

**AVE MARIA CATHOLIC  
VALUES FUND**

**AVE MARIA  
GROWTH FUND**

**AVE MARIA  
BOND FUND**



**SEMI-ANNUAL REPORT  
(UNAUDITED)**

**for the six months ended  
JUNE 30, 2004**

**Ticker Symbols:  
AVEMX – AVEGX – AVEFX**

## Shareholder Accounts

c/o Ultimus Fund  
Solutions, LLC  
P.O. Box 46707  
Cincinnati, OH 45246  
1-888-726-9331



## Corporate Offices

3707 W. Maple Road  
Bloomfield Hills, MI 48301  
(248) 644-8500  
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Dear Shareowner of:

Ave Maria Catholic Values Fund (AVEMX)  
Ave Maria Growth Fund (AVEGX)  
Ave Maria Bond Fund (AVEFX)

Of the thousands of mutual funds in which you could have invested, I think you've made a wise decision to put a portion of your assets into the Ave Maria Mutual Funds. You and over 3,500 other shareholders have made these Funds the largest and fastest-growing Catholic mutual funds in the country.

As detailed elsewhere in this report, the investment performance of each Fund has been well above their relevant benchmarks. Our talented team of analysts and portfolio managers know that good investment performance is crucial to attracting and keeping long-term investors. As important as the Catholic focus of these Funds are, we understand that serious individual and institutional investors also want to achieve superior investment returns. At Schwartz Investment Counsel, Inc., we're doing our best to produce such results, and the hard work seems to be paying off. After completing three years of operation, the Ave Maria Catholic Values Fund was recently assigned a 5-star rating by Morningstar Mutual Funds rating service (ranked among 264 Mid-Cap Blend Funds for the 3-year period ended June 30, 2004).

Although each of the three Funds is distinct from each other, the securities in all the Funds have some common characteristics. The stocks and bonds held are of companies that we believe are strong and growing, and which do not violate the core principles of the Catholic Church as identified by our Catholic Advisory Board. Eliminated from consideration for the portfolios are companies that support the culture of death, either directly or through contributions to Planned Parenthood. Also screened out are purveyors of pornography, and companies which undermine the sanctity of marriage by offering their employees non-marital partner benefits.

It's an honor to be managing Catholic mutual funds on your behalf.

With best wishes,

George P. Schwartz, CFA  
President

July 30, 2004

**AVE MARIA MUTUAL FUNDS**  
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# AVE MARIA CATHOLIC VALUES FUND

## PORTFOLIO MANAGER COMMENTARY

Dear Fellow Shareowner:

The Ave Maria Catholic Values Fund continued to produce above market returns during the first half of the year. The Fund's 10.20% six-month return through June 30, 2004 compared favorably to 3.44% for the S&P 500 Index and 6.08% for the S&P Midcap 400 Index.

Since inception over three years ago, the Fund has convincingly outperformed its benchmarks:

	Since 5-01-01 Inception Through 6-30-04	
	Total Return	
	Cumulative	Annualized
AVEMX	41.8%	11.7%
S&P 500	-5.1%	-1.6%
S&P 400 Mid-cap	22.4%	6.6%

This portfolio will not continuously outperform the market this decisively, although we do our utmost to deliver above market returns through the focused execution of our long-term, value-oriented investment philosophy.

The Fund's good year-to-date performance can be attributed broadly across the portfolio's holdings, but especially to positions in the consumer products and energy sectors such as Harley Davidson, Inc., Maxwell Shoe Company, Inc., Chattem Inc., Input/Output, Inc. and XTO Energy Inc. Financial stocks were a modest drag on performance as they traded down in anticipation of the Federal Reserve's well-advertised intention to raise short-term interest rates. We have recently taken advantage of these lower prices by adding selectively to holdings of financial companies that should not be negatively impacted by a moderate interest rate increase.

Our outlook remains positive. The market has marked time for the last few months as the economic and corporate profit outlook transitioned from accelerating growth to a more moderate and sustainable growth rate. Iraq, inflation, rising interest rates and election year jitters provide plenty to worry about, but a market without worries is a market priced for perfection, i.e. too high. Nervous investors have become less tolerant of companies that are experiencing temporary problems and are indiscriminately slamming their stock prices. This favors our investment style that attempts to capitalize on companies with temporary problems, provided they have profitable businesses, solid balance sheets, strong cash flows, good corporate governance, and attractive long-term growth prospects. We are willing to purchase these stocks when temporary problems have depressed their share prices. Accordingly, in the first half of this year, new positions were established in six companies: Christopher and Banks Corp. (retailing), Lifetime Hoan Corp. (household products), Garmin Ltd. (consumer electronics), Mylan Laboratories (generic drugs), Everest Re Group, Ltd. (insurance), and Pioneer Natural Resources Co. (energy production). Many of these companies have experienced short-term difficulties in their operations (which made their stocks depressed), but all possess above-average long-term earnings and cash flow growth prospects.

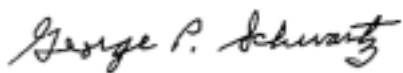
## AVE MARIA CATHOLIC VALUES FUND PORTFOLIO MANAGER COMMENTARY (Continued)

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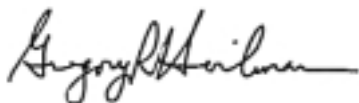
We sold a number of holdings during this period, all at a profit: Boston Scientific Corp., Cable Design Technologies Corp., Esterline Technologies Corp., Hot Topic, Inc., Investment Technology Group, Inc., ScanSource, Inc., The Stanley Works, and TJX Companies, Inc. In addition, two stocks were sold when the companies violated our Catholic Values screens: Eli Lilly because the company began offering non-marital partner benefits to employees, and First Data Corp. which contributed corporate funds to Planned Parenthood.

