CHADD GARCIA ON THE AL KRESTA SHOW (AVE MARIA RADIO) JULY 26, 2021

Al Kresta: Good afternoon on Al Kresta, you've heard stories of people with humble beginnings, with a humble job, live modestly, invest though over a long period of time, and when they pass on, they leave millions of dollars to charity or to loved ones. And of course, the neighbors are all surprised with the amount of wealth this person accumulated because they had no visible signs of wealth. Well, wealth is often hidden, it's not displayed. And on the other side of this coin, you've got people who attended elite schools who had high income jobs and then ended up bankrupt because they didn't handle their earnings very well. My guest right now to talk to us about how to avoid common investing mistakes is Chadd Garcia. Chadd is the portfolio manager for the Ave Maria Focused and the Ave Maria Growth Funds. He holds a MBA from Harvard Business School. And you can learn more at Avemariafunds.com, or you can call toll free at 1-866-AVE-MARIA. Chadd, good to have you back here. Thanks.

Chadd Garcia: Great to be back. How are you doing now?

Al Kresta: I'm doing well. These stories that we hear, the uncommon, you know, the humble investor who when he passes on, he ends up with this great amount of wealth, is that very frequent?

Chadd Garcia: Well, let me just start real quick by saying that this is not financial advice and everybody's situation is different and they should consult their own adviser. But now, I've read a couple of stories recently, and one was a secretary in Chicago, another one was a janitor in New Hampshire, and they lived humble lives and invested their whole life, and then they ended up with several millions of dollars that they donated to charity. And so, I think that's a that's a good lesson. Start saving early and invest over a long period of time and let the power of compound interest work for you.

Al Kresta: What is compound interest?

Chadd Garcia: Compound interest is earnings on earnings. It's called a compound interest and has been called the eighth wonder of the world. Warren Buffett talks about it frequently. Charlie Munger, Warren's partner, is known for his wisdom, says the first rule of compounding is to never interrupt it unnecessarily. Yeah, and that leads us to common mistakes investors make by interrupting there the compounding of their portfolios.

Al Kresta: Yeah, yeah. Let's go over some of those mistakes that get made. When you're in your 20s, people come to you. They suggest that you begin investing, and a lot of people put it off. They say, “well, I don't need to do that now. I'm not thinking about retirement.” And they don't begin really saving seriously until they're in their late 40s or early 50s. That's got to be a big problem.

Chadd Garcia: That is a big problem. And I think that would be mistake #1. Even if you invest over a long-time horizon, even generating modest returns can yield extraordinary results. And if you have a shorter time horizon, you really need to generate extraordinary returns just to get to the returns levels that you would have achieved if you just had invested for more time.

Al Kresta: Now, you pointed out earlier according to Charlie Munger, Warren Buffett's partner, that the first rule of compounding is never to interrupt it unnecessarily. Why? Why do people do that? Why do they interrupt their investment?

Chadd Garcia: Yeah, well, there can be several reasons. One of them is being forced out of the game. So, one of the cardinal rules of investing is surviving, and a lot of investors can get taken out of the game if they invest their assets into speculative or risky investments or they take on leverage into their portfolio and their portfolio goes down and they get a margin call. So that would be mistake #1, getting forced out of the game. Another mistake that investors often make is when the economy has some dark clouds, they get spooked and they sell at the bottom, which if you have a long-time horizon, you know, your cost isn't really the cost of your investments, the cost is the volatility that you have to withstand, you know, given the ups and downs of the market.

Al Kresta: And then that's where the long view makes great sense, that you know the end is not near. I guess that's the problem. And people think the end is near, I've got to sell, the market is low, and they take losses, when, in fact, were they to sit tight for a year or two years, three years, the market will eventually bounce back. I mean, that's the basic faith, isn't it, that the market will bounce back?

Chadd Garcia: Well, we thought we saw that pretty rapidly in March of 2020 after the lows due to the coronavirus pandemic. The market certainly bounced back pretty rapidly,.and here we are within a few points of all-time highs.

Al Kresta: So, let's see, mistake #1, we are not saving enough, not getting started early enough. And then mistake #2, being forced out of the game. You're being too speculative with your investments, too risky with your investments. #3, don't make the mistake of panicking and selling when everything is at the bottom or low. And what's another mistake?

Chadd Garcia: Trading too much, that's another mistake, and trading too much introduces the possibility that you'll make an error. It's expensive because you pay commissions to trade and there's also tax ramifications to it. So, trading too much is one of the cardinal sins of investing.

Al Kresta: Are individuals taking responsibility for their investments more than ever before? Are they relying on financial advisors? What's the marketplace like out there? How are people investing?

