Economic Summary

Emergency monetary and fiscal spending continues to be implemented despite an economy that by most measures is running hot. At the onset of the COVID outbreak last year, the Federal Reserve (the Fed) unleashed monetary policy like never seen before as they cut short-term interest rates to zero and implemented a new round of quantitative easing (QE). QE consisted of the Fed purchasing $120 billion per month in U.S. Treasuries and mortgage-backed bonds in an effort to keep the yields on longer maturity bonds low. The Fed has indicated they will start "tapering" QE later this year and will adjust the rate of doing so by observing inflation and employment data. Looking at Charts 1 through 3, one should ask exactly what the Fed is waiting for. Washington's use of fiscal policy has pushed deficit spending to levels not seen since WWII, and with an additional $3.5 trillion being kicked around, the deficit will continue to grow. It's hard to conceptualize how all this money printing and deficit spending won't lead to massive inflation.

Chart 1
Source: Evercore ISI, "Morning Economic Report", 10/8/21
(NFIB – National Federation of Independent Business)

Inflation is getting more mainstream attention as current readings are coming in higher than expectations, and companies have started to pass along higher labor, commodity, and shipping costs to consumers through higher prices on finished goods. Anecdotally, the number of companies mentioning inflation on their earnings calls reached the highest level since FactSet began tracking the data in 2010. Its looking like inflation will be more permanent than the Fed initially expected.

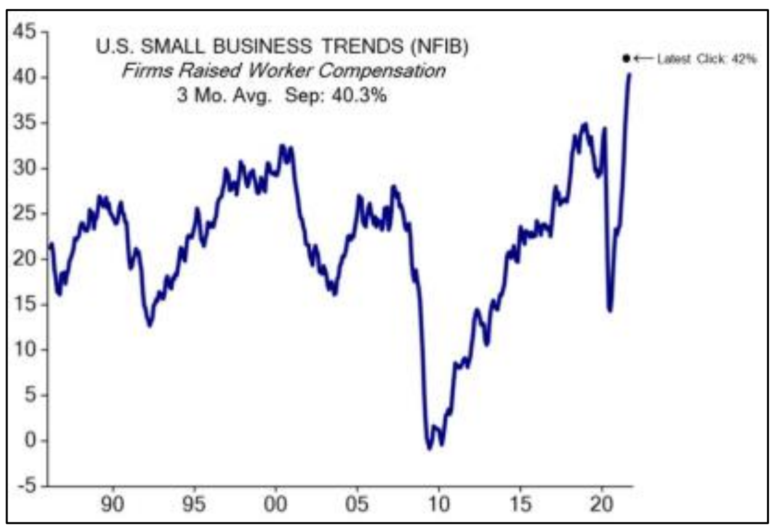

Chart 2
Source: Evercore ISI, "Morning Economic Report", 10/8/21
(NFIB – National Federation of Independent Business)

The Stock Market

The third quarter saw the outperformance of large-cap and growth stocks. The small-cap Russell 2000 index had a total return of -4.4% (Chart 4) vs. the large-cap, technology-heavy S&P 500, up 0.6%. The outperformance of the S&P 500 during the quarter of nearly 5% was enough to propel year-to-date outperformance to 3.5% over the Russell 2000 (Chart 5). The Russell 1000 Value Index was down 0.8% and gave up nearly 2% to the Russell 1000 Growth Index (Chart 6), but on a year-to-date basis, the value index is still besting the growth index (Chart 7).

When identifying companies, we look for those that have strong balance sheets, operate with sustainable competitive advantages, and consistently produce above-average cash flow margins. These companies have the potential to succeed regardless of market-cap size, growth/value orientation, and the idiosyncrasies of the macro-economic environment.