Also, of note, the Ave Maria Catholic Values Fund was recently awarded the 5-star rating from Morningstar\*, its highest rating based on its total return over the three year period ended June 30, 2004. The Ave Maria Catholic Values Fund was voted against 264 Mid-Cap Blend Funds.

Sincerely,



George P. Schwartz, CFA  
Co-Portfolio Manager



Gregory R. Heilman, CFA  
Co-Portfolio Manager

\* Morningstar calculates its ratings each month by subtracting the return on a 90-day U.S. Treasury Bill from the Fund's return for the same period and then adjusts the excess return for risk. The top 10% of the fund's in each broad asset class 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.

**AVE MARIA CATHOLIC VALUES FUND**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2004 (Unaudited)**

Shares	COMMON STOCKS — 98.0%	Market Value
	<b>AEROSPACE/DEFENSE — 4.7%</b>	
50,000	General Dynamics Corporation .....	\$ 4,965,000
40,000	Harris Corporation .....	2,030,000
50,000	Rockwell Collins, Inc. ....	1,666,000
		<u>8,661,000</u>
	<b>APPAREL &amp; TEXTILES — 4.0%</b>	
120,000	Jones Apparel Group, Inc. ....	4,737,600
35,000	Mohawk Industries, Inc. * .....	2,566,550
		<u>7,304,150</u>
	<b>BUILDING MATERIALS &amp; CONSTRUCTION — 4.1%</b>	
100,000	Champion Enterprises, Inc. * .....	918,000
100,000	Fleetwood Enterprises, Inc. * .....	1,455,000
100,000	Pulte Homes, Inc. ....	5,203,000
		<u>7,576,000</u>
	<b>BUSINESS &amp; INDUSTRIAL PRODUCTS — 2.3%</b>	
10,000	3M Company .....	900,100
85,000	Genuine Parts Company.....	3,372,800
		<u>4,272,900</u>
	<b>BUSINESS SERVICES — 2.5%</b>	
10,000	Automatic Data Processing, Inc. ....	418,800
160,000	Fargo Electronics, Inc. * .....	1,777,600
147,400	Neogen Corporation * .....	2,536,902
		<u>4,733,302</u>
	<b>COMMUNICATION EQUIPMENT &amp; SERVICES — 2.8%</b>	
40,000	Alltel Corporation .....	2,024,800
75,000	CenturyTel, Inc. ....	2,253,000
45,000	Hector Communications Corporation * .....	931,500
		<u>5,209,300</u>
	<b>CONSUMER PRODUCTS - DURABLES — 9.6%</b>	
45,000	Brunswick Corporation .....	1,836,000
200,000	Craftmade International, Inc. ....	3,960,000
60,000	Furniture Brands International, Inc.....	1,503,000
100,000	Harley-Davidson, Inc. ....	6,194,000
160,000	Leggett & Platt, Inc. ....	4,273,600
		<u>17,766,600</u>
	<b>CONSUMER PRODUCTS - NONDURABLES — 6.3%</b>	
135,000	Chattem, Inc. * .....	3,897,450
10,000	Coach, Inc. * .....	451,900
32,500	Fortune Brands, Inc. ....	2,451,475
115,000	Lifetime Hoan Corporation .....	2,620,850
100,000	Maxwell Shoe Company, Inc. * .....	2,324,000
		<u>11,745,675</u>

# AVE MARIA CATHOLIC VALUES FUND

## SCHEDULE OF INVESTMENTS (Continued)

Shares	COMMON STOCKS — 98.0% (Continued)	Market Value
	<b>ELECTRONICS — 1.6%</b>	
40,000	Garmin Ltd. ....	\$ 1,481,600
20,000	Gentex Corporation .....	793,600
71,442	Sparton Corporation * .....	632,262
		<u>2,907,462</u>
	<b>ENERGY &amp; MINING — 10.9%</b>	
35,000	Anadarko Petroleum Corporation .....	2,051,000
100,000	Diamond Offshore Drilling, Inc. ....	2,383,000
100,000	Exxon Mobil Corporation .....	4,441,000
355,000	Input/Output, Inc. * .....	2,942,950
70,000	Patterson-UTI Energy, Inc. ....	2,338,700
100,000	Pioneer Natural Resources Company .....	3,508,000
10,000	Prima Energy Corporation * .....	395,700
70,000	XTO Energy, Inc. ....	2,085,300
		<u>20,145,650</u>
	<b>ENVIRONMENTAL SERVICES — 0.7%</b>	
75,000	Layne Christensen Company * .....	<u>1,241,250</u>
	<b>FINANCE - BANKS &amp; THRIFTS — 3.8%</b>	
50,000	BB&T Corporation .....	1,848,500
110,000	North Fork Bancorporation, Inc. ....	4,185,500
40,000	Synovus Financial Corporation .....	1,012,800
		<u>7,046,800</u>
	<b>FINANCE - INSURANCE — 6.7%</b>	
95,000	American International Group, Inc. ....	6,771,600
50,000	Everest Re Group, Inc. ....	4,018,000
282,945	Unico American Corporation * .....	1,697,670
		<u>12,487,270</u>
	<b>HEALTHCARE — 11.9%</b>	
25,000	Baxter International, Inc. ....	862,750
50,000	Beckman Coulter, Inc. ....	3,050,000
70,000	Hillenbrand Industries, Inc. ....	4,231,500
85,000	Lincare Holdings, Inc. * .....	2,793,100
70,000	Manor Care, Inc. ....	2,287,600
90,000	Mylan Laboratories, Inc. ....	1,822,500
160,000	STERIS Corporation * .....	3,609,600
70,000	Waters Corporation * .....	3,344,600
		<u>22,001,650</u>
	<b>INDUSTRIAL PRODUCTS &amp; SERVICES — 6.6%</b>	
41,700	Balchem Corporation .....	1,146,750
10,000	Dover Corporation .....	421,000
70,000	Graco, Inc. ....	2,173,500
40,000	Kaydon Corporation .....	1,237,200
55,000	Simpson Manufacturing Company, Inc. ....	3,086,600

