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GRACE UNDER PRESSURE

Ave Maria Funds claims investors don't have to sacrifice returns to invest according to Catholic teachings

By JOHN SULLIVAN | PHOTOGRAPHY BY TOM MCKENZIE

"There's no SRI going on here at all," George Schwartz, CFA and president of Schwartz Investment Counsel, bluntly stated at the outset of the interview. "We do MRI."

For those wondering, SRI is obviously socially responsible investing, but MRI?

"Morally responsible investing," Schwartz said.

Although Schwartz is the manager of the Ave Maria Mutual Funds, he gets quite a bit of input, much of it from notable names. The funds' advisory board is a who's-who of high-profile Catholics; retired football coach Lou Holtz, Larry Kudlow of CNBC, pundit Phyllis Schlafly and philosopher Michael Novak are just a few.

The direction they give is what you'd expect with a fund that invests according to religious prescripts.

"We screen for a narrow focus," Schwartz explained. "Abortion is a big one, of course, so any company that performs abortions or donates to abortion providers is prohibited. That includes drug companies that make abortifacients, hospitals that perform them or insurance companies that pay for them. Investment is prohibited in any company that donates to Planned Parenthood, for instance."

Investment in embryonic stem cell research is also prohibited, though Schwartz was quick to point out that adult stem cell research is not.

"Lastly, any company that makes and distributes pornography is screened out, so that includes some hotel chains and the movies they offer," he added.

What about companies like HBO and some of the racier content they sometimes air?

"We have a number of screening service providers the board has approved that make those determinations."

He noted that companies screened out account for around 150 companies out of the benchmark Russell 3000, so the impact is not great, but it's nonetheless strict. The board's direction provides less room for movement on the issue than even that allowed by the United States Conference of Catholic Bishops. That organization states no more than 5% of a company's revenue can come from the mentioned topics in order to invest; for Ave Maria, it's zero.

"Some might say it's operating with one hand tied behind my back," Schwartz argued. "I don't see it that way at all. For me, it's needed direction. And some of


George Schwartz
Rick Platte

those companies we wouldn't invest in anyway; they're just lousy businesses with poor fundamentals."

What about the ongoing argument that investors must sacrifice returns for their conscience when investing in SRI—er—MRI companies?

"We've outperformed the S&P 500 by 171 basis points over the past five years and 480 basis points over the past three years."

The firm employs a bottom-up research process, one that combines an internal research team with analysis from Wall Street. What they really like, he noted, are dividends.

"We like to know what their prospects are for the future and whether or not the dividend payments are increasing. It's an outgrowth of rising sales and earnings, with low levels of debt or no debt at all."

"The importance of their role as capital allocators is understated," added Executive Vice President Rick Platte. "If you're trying to be a long-term investor, as we are, how good is the company at allocating their resources? Do they sit on cash for a while, which hurts their shareholders, or do they do everything they can to deploy it? So we really like dividends, strategic buybacks and any sort of reinvestment in the company."

It's ultimately a question of how well the management treats its shareholders, Schwartz countered.

"They have a fiduciary responsibility to their shareholders, as do we. It's something we constantly remind the boards and the executives of the companies in which we invest. It's not a fiduciary responsibility to the government, nor a fiduciary responsibility to the environment; it's to the shareholders and shareholders alone."

Other items of interest to which Schwartz pointed:

- Ave Maria recently crossed over $1 billion in AUM, including the Ave Maria Rising Dividend Fund (AVEDX), which Morningstar has given five stars and which has experienced the most inflows in Ave's fund group.
- Ave Maria has continued to have strong inflows into equity funds month after month—counter to the industry with around $120 million in net inflows—for a fund family that is a little over $1 billion. With 10% internal growth in six months, they are bucking trends with their conservative, contrarian value investing approach.
- The Ave Maria Bond Fund (AVEFX) had its 10-year anniversary in May. With interest rates increasing, many bond funds are down, but Ave's bond fund is beating its benchmark by 415 basis points year-to-date and is in the first percentile for Morningstar year-to-date.
- The Ave Maria Growth Fund (AVEGX) also reached its 10-year anniversary this May and is a four-star Morningstar-rated fund.

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Ave Maria Rising Dividend Fund

866-283-6274 ➤ AveMariaFunds.com

Ticker: AVEDX
Managers: George Schwartz, Richard Platte, Jr.
Fund Inception: May 2, 2005
Min. initial investment: $1,000
Load (front-end): None
Total assets: $595.1 million
Expense ratio: 0.99%
Turnover: 37%
5-Year Alpha: 2.04
5-Year Beta: 0.92
5-Year R-squared: 94.33
5-Year Standard deviation: 17.15
As of Oct. 14, 2013

RETURNS

1-Year: 26.23%
3-year: 16.22%
5-year: 16.71%
Returns (As of Oct. 14, 2013)

