



CHADD GARCIA ON DAVE DURAND SHOW (RELEVANT RADIO) MARCH 27, 2021

Dave Durand (DD): Welcome back to the Dave Durand Show. This is Dave Durand, and it's exciting to be joined here with Chadd Garcia. Chadd is with the Ave Maria Mutual Funds and we're going to be able to talk with Chadd once a month or so, just about things that are important to you. And I know that as listeners, we talk about leadership, a lot about business, a lot about entrepreneurship, but you know at the end of the day, what happens is you're doing the right thing, you're earning money and now you need to put it someplace and you need to invest that money. And the question is, how do you do it? How do you do it the right way? Who do you trust when you're doing that, and what impact does that investing actually have? So, we're going to dive into some things like this, and what I'd like to invite you to do is email me at dave@relevantradio.com and you may have some questions about morally – investing in a moral way, what to invest in and why and how, and how that actually impacts society and where your money goes. So, this is, it's great to be on a topic like this.

Chadd welcome, it's great to be with you, and if you don't mind kind of setting the stage and just, how did you go from where you were to being on the radio with us today with Ave Maria Mutual Funds talking about investing the right way?

Chadd M. Garcia (CMG): Well, I spent my first few years after undergrad running a business with a large multi-national agri business, and in running the business and ultimately executing a turnaround, I thought it would be interesting to do things in finance. I thought I had a really well understanding of what a good company looks like and where to make investments. So, from there, I went to business school to further develop my financial skills and spent a couple years working in mergers and acquisitions in New York. And spent several years in private equity, which is investing in business instead of buying the whole company. And I ended up doing that for a very wealthy family in Naples, Florida and got the chance to enter into the public market investing - buying stocks, the legendary investor, and found that to be my calling. I really enjoyed

it. And at the same time, I met socially George Schwartz. He founded Schwartz Investment Counsel, which manages the Ave Maria Mutual Funds. and he talked to me about the morally responsible investing that they do. And I'm Catholic and I think being in investments is a great calling for me because its intellectually stimulating work. And I have a score card on how I do, based on my returns vs. the market but to be able to do that in a way that also uplifts the lives and builds an economy of Catholic families, as well as Catholic institutions, such as hospitals and universities is fulfilling. and it wasn't just getting good returns.

DD: Yah, you know, it's interesting. You grew up on a family farm in Arizona, you find yourself in New York City, you're dealing with all sorts of numbers, all sorts of livelihood, and I think people forget that when you're in private equity, how much trust there needs to be on both the buying and the selling side. You looked at turning businesses around, you know, you have an MBA from Hubbard Business School, you look at all of these things, and they kind of pull you together to have a pretty good view of things from pretty much everybody's understanding. I mean, I think this is really an essential thing. When people are investing, if they understand the dynamics of the company they're investing in and the way leadership works, and the importance of the financial responsibility of those people who are actually given the stewardship of that organization, and how dollars and cents actually flow into out of the organization and ultimately land in the hands of your investors through the hard work they have put into their own money and then the trust that they have in what work you're doing to be able to get that right, those are all important things. And you know, a lot of people do those things completely absent of the idea of who else benefits by that. What are the peripheral benefits that go out financially and to whom? And when they go out, how does that affect our society? So, if you're going to kind of look at that and say, you know I think kind of the regular Sunday Catholic or maybe Christmas or Easter Catholic that goes just twice a year, and they consider themselves Catholic, but really maybe for only about an hour on a Sunday or a couple of times a year, they might think they're doing just fine investing here and there, but if they look a little closer, there's some trouble if they are supporting organizations where the better they do, kind of the worse the world becomes - in one way or another, I mean, it's not generally the whole sale thing. They may have a good product, but now they use that product to invest in other things that could be destructive. Talk a little about that element and how the work is done that you and your organization and what perspective do you have on that?

