



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

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Al Kresta: Good afternoon, I'm Al Kresta. Earlier today, CNN was reporting that Russia was scrambling to prevent financial meltdown, as its economy is being slammed by a broadside of crushing Western sanctions that were imposed over the weekend in response to Russia's invasion of Ukraine. It was also reported that President Putin was planning to hold crisis talks with his top advisors after the ruble crashed to a record low against the U.S. dollar. The Russian central bank more than doubled interest rates to 20%, and the Moscow Stock Exchange was shuttered for the day. There's much more going on here, but I want to get a better sense from somebody who knows a lot more about economics than I do. And that is Chadd Garcia, Vice President, and Lead Portfolio Manager for Ave Maria Funds. And Chadd, good to have you with me. Thanks.

Chadd Garcia: Nice to be with you, Al.

Al: Let's take a look at this; how significant a threat, are the U.S. sanctions, and then as the Europeans have been loading more sanctions on there, is this the kind of thing that actually can bring a nation to change its mind on questions of war and peace?

Chadd: Well, one would hope so. I mean, it's not just sanctions from the U.S., it's sanctions from Europe as well. And, you know, these are significant sanctions. To start with, there's asset freezes for Putin and his top officials in the Russian government.

Al: Do we actually know where their assets are, though?

Chadd: A lot of them we do, and task forces have been set up to search for more hidden assets. One of the oligarchs owns a premier league football team in England. One oligarch was complaining that he might not be able to go to his Lake Como estate. So, the oligarchs have a lot of assets, you know, throughout Europe and throughout the world, so a lot of

assets are known. The U.S. imposed sanctions on the oligarchs in 2014. The oligarchs gave a lot of their wealth to their family members to skirt those rules. And we learned from that, this round of sanctions targets the families of the oligarchs as well.

AI: Very good. Yeah.

Chadd: The EU has implemented sanctions on the entire Russian parliament. In the past, the U.S. has only done the head of the parliament, but he's taken a step forward and sanctioned the assets of the entire parliament. The U.S. and the EU also sanctions the government officials of Belarus who are assisting Russia in the invasion of Ukraine. I think more notably is that the Russian central bank itself is being targeted. And this is an effort to keep Russia from deploying its international reserves or its gold. Russia has about 22% of the world's gold reserves. That is going to keep them from having a strong economy and being able to finance their war efforts. And then additionally, several Russian banks are being cut off from the Swiss financial system.

AI: Yeah. Could you describe what that is?

Chadd: It's a way for the banks to provide money to one another. Imagine in the United States, if you're a consumer, if the Visa or MasterCard systems were cut off, you'd have to take cash to a store to make transactions. So, these banks, if they're going to deal with a non-Russian bank, they are going to have to take cash to them, which is not going to happen. So, they are the pariah of the international finance community and that may cause bank failures in Russia. We saw lines of Russians at ATMs, emptying ATMs out over the weekend.

AI: Yeah, because they're concerned. I wanted to ask you too, about the Russian central bank more than doubling interest rates, to 20%. I mean, that sounds pretty severe. What are they trying to accomplish by upping interest rates?

Chadd: Well, they're trying to attract investor capital. I mean, they're trying to keep the ruble from falling too much. So, the ruble fell 26% against the dollar to a record low. And so, you know, a central bank paying higher interest rates, they do that to in an effort to attract capital. However, the Russian people tend to be very heavily indebted. So, again,

take it back to the U.S., you know, a lot of people have credit cards. Credit cards are tied to the Fed's fund rate. Imagine if your interest rates doubled. Yeah, essentially, that's what happened. So, this is going to get very unpleasant for, you know, not just the oligarchs and the ruling class in Russia, but also the average person now.

AI: So, you've got the ruble dropping 26%, as you point out, you've got runs on Russian banks that we're hearing about, the stock market is shut down; Why does one shut down a stock market? Obviously, you want to keep activity from happening. What are they afraid of?

Chadd: Well, I think they're afraid of the market crashing.

AI: Okay, so that's one way.

Chadd: And then they could be afraid of Russian citizens selling off their assets to non-Russians

AI: Gotcha. You know, because the global economy is so interdependent, what would be some likely unintended consequences from these economic sanctions on Russia? How might it hurt us?

