



# AVE MARIA MUTUAL FUNDS

## OUR INVESTMENT PROCESS



“Warren Buffett said recently that in his 50-plus years of investing, he has never made an investment or not made an investment based on an economic outlook or based upon what the general stock market was doing. He focuses on fundamentals and valuation. And that's what we do as analysts and portfolio managers - focus on good investment opportunities for the long-term.”

*George P. Schwartz, CFA  
Chairman & Chief Executive Officer*



The value of the companies that we invest in doesn't change very quickly, but the price changes every day, and when prices are down then the buying opportunities are better. It takes discipline to buy when prices are down, because that's when the news is usually the worst.”

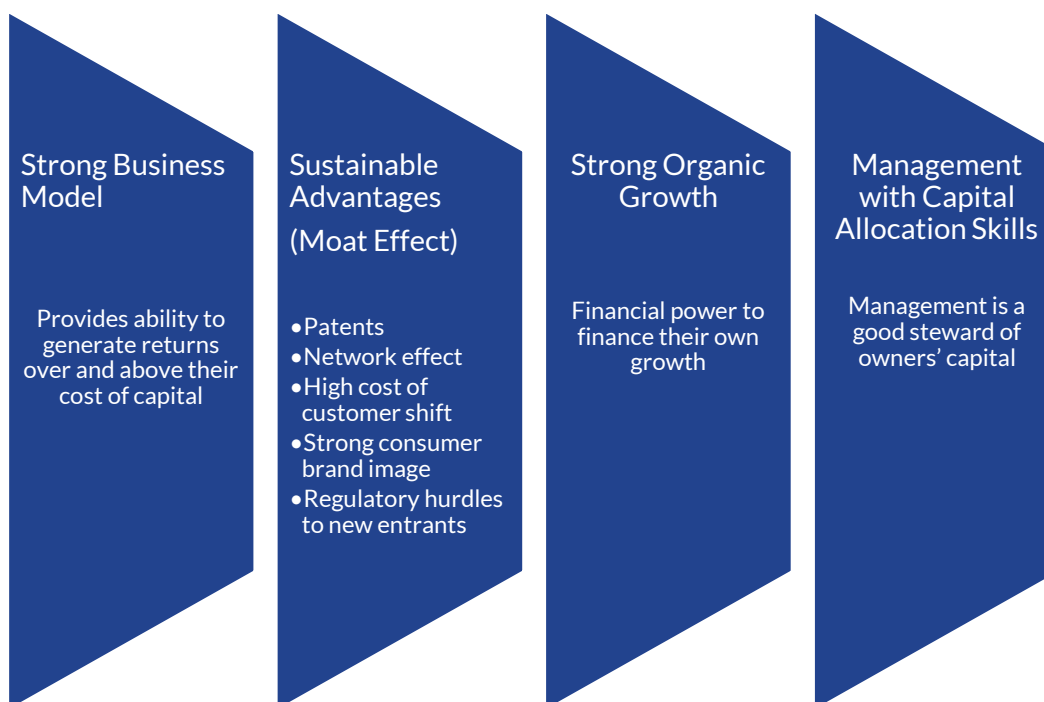
*Richard L. Platte, Jr., CFA  
Of Counsel*

## INVESTMENT PHILOSOPHY

- Emphasize companies with superior business characteristics
- Utilize independent analysis and proprietary screening supplemented by Wall Street research
- Purchase shares of what we believe are financially sound companies when they are out of favor and attractively priced
- Buy across market capitalizations if price represents a significant discount to our intrinsic value appraisal
- Sell stocks when they no longer meet our standards
- Contrarian discipline may reduce the risk of loss and enhance returns

## INVESTMENT FOCUS

Superior long-term growth in earnings, cash flow and dividends can come only from companies compounding internally generated returns at superior rates. Our stock selection process begins in the same manner, looking for companies that generate returns on capital at above average rates. This means seeking high-quality companies with the characteristics below.



## VALUATION

Opportunity lies in the spread between price and value. Financial markets have the perverse ability to make poor investments out of great companies. Paying too much for any investment will by definition generate subpar returns. We seek to generate superior investment returns with lower levels of risk by purchasing great companies for less than our independent estimate of their fair value, which includes a number metrics:

- Price/Earnings
- Price/Cash Flow
- Price/EBITDA
- EV/EBITDA
- Price/Book
- High Return on Equity/Return on Capital
- Low Debt

## PORTFOLIO CONSTRUCTION

We construct portfolios in a bottom-up manner using fundamental security analysis. This may lead to overweighting and underweighting of individual industries. In some instances, this phenomenon is fundamentally driven, i.e., certain industries such as regulated utilities, or commodities related businesses simply may not offer attractive return opportunities. Typically, there are 25-50 issues in each portfolio.

