnostically. They would go and find a business that they believe would help them to grow their free cash flow per share. So, they would find a business that had a high ROIC. They would find a business that has a long opportunity to grow and a business that they can get at a reasonable price. And if they can't find that, I think that they would do a massive share repurchase.

Ryan: It feels like we did too many deep dives on very separate businesses. Are there any synergies or benefits from having them both under one roof?

Chadd: I don't think so, but I don't think there's any dis-synergies in having them both under one roof.

Brett: It seems like it's the management teams are just competent, so, you know, they're going to run them both well.

Ryan: Last couple of questions. We've mentioned the margins and the good characteristics of each business in terms of numbers. What do you think of the valuation today? Can you maybe paint, or can you give some context on like the size of each one?

Chadd: They're about equal in size. With respect to the EBITDA, though, the Vitas isn't back to pre-COVID levels, so Vitas should start to overwhelm Roto-Rooter on the earnings front. It obviously does on a revenue front given its margins are lower. The valuation is low fours free cash flow yield. And you know both these businesses have a long history of mid to high single digit organic growth and then the ability to kind of redeploy capital at good rates of return. When I look at the evaluation, I look at this, I go back to that slide that they have in their deck that has their history of share repurchases since oh seven. You know, and I've put that in a spreadsheet, and I updated every quarter so I can see on a quarterly basis. Yeah, this is probably one of the more astute management teams when it comes to repurchasing their own shares. They didn't repurchase any shares in Q1 of 23 because they did take some debt last year when debt had cost them 1% and they bought back a lot of stock. It now costs them 6%. So, you know they paid back their debt plus their building cash because I think they're going to gear up for some acquisitions in Vitas. But if that doesn't come, they'll repurchase shares. That said, the highest average price in the quarter that they paid for their stock was in Q4, which is around $519 per share. It's a little above that. It's a little above that today. So, I'd like to buy the stock personally lower than places where management has bought it. But that said, the opportunities in Vitas are something that's new. So, we may see some accelerated growth out of Vitas. So maybe don't get too cheap if it gets if it starts to get near $519.

Brett: Yeah. So, I think what you're saying is that they're not the management teams that do the anger inducing quote of we're repurchasing shares to offset dilution. Sounds like they're on the complete opposite end of that spectrum, which is a very good thing. Let's close things out here. This has been a great overview and we asked this question in every episode. I'm sure we asked it on the eDreams episode, which again, if anyone hasn't listened to that one and enjoyed this interview with Chadd, go listen to that one. Let's hit the pre-mortem. Why could an investment in a great management team, good business execution, great capital allocation, what do you see as the biggest risk here for this investment turning out poorly for shareholders?

Chadd: Well, we talked a little bit about Roto-Rooter. So, I think the biggest risk there would just be general economic growth of the country, household formation, business formation with respect to vetoes. I think the risk there is more short term than long term for them. The government should be quite rational with respect to this this business because it saves it saves them money. So, they have a very large interest in making sure that this industry does well, and that Vitas does well. But in the short term, they can act irrationally, as they're doing right now, and not take up the reimbursement rates in line with inflation. And that's putting stress upon the industry.

Ryan: Okay. I think that's all the questions we have I guess for anyone who wants to keep up with you, maybe follow along, see any more of your work, your thoughts, what are the best resources for that?

Chadd: Sure. Well, they can visit the Ave Maria Mutual Funds at avemariafunds.com. Additionally, they can follow the funds that I'm on, which would be the Ave Maria Focused Fund and the Ave Maria Growth Fund.

Ryan: All right. We'll look through those and maybe have to have you on again for any of the other companies in there that is going to do it, though we should remind listeners that Brett and I are not financial advisors. Anything we discuss here on Chit Chat money is not formal advice or recommendation. We are, however, general partners at Arch Capital, so clients may have positions in the securities discussed in this podcast. Thank you all for listening. Thank you, Chadd, for coming on again and we will see you all next time.

IMPORTANT INFORMATION FOR INVESTORS

Performance data quoted represents past performance, which is no guarantee of future results.

As of 6-30-23, the holding percentages in the Ave Maria Focused Fund of the stocks mentioned in this commentary are as follows: Chemed Corporation (3.6%). Fund holdings are subject to change and should not be considered purchase recommendations. There is no assurance that the securities mentioned remain in the Fund's portfolio or that securities sold have not been repurchased. The Ave Maria Focused Fund's top ten holdings as of 6-30-23: eDreams ODIGEO SA (16.4%), APi Group Corporation (13.7%), DigitalBridge Group, Inc. (11.3%), Brookfield Corporation* (10.1%), GFL Environmental, Inc. (9.3%), Orion Engineered Carbons SA (4.9%), Green Plains, Inc. (4.9%), Brookfield Asset Management (4.8%), Permian Basin Royalty Trust (4.0%) and Valvoline, Inc. (3.6%). The most current available data regarding portfolio holdings can be found on our website, www.avemariafunds.com. Current and future portfolio holdings are subject to risk. *Combination of Brookfield Corporation and Brookfield Reinsurance, Ltd.

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