BRANDON SCHIETLER ON RELEVANT RADIO MORNING AIR

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John Morales: And welcome back to Morning Air on the memorial of Saint Albert, the Great bishop and doctor of the church. I'm John Morales, along with Glenn and Sara. It's good to be with you this Wednesday morning. Thank you so much for joining us. You can email us directly. It's morningair@Relevant Radio.com and our toll-free line. If you want to be part of our conversation here. This morning, (888) 914-9149 sponsored by the Catholic Order of Foresters. That's (888) 914-9149.

Now we have all seen it every time we go to the grocery store, every time we put gas in our car, or go out to eat or go to a movie theater, our bill continues to get higher and higher. And that's all thanks to inflation. Inflation is on the minds of a lot of folks these days. It is a big deal. Our next guest this morning is going to talk about this current inflation situation here in our country and the higher interest rates and their consequences as well as the effects on the health overall of our economy. Joining us live from Plymouth, Michigan, for more perspective on this inflation crisis is Brandon Scheitler, the lead portfolio manager of Ave Maria Bond Fund and the co-manager of the Ave Maria Rising Dividend Fund. Brandon is also a fixed income and equity research analyst. Good morning, Brandon. Thank you so much for being with us. It is really good to be with you here on morning air and Relevant Radio for the first time. We're really excited to have you.

Brandon Scheitler: Well thanks, John. I'm excited to be on as well.

John Morales: Well, inflation is the topic here this morning that we're going to talk about. Can you share with us a little bit about the current situation here in our country and some of the consequences?

Brandon Scheitler: Yeah absolutely. You know inflation's been a real problem. Starting in 2021, coming off the heels of the pandemic you had monetary and fiscal policy that were ramped up to keep us on the road and to keep the economy from going off into the ditch. Subsequently, you've seen fiscal policy, that's spending out of Washington. Deficit spending in particular has still been very strong multiple trillion-dollar deficits on the monetary side. That's the Federal Reserve. And you'll hear, the Federal Reserve increase interest rates X percentage. And they've really been at that since the start of 2022. And, to really stomp out inflation. It's been it's been pesky as you know you mentioned when you go out to eat and at the at the at the at the at the grocery store kind of cuts both ways at the cuts both ways. At the grocery store you get the inflation on the product and then you may have heard this before, but shrinkflation. I believe I read an article, the number of Oreos in a package I get a few less, cans get a little smaller. So, it's maybe a little worse than what you think inflation wise. But yeah, the Fed's been at it now for a couple of years and it's very timely. This call or this conversation is the Fed or the federal numbers on inflation came out yesterday. And it looks like we had no increase month over month but 3.2% increase year over year. So, still some work to be done at the Fed. But it looks to be moderating at this point, which is good news.

John Morales: Brandon, do you think that despite what the Federal Reserve says, people continue to really feel it in their pocket? I mean, every time I put in gas, I remember the good old days when we were paying just around, you know, two bucks a gallon. And even though right now it’s, for Illinois, for the Chicago area, it's actually low. I can find it down the street at $3.23. But, you know, that's just one little example. There's so many. You know, I mentioned a few of them at the beginning. People feel like this inflation is making it so that their dollar just doesn't go as far as it did a couple of years ago.

Brandon Scheitler: Yeah, that's absolutely true. And it sneaks into every aspect of life. Right? It seems like nothing's left unscathed by inflation. Yeah. It's tough. You know, I believe it was Milton Friedman who had the analogy of inflation, like once it gets out. The analogy of a tube of toothpaste. Once it gets squeezed out of the tube, it's nearly impossible to get it back in. Yeah. I mean, you're starting to see wages start to creep up. I know here locally the UAW; they reworked the contract. You've seen it subsequently throughout the rest of the economy. So, wages are starting to increase. Perhaps that helps a bit. But yeah, there's no easy way around it. Inflation's been here. It's the highest it's been in 40 years. So, you know a lot of folks that are running companies are involved in the economy right now. I've never experienced inflation like this. You must go back to the late ‘70s early ‘80s to get numbers that we had last summer, which were 8 or 9%.

