



# INVESTING WHILE TAKING THE HIGH MORAL GROUND

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When it comes to investing, most individuals focus simply on the bottom line – the rate of return generated and how much money they made. Many investors don't consider that the companies in which they invest may violate their strong personal beliefs. The good news is that investors don't have to compromise their values if they invest in a morally responsible manner. Research shows that the average equity fund with a religious or moral bent had similar performance to those without any moral screens over the three-, five- and ten-year periods ended March 31, 2021. In this report we will explore morally responsible investing in detail and establish that one can invest successfully while taking the moral high ground.

## MORALLY RESPONSIBLE INVESTING DEFINED

Morally responsible investing (MRI) is a subset of the growing field of impact investing. Simply put, impact investing screens something out of a portfolio to align with the belief system of an investor. Impact Investing is also known as Sustainable Investing and has also been called Socially Responsible Investing (SRI) or Environmental Social and Governance (ESG) investing. Estimates of the size of the Impact Investing universe vary, but an internet search will provide proof of its popularity and growth. MRI funds can be different in that they may screen out companies that conflict with moral values such as abortion, embryonic stem cell research and pornography. Some MRI funds may be considered to be both pro-life and pro-family and have a strong focus on the sanctity of life.

## UNIVERSAL APPEAL

Mutual funds that are considered morally responsible have different variations based on religious faiths, but the focus of this report is on the Catholic religion. The word Catholic literally means universal, so the moral restraints may also appeal to a broader, non-Catholic audience. The U.S. Catholic population is currently 72 million<sup>2</sup>, representing approximately 21%<sup>3</sup> of the U.S.'s total population. Roughly half of these are adults and at least six million are investors. Regardless of religious orientation, these funds may be most appropriate for conservative, pro-life and pro-family investors.

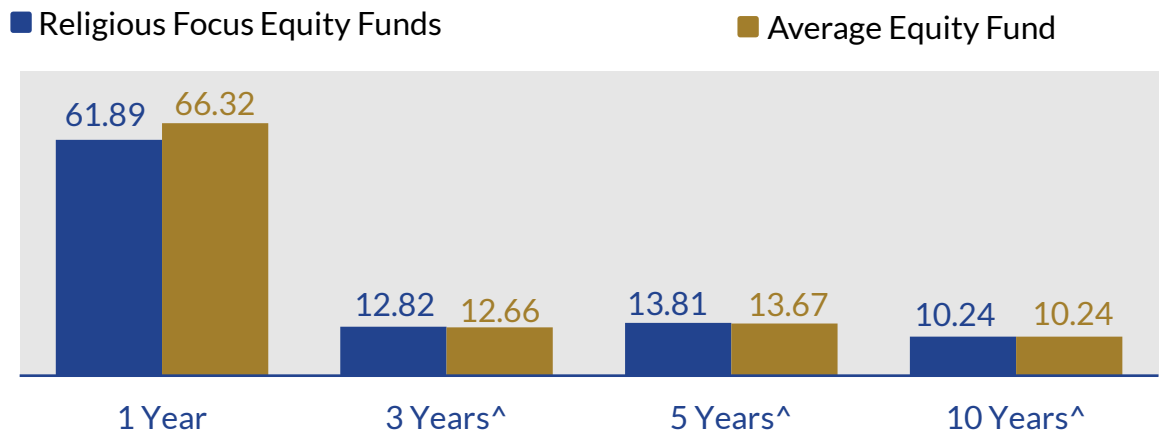
## MRI – AN INVESTMENT STRATEGY WORTH CONSIDERING

Some individuals will be placated that their investments are aligned with their moral values and will be indifferent regarding their returns, but many will desire having their proverbial cake and eating it too. Our research shows that investors utilizing an MRI mutual fund can “do well, by doing good.” Of the numerous Impact Investing funds, some have a distinct religious focus. Among these are funds with various investment objectives, and they utilize different asset classes. Since equities have historically provided the greatest returns and should be the foundation of any long-term investment plan, we conducted an additional screen to segregate equity funds. As of March 31, 2021, our research indicates there are 40 funds in this subset we refer to as “Religious Focus Equity Funds.” Religious Focus Equity Funds may include funds that invest in accordance with religious faiths besides Catholic, such as Lutheran, Baptist, Presbyterian, Mennonite and Judeo-Christian. This subset was then compared to all other equity mutual funds. On average, the Religious Focus Equity Funds group had similar performance to other equity funds without a religious/moral discipline during the three-, five- and ten-year periods ended March 31, 2021 (**Figure 1**).

