



CHADD GARCIA ON MORNING AIR SHOW (RELEVANT RADIO) JULY 22, 2021

Interviewer: How many of you are currently investing in the markets, possibly with risky assets? How can we develop a safe portfolio in the current economic climate with higher inflation, and what some experts are saying is a bubble just ready to pop? Now joining us is Chadd Garcia to discuss the markets, inflation, and Covid-19. Chadd is vice president of Schwartz Investment Council Inc., the lead portfolio manager of the Ave Maria Focused Fund and co-portfolio manager of the Ave Maria Growth Fund and is also responsible for equity research functions for the firm. Good morning, Chadd. Welcome to Morning Air. Great to be with you.

Chadd: Good morning. Thanks for having me on.

Interviewer: Chadd, before we talk about the great work of the Ave Maria Funds, what is happening in the markets with the current inflation? Do you think that the bubble is ready to pop, as some financial experts are saying? What should our listeners be focusing on?

Chadd: I think they should be focusing on investing for the long term. I mean, if you have a long-time horizon, what you should focus on is staying in the market and sticking with your plan. If you invest twice a month when you get your paycheck, you should continue to do so if you have a long-time horizon.

Interviewer: What do you think? In what ways do you think inflation is impacting, is affecting, the average American in our daily lives?

Chadd: Well, I mean, we are seeing substantial inflation right now, which makes sense given that we have had massive fiscal support from the government. We have supply chain issues with restarting an economy. The question is, is it going to be transitory or is

it structural? If it's structural, the Federal Reserve is going to step in and raise interest rates. I think there's arguments for both cases, and the way that we deal with it, at least in the Focused Fund and the Growth Fund, which I'm a part of, is, we've looked for companies that have two attributes. One attribute would be the ability to raise prices, and the second attribute would be companies that generate a high return on invested capital, which means they don't require much capital to grow their businesses. And if we have a (Connection lost)

Interviewer: Looks like we may have lost our connection with Chadd Garcia, the vice president and lead portfolio manager for AVEAX, and co-portfolio manager for the Ave Maria Mutual Funds. We're talking about the market inflation and covid-19, discussing some of the things that we can do as we take a look at our approaches in this current economy. We started talking about how it's important to take a look at the big picture and look at planning for the long term, because a lot of people really feel like this inflation is really affecting their lives. It's a real thing, especially, you know, all you got to do is go to the gas station to put gas in your car and you can see the difference in prices from this summer of 2021 to last summer. So, inflation is not just something theoretical. It's something that people are experiencing at the gas pumps, at the grocery store or at restaurants everywhere. Chadd, are you back with us?

Chadd: I'm back with you.

Interviewer: Oh, great, great, great. No problem. Hey, these things happen in live radio sometimes, with technology. Chadd, do you think this inflation situation, and as I was saying, just, you know, while we were getting you back on, that this is not, you know, theory. This is real. People are experiencing this when they put gas in their car, when they go to the store, and in so many different ways. Do you think this is something temporary or is here to stay?

Chadd: I think that there are valid arguments for both cases, and so if you look at the, our family of funds, I have colleagues in a couple other funds, who last year, when the government increased their fiscal stimulus, that more exposure to some commodity products like oil, (which you mentioned because gas prices have went up, and they've done quite well with that), and with respect to the two funds I manage, we focus on

companies that can raise their prices and generate a higher return on invested capital. And if they have the ability to raise their prices, if we do have inflation that's going to be structural, then they can theoretically raise their prices to deal with that. That's how we protect ourselves. As investors, I think.

Interviewer: That's so important. And tell us a little bit about the Ave Maria Mutual Funds.

Chadd: So, the Ave Maria Mutual Funds is the largest Catholic mutual fund family in the country. We have six funds and various strategies, and we practice what we call morally responsible investing. So, we do not invest in companies that violate the teachings of the Catholic faith, specifically companies that are involved in the production and distribution of pornography, contraception, participate in abortion, or donate to Planned Parenthood or participate in embryonic stem cell research. And we have a zero-tolerance policy for the companies that are in those activities. We call these companies offenders. Even if their activity is a small part of their business, we will not invest in them.

This is so important for us as Catholics, this whole concept of morally responsible investing. A lot of folks are not even plugged in. They have no idea what other companies are investing their funds in. Where do you think that Ave Maria came up with this approach that in many ways is unique within the industry?

Chadd: Tom Monaghan, the founder of Domino's Pizza had a close relationship with the founder of our firm, and he went to him and pitched creating a family of mutual funds that Catholics can invest in, in good conscience. And that was the genesis for the firm. I think Tom tried to do it directly by hiring some people directly to work under him and do it, and what he found was they kept putting in offenders in the portfolio. So, he ended up talking George Schwartz into starting Ave Maria Mutual Funds in 2000, and we're up to about three billion in assets.

Interviewer: Absolutely outstanding. I know Tom Monaghan, and I know he has such a heart for the teachings of our faith, so this totally makes sense. If you want to be part of this conversation, you have a comment or question for our financial expert, Chadd Garcia, or if you're currently investing in the market, you can give us a call, 888-914-

9149. That's 888-914-9149. As an organization that invests in these morally responsible funds, what are some of the key factors that you look at in determining whether or not to make a certain investment?

