AVE MARIA
MUTUAL FUNDS

CHADD GARCIA ON THE AL KRESTA SHOW (AVE MARIA RADIO)

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Al Kresta: Good afternoon, I'm Al Kresta. Last week, Deutsche Bank warned that a, quote, "major recession is on the horizon". And, you know, it's always iffy to predict future economics. A recession, at least used to be, I don't quite know exactly what the current definition is, but it used to be defined as a significant decline in economic activity. Basically, two consecutive quarters of economic decline is reflected in GDP, and then it's usually in conjunction with monthly indicators such as a rise in unemployment. So that's kind of the older understanding of recession. But most everybody says, yeah, that's pretty bad. Recessions, no matter how you define it, recessions are usually considered negatively. I've asked Chadd Garcia to join me to talk about what we can learn as we maybe move towards a recession. Chad is vice president and lead portfolio manager for the Ave Maria Focused Fund and also co-portfolio manager for the Ave Maria Growth Fund. You can visit www.avemariafunds.com or call toll free at 1-866-AVE-MARIA for more information. Chadd, good to have you back here. Thanks.

Chadd Garcia: Nice to be on. How are you doing today?

Al: I'm doing well. This weekend there was the Berkshire Hathaway's annual shareholders meeting. I didn't know it was called, you know, the Woodstock of capitalism. Tell me about it.

Chadd: Well, about 60,000 plus shareholders descend upon Omaha, Nebraska, to attend the meeting, which is on Saturday. But many of the shareholders come early and stay late as there's plenty of ancillary events. Berkshire takes up, you know, a large arena with a with a convention center next door. They filled the convention center with the products of their portfolio companies. And on the main event, Warren Buffett and Berkshire Vice

Chairman Charlie Munger, answer shareholder questions from about nine in the morning until four in the afternoon.

Al: Wow.

Chadd: Short lunch break.

Al: Good for them. That's tough work.

Chadd: 91. And 98, they did pretty well.

Al: I just admire that. This prediction by Deutsche Bank is, that's something to be concerned about.

Chadd: Well, sometimes I hear those types of traditions, those types of predictions that I say, Lord, give me the confidence of a macroeconomist, because they're always very certain about what's going to happen. And then I cancel that because, you know, sometimes it's good to learn from your mistakes. And so, I don't put too much stock in that. But, you know, clearly, we have high amount of inflation and some of the inflation is caused by the reopening of the economies. Some of the inflation is caused by stress supply chains know due to the coronavirus epidemic. Some of the inflation is caused by China still shutting down parts of their economy to deal with the coronavirus. And then there's, you know, probably a good amount of the inflation is caused by all of the monetary and fiscal stimulus that was put into the world economies to prevent a global depression, as a result of the pandemic. And so, it's natural that we're going to have some inflation. And the central banks, including our Federal Reserve, are raising interest rates to lower the liquidity that's in the financial system. And then that would cause a lower demand for goods.

Al: Okay.

Chadd: And so, when you have a lower demand for goods, you know, certainly the economy is going to contract a bit. Whether or not that leads us into a recession or not is, we'll find out.

Al: Well, I mean, predicting the future is very, you know, very frustrating. But what are some main bits of wisdom for investment that might take away from this Berkshire Hathaway annual shareholders meeting?

Chadd: Well, Warren warned against trying to time the market, and he said that he never once made an investment based on what he thinks the economy, or the market is going to do.

Al: Interesting. Okay.

Chadd: He says that they'd rather focus on buying something that's more valuable than what they paid for it. And so, you know, in doing so, you're going to you know, you have to have some view of the future. But he's focused on buying companies that are going to do well regardless of what the overall macro environment is doing and paying a reasonable price for it. And, you know, if you look at his actions and not just what he said, the annual meeting corresponded with the reporting of their first quarter earnings and during the first quarter, Berkshire purchased around $50 billion in securities, and they sold about $10 billion in stocks. And that is the biggest net purchase from Berkshire since 2008. He laid it out by week. And it happened in the latter part of February and in March as the market was coming down.

Al: Yeah, it sounds to me that if you're going to invest, then in companies you want to invest in companies, then that you actually understand something about, right? You know, something about the business.

Chadd: Right. He often talks about not speculating or viewing stocks as owning a piece of paper but owning a percent of a whole business. And so, if you're going to do that, buy something that you understand. Don't invest in companies where you're just following the herd or, you know, because it's hot or the recent prices as well. Make sure your investment thesis is not, you know, sell it to a greater fool. You know, make sure that you're buying a sound company.

Al: Yeah. Yeah. Time and again, you and others from the Ave Maria Funds have stressed, you know, take a long-term approach to the markets. I assume that's the message there. Berkshire Hathaway too.