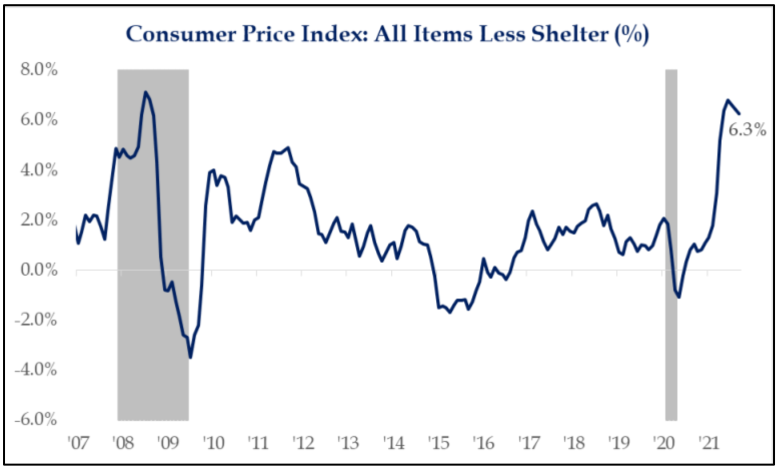

Chart 3
Source: Strategas Research Partners, "Quarterly Review in Charts", 10/4/21

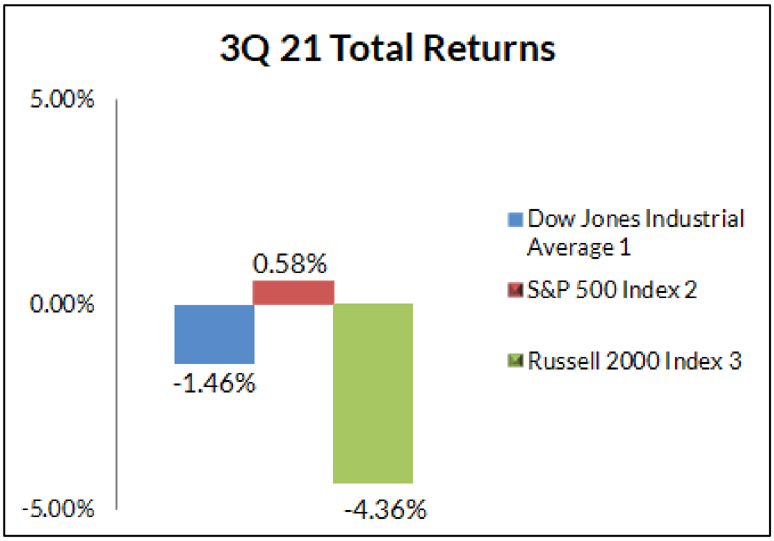

Chart 4
Source: Morningstar Direct

[1] The S&P 500® Index is a capitalization weighted unmanaged index of 500 widely traded stocks, created by Standard & Poor's. The index is considered to represent the performance of the stock market in general. [2] The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. [3] The Russell 2000® Index is an unmanaged index of the smallest 2,000 stocks in the Russell 3000® Index. You cannot invest directly in an index.
Past performance does not guarantee future results.

The Bond Market

The 10-year U.S. Treasury Note yield hit an inter-quarter low of 1.15% in early August and finished nearly where it started, at approximately 1.5%. Corporate credit spreads remain near all-time lows, as investors hungry for yield continue to push yields lower. The Fed, by keeping short-rates low and QE in place, has forced investors into riskier assets in search of yield. Within this environment, we believe investors should be conservative by keeping maturities short and credit quality high.

