



CHADD GARCIA ON RELEVANT RADIO - MORNING AIR SHOW

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John Morales: And welcome back to Morning Air. I'm John Morales, along with Glen Lewerenz. Thanks so much for joining us on this Friday morning. I want to switch gears. How many of you are currently investing in the financial markets? If you want to be part of the conversation, (888) 914-9149. Now, there's no question that the current market is challenging, to say the least. We have a lot going on with the end of the pandemic, the war in Ukraine, record 7.9% inflation, and now record gas prices, with the national average over four and a half dollars a gallon. So how can we develop a safe portfolio in this current economic climate? That is the question. Joining us now is Chadd Garcia to discuss the current market situation and some of the mistakes that stock investors make. Chadd is Vice President of Schwartz Investment Counsel, Inc., the Lead Portfolio Manager of the Ave Maria Focused Fund, and the co-portfolio Manager of the Ave Maria Growth Fund. And he's also responsible for equity research functions for the firm. Good morning, Chadd. Welcome back to Morning Air. Great to be with you once again.

Chadd Garcia: Good morning. Great to be here.

John Morales: Chadd, first of all, how should long term investors protect themselves and take advantage of the current market? How challenging is this current market situation?

Chadd: Well, I think you summed it up pretty accurately. We have the remnants of a 1918 style Spanish flu pandemic, with the beginning of a 1940 style World War; we have a 1970 style oil shock, and we have 1970-1980 style inflation, and we have it all at once. So, if you put all that together, it doesn't sound too great to be an investor. But I don't think long term investors should be too concerned. You know, it's hard not to get emotional about the market, but wealth is created by compounding your nest egg over a long period of time. The biggest mistake investors can make is to interrupt their compounding

unnecessarily. So, if you have a longer time horizon, I think it's the best just to stay in the market and keep investing at the same rate that you always do.

John Morales: Obviously, it can be a little bit scary times with everything that's going on, as you just mentioned. I mean, there's a lot that's happening and people are really feeling the high inflation, especially when you go put gas in your gas tank. So, the question is, given these current conditions, and these current market challenges, what type of investments do you think are likely to do well?

Chadd: Well, in the near future, commodities are going to do quite well. I mean, Russia and the Ukraine supply 29% of the world's wheat. This year's crop of wheat, at least for the Ukraine, is not likely to get planted. Russia supplies 13% of the world's fertilizer. Russian fertilizer for most of the world is going to be cut off as long as there's sanctions in place and then consequently, food prices are going to go up. Energy prices are up on the lack of Russian energy being exported. This is going to hurt Europe much worse than it hurts us. We get probably around 5% of our oil from Russia, although Europe gets a very large amount of their natural gas from Russia.

John Morales: And obviously, that's seizing because President Biden says we're no longer doing business as far as gas and energy from Russia. So, it's a lot to keep in mind for an investor.

Chadd: Yeah. You know, commodities are going to do well in the short and intermediate future. The danger with them is that they're prone to boom-and-bust cycles. High prices lead to overproduction, which leads to lower prices. So, if you pivot investing in commodities now, you have to be very cognizant of when to sell or look for commodity exposed companies that aren't prone to boom-and-bust cycles. For my portfolio in the Focused Fund, we have about 13% of the positions exposed to commodities, but they are in companies that are less exposed to the typical boom-and-bust cycle.

John Morales: Chadd, aside from these commodities, how do you invest during these times, this period of rising crazy inflation? I mean, we're talking close to 8% as we speak.

Chadd: Well, I like to invest in companies that have both pricing power and generate a high return on invested capital. So, said another way, companies that generate high returns on invested capital are companies that require very small investments in order to grow. And so, some examples of those would be software companies. If inflation goes up, the software companies, they're not manufacturing anything; They'll have some wage inflation, but that's about it. So, they should be able to do really well, especially manufacturers, where you're the only type of producer of a certain product. You have pricing power in those scenarios, those usually do well. Luxury goods companies, oddly enough, do quite well. The rich will always be with us, and they are less price sensitive to price increases.

John Morales: The question is what can we do and not make mistakes? How to avoid mistakes for the average investor that's looking to take advantage of the current situation here in the markets?

Chadd: Well, the biggest mistake investors make is to interrupt their compounding. If you're putting money into your 401(k) or into your investment account twice a month, continue to do that. Don't try to time the market. Don't trade excessively. Both of those interrupts compounding. Don't get shaken out of your holdings. That's another way that people interrupt their compounding. If you sell a fund, a mutual fund, or a stock, and that stock goes up, you usually are anchored to the lower price and you are reluctant to get back in, even though you should be in the market. Continue to make regular contributions to your investment portfolio and don't focus on short term price movements.

John Morales: Chadd, what has been your personal experience there on the ground dealing with investors during these trying times? Do you see investors looking at opportunities or do you see sometimes them being sort of gun shy, a little nervous about investing their money?

Chadd: Well, we run mutual funds, and so we're not stockbrokers. So, we have less interaction with retail investors as a money manager would be. But I would see the fund flows. So, are people putting money into our funds or taking it out? And I don't think the pandemic or excuse me, the war in Ukraine has had too much of an effect on what our investors are doing, the fund flows seem pretty normal with respect to what institutional

investors are doing. I see my colleagues as well as myself, are looking for opportunities to get in stocks that were good businesses, that are going to be good businesses for the long run. That may have been a little bit overpriced in the last year and the prices are looking much more attractive. So, you're making some small movements in our portfolio to take advantage of the of the weakness in prices.

John Morales: In the moments that we have, just a word on the Ave Maria Mutual Funds, morally responsible funds. Can you talk to us a little bit about what our listeners should know about Ave Maria Mutual Funds?

Chadd: Yes, we run around \$3 billion of assets under management. We're the largest Catholic Mutual Fund Family in the US. We have six funds that enable investors to align their financial goals with their moral beliefs. We place an equal emphasis on investment performance and moral criteria in selecting the companies that we invest in. If you want to learn more, they can find us at www.avemariafunds.com or give us a call at 866-AVE-MARIA.

John Morales: Again, www.avemariafunds.com. I appreciate your insights; I know that Ave Maria Mutual Funds as well as the Focused Fund, are doing a great job, especially for people of faith, for Catholics and other Christians who care about where their money is going; they want to invest morally and responsibly. Chadd, thanks so much for being with us once again. I appreciate you taking the time to give us a thumbnail sketch of what's going on in the financial world these days.

Chadd: My pleasure. Great to be with you.

John Morales: Thanks so much. Chadd Garcia, Vice President of Schwartz Investment Counsel, Inc. and the Lead Portfolio Manager of the Ave Maria Focused Fund.

IMPORTANT INFORMATION FOR INVESTORS

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 9, 2022.

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