



CHADD GARCIA ON DAVE DURAND SHOW (RELEVANT RADIO) MAY 1, 2021

Dave: Welcome back to the Dave Durand Show, and we we're going to be joined in this segment, as promised earlier, by Chadd Garcia, lead portfolio manager of Ave Maria Mutual Funds. Of course, Ave Maria is an underwriter of Relevant Radio, and it's great to get a chance to talk to Chadd about once a month. Chadd, actually, it's interesting. The segments before your joining us, we talked about decision-making. We talked about, you know, some ideas behind what motivates people, those sorts of things. And there's a lot of people, right now, motivated to take action with their finances, and they have a lot of decisions to make. So, I think that it's pretty well fitting that you're with us here today. And I think probably one of the best ways to start off, since we talk to you, you know, roughly once a month or so, is tell us your take, what you know Ave says about the state of the economy and anything you think is relevant for our listeners to hear.

Chadd: Well, what we're looking at right now is the vaccinations, herd immunity, and, you know, those two factors driving the reopening of the economy. A lot of the states, particularly the southern states, are reopening, and those economies have bounced back fairly well. Some of the northern states are still in lockdown. But that should end in the coming months as the vaccine gets rolled out. And right now, it looks about 40% of adult Americans are fully vaccinated, getting close to 60% of adult Americans are partially vaccinated. We're vaccinating about four million people a day. So, you know, it seems like the coronavirus pandemic is over.

Dave: You know, I would say that, too. It is an interesting thing, though. This is really good, I think, for the economy and investing, because there's these kinds of two worlds where some people are still living it as though it's day one. And there are others that are like, OK, I'm so done with this. And as those roads kind of merge together, we see this, you know, kind of enthusiasm for life again. So that is good, and it certainly is great for the economy. So, you know, we hear a lot in the news, too, with politicians and stimulus and all sorts of funding, and I'd love to hear your take on that.

Chadd: Well, we started the year with a \$1.9 trillion front-end loaded stimulus package. So that was that was passed in January. And stimulus payments were disbursed shortly after that. Biden

announced a \$2.3 trillion infrastructure bill. It's hard to say how much that's going to get watered down or what's going to get passed. I mean, there is some legitimate infrastructure provisions to it, but then it looks like more than half of the bill is a wish list of the progressives. On top of his stimulus bill, last night he introduced another \$1.8 trillion new spending plan for which he's calling his Family Plan, which again, is stuffed with a dream list of the progressives. So, it's going to be hard to tell what happens there and what what's going to actually get passed. I think that there is, you know, if he wants to have a legislative win, there is something that he can pass with the Republicans. I think that the Republicans would be happy to help fund, you know, true infrastructure spending. But the rest of it, you know, not so much.

Dave: That's the operative word, true, true, true infrastructure bill. It's pretty fascinating, some of the things that are in there, and, you know, when I look at that sort of thing, I just ask myself, as a business leader and an investor, you know, what is what does it look like then, you know, with all these kinds of converging things, the idea of that covid is kind of moving away. But there's a lot of additional spending. We've just had first quarter earnings come out, but we also have the possibility of looming inflation. How do you bring all these things together? You know, what's your team saying about this?

Chadd: Well, we're in the middle of reporting season for the first quarter. And the reports are strong. I don't think I've seen a company yet that has that has come in below expectations. So, the first quarter earnings are strong. If you get these two new bills passed or part of these bills passed, combined with the full reopening of the economy, it sounds like the rest of the year should finish strong as well. Also, the earnings growth is going to be strong, and that's going to be good for the market. The tax hikes would not be positive. But you know that that's kind of unknowable of what's going to happen right now. Inflation. We're definitely going to see inflation in the short run because, number one, if you just compare it to last year, the economies were shut down. And it was 54 weeks ago when oil prices went negative for a period of time. So just compared to last year, you're going to have inflation. You know, but combine that with he had factories, you know, worldwide that were shut down for a period of time last year, and then the global economies bounced back much more rapidly than people thought. Plus, the vaccine getting rolled out and economies fully reopening, I think that the global supply chain is a bit stressed, and our inventories have been drawn down. So, I think that we will see some inflation at least this year. Mm hmm. Longer term, in the longer term, it's hard to tell. So next year, that's just too hard to tell. And so,

Dave: Yeah, I suppose it's kind of, you know, basic economics with supply coming back to life, just due to a lot of manufacturing plants opening up and having all sorts of supplies. And, you

know, even natural resources kind of crazy enough, are up and flowing again. Hopefully that staves things off. By the way, just to throw this out, any thoughts on our northern neighbors there in Canada who are pretty much living in a lockdown setting? Does that delay that for them? And does that affect us at all?

Chadd: Oh, it certainly delays their economic rebound. But I think that they're just a couple of months behind us.

Dave: Yeah. Well, that's a hope, too, with summer coming along. So, you know, looking at this, you know, I guess the big question people ask is, is this now a time to invest?

Chadd: Well, I always say that if you're a long-term investor and a long-term saver, you shouldn't focus on timing the market. You should focus on time in the market because you know, the eighth wonder of the world is compound interest. And the longer you have your capital compounding in the market, the better you're going to be.