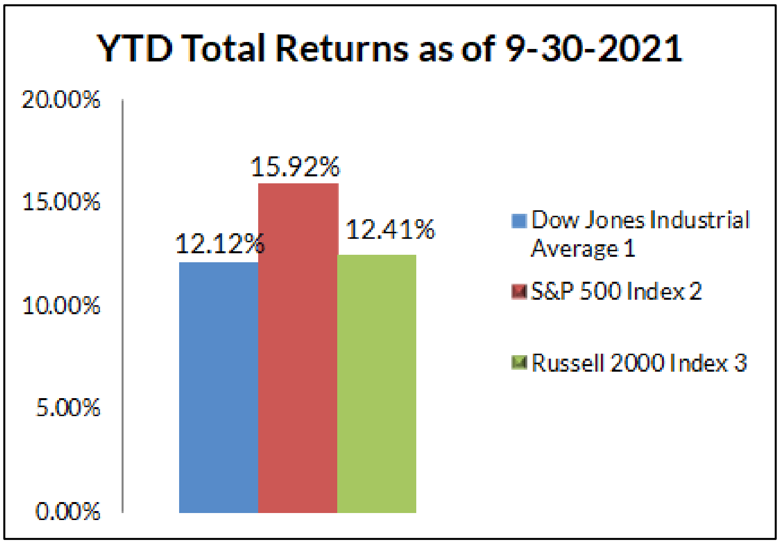

Chart 5
Source: Morningstar Direct

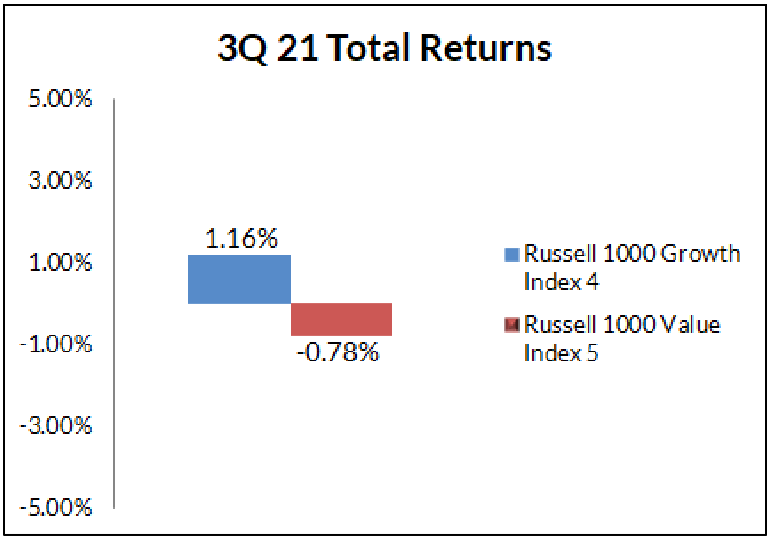

Chart 6
Source: Morningstar Direct

[4]The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values. [5] The Russell 1000® Value Index Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

Past performance does not guarantee future results.

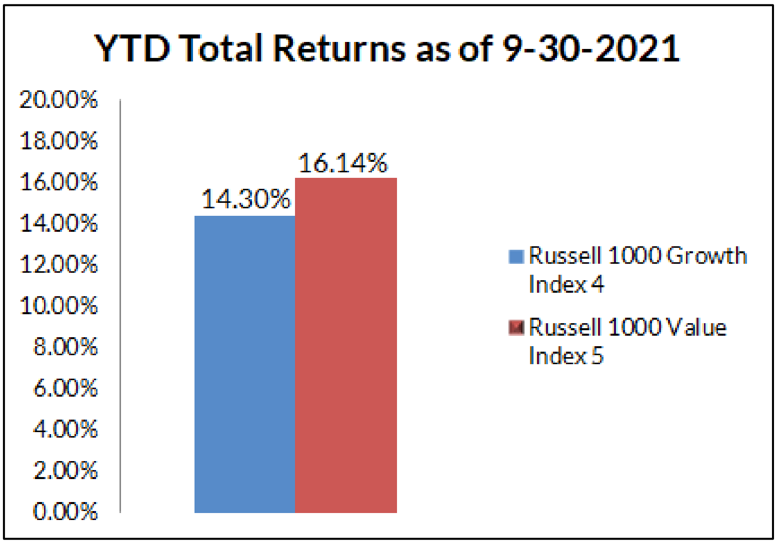

Chart 7
Source: Morningstar Direct

Past performance does not guarantee future results.

The Ave Maria Division was established in April 2001 and is a division of Schwartz Investment Counsel, Inc., which was established in 1980. The Ave Maria Division became GIPS compliant in February 2009. The Ave Maria Division has a Catholic Advisory Board that reviews the companies selected for investment to ensure that the companies operate in a way that is consistent with the teachings and core values of the Roman Catholic Church. The Ave Maria Division is responsible for all accounts under Schwartz Investment Counsel, Inc. that are managed according to the Catholic mandate as defined by the Ave Maria Division's Catholic Advisory Board. For GIPS purposes, the Ave Maria Division has been defined as the "Firm", and is held out to clients and potential clients as a distinct business entity.

Prospective investors should consider the account's investment objectives and risks carefully before investing.

300-02-011522