



## BRANDON SCHEITLER ON RELEVANT RADIO MORNING AIR

FEBRUARY 2024

**John Morales:** Good morning, Brandon. Thanks so much for joining us. It's great to be with you once again.

**Brandon Scheitler:** Good morning, John. It's good to be on the show again.

**John Morales:** Well, Brandon, let's talk about how generative AI has been capturing investors' attention lately. I understand this is really hot this year here in 2024.

**Brandon Scheitler:** You know it was big last year. And it has really grabbed the attention of everybody this year so far. As you mentioned before, it's yet to be seen exactly the use case for generative AI. You have ChatGPT, which is out there right now. And, Microsoft and Apple are working on their own applications, and they're really the large purchasers of these chips that are able to process this heavy workload. And there is one company in particular, Nvidia the maker of these chips that go into large data centers that power the backbone of AI and that that stock has done tremendously well. It was up a couple of hundred percent last year. And oh boy, I think it's up almost 100% this year. They just reported earnings and really blew the doors off. So, we'll see how this all shakes out. But the investors are excited and real companies spending real money on this are behind it as well.

**John Morales:** Do you think that investors are seeing the potential impact of AI, from an investing in stocks perspective?

**Brandon Scheitler:** Yeah, if you look back, whenever you have a disruptive technology, the byproduct of it is increased efficiency. You could go back to the first wave of the internet just looking at it from the perspective from my seat, if you wanted an annual

report from a company, you would call them up, they'd mail it to you. And a week or two later, you had it in front of you. Now I can go online on the company's website and pull up every financial document that they've had for the last 30 years. So, there's efficiency to it. You also saw that with manufacturing, there's been a tremendous amount of automation. That was kind of a second wave. And this seems kind of a third wave. It's more targeted towards a lot of white-collar jobs. This might be the area where you get even more efficiency. You know, you can use chat GPT if you're wanting to write a quick email, if you want to drop somebody an email, you go over and edit it and then you can send it out that way. So, it's interesting how this is all going to work out. And there's still a lot of apps, and I'm sure there's going to be new companies born out of this as time goes on.

**John Morales:** So really time will tell. We really don't know exactly what that impact is going to be like going forward. We've seen the excitement last year and then again here at the start of this year, but to be determined here in 2024 exactly how it affects investors. But definitely it's something to keep an eye on. The other thing that we've been keeping an eye on has been inflation, which we've been talking about for some time. It is still a nagging issue across our country. Your thoughts on inflation that we're still seeing and some of the reasons?

**Brandon Scheitler:** Yeah, inflation is really taking a bite out of a lot of people's paychecks. And it continues to be a real thorn in the side. We're still north of 3% readings on inflation. You have the federal government running persistent budget deficits to the tune of roughly 7% of GDP, or north of \$1 trillion a year. That's additional dollars that are being pumped into the economy. You have more job openings than people unemployed by the tune of 9 million. So, we're a little understaffed. So, companies are paying up to get, you know, particular talents in positions. A big part of the federal budget is indexed to inflation. So, kind of ties goes hand in glove with the with the budget deficits. So as inflation increases the budget deficit increases as well. And then, onshoring has been a common theme really since post Covid when you had a lot of supply chain snafus. So, a lot of companies are bringing home a lot of the manufacturing processes. So, things don't get snarled up in ports or if various countries shut down, a lot of that manufacturing is being brought back home.

**John Morales:** It's hard to believe that here we are, going on four years since the pandemic and we're still dealing with the reverberations of the effect of the pandemic.

**Brandon Scheitler:** Really incredible, isn't it, John? Yeah, we're still ironing out supply chain issues from four years ago, but they seem to be mostly behind us. But there's various hotspots still.

**John Morales:** Yeah. What about environmental policies? How is that affecting this inflation?

**Brandon Scheitler:** Yeah, it puts a bigger increase on energy. Then obviously the cost of doing business if you're in heavier industries where you're refining etc. Where you're really starting to see it is in food. I mean, food inflation has been crazy. In the Wall Street Journal this morning the price of food is up 25% from 2020. Typically, when food goes up in price, it typically doesn't go back down. They call it sticky inflation. So, uh. Yeah. Really? That is crazy.

**John Morales:** Really? That is crazy 25%. My goodness. Since 2020 you got to believe that these economic issues are going to be a big factor in this presidential election year.

**Brandon Scheitler:** Oh, there's no there's no doubt about it. Yeah, food is a big one because that consumes a lot of people's spending. In fact, it's the highest it's been in 30 years. It's roughly 11.5% of the average American spends money on food. So, with that increasing as much. Yeah, it really hurts.

**John Morales:** What about housing? I got to believe that that one has also gone up a lot, uh, since the beginning of the pandemic.

**Brandon Scheitler:** Yeah, it certainly had a had quite a jump, uh, you know, as folks were staying home and increasing the size of their homes for home offices and just the extra space because they were locked in and you had really, really low interest rates at that time, too. So, it enabled a lot of people to upsize the home that they're living in. And then currently interest rates have been up higher, and it has really locked a lot of people in their homes. Why would I move when I have a three, 4% 30-year mortgage? And if I do move, it's a 6-8 percent 30-year mortgage and the payments on that would increase tremendously. So, it's been real supply constricted on the housing. So yeah, the prices have stayed elevated along with higher interest rates here.

**John Morales:** Well Brandon, let's talk a little bit more about the Federal Reserve and interest rates. At the beginning of the year, there was a lot of speculation that investors were expecting interest rates to actually be cut. What has actually happened here through the first two months?

**Brandon Scheitler:** Yeah, starting in December after the Fed meeting late last year. The Federal Reserve came out and really forecasted three cuts in the latter part of 2024 if inflation got within their target range, which is 2%. We are north of 3%. So, they're not quite there. But the market had a different idea or different thoughts on what inflation and what the Fed was going to do. They were pricing in roughly six cuts, but that quickly turned about when inflation read higher. And we had really strong employment numbers as well. So, the market's more in consensus with the Fed with the with three cuts at the latter part of this year. If we continue having 3 to 3.5% inflation and strong employment numbers, the Fed really doesn't need to cut. If they do cut, it certainly would spur economic activity. And perhaps inflation will rear back up again. And it really hasn't even been tamed yet. So, they're in a unique position.

**John Morales:** Are you, uh, feeling optimistic as we go forward here in 2024?

**Brandon Scheitler:** Yeah, there's a lot to be optimistic about. Employment rates very low. Productivity is picking up. And corporate earnings are forecasted to come in 11-12% this year. So, all told it looks like it could be a pretty decent year. And if you get some companies that can make use of AI, I would assume that would be an additional tailwind to this economy here.

**John Morales:** Brandon, where can our listeners go to learn more about the Ave Maria Mutual Funds?

**Brandon Scheitler:** You can visit our website, [www.avermariafunds.com](http://www.avermariafunds.com). Or if you'd like to speak in person, we have a toll-free number. It's 866 AVE-MARIA.

**John Morales:** Sounds good as always. Uh, really appreciate you being with us, Brandon.

**Brandon Scheitler:** Thanks, John. Thanks again.

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