John Morales: We're talking about the Ronald Reagan era. The last time we saw numbers like that. Would it be fair to call it a crisis, especially when you consider the numbers that came out yesterday?

Brandon Scheitler: Yeah. I mean that's a that's a strong word. It's certainly an issue and it's being dealt with. But yeah, I don't know if I'd go so far as a crisis. It's not easy. It never is. But you know, we just kind of worked our way through earnings season. Of the S&P 500, I think some 90% of the companies have reported. Most of them beat expectations and then beat on the on the earnings side too. So, both sales and earnings. So, you know, at the company level they've been able to pass along inflation and keep margins steady. In fact, it was this quarter that has been kind of a shock to a lot of people. Analysts, myself included, and various other participants had expectations of very little sales growth and earnings growth. And there was decent sales growth, about 1-2%. But the earnings growth came in at around 6%. That's kind of dragged down by energy coming off a pretty good year last year with higher energy prices. But you take energy out and the S&P earnings are up 12%. So, it’s kind of in a weird economy if you look at individuals and we kind of coin as the soft economic indicators. I think the University of Michigan consumer sentiment is very low. If you talk to the average person on the street, they're kind of down and out kind of ho hum. But if you look at the unemployment numbers, they are still extremely low by historical standards. The economy seems to be still humming along well, in fact, better than most people expected at the beginning of the year.

John Morales: We're joined this morning by Brandon Scheitler. He's the lead portfolio manager of the Ave Maria Bond Fund and the co-manager of the Ave Maria Rising Dividend Fund. Brandon, what about interest rates? Obviously, it goes hand in hand with what's happening with inflation. We've seen higher interest rates for just about everybody. You know, for consumers for businesses the government. What are your thoughts on that?

Brandon Scheitler: Yeah, I mean that that's been the response to inflation. Obviously, the Federal Reserve controls the short end of what we call the yield curve. So short interest

rates. They set the policy on that. And then the rest of your longer dated interest rates, your
mortgage rates are set by the market by the laws of supply and demand. So, you know the Fed sets the tone. They've increased that short term rate 11 times in the last two years. That's about 5.5% right now. But yeah, I mean everything gets priced off what government bonds are trading at. your mortgage, what corporations borrow at various consumer loans. It certainly makes purchasing a new home tougher. If you look back a couple of years ago, we had what, 2-3%, 30-year mortgage rates? Now they're 7-8%. I think they're closer to the 8% mark right now. So, it certainly makes homes less affordable. And you've seen that market kind of locked up. Either it’s folks that have locked in those low mortgages and are not willing to move. And then folks that are maybe looking for a house, but either not able to afford the higher interest rate or hoping that interest rates go down at some point.

John Morales: I started to say, what about in terms of stocks for investors, how are these higher interest rates affecting, you know, everyday folks who are putting their money in stocks and bonds, for example?

Brandon Scheitler: Yeah, I mean, well, if you're in stocks, it certainly makes bonds more appealing because you can get a decent rate of return. You go back a couple of years ago and you'd get 1 to 2% on a kind of a long or intermediate term bond, which was after inflation essentially nothing. Now you can get 5% or close to it on a on a government bond, with 3% inflation it gives you a 2% risk free rate. Corporate bonds, the ones that we invest in, the very high-grade investment range. Investment grade corporate bonds 5 to 6%. So that makes it appealing. Sometimes it can drag folks out of out of stocks and into bonds. And you've seen that this year in utilities and consumer staples. Those are kind of slower growing higher dividend paying stocks that have taken a hit this year. As you know, some of those folks that invested in those types of stocks have either made the crossover to bonds or reallocated a portion of it into fixed income.

John Morales: Brandon, what is your sense of what current consumers feel? What do you think the current consumer sentiment is these days?