# AVE MARIA CATHOLIC VALUES FUND

## SCHEDULE OF INVESTMENTS (Continued)

Shares	COMMON STOCKS — 98.0% (Continued)	Market Value
	<b>INDUSTRIAL PRODUCTS &amp; SERVICES — 6.6% (Continued)</b>	
50,000	Snap-On, Inc. ....	\$ 1,677,500
50,000	Teleflex, Inc. ....	2,507,500
		<u>12,250,050</u>
	<b>LEISURE &amp; ENTERTAINMENT — 3.7%</b>	
75,000	Monaco Coach Corporation.....	2,112,750
100,000	Polaris Industries, Inc. ....	4,800,000
		<u>6,912,750</u>
	<b>PRINTING &amp; PUBLISHING — 1.4%</b>	
18,750	Courier Corporation .....	782,625
65,000	ProQuest Company * .....	1,771,250
		<u>2,553,875</u>
	<b>REAL ESTATE — 1.0%</b>	
50,000	Health Care Property Investors, Inc. ....	1,202,000
20,000	Washington Real Estate Investment Trust.....	587,600
		<u>1,789,600</u>
	<b>RETAIL — 10.7%</b>	
170,000	Brookstone, Inc. * .....	3,408,500
210,000	Christopher & Banks Corporation.....	3,719,100
235,000	Dollar Tree Stores, Inc. * .....	6,446,050
15,000	Hibbett Sporting Goods, Inc. * .....	410,250
200,000	Ross Stores, Inc. ....	5,352,000
10,000	Tractor Supply Company * .....	418,200
		<u>19,754,100</u>
	<b>TECHNOLOGY — 2.7%</b>	
190,000	Sungard Data Systems, Inc. * .....	4,940,000
	<b>TOTAL COMMON STOCKS</b> (Cost \$142,868,007) .....	<u>\$ 181,299,384</u>

Shares	CASH EQUIVALENTS - 2.2%	Market Value
4,110,466	First American Government Obligations Fund - Class Y (Cost \$4,110,466) .....	<u>\$ 4,110,466</u>
	<b>TOTAL INVESTMENTS — 100.2%</b> (Cost \$146,978,473) .....	\$ 185,409,850
	<b>LIABILITIES IN EXCESS OF OTHER ASSETS — (0.2%) ..</b>	<u>( 336,722 )</u>
	<b>NET ASSETS — 100.0%</b> .....	<u>\$ 185,073,128</u>

\* Non-income producing security.

See notes to financial statements.



**AVE MARIA GROWTH FUND**  
**PORTFOLIO MANAGER COMMENTARY**

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Dear Fellow Shareholders:

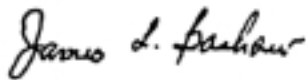
The Ave Maria Growth Fund marked its first anniversary in May of this year. Since its inception on May 1, 2003, the performance of the Fund has surpassed the equity market performance, as measured by the Standard & Poor’s 500 Composite Stock Index (S&P 500):

	Investment Performance Total Return		
	6 Months ended 6-30-04*	12 Months ended 6-30-04	Since Inception 5-1-03 thru 6-30-04*
Ave Maria Growth Fund (AVEGX)	7.3%	24.2%	32.4%
S&P 500	3.4%	19.1%	27.0%

\* not annualized

As expected, investors are turning increasingly to higher quality, larger companies, especially those which can increase dividends. A continuation of this trend should work in favor of the investment strategy employed in the management of this Fund. The typical holding in the Ave Maria Growth Fund is a financially powerful company with loads of free cash flow and low debt levels. Consequently, dividend increases are often part of their business plan. The reduction in taxes on dividends has been a plus for this Fund, a huge positive for capital formation, and materially helped the U.S. economy recover from recession and 9/11.

Respectfully,



James L. Bashaw, CFA  
Portfolio Manager

**AVE MARIA GROWTH FUND**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2004 (Unaudited)**

Shares	COMMON STOCKS — 98.6%	Market Value
	<b>AEROSPACE/DEFENSE — 6.4%</b>	
16,000	Alliant Techsystems, Inc. *	\$ 1,013,440
9,600	General Dynamics Corporation .....	953,280
		<u>1,966,720</u>
	<b>BUILDING MATERIALS &amp; CONSTRUCTION — 2.8%</b>	
12,200	KB Home .....	<u>837,286</u>
	<b>BUSINESS SERVICES — 3.3%</b>	
21,600	FactSet Research Systems, Inc. ....	<u>1,021,032</u>
	<b>CONSUMER PRODUCTS - DURABLES — 2.0%</b>	
9,800	Harley-Davidson, Inc. ....	<u>607,012</u>
	<b>ELECTRONICS — 7.0%</b>	
31,100	Garmin Ltd. ....	1,151,944
36,400	Integrated Circuit Systems, Inc. * .....	988,624
		<u>2,140,568</u>
	<b>FINANCE - BANKS &amp; THRIFTS — 6.3%</b>	
26,800	National City Corporation .....	938,268
25,800	North Fork Bancorporation, Inc. ....	981,690
		<u>1,919,958</u>
	<b>FINANCE - INSURANCE — 3.3%</b>	
23,200	Brown & Brown, Inc. ....	<u>999,920</u>
	<b>FINANCE - MISCELLANEOUS — 5.8%</b>	
28,500	Arthur J. Gallagher & Company .....	867,825
30,600	SEI Investments Company .....	888,624
		<u>1,756,449</u>
	<b>FOOD &amp; TOBACCO — 6.5%</b>	
23,800	Kellogg Company .....	996,030
28,700	McCormick & Company, Inc. ....	975,800
		<u>1,971,830</u>
	<b>HEALTHCARE — 19.8%</b>	
16,800	Beckman Coulter, Inc. ....	1,024,800
23,100	Biomet, Inc. ....	1,026,564
17,500	C.R Bard, Inc. ....	991,375
17,500	Guidant Corporation .....	977,900
12,700	Patterson Dental Company * .....	971,423
22,000	Waters Corporation * .....	1,051,160
		<u>6,043,222</u>