Chadd: Well, we don't have that much trade with Russia relative to, you know, our larger trading partners, Europe and Canada and Mexico. But, I mean, Europe is highly dependent upon Russian energy. And so, you know, Europe may feel some pain, and if energy prices are going to go up in Europe, they may go up everywhere. Gas prices may go up everywhere. Europe will feel more of the brunt because their electrical system is powered by a large amount of Russian natural gas. And, you know, that won't hurt us because we have our own supply of natural gas and aren't dependent upon Russia. I think longer term, if Europe is smart, they will take moves to be, you know, less dependent upon Russian gas, which would include maybe bringing nuclear back. They've been decommissioning nuclear plants; that hasn't worked out well for them. But the U.S. has ample amounts of natural gas. I think it would take a few years for us to build up our infrastructure in order to start shipping natural gas in large amounts to Europe. But it certainly could be done in the next few years.

Al: Yeah. Yeah. And that would really cripple the Russian economy.

Chadd: Well, hopefully this conflict doesn't last that long.

Al: Right. Right. Is there the chance that Russia will find itself being driven into the arms of China?

Chadd: I think that was a risk. I think that was probably the consensus thought last week that sanctions could drive Russia into the arms of China. And frankly, that the Ukraine invasion could highlight the Chinese potentially going after Taiwan, which I think would be a bigger issue for the world. But after seeing the Western World's response, this unified the Western World, and seeing the harsh sanctions that are being imposed upon Russia... and Russia, you know, they have food, and they have energy. And so, you know, they have that going for them. If you look at China, China is a net importer of both food and energy. And, you know, these types of sanctions, may be a pretty strong deterrent to China going after Taiwan and frankly, when Putin put his nuclear arms on notice, I don't think China wants to be tied too closely to this guy.

Al: Right. Right. So, yeah, I mean, you see, it's serious. I mean, Putin last week talked about, you know, we don't want people to interfere. They should remember that we are a strong nuclear nation. Nobody has waved that the nuclear flag like that, even during the Cold War. It was always understood, of course, that you had mutually assured destruction, so the nuclear threat was always in the background, but nobody ever jumped out in front and started waving it as an explicit and imminent threat. It was shocking to hear that threat on his tongue last week. I was just so amazed.

Chadd: Yeah, I was shocked as well. You know, if there's one thing the markets don't like, they don't like uncertainty. That being said, I watched the announcement of Russia going into the Ukraine, you know, late Wednesday night. I stayed up late watching the watching the news. I did not think the stock market would close up on Thursday, and it closed up pretty strong. I mean, the Ave Maria Focused Fund, I believe, was up 3.2% that day alone, which I don't know if that's its biggest movement, you know, daily movement in its history, but it's got to be among the top five.

AI: Move. Yeah. Let's talk about that. You know, for investors, what ought they be keeping in mind? Because we are in a volatile period here. So, tell us.

Chadd: Well, I think yes, I think the markets are going to be volatile, you know, until there's, more of a certain outcome with respect to the conflict. But if you're a long-term investor, I mean, I heard the saying a couple of weeks ago, the only people that get hurt riding a roller coaster are the ones who try to jump off. I mean, today the S&P is down right now, one and a half percent, but it was it was green some parts today. I mean, it was up. And so, while I think the market's going to get volatile, it doesn't mean that in the long run there's going to be a bad outcome. So, I think it would be foolish trying to predict, you know, what it's going to do on any given day and try to think it out.

AI: Chadd, how can people get in touch with you and learn more about the Ave Maria Focused Fund or the any of the Ave Maria Mutual Funds?

Chadd: They can call us at 866-AVE-MARIA or reach us on the internet at www.avemariafunds.com.

AI: www.avemariafunds.com or 866-AVE-MARIA. Chadd, thanks so much. Great talking with you again. Chadd Garcia is Vice President of Schwartz Investment Counsel, Inc., and Lead Portfolio Manager of the Ave Maria Focused Fund and also Co-Portfolio Manager of the Ave Maria Growth Fund. Ave Maria Funds, one of our sponsors here on Kresta In The Afternoon, they've been so for years, and we really love to be able to rely on their knowledge when we have public affairs stories like this.

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

¹The 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.

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