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

DECEMBER 20, 2021

Al Kresta: Chadd, good to have you back here. Thanks.

Chadd Garcia : Glad to be back, Al, how are you doing?

Al: I'm doing well, thanks. It's getting to the close of the year and I'm kind of assessing what the year has been like and getting ready for next year as well. How did the U.S. economy look in the last year? How would you assess the markets in particular?

Chadd: Well, the economy's doing well. Company earnings are strong. The two challenges that the economy's dealing with is a is A, shortage of workers and B, some inflation.

Al: Yeah, yeah. They're going to begin removing some of these unemployment benefits this next year, aren't they? Aren't they lowering the benefits?

Chadd: Yeah, the extended unemployment benefits started to expire in September or so.

Al: Ok.

Chadd: It depends upon which state you're in.

Al: Yeah.

Chadd: But they should shortly be gone, which will certainly help bring workers back to the economy, into the workforce. And the Fed, who has been keeping rates low in an effort to bring back the workers, has given up on kind of that part of their mandate, and now they're focused more on inflation. And if the workers come back, they come back. And if they don't, they don't, they'll let somebody else worry about it.

Al: Yeah, yeah. On the inflation question, are most observers thinking that this is not going to be transitory, that it's more structural?

Chadd: Yes, that's the view and the Fed, when they had their statement last week, the chairman basically echoed that sentiment. But you know, there are some transitory elements to it, but the question is just how long is it going to take to kind of work it out? So, if you look at what's causing inflation, you know, the worker shortage, you know that is, in part, caused by the extended unemployment benefits. You have supply chain shortages, which is what one would expect when you shut the global economy down and try to restart it back up, there's going to be some hiccups, particularly when, you know, people's savings rates have gone up because they were, you know, on lockdown at home and not spending money. And so, when they get back out, they want to shop. And so that's it. No surprise that you're having some supply chain shortages. Things like that will work out. I don't know how long it's going to take, you know, hopefully by the end of 2022, that'll be gone. And then lastly, you had the increase in liquidity in the financial markets through COVID induced stimulus, which, you know, that's starting to go away. And then we had loose monetary policy. And, you know, the Fed announced that they are going to end their open market bond purchases that should be finished by March of 2022. And then they announced that they envision three rate hikes in 2022. I believe that we're going to well, we'll see, the end of the open market purchases. I don't know about the rate hikes. I mean, I'm sure we certainly will have some rate hikes, but you know, that will be dependent upon, you know, data in 2022.

Al: Yeah, yeah. So, you're pretty strong performances in the last year, but the people's concern is as you get to the end of the year. Why is it a lot choppier right now than it was earlier this year?

Chadd: All right. Well, the S&P is up to around 25 percent year to date, so it had some pretty strong performance. But the the market has been a bit volatile since Thanksgiving. And when it started, it started on Black Friday. And I think a that was a perfect storm type of day for the market to be hit. And on Black Friday, you have most traders and investors out of the office, they're on Thanksgiving vacation, but the market is open for half the day. So, you have a very thinly traded market, and so any moves can have some exaggerated effect. And then you had a couple of things pop up that day. You had the Omicron variant. That's when it became global news. And that, you know, sent the market down. And then in addition to that, you had some European lockdowns announced the week prior. So, the Austrians announced that they were going to lock down some parts of their economy and investors and traders were worried that other nations would follow suit. You know, subsequent to that, you know, the only ones who have followed suit would be the Dutch. So, I don't think that there's going to be any strong or hard lockdowns in the major European economies. But that got people scared.

Al: You traveled to Barcelona last month. What was it like?

Chadd: Well, I've been there twice in my life, so I've been once in 2010 around Christmas time, and then I went last month to visit one of the companies that we're invested in. And as far as the activity, it was, active. People were out. It was active. People were out, people were shopping, people were going to work. It looked to me to be as busy as it was when I visited the city in 2010. The only difference was that if you were inside, you had to wear a mask. So, if you went into a store, you put a mask on. Sometimes there would be employees at the entrance of the store that would squirt some disinfectant on your hands when you walked in. And you know, that was about the that was about the only difference. Maybe, maybe 20 percent of the people would wear a mask on a busy street in the tourist area. And so, it seems like people are learning to live with the virus, which is, you know, it's come to be expected.

Al: Well, this is a year-end. People are thinking of getting prepared for the tax season. I've heard people talk about tax loss selling. What is that?