# **AVE MARIA GROWTH FUND** **SCHEDULE OF INVESTMENTS (Continued)**

Shares	COMMON STOCKS — 98.6%	Market Value
	<b>INDUSTRIAL PRODUCTS &amp; SERVICES — 23.2%</b>	
35,700	AMETEK, Inc. ....	\$ 1,103,130
20,500	CLARCOR, Inc. ....	938,900
33,100	Donaldson Company, Inc. ....	969,830
22,700	Expeditors International of Washington, Inc. ....	1,121,607
32,850	Graco, Inc. ....	1,019,992
17,800	Johnson Controls, Inc. ....	950,164
19,900	Mettler-Toledo International, Inc. * .....	977,886
		<u>7,081,509</u>
	<b>LEISURE &amp; ENTERTAINMENT — 3.3%</b>	
21,000	Polaris Industries, Inc. ....	<u>1,008,000</u>
	<b>RETAIL — 8.9%</b>	
23,900	Bed Bath & Beyond, Inc. * .....	918,955
51,000	Christopher & Banks Corporation.....	903,210
33,100	Ross Stores, Inc. ....	885,756
		<u>2,707,921</u>
	<b>TOTAL COMMON STOCKS</b> (Cost \$26,450,345) .....	<u>\$ 30,061,427</u>

Shares	CASH EQUIVALENTS - 0.7%	Market Value
207,844	First American Government Obligations Fund - Class Y (Cost \$207,844) .....	<u>\$ 207,844</u>
	<b>TOTAL INVESTMENTS — 99.3%</b> (Cost \$26,658,189) .....	\$ 30,269,271
	<b>OTHER ASSETS IN EXCESS OF LIABILITIES — 0.7%.....</b>	<u>206,788</u>
	<b>NET ASSETS — 100.0%</b> .....	<u><u>\$ 30,476,059</u></u>

\* Non-income producing security.  
 See notes to financial statements.

# **AVE MARIA BOND FUND**

## **PORTFOLIO MANAGER COMMENTARY**

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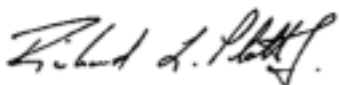
Dear Fellow Shareholders:

For the six months ended June 30, 2004, the Ave Maria Bond Fund had a total return of 0.7%, which compares favorably with the Lehman Brothers Intermediate Government Credit Index return of negative 0.1%.

It has been obvious for some time that accelerating economic growth would inevitably lead to the Federal Reserve Bank ("the Fed") tightening credit. On June 30th, the Fed fulfilled popular expectations, raising the target Fed Funds rate by one quarter of a percent to 1.25%. This marked the first rate increase in four years, and lifted short-term rates from a 46-year low. Having been widely anticipated, long-term interest rates rose well ahead of that announcement, negatively impacting bond prices. Fortunately, the negative impact of rising interest rates on the Fund's portfolio was buffered by the preponderance of short maturity bonds. (Short maturity bond prices are less sensitive to changes in interest rates than long maturity bond prices.) Dividend-paying equities, which approximated 15% of the portfolio as of June 30th, also added marginally to performance.

For the last four years, Fed policy has been stimulative in an effort to stabilize an economy devastated by the shocks of 9/11, a recession, and a burst financial bubble. Now with robust economic activity and rising loan demand, higher interest rates should naturally be expected over the next several months. This will provide a gradually improving environment for investments in bonds, especially intermediate maturities.

With best regards,



Richard L. Platte, Jr., CFA  
Portfolio Manager

**AVE MARIA BOND FUND**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2004 (Unaudited)**

<b>Par Value</b>	<b>U.S. GOVERNMENT AND AGENCY OBLIGATIONS — 51.3%</b>	<b>Market Value</b>
	<b>U.S. TREASURIES — 41.1%</b>	
\$ 1,000,000	U.S. Treasury Note, 1.625%, due 01/31/05 .....	\$ 999,414
2,000,000	U.S. Treasury Note, 1.625%, due 04/30/05 .....	1,994,376
2,000,000	U.S. Treasury Note, 3.000%, due 11/15/07 .....	1,981,094
1,000,000	U.S. Treasury Note, 3.000%, due 02/15/08 .....	986,211
4,000,000	U.S. Treasury Note, 2.625%, due 05/15/08 .....	3,874,532
1,146,220	U.S. Treasury Inflation-Protection Notes, 3.875%, due 01/15/09 ....	1,277,857
1,000,000	U.S. Treasury Note, 3.000%, due 02/15/09 .....	968,984
2,000,000	U.S. Treasury Note, 4.000%, due 02/15/14 .....	1,906,094
		<u>13,988,562</u>
	<b>U.S. AGENCIES — 10.2%</b>	
1,000,000	Federal Farm Credit Bank, 4.600%, due 12/27/12 .....	975,355
500,000	Federal Home Loan Bank, 3.375%, due 07/21/08 .....	488,945
1,000,000	Federal Home Loan Bank, 4.375%, due 02/04/10 .....	988,519
1,000,000	Private Export Funding Corporation, 6.310%, due 09/30/04 .....	1,011,966
		<u>3,464,785</u>
	<b>TOTAL U.S. GOVERNMENT AND AGENCY OBLIGATIONS (Cost \$17,692,832) .....</b>	<b>\$ 17,453,347</b>