Chadd Garcia: Well, I think that they, the pension funds, are long gone right now. People are investing for themselves, you know, via 401(k), IRA, or direct investments in the market. It's reasonable to consult a financial adviser. And, you know, if I was going to pick one, I would not pick one that would use rules of thumb, you know, based on age and equity and debt calculations; but one that would take the time to understand your ability to bear risk, your willingness to bear risk, and how your financial capital - the capital that you save, is correlated to your work capital. And are you in a job where if the stock market goes down, you may be laid off, or are you a college professor where you have tenure and, you know, probably the ability to take more risk in the market.

Al Kresta: Right. Right. How early should a person begin to think seriously of investing?

Chadd Garcia: Well, as soon as you earn income, you can start investing in an IRA and receive tax benefits from it. You know, my daughter's seven years old, and I save for her upcoming college expenses. And I talk to her about the companies that are in her portfolio. So, every time we drive by Valvoline Quick Lube Oil Change, she looks in there to see how many bays are filled in a line to get in. And she also has a little bit of Ferrari, and where we live in Florida, there happens to be a lot of Ferraris. So, she likes to see the Ferraris on the road.

Al Kresta: Yeah, well, does she watch Formula One racing?

Chadd Garcia: She did. Yes. She liked to watch the Formula One racing with me.

Al Kresta: Ferrari had a good showing this last week. So, start early. That's a wonderful thing you're doing with your daughter. It's great for parents to actually engage their children early on like that. In a way, it demystifies it, too. I think a lot of people feel like it's too complicated for them, and they're embarrassed at what they don't know. Whereas, if you start your your children - making them familiar with the process of labor, work, income and investment - they're not going to be so mystified by it and paralyzed by it.

Chadd Garcia: All right. Well, this is my job, and I live and breathe investing in interesting companies. So, it's almost all I think about. And so, I'm very comfortable in investing in single stocks. But for the average investor, mutual funds provide an appropriate amount of diversity, and, you know, it's reasonable to talk to an adviser and figure out what your risk tolerance is and your ability to bear risk and take funds that fit that tolerance and your investment timeline and then automate it. If you get paid twice a month, pay yourself first. Yeah, invest right out of that paycheck and just automate it, and get ready to invest over the long run. And, you know, don't worry about the day-to-day changes in the marketplace.

Al Kresta: Yeah, I think the idea of being able to automate your investment, a certain percentage of your check goes into an investment account, whatever it might be, and then you forget about it actually. I mean, it just happens. You don't worry about it. You don't start thinking about it. You just assume that that money is gone and you've got so much left, you know, for your immediate expenses. So, I think that's, again, a very smart thing to do.

Chadd Garcia: My in-laws, (and this, of course, was before I knew them), were invested in the market. They put their money in right before the tech bubble crash, and then they sold near the bottom, and consequently, they stayed out of the market for several years. Well, having a son-in-law that works in finance and their daughter works in finance, as well, we convinced them to get back into the market. They had a couple of single stock selections, but mostly it was through mutual funds, and they weathered the most recent Coronavirus pandemic quite well. They understood that, you know, they were investing for the long-run, and that they're not going to need the money any time soon. And now they weathered it pretty well.

Al Kresta: Yeah, very good. Let me just ask because we're getting near the end of the segment here. What is distinct about Ave Maria Funds?

Chadd Garcia: Well, what's distinct about us is that we practice morally responsible investing, and so we do not invest in companies that produce or distribute contraception, pornography, participate in abortion, or give money to Planned Parenthood or participate in embryonic stem cell research. And we have a zero tolerance for these types of companies in those activities, which we call offenders. And so, our shareholders can rest well that they're not participating in those activities indirectly through their investment stewardship.

Al Kresta: Chadd, thanks so much. People can learn more at Avemariafunds.com or call toll free 1-866-AVE-MARIA. Chadd, we'll talk again. Thanks.

Chadd Garcia: All right. Have a great day.

Al Kresta: Chadd Garcia is portfolio manager for the Ave Maria Focused and Growth Funds. And again, you can check this out at Avemariafunds.com.

IMPORTANT INFORMATION FOR INVESTORS

As of 6-30-21, the holding percentages in the Ave Maria Focused Fund of the stocks mentioned in this commentary are as follows: Valvoline, Inc. (4.0%) and Ferrari N.V. (1.7%). Fund holdings are subject to change and should not be considered purchase recommendations. The Ave Maria Growth Fund's holdings do not include Valvoline, Inc. or Ferrari N.V. There is no assurance that the securities mentioned remain in the Fund's portfolio or that securities sold have not been repurchased. The most current available data regarding portfolio holdings can be found on our website, www.avemariafunds.com. Current and future portfolio holdings are subject to risk.

Past performance 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 July 26, 2021.

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.

200-147-101521 / 13347363-UFD-08162021