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

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Al Kresta: Hey, good afternoon. I'm Al. Kresta. Thank you for being with me. You no doubt have heard that we hit the $31.4 trillion debt ceiling, and yet the government has continued normal operations. This is one of those situations where there are ominous, there are ominous predictions. How many times have we heard? Well, the government, if such and such, isn't done. The government is going to shut down. And now, if such and such isn't done, we're going to hit the debt ceiling. And after a while, you stop paying much attention to these what appear to be, you know, ominous predictions of what's going to happen if we don't meet this, you know, some criteria. With me right now to talk about what's going on here is Chadd Garcia. He's Vice President and lead portfolio manager for the Ave Maria Focused Fund and co portfolio manager for the Ave Maria Growth Fund. And Chadd, good to have you back here. Thanks.

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

Al Kresta: I'm doing well. I'm doing very well, in fact. What do we make of these statements? We're told that, you know, when we hit the $31.4 trillion debt ceiling, there's going to be chaos. What is the significance of the debt ceiling if nothing happens?

Chadd Garcia: Well, if nothing happens, then the government's not going to be able to make interest payments on their debt and government debt would be in default, which would be a serious, very serious.

Al Kresta: Problem. That's a.

Chadd Garcia: Catastrophe. Yeah, it'd be catastrophic if that happened. Then there would be a loss of confidence in the dollar and that could lead to the dollar losing its value, which would impact the savings of us and US citizens and investors. It would have. There's massive implications in the global financial markets. Every financial instrument, whether it be a bond or a stock, is priced off of the interest rate of US government debt, which people view to be risk free. And every other financial instrument is priced at a premium to that based on its perceived level of risk. And so, if you if the risk free rate is not risk free anymore, then the whole global financial system could be could be in for a very rough time.

Al Kresta: So is our Treasury secretary, Janet Yellen, taking extraordinary steps here?

Chadd Garcia: She is. So, she's able to take some measures that would push the problem off until later this summer. And so, what she's doing right now is the US Treasury has some investments that she's selling and she has the ability to withhold the reinvestment of interest that government employees pension funds are earning. And if she doesn't put those investments into accounts that are priced off Treasury bills and then they don't count against the U.S. debt. Basically, it's an accounting gimmick, but it works in the short term. If you look at the way it works in the short term, it gives us it gives the government time to resolve this this issue. And it's happened before at least three times in in my lifetime. I remember the first time I remember happening was with Clinton. Yeah. Had come to an impasse. And then there is a more serious one in in the summer of 2011. But Treasury secretaries for a long time have been playing accounting gimmicks to make sure that the US government doesn't go into default. I mean, this goes back to the time of the first Treasury secretary, Alexander Hamilton.

Al Kresta: Yeah, okay. Well, what I guess the question many of us have is debt is not a great thing, but it's always considered in relationship to your assets or your productive capacity. So, when we talk about a $30 trillion debt ceiling, how dangerous is that given the size of the US economy, given our productivity, given our assets? Is this a dangerous number?

Chadd Garcia: I think that Congress is correct to be concerned about the debt. I mean, it's $30 trillion. We've got eight of those $30 trillion since COVID. So, there is massive amounts of government spending during COVID. My question is, is this the right place in time to have a fight? Okay. I don't I don't think that. It's worth going into default just because you want to be principled on debt. There's ways for the government to figure that out. I mean, if I was in Congress and I wanted to fight to fight debt, the first step is there an annual budgeting process? You could fight it there or you're right now there is no one committee in Congress that controls the budgeting process. Each committee is responsible for their portion of the budget, and everybody wants to fight for programs that are that are their programs or beneficial to their constituents. If Congress made it where one committee controlled all the spending, they could have a much more efficient time cutting the fat out of the budget. So that would be that would be my focus if I was in Congress.

Al Kresta: Okay. So, you would urge them then to do move slowly but how much time do they have? I guess is what I'm asking, can they resolve this by the summer?

Chadd Garcia: Oh, I think I think they will because Congress has done it, has resolved it and not gotten into default in the past. I don't think it's a non-zero risk that we go into default, but it's very, very low. And so, the way I think this is going to play out is right now Congress is moving very slowly. It took the Speaker several rounds to get enough support from his own party to be elected speaker. There's a lot of arguing going on in Congress. The committee appointments are running behind schedule. This issue needs to be resolved by the summertime. In the meantime, I think we'll see members of both parties introduce bills that mostly pander to their respective bases. I think we've seen a bill already from the Republicans that wants to eliminate the IRS. We're going to see a lot of spending bills coming out of the Democrats. Most of these bills won't pass. And sooner or later they'll get down to resolving the issue because they need to.

Al Kresta: Yeah. What else is going on in Washington?

Chadd Garcia: Well, the Federal Reserve indicated they're going to raise rates another 25 basis points. That's one quarter of 1% next week. And, you know, they will do more if needed. I think the Federal Reserve is going to continue to raise rates until they see an upward movement in unemployment numbers. Employment figures are still strong, though. This is a lagging indicator. It does seem like inflation is coming down. Oil prices and natural gas prices are well off their highs. Food prices are starting to come down with the exception with the exception maybe of eggs. But eggs are not driven up by monetary supply. It's driven up by avian flu, decimating the herd of layers.

Al Kresta: Okay. Is the Ukraine war taking much of a having much of an effect on our economy?