Chadd: Well, another reason that you're seeing a lot of choppiness in the market right now is because of tax-loss selling. So, tax-loss selling occurs when, if an investor has a paper loss in an investment in a stock, they could sell that and realize a loss, which would give them a tax write-off. And that has value because you know it lowers the taxes that they're going to pay for the year. And you're seeing a lot of companies that didn't perform as well as shares that have losses. You're seeing those losses kind of accelerate this month as investors; institutional investors are selling out of those positions. And, you know, in a way, they minimize taxes and so it raises a question like, is tax loss selling a good thing to do for the average investor? And you know, I would say the answer to that would be it depends. You know, there's value in capturing the tax loss. But you know, as I've said on your show several times, the key to wealth generation in the stock market is by letting compounding and compound interest work. So, you shouldn't unnecessarily interrupt the compounding. So, the way I deal with it is, you know, first off, if a company is fundamentally turning out to be a bad investment, I just sell it immediately, regardless of the tax situation. But assuming that I like the business, then the only time that I would tax-sell losses is, if I have something that I can replace it with. So, you know, figuratively speaking. If I had a loss in Visa, you know, I may sell that and buy MasterCard because I would still be exposed to it and be able to capture that loss.

Al: Yeah. I guess a question I would have is, are there limitations on repurchasing when you sell off with the expectation of, you know, you're getting rid of stock in a particular company, at a at a certain loss? If you're anticipating taking that loss and benefiting from it on your taxes, can you go back and repurchase that stock in the next fiscal year?

Chadd: Well, you have to wait 30 days, to repurchase a stock. And so that to me could be the danger in tax-loss selling is that if it's a company that you like and you want to own, you know a couple of things can happen if you tax-loss sell it. You know, one, is the company's stock price can go down and in 30 days you buy it back and you buy it at a cheaper price. Well, good for you. You got to capture the tax loss and then you got exposure to the company that you wanted to own. But the contrary can happen. You sell it and it goes up.

Al: The stock bounces back.

Chadd: Well, that issue brings up two issues. Number one is, you miss the upside in that 30 days. But if you bring in the psychological component to investing, are you going to be anchored to the price that you sold at and be unwilling to repurchase at the higher price? It may never go back down to that price, and you may miss out on a great investment.

Al: That makes sense. Talk to me about how the Ave Maria Focused Fund has done over the last year.

Chadd: It's done quite well throughout most of the year. It's beaten its benchmark in the S&P, which is the S&P 500. And in the last few weeks, it's been trailing it. But, you know, I think some of the positions are suffering from some of the tax-loss selling that we mentioned earlier. And so, I'm pretty excited to get that over with and see what January brings.

Al: For people who are unfamiliar with the philosophy behind the Ave Maria Funds, just lay it out for people, would you please?

Chadd: Sure. We have six funds, and we invest in a manner that allows people to invest in companies in a manner that doesn't violate the teachings of the Catholic faith. So, we have moral screens, and which means that we will not invest in companies that participate in the following activities: they invest corporate funds or they donate corporate funds to Planned Parenthood, they participate in abortion, they distribute or create pornography, or they participate in embryonic stem cell research.

Al: Mm-hmm. And the performance overall through the years has been how for Ave Maria Mutual Funds. Have you been handicapped because of those screens?

Chadd: Well, it depends upon the funds. Each of the various strategies- the the funds that are the larger-capped funds will not be exposed to some of the companies that you've seen that have been pushing the markets in this, like the last bull market. So notably, the FANG stocks. You know, we're not investing in the FANG stocks. And if you ask if it hurts our performance, I would say that it just depends upon the year. Sometimes being exposed to the FANG stocks would have would have helped us, and sometimes it would have hurt us.

Al: You'll be in really good shape. Yeah, yeah. Tell people how they can get in touch with you.

Chadd: Well, they can call us at 866-AVE-MARIA or find us on the internet at Avemariafunds.com.

Al: All right, Chadd, thanks so much. We'll talk again.

Chadd: Merry Christmas, Al!

Al: Merry Christmas!

IMPORTANT INFORMATION FOR INVESTORS

Total Returns as of 12-31-21

	1 Yr.	Since Inception^*	Gross/Net Prospectus Expense Ratio[1]
Ave Maria Focused Fund	27.96%	32.33%	1.30%/1.26%
S&P 500® Index	28.71%	38.84%	

^ 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.***

As of 12-31-21, the holding percentages in the Ave Maria Focused Fund of the stocks mentioned in this commentary are as follows: Visa, Inc. (1.4%) and Mastercard Incorporated (2.4%). Fund holdings are subject to change and should not be considered purchase recommendations. 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.

The acronym "FANG" refers to the stocks of four prominent American technology companies: Meta (FB) (formerly Facebook), Amazon (AMZN), Netflix (NFLX), and Alphabet (GOOG).

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 December 20, 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.

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