Chadd: Warren has often said, if you won't own something for ten years, don't own it for ten minutes. And, you know, that's the approach that we take when we're buying companies. You know, we're looking at what the company can do over at least five years, 5 to 10 years, and we buy those investments with that in mind, you know, we ideally like to hold them for five years. I feel the ideal holding time is forever, as long as the company continues to grow and create value for shareholders. But, you know, five years would be good.

Al: Yeah. Yeah. Tell us tell us about, often times I give short shrift to, you know, actually describing what you do with the Ave Maria Funds. And I think given where we are in the economy, listeners need to be reminded of the kind of wisdom that you apply. So, tell us a little bit about well, take the one that you've got the Ave Maria Focused Fund. When did that begin?

Chadd: The Ave Maria Focused Fund launched in May of 2020. So, it's a relatively a young fund. It is a fund that's, you know, very similar to how Warren manages his portfolio, Berkshire, in the sense that, you know, Warren doesn't own a high number of securities. He owns a handful of securities. And that allows him to spend time to diligence and learn and know his holdings well. So, for the Focused we have around 20 holdings. It is legally a non-diversified fund. Most mutual funds are diversified hold 30, 35, 50 even more securities. In the Focused fund we own very little, but we own them in large size. You take a big swing at a good idea. Very similar to how Warren manages the Berkshire Hathaway portfolio.

Al: Well, again it's recent, launched in May of 2020. How's performance been so far?

Chadd: It's been good. It's been good. Last year we were up 27% and we're in the top 15% of Morningstar's comparable funds. This year, just as the general market is going, it's been a little tough with stock prices coming down. But that said, I look at the performance of my holdings and I'm happy, excited and in some circumstances pretty giddy. I mean, right now we're in a period when companies are reporting their first quarter earnings. And the results have thus far have been great for the holdings of the Focused Fund. Now that said, it's on the, you know, we're on the earlier, earlier part of the earnings season for the holdings. But if I look at the largest position in the fund, which comprises about 15% of the fund, I think we've talked about it in the past that the online travel agency based in Europe, you know, that company came to the U.S. to talk to investors in March and gave us a little preview of their earnings. They said that in February their bookings were up 31% over the pre-COVID bookings. And in March, which is after the invasion of Ukraine, through March 10th, which is the date they came to the U.S., their bookings were up 39%, which is pre-COVID levels. And if you're a good financial detective, like we try to be, you'll find other ways to get evidence. And we found a place that reports the coffee sales of Heathrow Airport and coffee sales at Heathrow Airport are above pre-COVID level coffee sales. So, I think that's gives us a good picture of how our travel agency is going to report when it does in late May.

Al: Yeah, yeah. Well, very good. Very good. You know, were there some kind of non-economic life lessons that were taught at the Berkshire Hathaway gathering?

Chadd: No, they always have plenty of good life lessons. And we can go into some of their all-time greats. But with respect to this one, they did talk a bit about inflation. And that is you know, that's economic. But the tack that chose was interesting. They said that the best way to deal with inflation is to be exceptionally good at whatever you do because, you know, if you're a good dancer, I think that was their point, if you're a good ballet dancer, then you can charge more for people to watch again. And I think that was an interesting way, you know, in the in the past, they've talked specifically about, you know, owning certain types of stocks versus commodities, you know, to deal with inflation. But they didn't dive into that this time. They dove into some of the rampant speculation that we've seen in the financial markets in the last couple of years. They didn't mention it by names, but I think they're talking about the meme stocks and maybe some of the software as a service stocks whose valuations get ridiculously stretched and they, you know, the lambasted people for speculating too much on short term price movements as opposed to investing for the long term.

Al: Yeah. Chad, tell people how they can get a hold of you there at Ave Maria Funds.

Chadd: You can reach us online at www.avemariafunds.com or give us a call at 866-AVE-MARIA.

Al Cresta: Yeah. Good talking with you, Chadd. Thanks.

Chadd: Have a good day.

Al: Chadd Garcia, the Ave Maria Mutual Funds. I'm Al Kresta.

IMPORTANT INFORMATION FOR INVESTORS

Total Returns as of 3-31-22

	Year to Date	1 Yr.	Since Inception^*	Gross/Net Prospectus Expense Ratio[1]
Ave Maria Focused Fund	-14.14%	5.05%	17.88%	1.30%/1.26%
S&P 500® Index	-4.60%	15.65%	29.84%	
S&P MidCap 400® Growth Index	-9.04%	-0.36%	27.65%	

^ 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, 2023.

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.***

Berkshire Hathaway, Inc. is not held in either the Ave Maria Focused Fund or the Ave Maria Growth Fund.

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. In the Morningstar Large Growth Fund Category, the Fund had the following percentile ranking as of 12/31/21: 1 year (161st out of 1,230 funds) and as of 3/31/22: 1 year (749th out of 1,233 funds).

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