<b>Par Value</b>	<b>CORPORATE BONDS — 28.0%</b>	<b>Market Value</b>
	<b>FINANCE — 9.6%</b>	
\$ 1,000,000	American General Corporation, 7.500%, due 08/11/10 .....	\$ 1,144,645
1,000,000	Caterpillar Financial Services Corporation, 2.650%, due 01/30/06 ....	998,361
1,000,000	Regions Financial Corporation, 7.000%, due 03/01/11 .....	1,120,925
		<u>3,263,931</u>
	<b>INDUSTRIALS — 12.6%</b>	
1,000,000	Alcoa, Inc., 6.000%, due 01/15/12 .....	1,057,348
1,010,000	Dover Corporation, 6.250%, due 06/01/08 .....	1,093,569
1,000,000	Snap-On, Inc., 6.625%, due 10/01/05 .....	1,048,167
1,000,000	United Technologies Corporation, 6.350%, due 03/01/11 .....	1,086,122
		<u>4,285,206</u>
	<b>REAL ESTATE — 2.7%</b>	
1,000,000	Duke Realty LP, 4.625%, due 05/15/13 .....	943,009
	<b>UTILITIES — 3.1%</b>	
1,000,000	National Rural Utilities Cooperative Finance Corporation, 6.000%, due 05/15/06 .....	1,052,340
	<b>TOTAL CORPORATE BONDS (Cost \$9,679,279) .....</b>	<b>\$ 9,544,486</b>

# AVE MARIA BOND FUND

## SCHEDULE OF INVESTMENTS (Continued)

Shares	COMMON STOCKS — 14.4%	Market Value
	<b>BUSINESS &amp; INDUSTRIAL PRODUCTS — 1.2%</b>	
10,000	Genuine Parts Company.....	\$ 396,800
	<b>COMMUNICATION EQUIPMENT &amp; SERVICES — 0.6%</b>	
4,200	Alltel Corporation .....	212,604
	<b>CONSUMER PRODUCTS - DURABLES — 0.8%</b>	
10,000	Leggett & Platt, Inc. ....	267,100
	<b>ENERGY AND MINING — 1.3%</b>	
10,000	Exxon Mobil Corporation .....	444,100
	<b>FINANCE - BANKS &amp; THRIFTS — 3.4%</b>	
8,800	BB&T Corporation .....	325,336
15,000	Huntington Bancshares, Inc. ....	343,500
7,500	National City Corporation .....	262,575
6,000	North Fork Bancorporation, Inc. ....	228,300
		<u>1,159,711</u>
	<b>FOOD &amp; TOBACCO — 0.5%</b>	
6,000	Conagra Foods, Inc. ....	162,480
	<b>INDUSTRIAL PRODUCTS &amp; SERVICES — 0.3%</b>	
2,500	Stanley Works (The).....	113,950
	<b>REAL ESTATE — 1.6%</b>	
7,500	Duke Realty Corporation .....	238,575
10,000	Washington Real Estate Investment Trust.....	293,800
		<u>532,375</u>
	<b>UTILITIES — 4.7%</b>	
5,000	Dominion Resources, Inc. ....	315,400
7,000	Exelon Corporation.....	233,030
7,500	FPL Group, Inc. ....	479,625
7,000	Pinnacle West Capital Corporation .....	282,730
10,000	Southern Company (The).....	291,500
		<u>1,602,285</u>
	<b>TOTAL COMMON STOCKS</b> (Cost \$4,494,574) .....	\$ 4,891,405

**AVE MARIA BOND FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**

Shares	CASH EQUIVALENTS — 5.2%	Market Value
1,757,459	First American Government Obligations Fund - Class Y (Cost \$1,757,459) .....	<u>\$ 1,757,459</u>
	<b>TOTAL INVESTMENTS — 98.9%</b> (Cost \$33,624,144) .....	<u>\$ 33,646,697</u>
	<b>OTHER ASSETS IN EXCESS OF LIABILITIES — 1.1%</b> ....	<u>362,705</u>
	<b>NET ASSETS — 100.0%</b> .....	<u>\$ 34,009,402</u>

See notes to financial statements.