CMG: Well, in our practice where we practice morally responsible investing, we have a board we call the Catholic Advisory Group, and they tell us the types of companies that we cannot invest in. They don't tell us what kind of companies to invest in, but they tell us what types of companies we cannot invest in. And so, we cannot invest in companies that produce or distribute contraception, pornography, participate in abortion or give corporate contributions to Planned Parenthood or participate in embryonic stem cell research. And so, those companies that are involved in those activities are excluded out. And we have a zero-tolerance policy. So, as a Catholic, Catholics are called to look at other activities in life, and to see if their activities are listed or are if they are participating in evil. And so, it's not to say that somebody who is a Catholic can't invest in one of the companies that we would turn out, but in order to do so, you'd have to determine if that participation is remote or not. And we don't have to do that. We have zero-tolerance policy, we do not invest in any of the companies that are involved in those activities. So, we make it very easy for us, for ourselves.

DD: Yah, I like that. And it is true, too, I think that it's interesting here, you are in an organization that says, listen, we have a zero-tolerance policy, but we don't understand the complexity of investing, and for an individual Catholic to take a look at an organization and to make a reasoned investment according to a well-formed conscience, by the way, not just kind of for self-justifying purposes, there may be an opportunity for them to invest licitly into an organization, as long that is only a peripheral effect. And I guess the reason for that is that it's sometimes impossible, you know. You can be investing in an organization that may not directly do that, but leaders in the organization privately do that, and the way they get their funding is through the investments you make into the organization itself, so that can get a little bit crazy. But what I really like about it is that if a person invests into the work that you're doing, they don't have to wonder if you're making those decisions on their behalf, because it's already done and there's a line in the sand, and you just won't. And I think that's a powerful thing that gives security to people that are investing. I would imagine that that's a benefit they would enjoy.

CMG: I would imagine so; and being on the other side of that coin as a professional and as an investor, I've been a part of other professional investment firms in the past, and I look to some of our shareholders living where the partners were, and I didn't feel real comfortable making those organizations or those people richer. Where I'm at now, I'm quite happy to make Catholic universities and priest organizations and Catholic hospitals and Catholic families richer.

DD: Yah, a lot of people kind of mistake the idea of wealth in the Bible, and I think that's problematic. In fact, earlier in the show, I was talking about if I could build an executive board with twelve people on it - twelve saints, that is - who would they be? And a couple of the saints that I picked were actually quite wealthy; or if they weren't wealthy, they understood the value of wealth and what it can do, because of course, it's an attachment to wealth that's a problem. Or hoarding of wealth and not sharing it and doing good with it. But if we have people who understand what it means to build the Kingdom of God and they can become wealthy, there's tremendous work that can be done through that wealth. And often times, there are people that are actually called with that. And most people never look at building wealth as a burden. They would say, oh! I would love to have the problem of that and extra money! But it often times is for people where they feel like I kind of want to just stop. I want to retire. I don't want to spend time thinking about these things, or stress with that responsibility. But they need to do it, because they realize that duty and responsibility is really no longer for them or their benefit. Their life is not going to be any fancier than it is, but they have an obligation to those around them, and so the idea of empowering and enriching those people that would be willing to help the Church is really a tremendous idea. So, you, we've got a few minutes left here, and a lot of people are just asking themselves, Chadd, what in the world is going on right now in the financial markets. I mean, how is COVID affecting things right now, what do I look for, can I have hope? Does it make sense to invest? Are we on top, the bubble, and is that going to go away? What are your people telling you? What do you think makes sense right now for the prudent investor?

CMG: Well, I think it's very dangerous to try and time the market. I think there's two types of investors. One type knows that they can't time the market, and they other hasn't learned that lesson yet. So, it's not really about timing the market. If you're a saver, it's really about time spent in the market. The longer you're in the market, the more your nest egg can compound and have time to grow larger. That being said, if you look where we're at in the market, we were almost at in a depression-like situation with COVID and the government mandated lockdowns that happened last year. The Fed stepped up and there is a bunch of fiscal stimulus and a bunch of liquidity put into the markets; and then with that generated was what economists call a K-shape economy. So, if you look at the top 25% of wage earners, these are people that in a lockdown situation would have the luxury of working at home or working remotely, and they're doing quite well. Their economy is going well. If you look at the middle 50% of wage earners,

they're in a slight or recovering recession, and then if you look at the bottom 25% of wage earners, their industries, particularly if they're travel-related or restaurants, they're in a depression. Now that being said, there's been a lot of support for lower wage earners and there's more coming with the recent stimulus bill, so their savings are actually - are up. But then look at all the money that's being poured into the economy. It's making some aspects of the economy look a little weird. Do I think that the market is over-valued overall? No, not given how low interest rates are. But there's some pockets of the market that are acting pretty crazy and you've seen, I guess, these so-called yellow or mean stocks that have been trading pretty erratically, like Game Stop and AMC. I mean that's just rampant speculation that's not going to end well for a lot of people.