Research shows that investors utilizing an MRI mutual fund can “do well, by doing good.”

### FIGURE 1: RELIGIOUS FOCUS EQUITY FUNDS COMPARISON

Total Returns (%) for the periods ended March 31, 2021 (^Annualized)



Past performance does not guarantee future results. You cannot invest directly in an index. It is not possible to invest in the category of funds we refer to as Religious Focus Equity Funds (the “RFEF”). The RFEF was created by Schwartz Investment Counsel, Inc. (“SICI”) to provide an example of how the performance of faith based mutual funds compare over time to the non-faith based funds. The underlying performance data for each of the funds making up the RFEF was derived from Morningstar Direct. As of March 31, 2021, the Average Equity Fund Group was comprised of 4/7 Upequity funds for the 1 year, 3 year, 5 year and 10 year periods, respectively. To be classified as an equity fund Morningstar requires that a majority of a fund’s holdings be invested in stocks. Please note that the performance numbers of the Average Equity Fund Group excludes RFEF funds and was calculated using a simple average for all the equity funds tracked by Morningstar for the respective periods. Morningstar did not calculate the performance numbers used for the RFEF. SICI calculated the average performance (simple average not asset weighted) for the RFEF over the stated periods. The performance numbers of the RFEF should not be considered representative of the performance of the Ave Maria Mutual Funds. Included at the end of this report is a performance table showing the standardized performance data of the Ave Maria Mutual Funds through the most recent calendar quarter end. To calculate a simple average each fund is assigned an equal weighting, while a weighted average would assign different weightings to each based on certain criteria, such as size.

## CONCERNS AND BENEFITS OF MRI

One concern about MRI is the potential opportunity lost by not being able to invest in stocks that violate a moral screen. Investors may take solace in the fact that they really aren't missing much. Based on the moral screens employed by the Ave Maria Mutual Funds, only a small percentage of investable companies are excluded. Of the 3,000 companies in the Russell 3000® Index, approximately 150 companies do not pass the moral screens, meaning 95% of the companies can still be considered for investment.

## AVE MARIA MUTUAL FUNDS

As of March 31, 2021, the Ave Maria Mutual Funds had \$2.7 billion in assets under management. Among our 50,000+ shareholders are over 400 institutions with accounts ranging from \$10,000 to \$20 million. While our shareholders are predominantly Catholic, we estimate that roughly 10% are not, indicating that moral values and the pursuit of good returns can cross denominational lines.

Schwartz Investment Counsel, Inc. serves as investment adviser to the Ave Maria Mutual Funds. The Firm is a Registered Investment Adviser (RIA) with the Securities and Exchange Commission (SEC). Founded in 1980 by George P. Schwartz, CFA, the Firm is committed to providing superior investment counsel to families and fiduciaries that choose to employ a disciplined approach to investing.

The Funds take a pro-life and pro-family approach to investing, with a proprietary moral screening process that examines corporate compliance with Catholic teaching regarding abortion, pornography, and policies that undermine the sacrament of marriage. Investments are made only in companies whose operations do not violate core teachings of the Roman Catholic Church as determined by the Funds' Catholic Advisory Board. The Board is composed of prominent Catholics who meet regularly to review the Funds' religious standards and criteria.

The Fund family consists of four domestic equity portfolios; Value Fund, Growth Fund, Rising Dividend Fund and Focused Fund, as well as two other funds to help diversify a portfolio, World Equity Fund and Bond Fund. The Funds are broadly diversified over several industry sectors with no big bets in any one industry or stock. No investments are made in derivatives, mortgages or asset-backed securities, or short sales.