# AVE MARIA MUTUAL FUNDS

## STATEMENTS OF ASSETS AND LIABILITIES

### June 30, 2004 (Unaudited)

	Ave Maria Catholic Values Fund	Ave Maria Growth Fund	Ave Maria Bond Fund
<b>ASSETS</b>			
Investment securities:			
At amortized cost .....	\$ 146,978,473	\$ 26,658,189	\$ 33,624,144
At market value (Note 1) .....	\$ 185,409,850	\$ 30,269,271	\$ 33,646,697
Cash .....	24,050	156,639	42,413
Receivable for capital shares sold .....	944,892	79,877	15,838
Dividends and interest receivable .....	135,604	17,868	304,571
Receivable from Adviser (Note 2) .....	—	—	760
Other assets .....	19,371	14,267	14,107
<b>TOTAL ASSETS</b> .....	<u>186,533,767</u>	<u>30,537,922</u>	<u>34,024,386</u>
<b>LIABILITIES</b>			
Dividends payable .....	—	—	1,374
Payable for capital shares redeemed .....	4,368	1,592	—
Payable for investment securities purchased .....	978,521	—	—
Accrued investment advisory fees (Note 2) .....	405,554	43,092	—
Accrued distribution fees (Note 2) .....	29,881	4,254	120
Payable to affiliate (Note 2) .....	22,300	4,000	4,000
Other accrued expenses .....	20,015	8,925	9,490
<b>TOTAL LIABILITIES</b> .....	<u>1,460,639</u>	<u>61,863</u>	<u>14,984</u>
<b>NET ASSETS</b> .....	<u>\$ 185,073,128</u>	<u>\$ 30,476,059</u>	<u>\$ 34,009,402</u>
<b>NET ASSETS CONSIST OF:</b>			
Paid-in capital .....	\$ 137,462,074	\$ 26,785,855	\$ 33,856,030
Accumulated net investment income/(loss) .....	( 346,306 )	( 9,865 )	700
Accumulated net realized gains from security transactions ..	9,525,983	88,987	130,119
Net unrealized appreciation on investments .....	<u>38,431,377</u>	<u>3,611,082</u>	<u>22,553</u>
<b>NET ASSETS</b> .....	<u>\$ 185,073,128</u>	<u>\$ 30,476,059</u>	<u>\$ 34,009,402</u>
Shares of beneficial interest outstanding (unlimited number of shares authorized, no par value) .....	<u>13,171,866</u>	<u>2,301,862</u>	
Net asset value, offering price and redemption price per share (Note 1) <sup>(a)</sup> .....	<u>\$ 14.05</u>	<u>\$ 13.24</u>	
<b>PRICING OF CLASS I SHARES</b>			
Net assets applicable to Class I shares .....			<u>\$ 31,055,507</u>
Shares of beneficial interest outstanding (unlimited number of shares authorized, no par value) .....			<u>3,087,799</u>
Net asset value, offering price and redemption price per share (Note 1) .....			<u>\$ 10.06</u>
<b>PRICING OF CLASS R SHARES</b>			
Net assets applicable to Class R shares .....			<u>\$ 2,953,895</u>
Shares of beneficial interest outstanding (unlimited number of shares authorized, no par value) .....			<u>293,966</u>
Net asset value, offering price and redemption price per share (Note 1) <sup>(a)</sup> .....			<u>\$ 10.05</u>

<sup>(a)</sup> Except with respect to Class I shares of the Ave Maria Bond Fund, redemption price varies based on length of time held (Note 1).

See notes to financial statements.



# AVE MARIA MUTUAL FUNDS

## STATEMENTS OF OPERATIONS

### For the Six Months Ended June 30, 2004 (Unaudited)

	Ave Maria Catholic Values Fund	Ave Maria Growth Fund	Ave Maria Bond Fund
<b>INVESTMENT INCOME</b>			
Dividend.....	\$ 868,062	\$ 167,763	\$ 72,275
Interest .....	<u>25,971</u>	<u>3,709</u>	<u>397,602</u>
TOTAL INCOME .....	<u>894,033</u>	<u>171,472</u>	<u>469,877</u>
<b>EXPENSES</b>			
Investment advisory fees (Note 2).....	826,902	120,892	49,532
Distribution fees (Note 2) .....	206,726	30,223	2,723
Administration, accounting and transfer agent fees (Note 2).....	124,860	24,000	24,000
Trustees' fees and expenses .....	20,015	18,262	17,625
Legal and audit fees .....	26,167	6,024	11,067
Registration fees - Common.....	13,482	14,469	5,774
Registration fees - Class I.....	—	—	350
Registration fees - Class R .....	—	—	6,816
Postage and supplies .....	15,615	4,892	4,236
Custodian fees .....	9,708	4,123	1,845
Insurance expense .....	8,883	839	2,147
Reports to shareholders.....	3,980	1,499	927
Advisory board fees and expenses.....	2,070	2,070	2,070
Other expenses.....	<u>9,526</u>	<u>3,746</u>	<u>4,551</u>
TOTAL EXPENSES .....	1,267,934	231,039	133,663
Less: Fees waived and/or expenses reimbursed by the Adviser (Note 2) .....			
Common.....	( 27,595 )	( 49,702 )	( 74,242 )
Class I.....			( 350 )
Class R .....			( 5,182 )
NET EXPENSES .....	<u>1,240,339</u>	<u>181,337</u>	<u>53,889</u>
<b>NET INVESTMENT INCOME/(LOSS) .....</b>	<u>( 346,306 )</u>	<u>( 9,865 )</u>	<u>415,988</u>
<b>REALIZED AND UNREALIZED GAINS/(LOSSES) ON INVESTMENTS</b>			
Net realized gains from security transactions .....	10,315,728	88,987	148,428
Net change in unrealized appreciation/ (depreciation) on investments .....	<u>5,661,625</u>	<u>1,743,391</u>	<u>( 275,553 )</u>
<b>NET REALIZED AND UNREALIZED GAINS/(LOSSES) ON INVESTMENTS .....</b>	<u>15,977,353</u>	<u>1,832,378</u>	<u>( 127,125 )</u>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS .....</b>	<u>\$ 15,631,047</u>	<u>\$ 1,822,513</u>	<u>\$ 288,863</u>

See notes to financial statements.

# AVE MARIA CATHOLIC VALUES FUND

## STATEMENTS OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003
<b>FROM OPERATIONS</b>		
Net investment loss .....	\$ ( 346,306 )	\$ ( 299,726 )
Net realized gains from security transactions .....	10,315,728	5,135,575
Net change in unrealized appreciation/(depreciation) on investments .....	5,661,625	34,051,696
Net increase in net assets from operations .....	<u>15,631,047</u>	<u>38,887,545</u>
<b>FROM DISTRIBUTIONS TO SHAREHOLDERS</b>		
From net realized gains on investments .....	<u>—</u>	<u>( 977,801 )</u>
<b>FROM CAPITAL SHARE TRANSACTIONS</b>		
Proceeds from shares sold .....	26,674,578	51,860,406
Reinvestment of distributions to shareholders .....	—	974,099
Payments for shares redeemed .....	<u>( 2,188,199 )</u>	<u>( 7,590,330 )</u>
Net increase in net assets from capital share transactions .....	<u>24,486,379</u>	<u>45,244,175</u>
<b>TOTAL INCREASE IN NET ASSETS .....</b>	<b>40,117,426</b>	<b>83,153,919</b>
<b>NET ASSETS</b>		
Beginning of period .....	144,955,702	61,801,783
End of period .....	<u>\$ 185,073,128</u>	<u>\$ 144,955,702</u>
<b>SUMMARY OF CAPITAL SHARE ACTIVITY</b>		
Shares sold .....	1,961,653	5,539,156
Shares issued in reinvestment of distributions to shareholders .....	—	76,400
Shares redeemed .....	<u>( 159,376 )</u>	<u>( 768,714 )</u>
Net increase in shares outstanding .....	1,802,277	4,846,842
Shares outstanding, beginning of period .....	<u>11,369,589</u>	<u>6,522,747</u>
Shares outstanding, end of period .....	<u>13,171,866</u>	<u>11,369,589</u>

See notes to financial statements.

