CRI Quarterly Review
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CBIS Catholic Responsible Investing

A Conversation with Chief Investment Officer John W. Geissinger, CFA, and Managing Director Connie M. Christian, CFA

CBIS

John W. Geissinger, CFA

Chief Investment Officer

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Connie M. Christian, CFA

Managing Director

The level of inflation is the highest it's been since the '80s and interest rates are rising for the first time in 40 years. Is there a new reality taking shape or is the market adjusting to life after COVID?

Mr. Geissinger: I'd suggest the market is adjusting. Economic demand post-COVID has essentially returned to normal, but we're still seeing shortages of goods. Meanwhile, inflationary pressure has given monetary authorities around the world air cover to normalize interest rates and end what's been an era of financial repression.

Are we seeing the end of what were essentially artificial yields?

Mr. Geissinger: I think so. There will be some short-term pain, sure, maybe some reduction in economic growth in 2023, but a normalized bond market sets a floor of return that we can achieve now over the next 10 years.

Ms. Christian: I like to remind investors that in the bond portfolios, coupons are being reinvested at a higher yield, which is definitely good news.

There's talk that higher rates will lead to a recession.

Ms. Christian: Maybe, but recession is not automatically a negative for equities. The stock market is forward-looking and tends to incorporate future prices in the current valuations.

> **"Companies that can truly generate a return on invested capital are going to fare well."**

Is it reasonable to think that inflation will begin to decline?

Ms. Christian: Sure, but it may not come down as far as we might expect from a fundamental standpoint. Inflation, after all, is an elegant way for governments to reduce debt.

It appears that more industries and sectors are participating in the recent market rallies. Doesn't that favor money managers who follow companies over indexers?

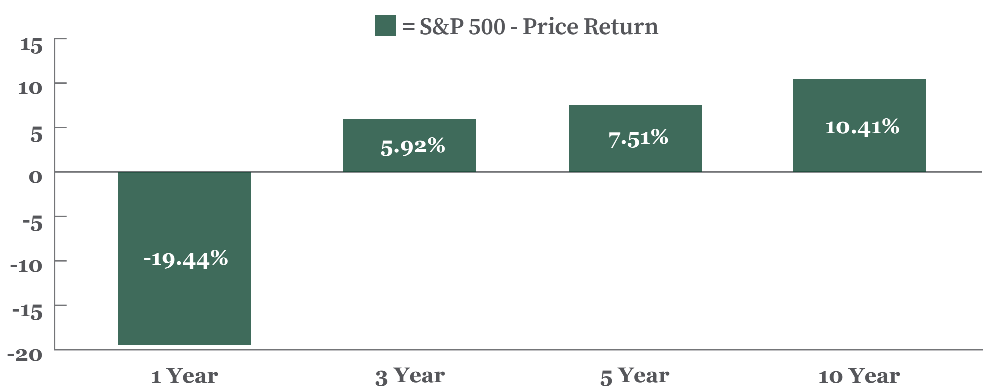
Mr. Geissinger: I'm optimistic that will be the case. Companies that can generate a return on invested capital are going to fare well. Normalization has the potential to broaden the market across the capitalization range and geographies. This environment is when active management is important.

Are you satisfied with how the CBIS sub-advisers have managed through this cycle versus expectations?

Mr. Geissinger: I can say that our portfolios performed within expectations. The fixed-income funds have done well. Any short-term underperformance can be attributed primarily to our bias toward quality, which took a beating in 2022.

Ms. Christian: Beyond being satisfied with how we've maneuvered through this tough stretch, we're pleased with the sub-advisers' ability to stay disciplined and not make decisions based on emotions. Our discipline gives us a lot of confidence that we'll be able to live through these times and be well-prepared for a market turnaround.

S&P 500 Performance



12/31/2012 to 12/31/2022 (Q) Currency: USD Portfolio: S&P 500 - Price Return Annualized Return

Are we coming out of this bear market environment any time soon?

Mr. Geissinger: I'm willing to suggest that as the economy begins to slow, stocks will begin to do better. I believe as we enter 2023, we're going to have a pivot. And we're struggling with this right now.

Ms. Christian: In these uncertain times, any bit of news will push things dramatically one way or another. I remind our investors that while the S&P 500 closed out the year down almost 20%, the index is still up about 10% for the ten-year period. This is a good reminder to stay focused on the long term as we live through this short-term pain.

Mr. Geissinger: We're talking about the equity markets, but this market has been harder on the fixed-income sub-advisers. It's exciting to come into 2023 with some kind of yield on bond portfolios.

"Look how adaptable people and companies have proven to be."

Ms. Christian: And look at what happened during COVID, how adaptable people and companies have proven to be. That's the light at the top of the hill.

Important Information

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Contact Us

We want to hear from you!

If you have questions please reach out to our Catholic Responsible Investments℠ team at:

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