Chadd: Well, we look at several factors when analyzing a business, But, if I can just distill it down into two quick ones, first, we look at if a company is likely to generate an acceptable return for our shareholders. And in that, there's a bunch of research that we do, and we spend hours and hours pouring through the financials of the company before we would make an investment decision. And then secondly, we look to see if they pass our moral screens. And again, we have a zero-tolerance policy on companies that violate our screens.

Interviewer: What about the pandemic? How has that affected our economy over the last year and a half? And especially this most recent Delta variant? Do you think it's caused the setbacks?

Chadd: Well, when the pandemic first started, what we saw was that the top quartile workers did quite well, and that makes sense, as the top quartile wage earners were able to make the transition to work from home. Plus, they were saving money, not going on vacations, and not going out to eat as much. And so, they became their bank accounts became pretty flush with cash. The middle fifty wage earners did alright. The bottom quartile wage earners struggled, but the government has stepped up and provided extended unemployment benefits. Now that we're coming out of the pandemic, I think that the continuation of these unemployment benefits is causing shortages in certain areas. I'm on a business trip. I've been here since Sunday. Some anecdotal evidence, but I haven't had any service all week, which is fine. I can make my own bed. But I think the shortage of workers, at least in the hotels, is getting the maids to only clean rooms that are where people are checking out. Back to your question regarding the Delta variant, I think it's a little too early to tell, but I'm optimistic that it's not going to be that big of an issue. If you look at the hospitalizations, only 5% of current hospitalizations with COVID recovered in the U.S. are people that have had both vaccinations. And so, this is a much different time than, you know, March of 2020. We have therapeutics available; we have vaccines available; I'm sure booster shots will become available. Doctors have learned

how to treat covid better, so I don't think it's going to be an issue where we need to re-shut down the economy.

Interviewer: Can you talk about Catholic consumers and their values, how they've received being a part of the Ave Maria Mutual Funds?

Chadd: Well. Talking about Catholic consumers and the impact on companies in general, first, we've tracked since 2000, 35 companies that had previously donated to Planned Parenthood, which ceased donating to Planned Parenthood. And I assume that that is from pressure of consumers at Ave Maria Mutual Funds. We can't take full credit for that, but I think we can take a little bit of credit for that. And then I think that's a good outcome.

Interviewer: Were these Catholic run companies?

Chadd: No, these are publicly traded companies.

Interviewer: Well, that's outstanding. That means, that makes Ave Maria is making a difference,

Chadd: And if you take that back to our investors, our investors invest with us for more than one reason. One reason is they want an acceptable return to fund their retirements. The other reason is because they believe in the values that we hold dear at the mutual funds. And I've noticed our investors tend to be a little stickier, which means they don't, you know, trade in and out of our funds as much. And that, I think, is to their benefit because trading too much is one of the cardinal sins in investing.

Interviewer: Chadd, we have a caller. Jim is with us from Brookfield, Wisconsin. Jim, welcome to Morning Air.

Caller: Good morning and thank you for taking my call. The question, I have two questions. Number one, can you give us a couple of examples of offenders? Because I think a lot of people try to buy stocks for their own portfolio. I'm just curious if you have a couple names that you might be able to give us to definitely stay away from no matter

what? And then the second question is really on a performance basis. If you were to look at, say, the three to five and a 10-year returns, but are your funds significantly underperforming the benchmarks or comparable funds? Or are your returns really right up there with some of the top other options that are available?

Interviewer: Thanks, Jim. Chadd, we have about 90 seconds.

Chadd: Sure. So, one good example of an offender would be Amazon. And Amazon is a great business. But if you look at their products, they sell both contraception and pornography. So, we would stay away from that. With respect to performance, the Growth Fund is compared to the S&P 500. The S&P 500 in the last year, was driven by the performance of the same stocks, many of which are violators due to pornography or contraception. And we finished 2020 neck and neck with the S&P in a year when the S&P's returns were driven by these offenders. And so, I think if we can finish neck and neck with it in a year where the performance were driven by these offenders, and there's going to be times when their performance aren't being driven by these offenders. And, you know, what does that mean for our ability to pick stocks that are going to outperform in those years?

Interviewer: Well, Chadd, thanks so much for being with us. And of course, our listeners can go to AveMariaFunds.com for much more on the Ave Maria Focused Fund. Appreciate your expertise. Thanks for being on the show.

Chadd: Thank you for having me on. I enjoyed it,

Interviewer: Many blessings to you. Chadd Garcia, vice president of a Schwartz Investment Counsel, the lead portfolio manager for the Ave Maria Focused Fund.

Performance as of June 30, 2021

	Year to Date	1 Yr.	3 Yrs.^	5 Yrs.^	10 Yrs.^	Since Inception^*	Prospectus Expense Ratio
Ave Maria Growth Fund	13.76%	36.13%	19.54%	19.34%	14.18%	12.62%	0.92%
S&P 500 [®] Index	15.25%	40.79%	18.67%	17.65%	14.84%	11.10%	

^ Annualized * Since Inception date is 5-1-2003

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.

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 July 22, 2021.

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