Price may also lead to concentrations within the portfolio. If an industry or economic sector is either highly popular or unpopular, it may create over-priced stocks or attractive investment opportunities. Economic forecasts have little impact in our stock selection process. Price and our security analysis determine the companies, sectors and industries in which to concentrate. The economic environment does not have a major impact on the number of holdings.

## RISK MANAGEMENT

We attempt to manage portfolio risk in the following fashion:

Individual Stock Selection	By selecting well run companies with conservative capital structures, we significantly reduce “blow up” potential.
Diversification	With each portfolio typically holding between 25 and 50 stocks, we significantly reduce specific risk while still allowing for our stock selection process to add value. We strive to have no more than 5% in any individual issue at time of purchase.
Top Down Analysis	While our stock selection is bottom up, we do use a macro analysis to look for dangerously high levels of industry concentration. Our goal is to have no more than 25% in any individual industry.

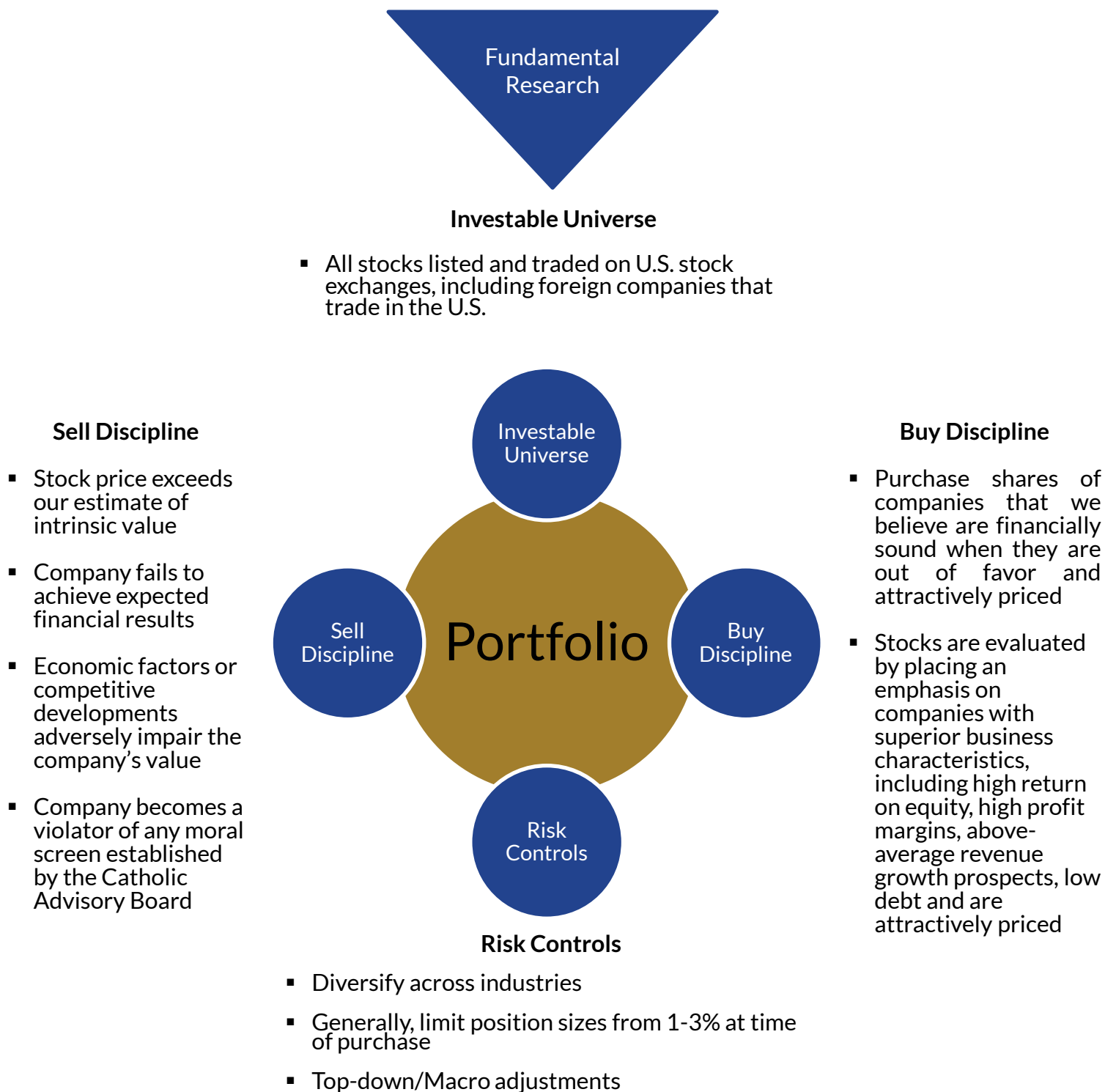
## RESEARCH PROCESS

Our equity research focuses on fundamentals of income statements, balance sheets, and cash flow statements in conjunction with the company’s future growth prospects. This is augmented by external research from a variety of sources. We make investment decisions based upon our assessment of the risk reward relationship, and we use external resources for factual input.

The investment committee is comprised of portfolio managers and analysts and meets weekly. Our securities selection process is not committee driven, though. Individual portfolio managers are responsible for managing their portfolios, which may be in part informed by the input of other members of the investment committee.

# INVESTMENT PROCESS

Our portfolio managers focus on the long-term (3-5 years +) and strive to keep emotion out of the investment decision-making process. The contrarian approach is rooted in a buy low and sell high philosophy and short-term negative news may create an opportunity to buy at attractive prices. While portfolios are not tax-managed, our conviction-weighted holdings and buy and hold discipline may lead to low turnover. Stock positions may be trimmed when they get too rich or exited entirely if we identify a better alternative.



We believe over the long-haul, well-selected equities will produce real returns for investors in excess of inflation and taxation.