# AVE MARIA GROWTH FUND

## STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2004 (Unaudited)	Period Ended December 31, 2003 <sup>(a)</sup>
<b>FROM OPERATIONS</b>		
Net investment loss .....	\$ ( 9,865 )	\$ ( 23,390 )
Net realized gains from security transactions .....	88,987	—
Net change in unrealized appreciation/(depreciation) on investments .....	1,743,391	1,867,691
Net increase in net assets from operations .....	<u>1,822,513</u>	<u>1,844,301</u>
<b>FROM CAPITAL SHARE TRANSACTIONS</b>		
Proceeds from shares sold .....	13,766,814	13,264,851
Payments for shares redeemed .....	( 218,026 )	( 4,394 )
Net increase in net assets from capital share transactions .....	<u>13,548,788</u>	<u>13,260,457</u>
<b>TOTAL INCREASE IN NET ASSETS .....</b>	<b>15,371,301</b>	<b>15,104,758</b>
<b>NET ASSETS</b>		
Beginning of period .....	15,104,758	—
End of period .....	<u>\$ 30,476,059</u>	<u>\$ 15,104,758</u>
<b>SUMMARY OF CAPITAL SHARE ACTIVITY</b>		
Shares sold .....	1,094,567	1,224,821
Shares redeemed .....	( 17,150 )	( 376 )
Net increase in shares outstanding .....	1,077,417	1,224,445
Shares outstanding, beginning of period .....	1,224,445	—
Shares outstanding, end of period .....	<u>2,301,862</u>	<u>1,224,445</u>

<sup>(a)</sup> Represents the period from the commencement of operations (May 1, 2003) through December 31, 2003

See notes to financial statements.

# AVE MARIA BOND FUND

## STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2004 (Unaudited)	Period Ended December 31, 2003 <sup>(a)</sup>
<b>FROM OPERATIONS</b>		
Net investment income .....	\$ 415,988	\$ 488,579
Net realized gains/(losses) from security transactions .....	148,428	( 2,359 )
Net change in unrealized appreciation/(depreciation) on investments .....	( 275,553 )	298,106
Net increase in net assets from operations .....	<u>288,863</u>	<u>784,326</u>
<b>FROM DISTRIBUTIONS TO SHAREHOLDERS</b>		
From net investment income, Class I .....	( 389,588 )	( 479,401 )
From net investment income, Class R .....	( 25,700 )	( 9,648 )
From net realized gains on investments, Class I .....	—	( 15,207 )
From net realized gains on investments, Class R .....	—	( 743 )
Net decrease in net assets from distributions to shareholders .....	<u>( 415,288 )</u>	<u>( 504,999 )</u>
<b>FROM CAPITAL SHARE TRANSACTIONS</b>		
<b>CLASS I</b>		
Proceeds from shares sold .....	—	30,000,000
Reinvestment of distributions to shareholders .....	389,588	494,608
Net increase in net assets from Class I capital share transactions .....	<u>389,588</u>	<u>30,494,608</u>
<b>CLASS R</b>		
Proceeds from shares sold .....	1,591,475	1,504,260
Reinvestment of distributions to shareholders .....	19,955	5,698
Payments for shares redeemed .....	( 140,055 )	( 9,029 )
Net increase in net assets from Class R capital share transactions .....	<u>1,471,375</u>	<u>1,500,929</u>
<b>TOTAL INCREASE IN NET ASSETS</b> .....	1,734,538	32,274,864
<b>NET ASSETS</b>		
Beginning of period .....	32,274,864	—
End of period .....	<u>\$ 34,009,402</u>	<u>\$ 32,274,864</u>
<b>SUMMARY OF CAPITAL SHARE ACTIVITY</b>		
<b>CLASS I</b>		
Shares sold .....	—	3,000,000
Shares issued in reinvestment of distributions to shareholders .....	38,498	49,301
Net increase in shares outstanding .....	38,498	3,049,301
Shares outstanding, beginning of period .....	3,049,301	—
Shares outstanding, end of period .....	<u>3,087,799</u>	<u>3,049,301</u>
<b>CLASS R</b>		
Shares sold .....	156,904	149,207
Shares issued in reinvestment of distributions to shareholders .....	1,976	568
Shares redeemed .....	( 13,790 )	( 899 )
Net increase in shares outstanding .....	145,090	148,876
Shares outstanding, beginning of period .....	148,876	—
Shares outstanding, end of period .....	<u>293,966</u>	<u>148,876</u>

<sup>(a)</sup> Represents the period from the commencement of operations (May 1, 2003) through December 31, 2003.  
See notes to financial statements.