Only 5% of the companies in the Russell 3000® Index do not pass moral screens.

### Facts about the Ave Maria Mutual Funds

- Launched in 2001
- We are the country's largest Catholic mutual fund family (pro-life and pro-family)
- Emphasis placed on both investment performance and moral criteria in selecting securities
- Professional portfolio managers and analysts average over 20 years of investment experience

## OUR INVESTMENT PHILOSOPHY

“Smart Investing and Catholic Values,” is the tagline we use in our marketing efforts, and the order of its two messages is intentional. We strive to be smart investors first and place a strong emphasis on fundamentals, which is the backbone of our investment philosophy. We believe that investing requires a rational, orderly, business-like approach, which balances initiative, prudence, and maintenance over an extended period of time and will likely yield positive results. As value investors, we carefully analyze all of the things of worth in a company, add them up, subtract the liabilities, and compare the result to the price-per-share at which the company is trading in the marketplace. If the company’s intrinsic business value (i.e., the value we assign it) is significantly greater than the market price of its shares, then that company is a logical investment candidate. Specifically, we seek companies exhibiting the following traits:

- Growing stream of sales and earnings
- Low debt
- High return on equity
- Free cash flow
- Demonstrated integrity among corporate managers

We adhere to the age-old philosophy of buy low and sell high, one often ignored especially in times of market turbulence. We are not deterred by volatility because we believe it presents an opportunity to buy low. Our focus is on the long-term, and our aim is to keep a stock in a portfolio for three years or more. This results in portfolios typically consisting of 25 to 50 stocks with a low turnover.

Moral characteristics aside, companies are sought that should appreciate in price. In general, companies that are well-managed, whose decision makers follow shareholder-friendly business practices, offer good products, and deal ethically and reliably with their suppliers, employees and customers are those that are often considered by our portfolio managers for inclusion in the Funds.

In the words of George P. Schwartz, CEO of Schwartz Investment Counsel, Inc., the investment adviser to the Ave Maria Funds, “investing is not gambling, it’s hard work, but with seriousness, maturity, dedication and a willingness to take prudent risks, you can learn, and you can make capital out of experience.”

Our philosophy is rooted in five key tenets:

- Err on the side of conservatism
- Know the field in which you invest
- Be a contrarian
- Be patient
- Buy low – sell high

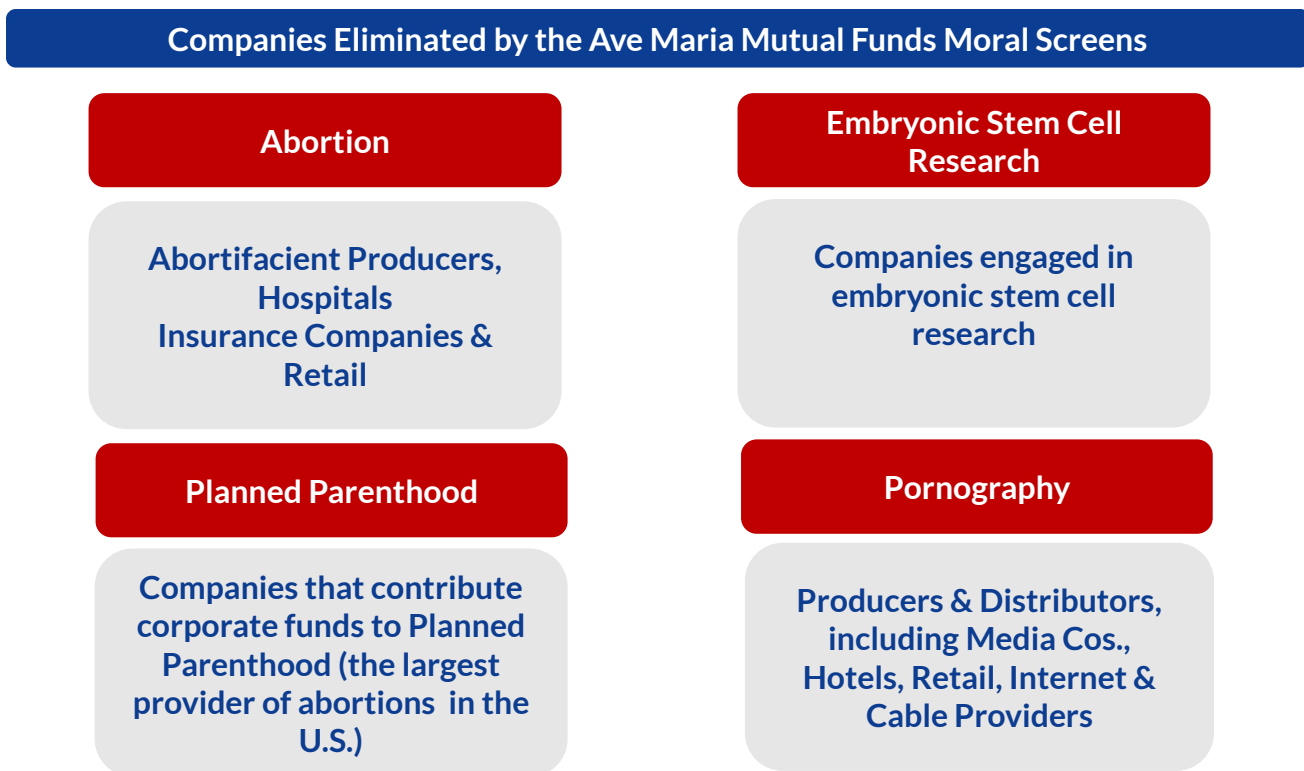
*“Investing is not gambling, it’s hard work, but with seriousness, maturity, dedication and willingness to take prudent risks, you can learn and you can make capital out of experience.”*