George P. Schwartz, CFA

## MORALLY RESPONSIBLE INVESTING

Morally responsible investing (MRI) is a subset of socially responsible investing, which often screens out companies engaged in environmental issues, tobacco products, alcohol, nuclear power, defense, oil and “unfair” labor practices. MRI is different in that it screens out companies engaged in activities that are not pro-life or pro-family.

The moral screens utilized in the Ave Maria Mutual Funds are established by our Catholic Advisory Board which provides guidance in accordance with the Roman Catholic Church. The Board meets regularly to review the Funds’ religious standards and criteria.

Our goal is to provide good returns without compromising moral values.

## MORAL SCREENS

We place equal emphasis on investment performance and moral criteria. Investors should not have to sacrifice financial performance potential because of their pro-life and pro-family beliefs. Every stock and bond we buy must first meet the financial criteria set by our experienced team of portfolio managers and analysts. If a security seems like a portfolio prospect, then the company is screened based on the moral criteria.

We employ four main moral screens, which are detailed below. The types of companies that are eliminated from investment consideration are also shown.

Screen Employed	Abortion	Embryonic Stem Cell Research	Planned Parenthood	Pornography
Types of companies screened	<ul style="list-style-type: none"><li>• Selected drug companies</li><li>• Hospitals</li><li>• Insurance companies</li><li>• Retailers</li></ul>	<ul style="list-style-type: none"><li>• Selected drug companies</li><li>• Hospitals</li><li>• Insurance companies</li><li>• Retailers</li></ul>	<ul style="list-style-type: none"><li>• Companies that contribute corporate funds to Planned Parenthood</li></ul>	<ul style="list-style-type: none"><li>• Various producers &amp; distributors</li><li>• Media companies</li><li>• Hotels</li><li>• Retailers</li><li>• Internet &amp; cable providers</li></ul>

### What’s missing?

While many may feel that MRI screens would eliminate many companies from investment consideration, in fact only about 5% of the companies in the Russell 3000® Index are excluded. In short, most companies may still be considered for investment in a portfolio.

## DIVERSIFIED FAMILY OF FUNDS

While the selection process is similar for our six no-load funds, there are differences among them. Below is a description of each and the types of companies/investments we attempt to utilize.