Chadd Garcia: Well, it's having much more effect on the Europeans than ours. But then the Europeans seem to be handling it pretty well. Much they're handling it much better than I than I expected them to. They are benefiting a bit from a warm winter, which soften the blow for higher energy prices. They're making changes in how they consume energy. And so, one example would be ammonia. Production uses a lot of natural gas. They've just stopped making ammonia in Europe and they're importing it from places like the United States where natural gas is much cheaper. And so, they are building up their natural gas stocks in Europe, which is which is good. Notably, the Europeans and the US have decided to provide tanks to Ukraine. That war is taking much longer to resolve than I initially thought it would. Right. And which is probably which is good for the Iranians.

Al Kresta: Yeah. I mean, I keep thinking we keep thinking that Putin's going to run into trouble because the Russian people won't support the war. Are things getting worse for him?

Chadd Garcia: I think he's going to continue to try to grind down Ukraine until the until Ukraine's trying to either kick his troops out or he loses support at home. And the sanctions are taking their toll on the Russian economy. So, your guess is getting his mind on how long it takes the Russians to get him out?

Al Kresta: Well, let me ask you about how the Ave Maria Funds have been doing.

Chadd Garcia: They're doing great. On a one-year basis, our Value Fund and our Rising Dividend Fund are in the top one percentile as compared to the Morningstar peer Group. The Growth Fund and the Bond Fund are both in the top 10%, and our World Equity Fund is in the top quartile. The Focused Fund, which is the one I manage, is a bit of a tough time. Last year I tried to buy companies where they're not well understood and if you have the market going down, then those types of companies, if they're not interested by the market, can go down and go down with it. But it seems to have bottomed and it's coming up strong this year. It's up about 13% year to date is the month of January versus the benchmark, which is up about 4 to 5%.

Al Kresta: So that's pretty optimistic. Well, that's great. Listeners, you know, we have new listeners popping in all the time, even for listeners who've been with us a while. Why don't you go ahead and explain the whole purpose of the Ave Maria family of funds?

Chadd Garcia: The purpose of the Ave Maria family of funds is to give Catholics a way to invest. And do so in a way that doesn't compromise their moral values. So, we do not invest in companies that produce or distribute pornography, that participate in embryonic stem cell research or donate to Planned Parenthood or participate in abortion.

Al Kresta: And, you know, the question that people always raise when they know that you've got, you know, criteria like this, they wonder how severely does that limit your investment options?

Chadd Garcia: There's a handful of companies that we can't invest in. But I don't think it's going to, if you look at the performance of our funds, it's not really impacting it. Right? We said earlier the Value Fund that right now the fund in the top 1%.

Al Kresta: That's amazing.

Chadd Garcia: Yeah. Two other funds are in the top 10% of their peer group. So, yeah, you can invest along with your conscience and still do quite well.

Al Kresta: Yeah. Tell people how they can get in touch with you with the Ave Maria Funds so they can learn more.

Chadd Garcia: Sure, they can just call it 866-AVE-MARIA or find us online at www.avemariafunds.com.

Al Kresta: Very good. Well, give it to us one more time, wouldn't you, Chadd?

Chadd Garcia: Sure, 866-AVE-MARIA or www.avemariafunds.com.

Al Kresta: Very good. Hey, thanks for joining me today. We'll talk again soon. My pleasure. Chadd Garcia from the Ave Maria Funds and Schwartz Investment Counsel, Inc. I'm Al Kresta.

IMPORTANT INFORMATION FOR INVESTORS

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

Schwartz Investment Counsel, Inc., a registered investment adviser established in 1980, serves as investment adviser for Ave Maria Mutual Funds and invests only in securities that meet the Funds' investment and religious requirements. *The returns may be lower or higher than if decisions were based solely on investment considerations. The method of security selection may or may not be successful and the Funds may underperform or outperform the stock market as a whole.* All mutual funds are subject to market risk, including possible loss of principal. The thoughts and opinions expressed in this podcast are solely those of the person(s) speaking as of January 26, 2023.

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. As of December 31, 2022, the rankings were as of follows:

		1 Year			3 Years			5 Years			10 Years		
Name	Morningstar Category	Total Ret % Rank Cat	Total Return Abs Rank Cat	# of Invest-ments	Total Ret % Rank Cat	Total Return Abs Rank Cat	# of Invest-ments	Total Ret % Rank Cat	Total Return Abs Rank Cat	# of Investments	Total Ret % Rank Cat	Total Return Abs Rank Cat	# of Invest-ments
Ave Maria Bond	Allocation--15% to 30% Equity	6	4	132	7	6	122	7	6	120	13	11	83
Ave Maria Focused	Large Growth	78	932	1,218	na	na	1,120	na	na	na	na	na	na
Ave Maria Growth	Large Growth	18	162	1,218	73	794	1,120	59	576	1,043	67	526	795
Ave Maria Rising Dividend	Large Blend	3	22	1,331	22	245	1,213	42	423	1,110	69	552	815
Ave Maria Value	Mid-Cap Blend	1	2	400	3	4	367	8	25	340	87	184	217
Ave Maria World Equity	Global Large-Stock Blend	35	120	367	94	318	337	83	237	288	94	163	180

Performance as of 12-31-22

	1 Yr.	Since Inception^*	Prospectus Expense Ratio[1]
Ave Maria Focused Fund	-34.98%	1.39%	1.12%
S&P MidCap 400® Growth Index	-18.96%	14.10%	
S&P 500® Index	-18.11%	13.90%	

^ 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.***

Request a prospectus, which includes investment objectives, risks, fees, charges and expenses and other information that you should read and consider carefully before investing. The prospectus can be obtained by calling 1-866-283-6274 or it can be viewed at www.avemariafunds.com. Distributed by Ultimus Fund Distributors, LLC.

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