CRI Quarterly Review

Q4 2023

CBIS®
Catholic Responsible Investing

A Conversation with CBIS' Chief Investment Officer, John W. Geissinger, CFA, and Hoa N. Quach, CFA, Managing Director, Catholic Responsible Investments

CBIS

John W. Geissinger, CFA

Chief Investment Officer

CBIS

Hoa N. Quach, CFA

Managing Director, Catholic Responsible Investments

As you look back on 2023, what came as a surprise?

Mr. Geissinger: The global equity markets. Non-U.S. stocks were up more than 14% for the year while U.S. equities gained around 25%. I don't think anyone expected the global economy to be as strong as it was.

Is this the return to financial normalcy you've spoken about before?

Mr. Geissinger: The fixed income market has been overvalued for the last 15 years. What we're experiencing now, I believe, is the great reset, the return to normalcy, the end of financial repression. Whatever term you want to use, I think we're going through a period that will get us back to equilibrium.

Ms. Quach: Which means growth stocks will lose a certain advantage they've maintained for a while.

In this more normal period, we expect that it's going to be more about how well you pick stocks and less about growth versus value.

Mr. Geissinger: That might be the moral of the story coming in to this post-financial-repression era. Now that the central banks have readjusted interest rates back to near normalcy, financial fundamentals will to start to play out.

> **"We expect that it's going to be less about growth versus value going forward and more about how well you pick stocks."**
> **— Hoa Quach**

Are you saying 2023 was a transitional year?

Mr. Geissinger: We've at least started to move back to a post-financial-repression era driven by true economic fundamentals like the growth rate of the economy, unemployment, and price stability.

Doesn't an environment like this favor an active management approach like Catholic Responsible Investments?

Ms. Quach: Absolutely. We realize that the way a manager derives returns will go out of favor at some point. That's why we combine different types of managers with different return drivers into one fund so that we can take advantage of both their stock picking abilities and their underlying return drivers.

Mr. Geissinger: We also believe it's the quality aspect that pays off in the long term. There will be periods of underperformance, but over the long term we believe a focus on quality with conviction is the recipe for success.

What's your take on the so-called Magnificent Seven? It had to be the story of 2023.

Ms. Quach: It's true this short list of tech companies did much better than the other 493 stocks in the S&P 500 last year. In fact, if you strip away those seven companies, U.S stocks underperformed non-U.S. stocks. But a lot of the Magnificent Seven gain was just making up for what they lost last year.

Mr. Geissinger: What matters is our funds didn't need to rely on having those seven stocks in order to outperform. The year was a great example of how a diversified approach like ours can outperform the S&P 500 regardless of concentration.

What do you think about the job central banks around the world have done fighting inflation?

Mr. Geissinger: I'm reminded of a couple of old adages. You never fight central bankers and you never talk poorly about any chairman while he or she is still in office. A year ago, I would've given the bankers less than a 10% chance of achieving a soft landing. At this hour, I believe they just might be in position to pull it off. I'm rooting for the world's bankers.

What do you expect for the next 12 months?

Mr. Geissinger: I think the equity markets will coalesce around the fundamentals. It's going to be about what companies can generate earnings consistently over the long term.

Ms. Quach: I've never been one for making predictions, but I think in an environment where rates aren't expected to increase, maybe even come down, we should be optimistic for most of the stock market.

Contact Us

We want to hear from you!

If you have any questions, please reach out to your CBIS representative:

info@cbisonline.com or **(877) 550-2247**