Ave Maria Rising Dividend Fund	Ave Maria Value Fund	Ave Maria Growth Fund	Ave Maria World Equity Fund	Ave Maria Focused Fund	Ave Maria Bond Fund
Emphasis on growth of dividends of exceptional companies	Favorable stock price in relation to cash flow, earnings, dividends, book value and asset value	Emphasis on earnings growth	Invests in non-US companies through ADRs	Emphasis on above-average earnings growth	Emphasis on undervalued securities
Financially powerful companies with the ability to sustain growth	Strong historical and prospective growth potential	Companies typically early in their life cycles (mid- and large-caps)	No more than 25% in any one country (except US)	Companies of all sizes (not market cap constrained)	Invests in short and intermediate maturity bonds
Companies typically in mature portion of life cycle (large-caps)	Catalysts which have a favorable impact on shareholder value	Capacity to invest retained earnings at high returns	May invest in emerging market countries including; South Korea, Brazil, China, Mexico, Taiwan, South Africa and India	May invest a substantial portion of assets in a small number of issuers, industries or business sectors	May invest up to 20% in stocks of companies that consistently raise their dividends
	Companies of all sizes (not market cap constrained)	Return of cash to shareholders via dividends or share repurchases			

The focus is on long-term fundamentals. While individual quarterly earnings releases may contain information, which influences our long-term outlook, in our opinion much of what is discussed qualifies as distracting noise with little long-term significance.









## FIXED INCOME PROCESS

Our fixed income investment process is based upon a combination of top-down and bottom-up analysis. We manage duration of the portfolio based upon our interest rate outlook, which is in part based upon the general economic outlook. Sector decisions are also based upon our economic outlook and the incremental yields available. Individual security selections are based upon individual credit spreads as well as internal and external measures of credit worthiness. In many instances, our credit decisions are derived from our own equity analysis. Because we purchase domestic securities, currency analysis does not figure in our decision making. Decisions to sell are generally based upon the same factors used in making purchase decisions, a change in our interest rate outlook, changes in relative interest rate spreads or some deterioration in the underlying credit fundamentals.

## ALPHA GENERATION

We feel that we can add alpha through our disciplined bottom-up security selection. Due to our focus on sound operating fundamentals, conservative capital structures and proven staying power, we believe our companies should do well over entire market cycles. They may perform especially well on a relative basis, when the economy is struggling. We expect the weakest relative performance when the economy is growing rapidly, and investors are more inclined to speculation.

## EXPERIENCED PROFESSIONAL PORTFOLIO MANAGERS

	Portfolio Manager	Years of investment experience	Fund(s) managed		Portfolio Manager	Years of investment experience	Fund(s) managed
	George P. Schwartz, CFA	40+	Bond, Rising Dividend		Brandon S. Scheitler	16	Bond, Rising Dividend
	Timothy S. Schwartz, CFA	24	Value		Ryan M. Kuyawa, CFA	20	Value
	Adam P. Gaglio, CFA	9	Focused, Growth		Anthony W. Gennaro, CFA, CPA	24	World Equity
	Chadd M. Garcia, CFA	18	Focused, Growth		Sean C. Gaffney, CFA	5	World Equity



## AVE MARIA MUTUAL FUNDS

Ave Maria Mutual Funds are designed specifically for serious long-term investors who want to practice morally responsible investing (MRI). 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.

## SCHWARTZ INVESTMENT COUNSEL, INC.

Schwartz Investment Counsel, Inc., founded in 1980, is a registered investment adviser and a member of the Investment Counsel Adviser Association. The Firm provides investment counseling services to families, trusts, corporations, foundations, endowments, retirement funds, mutual funds and the Ave Maria Separately Managed Accounts (SMAs). Ave Maria Mutual Funds began in 2001 and the no-load family of funds has grown to six unique choices with \$2.8 billion in assets as of April 30, 2022.

Bottom-up investing is an investment approach that de-emphasizes the significance of economic and market cycles. This approach focuses on the analysis of individual stocks. In bottom-up investing, therefore, the investor focuses his or her attention on a specific company rather than on the industry in which that company operates or on the economy as a whole. Top-Down Analysis or Macro Analysis is a method of analysis that involves looking at the "big picture" first, and then analyzing the details of smaller components. By first analyzing the overall picture, such as a macroeconomic trend, an investor can start narrowing potential companies to analyze. A trader that uses technical analysis may use top-down analysis as part of their trading system.

**Past performance does not guarantee future results. You cannot invest directly in an index. The performance data does not represent fund performance and should not be considered representative of fund performance.**

**Schwartz Investment Counsel, Inc., a registered investment adviser established in 1980, serves as investment adviser for Ave Maria Mutual Funds. The Adviser invests in securities only if they meet the Funds' investment and religious requirements, and as such, the returns may be lower or higher than if the Adviser made decisions based solely on investment considerations.** The Funds' 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. AVEWX 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, prepayment and extension risk and liquidity risk. 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. **Request a prospectus, which includes investment objectives, risks, fees, charges and 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.