AVE MARIA MUTUAL FUNDS

Market Commentary

2ND QUARTER 2011

Economic Summary

Wide swings in investors' sentiment highlighted the second quarter. It is hard to believe that in the three-month period, investors' expectations could vacillate from thoughts that the economy was gaining momentum in mid-April to widespread fears of double-dip recession by early June. Hopes that a slowing U.S. economy will reaccelerate this fall sparked a rally that left the averages slightly ahead for the quarter (CHART 1).

For the first six months ending June 30, 2011, the S&P 500® Index was up 6.0%. The S&P 500® sectors that have performed the best so far in 2011 are Healthcare and Energy. The poorest performing sectors have been Financials and Technology.

As we look to the second half of the year, there is an apparent dichotomy between corporate performance and the overall health of the economy. On the one hand, two years after the official end of the recession, a range of indicators show the economic recovery has been one of the worst since the government began tracking such data after World War II: unemployment is too high, particularly the long-term unemployed; bank lending necessary to spur lending is too low; and household expectations for financial well-being are near record lows (CHART 2).

However, offsetting this gloomy backdrop is the fact that corporate profits are setting records (CHART 3 ON NEXT PAGE). In turn, this strength in earnings increases the likelihood that businesses will buy additional capital equipment and eventually increase hiring that will lead to a more normal looking economy.

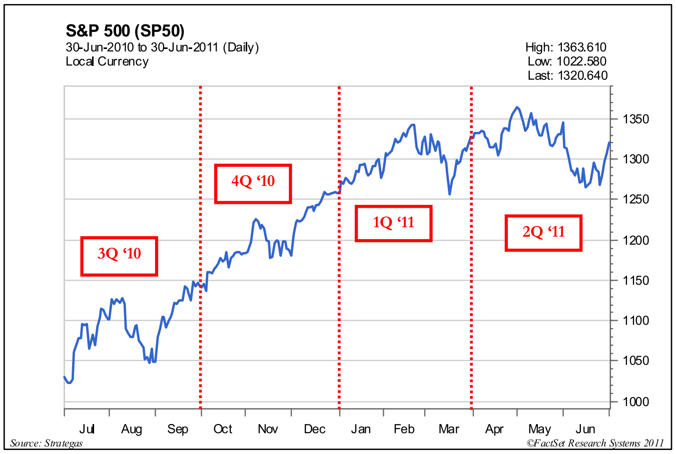

Chart 1

SOURCE: STRATEGAS RESEARCH PARTNERS "QUARTERLY REVIEW IN CHARTS", JULY 5, 2011

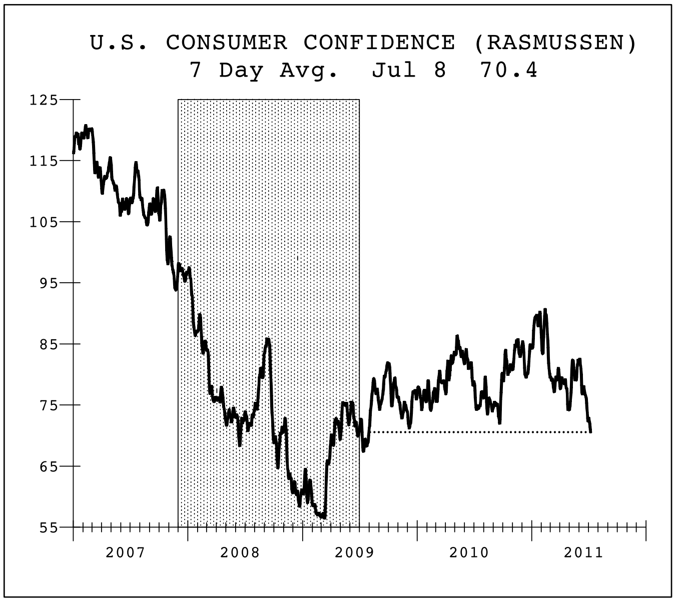

Chart 2

SOURCE: ISI GROUP – "DAILY ECONOMIC REPORT", JULY 8, 2011

Past performance does not guarantee future results.

Economic Summary (CONTINUED)

In our view, the rising corporate profits, particularly for those companies in the technology and manufacturing sectors, are the result of steady demand from emerging markets, where companies are deriving an increasing share of their sales. Cost-cutting done as a result of the recession is another important factor in improved productivity and profitability.

Equity Market

We think the equity markets have largely priced in the worst of the economic and political news, and may be overlooking the temporary nature of many headline issues. In the tragic aftermath of the deadly earthquake and tsunami, Japanese businesses are beginning to get back on track. Lately, the prices of oil, corn, and other commodities have retreated from their highs set earlier in the year. We expect that the U.S. debt limit will get raised, taking the "default" issue off the front pages. This will likely be a short-term solution to a long-term spending problem that will be put off for now. In our opinion, stocks continue to look attractive from a valuation standpoint. The S&P 500® is currently trading at only 13 x projected 2011 earnings, which is well below the average P/E of 18 x for the last ten years. From a longer-term perspective, rolling 10-year equity returns for the S&P 500® Index are just beginning to turn up from a secular low (CHART 4). Note in the past, low returns (I.E.: LATE '30S AND MID '70S) were followed by sustained improvement that lasted for decades.