Dave: Mm hmm. Yeah, it is pretty funny seeing some of those studies of people who have timed the market and what that looks like. But that long term idea is such a good one. So, you know, about a day in the life of an investor, you know, how does that look for you? I mean, you're, you know, I think about me, and I'm an investor, so I have an interest from the outside. What does it look like in your office? I mean, is this, does it look like a regular trading floor like everybody sees in the movies, or what's the kind of setting you're working in there?

Chadd: People often think that it's going to be a large trading floor with a bunch of people yelling at each other and lots of noise. But, you know, we try to eliminate as many distractions as possible. So, there's not much time spent, yelling, and screaming and having a lot of activity. Most of our time is spent, you know, hours and hours upon, you know, reading and analyzing companies. So, my day starts out, you know, I may, if I'm going to look at a company and it's a new one, and I've never worked on it before, I'll read everything that they've said for the last five years. So that'll take hours and hours. And then, through that reading I'll develop a thesis on it, like is this a good investment or not? And from there, I'll spend time talking to suppliers of that of that company, customers of that company, maybe competitors of that company in order to kind of validate the thesis that I came up with. And then at the end, we figure out if the company is trading at an attractive purchase price. You know really, we try to eliminate distractions.

Dave: Yeah, that's terrific. I would imagine that you see patterns arise, and the more you do this, the more swiftly and responsibly, in other words, not like negligently, you're not being negligent

your swiftness, but you would just like anybody else, be able to identify kind of, you know, wins and losses a little bit easier. Of course, nothing is certain. But is that true? Do you see those patterns after a while?

Chadd: Well, there are attributes of successful companies that I look for, and it's easy to find the lakes where you want fish in, you know, so to speak. I don't waste my time looking at companies that are going to have a moat around them or competitive advantage, and that's pretty easy to determine quickly,

Dave: That makes sense, Chadd, and it makes a whole lot of sense that you're going to identify patterns and you see these things and not waste your time on things that don't make a whole lot of sense. You know that really kind of leads to the question, how do you see your investment style? I mean, what really is that?

Chadd: What I do in the Ave Maria Focused Fund and my colleague and I do in the Ave Maria Growth Fund is, we look for companies that are going to grow their earnings for a long period of time, and we look to buy those companies at a discount to what we think they're worth. And then we like to give them time to grow.

Dave: And what is the cycle on that, you know, when you say, give them time to grow? How long are you looking before you make a decision like that?

Chadd: Yeah, well, we look for a five-year hold period. But ideally, I mean, the ideal hold period is forever. And so, what that means is that the company continues to grow and has productive places to invest the cash, the excess cash, that they generate. But, you know, to be able to get into a company that is going to do that forever, or 10 years or 20 years, is tough. I mean, but that would be the ideal.

Dave: Yeah, it's sustainable

Chadd: In absence of that, if we're going to buy a company and put it into the portfolio, then, you know, we're hoping to at least get five years or so of acceptable growth out of that business.

Dave: So, I suppose when you're looking at it that way, that has a lot to do with what that product or service is and your ability to see either a sustainable product that people just always like and need or adaptability in a company that, you know, if it is something that has a bit of a trend to it, that they're able to keep up on it. There's got to be a really interesting role that

you're playing there on behalf of others, and I'm grateful that people like you do this. You know, if you were to just provide kind of an overall statement as to what is it that makes Ave Maria Mutual Funds different than a lot of investments others make that would be considered in the same family?

Chadd: Well, what we do is look to generate acceptable returns and do it in a morally responsible manner. And for us, that means that we do not invest in companies that participate in production or distribution of contraception, pornography, corporate contributions to Planned Parenthood, or participating in abortion whatsoever, or participating in embryonic stem cell research.

Dave: Yeah, and what I like about that, too, is that it is a little bit difficult, I think, for the everyday investor to know exactly where that's happening and where it's not. I mean, there's a lot of things that are online. There's a lot of misinformation out there, a lot of people maligning organizations or making them sound a little bit better than they are. And so being able to help people out, and to pull that stress away from them saying, hey, listen, if I'm investing with Ave Maria Mutual Funds, I can remove that concern myself, because these are people who are faithful to the teachings of the church as they invest, which is great. We say on the show a lot, Chadd, that if a person really is living out their Catholic faith appropriately, they're going to be better at whatever they do. It doesn't mean that if a person is a faithful Catholic, they're always going to be number one. And all that, you know. Our faith isn't supposed to be some sort of magic. But the idea that you're going to be looking at this from a perspective of not just making money, but making money the right way, really truly matters. Any closing comments that you'd have for our audience just regarding what you're doing and Ave Maria?

Chadd: Well, I'd say that if they're interested in learning more about us, they can call us at 866-Ave Maria or find us online at Avemariafunds.com.

Dave: All right. Again, so that's 866-AVE-MARIA. They could also find you at avemariafunds.com. Chadd, it's always great to be able to speak with you, and I know that our audience is going to look forward to hearing more from you the next time you're on. So, thanks so much.

Chadd:] My pleasure.

Dave: Time flies here when we're together in the Dave Durand Show. I want to thank you so much for joining us again. Have a tremendous weekend. We'll look forward to talking to you next week.

IMPORTANT INFORMATION FOR INVESTORS

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