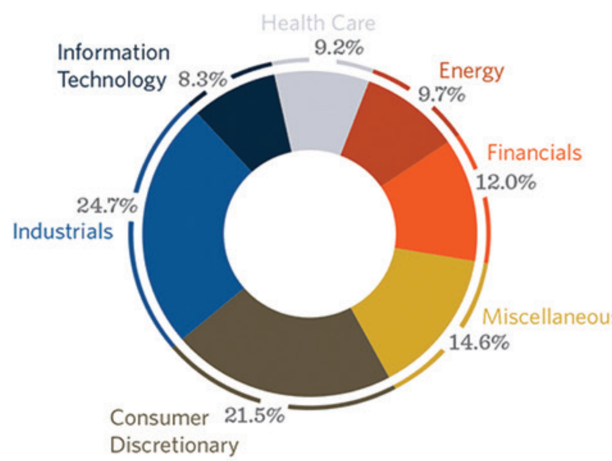
TOP FIVE HOLDINGS

1. Schlumberger NV
2. Bank of New York Mellon Corp.
3. United Parcel Service Inc. (UPS) Class B
4. Caterpillar Inc.
5. Covidien PLC

Holdings (as of Aug. 31, 2013)

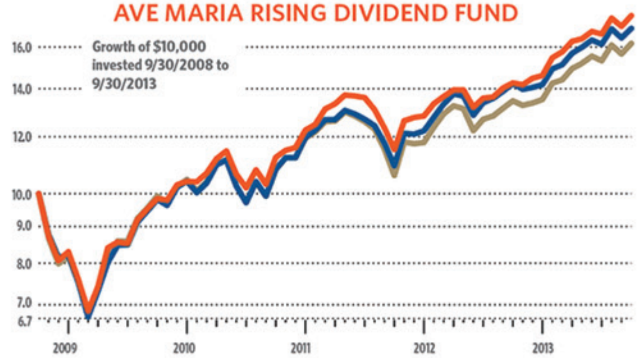
Source: Morningstar

PORTFOLIO ALLOCATION



Data through 6/30/2013

AVE MARIA RISING DIVIDEND FUND



	FINAL VALUE	CUMULATIVE TOTAL RETURN	AV. ANNUAL RETURN
Ave Maria Rising Dividend Fund	$17,700.57	77.01%	12.10%
US OE Large Blend	$16,191.78	61.92%	10.12%
S&P 500	$16,991.21	69.91%	11.19%

Total Returns as of September 30, 2017	Year to Date	1 Yr.	3 Yrs.^	5 Yrs.^	10 Yrs.^	Since Inception^*	Prospectus Expense Ratio
Ave Maria Rising Dividend Fund	9.49%	13.26%	7.21%	12.23%	8.22%	9.12%	0.93%
S&P 500® Index	14.24%	18.61%	10.81%	14.22%	7.44%	8.70%	
Ave Maria Bond Fund	3.07%	2.66%	3.02%	3.43%	4.21%	4.22%	0.51%
Bloomberg Barclays Intermediate U.S. Govt./Credit Index#	2.34%	0.23%	2.13%	1.61%	3.64%	3.56%	

^Annualized * Since Inception date for AVEDX is 5-2-2005 and 5-1-2003 for AVEFX. #Benchmark index to Ave Maria Bond Fund.

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. Performance data reflects certain fee waivers and reimbursements. Without such waivers, performance would have been lower. Call 1-866-AVE-MARIA or visit www.avemariafunds.com for the most current month-end performance.

IMPORTANT INFORMATION FOR INVESTORS

The majority of this article refers to the Ave Maria Rising Dividend Fund unless otherwise noted. AVEFX may also invest up to 20% of its net assets in equity securities, which include preferred stocks, common stocks paying dividends and securities convertible into common stock.

As of September 30, 2017 the Funds mentioned in this article had the following Morningstar Ratings; AVEDX (Morningstar Large Blend Category) Overall Rating of 4 stars among 1,218 funds, 3 Year Rating of 2 stars among 1,218 funds, 5 Year Rating of 2 stars among 1,083 funds and 10 Year 5 stars among 799 funds. AVEGX (Morningstar Mid-Cap Growth Category) Overall Rating of 4 stars among 563 funds, 3 Year Rating of 5 stars among 563 funds, 5 Year Rating of 3 stars among 484 funds and 10 Year Rating of 5 stars among 362 funds. As of September 30, 2017 AVEFX (Morningstar Intermediate-Term Bond Category) had the following percentile rankings; 1 Year 7th percentile, 3 Years 25th percentile, 5 years 5th percentile and 10 years 60th percentile. The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

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 a Fund's performance may underperform or outperform the stock market as a whole. All mutual funds are subject to market risk, including possible loss of principal. The Fund's investments in small- and mid-capitalization companies could experience greater volatility than investments in large-capitalization companies. The investment performance assumes reinvestment of dividends and capital gains distributions. Performance data reflects certain fee waivers and reimbursements. Without such waivers, performance would have been lower. 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. Indexes do not incur fees and it is not possible to invest directly in an index. AVEDX invests primarily in dividend paying companies and it is possible these companies may eliminate or reduce their dividend payments. AVEFX invests primarily in fixed income securities and as a result the Fund is also subject to the following risks: interest rate risk, credit risk, credit rating risk, prepayment and extension risk and liquidity risk. The Barclays Intermediate U.S. Govt./Credit Index is the benchmark index used for comparative purposes for this fund. Indexes do not incur fees and it is not possible to invest directly in an index. **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 online at www.avemariafunds.com.** Distributed by Ultimus Fund Distributors, LLC.

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