DD: Yah, and that's really, I don't even really (this is really a personal opinion) consider that an investment strategy, as much as it's a, well, it's a lot more like gambling, whereas you know, when you look at the market long term, and you know, it's like that classic saying, "it's like a yo-yo on an escalator", right?

CMG: Right!

DD: And it's going to have its ups and downs and moves forward. I just actually think about my own experience last year when I watched everything collapse so fast. I made some moves during that time, some were good, some were bad. And when I look at them and I review them, the moves that are traditional and classic, which is to hold on to things and just ride this sort of thing out, I did better on those than I did when I tried to say, you know what? I think I'm a little smarter than this whole thing and let's move this around here, move that around there. It's one of those things where you just, you're best off taking the advice of the people who do this on a daily basis and know so much more about it, because the emotional side of investing really can be catastrophic for people, and that long-term idea is very, very relevant.

CMG: I think your experience is not unique. Particularly if you have high-quality companies that you're investing in, the best thing is to sit back and ride it out.

DD: Yah, yah. You know, another thing that I kind of looked at during this time is the idea that there is a lot of people hurting and there's a lot of people doing well. And a year ago, my

mind was bent every week that would go by, unemployment was going higher and, of course, there was a period of time when the market went way down. But then you're just watching the market grow and grow and grow, even in the midst of unemployment going higher and higher and lockdowns coming more and more. And of course that's because people are figuring out where to put their money and what companies were benefiting from this sort of thing, while others are struggling. And I guess, I think it's a good idea for people to stop and consider if they're in that portion that has done well during this, then it's a really good time to think of those who did not. And the opportunity to say, hey, maybe there's some relief that I can provide to those that are suffering, and there's great ways to do that. I would imagine the people that are investing with you, Chadd, have that heart of compassion in Christ to serve and help others.

CMG: I would imagine so, given who our shareholder base is. They would know the cardinal virtues, etc.

DD: It's a funny thing, because you really, you would have a hard time being the type of person that says, you know what? I want to invest morally, yet at the same time I'm kind of ignoring the other side of this which is to help those in need. So those things go really together. And that's one of the reasons that I like having you as a guest, because, you know, we're talking about certain contemporary things like what is happening with the market, how is COVID affecting it, moral ways to invest, no doubt about it, but really, the purpose of what we talked about here is to be a well-rounded Catholic and be able to lead people appropriately – all really from the perspective of what it means to be a faithful Catholic, and these are not isolated things. You know, we can't just be Catholic at work, we can't just be Catholic at home, we can't just be Catholic in our investments, we can't just be Catholic in our language, but we overall, look at all of these things as being faithful Catholics. And they all are important and they all matter. And I think bringing a guest like you on illuminates that for so many different people. And it's great having you on.

We're going to have you on next month, too, as well, so we appreciate you joining us. Hey, Chadd, I know people are going to be saying to me, how do I get ahold of Chadd, how do I find out more about the Ave Maria Mutual Funds. Is there contact information you could share with our listeners?

CMG: Yes, so there's two ways. You can call them at 866-AVE-MARIA, that's 866-AVE-MARIA or avemariafunds.com, that's avemariafunds.com.

DD: And if you'd like to join in the discussion with us, you can always email us at dave@relevantradio.com. And if you have questions for Chadd about investing or the Ave Maria Funds and the philosophy that they use in order to do well for the Church, but also to bring back a good return, we'd love to hear those questions, too, you can get some interesting answers online, that is dave@relevantradio.com. Until then, we will talk to you next week.

IMPORTANT INFORMATION FOR INVESTORS

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 March 27, 2021.

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