Brandon Scheitler: It's not good, John. But with that being said, they continue to plug along. Everything you read kind of anecdotally suggests that the that the consumer is pretty stretched at this point or has been for the last couple of years. The recession that has been expected for years now. And it just seems like it keeps muddling along and just the resiliency of the consumer has been pretty astonishing in this environment.

John Morales: Well, obviously you are heavily involved with the Ave Maria Bond Fund. You're the lead portfolio manager there. Can you share with us a little bit about Ave Maria and how Ave Maria is doing these days, and what makes it different than other investment options?

Brandon Scheitler: Yeah, we're doing pretty well. We have six Ave Maria mutual funds. Five of them are equity based with various perspectives or objectives, some growth and value. Obviously, one of the funds that I'm on is a rising dividend fund. And then we have one fixed income fund. So, six total. And then what we do, what makes us, sets us apart from everybody else is we have the moral screens that we apply to companies. So, if a company is involved with abortion, embryonic stem cell research, Planned Parenthood, or pornography, we screen those companies out. We don't invest in them. And, you know, we look for companies that don't violate those moral screens.

John Morales: And you guys have been successful as well, in addition to being moral?

Brandon Scheitler: Correct. Yeah, in fact, the Bond Fund is five- star rated by Morningstar and number one in its category as rated by Lipper. So yeah, we've done really well.

John Morales: Can you give our listeners a short pitch on why they might want to consider the Ave Maria Bond Fund or the Ave Maria Rising Dividend Fund these days?

Brandon Scheitler: Sure. Fixed income has hit a rough a rough couple of years, but the Ave Maria Bond fund has held up particularly well. Both of those funds are more on a conservative end. Obviously, you have investment grade corporate bonds and government debt in the Bond Fund, and then the Rising Dividend Fund has just well-established dividend paying companies that are increasing their dividends. And then obviously you have the moral screens applied on top of that.

John Morales: Well, Brandon, really appreciate you being with us. Where can our listeners learn more about the Maria funds?

Brandon Scheitler: Sure. Our website is www.avemariafunds.com. And if you'd like to speak to somebody, we have a toll-free number. It's 866-AVE-MARIA.

John Morales: Awesome. Thanks so much again. Great to be with you, Brandon.

Brandon Scheitler: Thanks, John.

John Morales: Brandon Scheitler, the lead portfolio manager of the Ave Maria Bond Fund. We need to take a short break. When Morning Air continues, personal success coach Dave Duran will be with us to talk about how to achieve life balance. And we're going to talk about what is really important. So, stay with us as this Wednesday edition of Morning Air rolls on here on Relevant Radio and the Relevant Radio app.

IMPORTANT INFORMATION FOR INVESTORS

Past performance does not guarantee future results.

As of September 30, 2023, the Ave Maria Bond Fund was rated 5-stars Overall among 144 Conservative Allocation Funds, 5-stars for the 3-year period among 144 funds, 5-stars for the 5-year period among 136 funds and 4-stars for the 10-year period among 99 funds. Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. A 4- or 5-star rating does not necessarily imply that a fund has achieved positive results for the period. The Morningstar information contained herein: (1) is proprietary to Morningstar; (2) may not be copied; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

As of September 30, 2023, the Ave Maria Bond Fund was ranked by Lipper among Corporate Debt Funds – A Rated for the following periods: (1 year) 1 among 12 funds, (3 years) 1 among 12 funds, (5 years) 1 among 12 fund and (10 years) 1 among 11 funds. All of Information was supplied by Lipper, A Refinitiv Company, subject to the following:

 Lipper Total Return Rankings - Lipper Analytical Services, Inc., an independent publisher of mutual fund rankings, records rankings for these and other Ave Maria Mutual Funds for one-year, three-year, five-year, and ten-year total returns periods. Lipper compares mutual funds within a universe of funds with similar investment objectives, including dividend reinvestment. Lipper rankings are based on total return at net asset value and do not reflect sales charges. Lipper rankings do not imply that the fund had a high total return.

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