George P.  
Schwartz, CFA

## OUR SCREENING PROCESS

In the MRI approach, value and values really are complementary concepts. Our evaluation process consists of conducting fundamental security analysis to identify a company that has good business characteristics, determining whether the valuation is reasonable and investigating whether the company is an offender of our moral screens before we buy its stock. In following the moral guidelines established by our Catholic Advisory Board, we use several commercially available screening services. The diagram in Figure 2 illustrates the types of companies potentially screened by pro-life and pro-family filters.

**FIGURE 2: AVE MARIA MUTUAL FUNDS SCREENING PROCESS**



Our staff is composed of analysts and portfolio managers, not theologians. This highly experienced group includes CFAs and MBAs who strive to produce the best returns possible for our shareholders in a way that does not compromise conscience. We do this by selecting stocks of companies that we believe are fundamentally sound and then apply our moral screens to eliminate those engaged in practices conflicting with beliefs of the Catholic Church.

## CONCLUSION

Simply put, we believe morally responsible investing works. Ave Maria Mutual Funds may appeal to investors seeking competitive returns achieved with pro-life and pro-family values. Please visit our website at [www.avemariafunds.com](http://www.avemariafunds.com) for more information or call 1-866-AVE MARIA (1-866-283-6274).

**Total Returns (%) for the periods  
ended 3-31-21**

<b>Fund (Ticker)/Index</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Years<sup>^</sup></b>	<b>5 Years<sup>^</sup></b>	<b>10 Years<sup>^</sup></b>	<b>S.I.<sup>^*</sup></b>	<b>Gross/Net Prospectus Expense Ratio<sup>1</sup></b>
<b>Value Fund (AVEMX)</b>	<b>17.40</b>	<b>74.32</b>	<b>10.35</b>	<b>13.27</b>	<b>7.46</b>	<b>7.49</b>	1.14%/1.14%
S&P MidCap 400 <sup>®</sup> Index	13.47	83.46	13.40	14.37	11.92	10.06	
<b>Growth Fund (AVEGX)</b>	<b>4.24</b>	<b>55.10</b>	<b>17.87</b>	<b>17.58</b>	<b>13.36</b>	<b>12.25</b>	0.94%/0.94%
S&P 500 <sup>®</sup> Index	6.17	56.35	16.78	16.29	13.91	10.76	
<b>Rising Dividend Fund (AVEDX)</b>	<b>9.73</b>	<b>59.73</b>	<b>12.82</b>	<b>13.08</b>	<b>11.17</b>	<b>9.87</b>	0.93%/0.93%
S&P 500 <sup>®</sup> Value Index	10.77	50.37	11.83	12.31	11.15	8.29	
S&P 500 <sup>®</sup> Index	6.17	56.35	16.78	16.29	13.91	10.28	
<b>World Equity Fund (AWEWX)</b>	<b>6.61</b>	<b>48.14</b>	<b>8.13</b>	<b>9.66</b>	<b>6.06</b>	<b>7.35</b>	1.30%/1.26%
S&P Global 1200 <sup>®</sup> Index	5.29	53.49	13.09	14.04	10.37	10.78	
MSCI World Index	4.92	54.03	12.81	13.36	9.88	10.28	
<b>Focused Fund (AVEAX)</b>	<b>4.59</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>30.43</b>	2.72%/1.26%
S&P 500 <sup>®</sup> Index	6.17	na	na	na	na	42.57	
<b>Bond Fund (AVEFX)</b>	<b>2.84</b>	<b>15.16</b>	<b>5.98</b>	<b>4.62</b>	<b>4.16</b>	<b>4.41</b>	0.49%/0.49%
Bloomberg Barclays Intermediate U.S. Gov/Credit Index	-1.86	2.01	4.36	2.75	2.88	3.53	

<sup>^</sup> Annualized (the Since Inception return for Ave Maria Focused Fund is cumulative)