As contrarians, we view the fact that individual investors are apathetic and underinvested in stocks favorably. It appears that they continue to funnel money out of stocks and into bonds, which we believe are mostly overpriced.

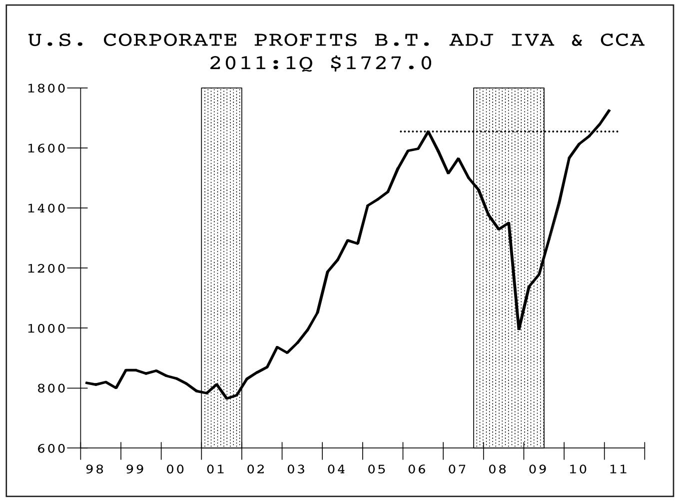

Chart 3

SOURCE: ISI GROUP – "DAILY ECONOMIC REPORT", JUNE 24, 2011

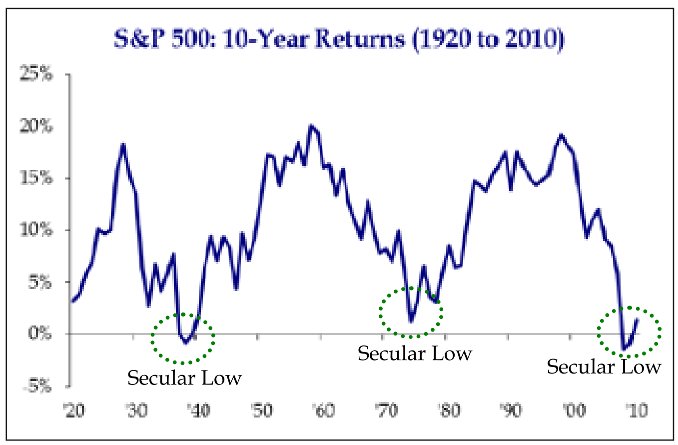

Chart 4

SOURCE: STRATEGAS RESEARCH PARTNERS – CONFERENCE CALL CHARTS, JUNE 9, 2011

Our stock selection strategy remains the same. We are investing in companies with strong fundamentals, such as high returns on invested capital, free cash flow generation, and increasing dividends. Stocks that meet these requirements and are attractively priced have been added to our portfolios.

Past performance does not guarantee future results.

Fixed Income Market

Our bond strategy is also unchanged. We remain concerned that the government's stimulus programs will lead to an increase in inflationary pressures. Chart 5 shows that inflation is now showing signs of accelerating. To best protect principal, we have invested our portfolio in top-quality, short and intermediate-maturity issues.

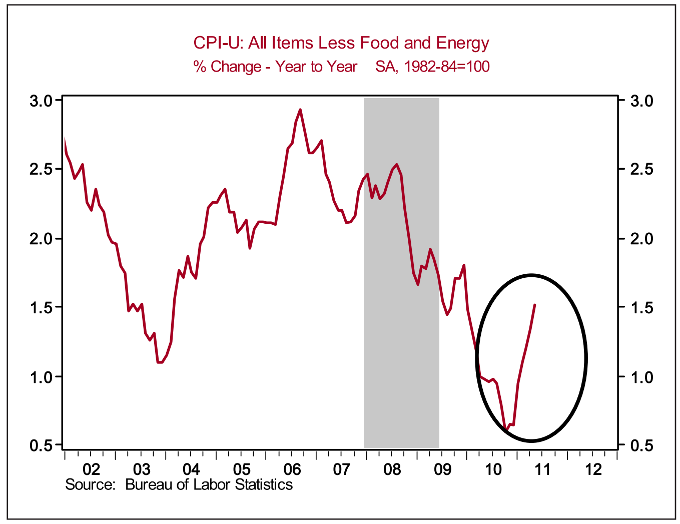

Chart 5

SOURCE: STRATEGAS RESEARCH PARTNERS "QUARTERLY REVIEW IN CHARTS", JULY 5, 2011