<sup>\*</sup> Since Inception

Inception dates as follows; AVEMX (5-1-01), AVEGX (5-1-03), AVEDX (5-2-05), AWEWX (4-30-10),

<sup>1</sup>The adviser has contractually agreed to limit the ordinary operating expenses (excluding Acquired Fund Fees and Expenses, interest, taxes, brokerage costs and extraordinary expenses) of the Ave Maria World Equity Fund to an amount not exceeding 1.25% of the Fund's average daily net assets until at least May 1, 2021 and the Ave Maria Focused Fund to an amount not exceeding 1.25% of the Fund's average daily net assets until at least May 1, 2023.

Sources: <sup>1</sup> Morningstar, April 2021, <sup>2</sup>Center For Applied Research in the Apostolate, 2021, <sup>3</sup> The Pew Forum, U.S. Religious Landscape Survey, July 2015

**Performance data quoted represents past performance, which is no guarantee of future results. Investment return and principal value are historical and may fluctuate so that redemption value may be worth more or less than the original cost. Current performance may be lower or higher than what is quoted. Call 1-866-AVE-MARIA or visit [www.avemariafunds.com](http://www.avemariafunds.com) for the most current month-end performance. 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 Funds' investments in small- and mid-capitalization companies could experience greater volatility than investments in large capitalization companies. AWEWX invests in foreign securities and securities issued by U.S. entities with substantial foreign operations. Investments in these securities can involve additional risks relating to political, economic or regulatory conditions in foreign countries. These risks include less stringent investor protection and disclosure standards of some foreign markets; fluctuations in foreign currencies; and withholding or other taxes. AVEFX invests primarily in fixed income securities and as a result the Fund is also subject to the followings risks: interest rate risk, credit risk, credit rating risk and liquidity risk. AVEDX invests primarily in dividend paying companies and it is possible these companies may eliminate or reduce their dividend payments. AVEAX is classified as non-diversified and may therefore invest a greater percentage of its assets in the securities of a limited number of issuers than a fund that is diversified. At times, the Fund may overweight a position in a particular issuer or emphasize investment in a limited number of issuers, industries or sectors, which may cause its share price to be more susceptible to any economic, business, political or regulatory occurrence affecting an issuer than a fund that is more widely diversified. The issuers that the Fund may emphasize will vary from time to time. **Request a prospectus, which includes investment objectives, risks, fees, expenses and other information that you should read and consider carefully before investing. The prospectus can be obtained by calling 1-866-283-6274 or it can be viewed at [www.avemariafunds.com](http://www.avemariafunds.com).** Distributed by Ultimus Fund Distributors, LLC.