# AVE MARIA CATHOLIC VALUES FUND

## FINANCIAL HIGHLIGHTS

### Per Share Data for a Share Outstanding Throughout Each Period

	Six Months Ended June 30, 2004 (Unaudited)	Year Ended December 31, 2003	Year Ended December 31, 2002	Period Ended December 31, 2001 <sup>(a)</sup>
Net asset value at beginning of period .....	\$ 12.75	\$ 9.47	\$ 10.50	\$ 10.00
Income/(loss) from investment operations:				
Net investment income/(loss) .....	( 0.03 )	( 0.03 )	( 0.01 )	0.02
Net realized and unrealized gains/(losses) on investments .....	1.33	3.40	( 1.02 )	0.51
Total from investment operations .....	1.30	3.37	( 1.03 )	0.53
Less distributions:				
From net investment income .....	—	—	—	( 0.02 )
From net realized gains on investments.....	—	( 0.09 )	—	( 0.01 )
In excess of net realized gains on investments ....	—	—	—	( 0.00 )
Total distributions .....	—	( 0.09 )	—	( 0.03 )
Net asset value at end of period.....	\$ 14.05	\$ 12.75	\$ 9.47	\$ 10.50
Total return .....	10.2% <sup>(b)</sup>	35.6%	(9.8)%	5.3% <sup>(b)</sup>
Ratios/Supplementary Data:				
Net assets at end of period (000's).....	\$ 185,073	\$ 144,956	\$ 61,802	\$ 23,953
Ratio of net expenses to average net assets <sup>(c)</sup> .....	1.50% <sup>(d)</sup>	1.50%	1.50%	1.50% <sup>(d)</sup>
Ratio of net investment income/(loss) to average net assets .....	(0.42)% <sup>(d)</sup>	(0.28)%	(0.14)%	0.39% <sup>(d)</sup>
Portfolio turnover rate .....	40% <sup>(d)</sup>	58%	86%	44% <sup>(d)</sup>

<sup>(a)</sup> Represents the period from the initial public offering (May 1, 2001) through December 31, 2001.

<sup>(b)</sup> Not annualized.

<sup>(c)</sup> Absent investment advisory fees waived by the Adviser, the ratio of expenses to average net assets would have been 1.53%<sup>(d)</sup>, 1.56%, 1.69%, and 2.09%<sup>(d)</sup> for the periods ended June 30, 2004 and December 31, 2003, 2002, and 2001, respectively.

<sup>(d)</sup> Annualized.

See notes to financial statements.

# AVE MARIA GROWTH FUND

## FINANCIAL HIGHLIGHTS

### Per Share Data for a Share Outstanding Throughout Each Period

	Six Months Ended June 30, 2004 (Unaudited)	Period Ended December 31, 2003 <sup>(a)</sup>
Net asset value at beginning of period .....	\$ 12.34	\$ 10.00
Income/(loss) from investment operations:		
Net investment loss .....	(0.00) <sup>(b)</sup>	( 0.02)
Net realized and unrealized gains on investments .....	0.90	2.36
Total from investment operations .....	0.90	2.34
Less distributions:		
From net investment income .....	—	—
From net realized gains on investments .....	—	—
Total distributions .....	—	—
Net asset value at end of period.....	\$ 13.24	\$ 12.34
Total return .....	7.3% <sup>(c)</sup>	23.4% <sup>(c)</sup>
Ratios/Supplementary Data:		
Net assets at end of period (000's).....	\$ 30,476	\$ 15,105
Ratio of net expenses to average net assets <sup>(d)</sup> .....	1.50% <sup>(e)</sup>	1.49% <sup>(e)</sup>
Ratio of net investment loss to average net assets .....	(0.08)% <sup>(e)</sup>	(0.36)% <sup>(e)</sup>
Portfolio turnover rate .....	8% <sup>(e)</sup>	0%

<sup>(a)</sup> Represents the period from the initial public offering (May 1, 2003) through December 31, 2003.

<sup>(b)</sup> Amount rounds to less than \$0.01 per share.

<sup>(c)</sup> Not annualized.

<sup>(d)</sup> Absent fee waivers and expense reimbursements by the Adviser, the ratio of expenses to average net assets would have been 1.90% <sup>(e)</sup> and 2.61% <sup>(e)</sup> for the periods ended June 30, 2004 and December 31, 2003, respectively.

<sup>(e)</sup> Annualized

See notes to financial statements.

# AVE MARIA BOND FUND - CLASS I

## FINANCIAL HIGHLIGHTS

### Per Share Data for a Share Outstanding Throughout Each Period

	Six Months Ended June 30, 2004 (Unaudited)	Period Ended December 31, 2003 <sup>(a)</sup>
Net asset value at beginning of period .....	\$ 10.09	\$ 10.00
Income/(loss) from investment operations:		
Net investment income .....	0.13	0.16
Net realized and unrealized gains/(losses) on investments .....	( 0.03 )	0.10
Total from investment operations .....	0.10	0.26
Less distributions:		
From net investment income .....	( 0.13 )	( 0.16 )
From net realized gains on investments .....	—	( 0.01 )
Total distributions .....	( 0.13 )	( 0.17 )
Net asset value at end of period.....	\$ 10.06	\$ 10.09
Total return .....	1.0% <sup>(b)</sup>	2.6% <sup>(b)</sup>
Ratios/Supplementary Data:		
Net assets at end of period (000's).....	\$ 31,056	\$ 30,773
Ratio of net expenses to average net assets <sup>(c)</sup> .....	0.30% <sup>(d)</sup>	0.30% <sup>(d)</sup>
Ratio of net investment income to average net assets .....	2.55% <sup>(d)</sup>	2.36% <sup>(d)</sup>
Portfolio turnover rate .....	45% <sup>(d)</sup>	50% <sup>(d)</sup>

<sup>(a)</sup> Represents the period from the initial public offering (May 1, 2003) through December 31, 2003.

<sup>(b)</sup> Not annualized.

<sup>(c)</sup> Absent fee waivers and expense reimbursements by the Adviser, the ratio of expenses to average net assets would have been 0.75%<sup>(d)</sup> and 0.71%<sup>(d)</sup> for the periods ended June 30, 2004 and December 31, 2003, respectively.

<sup>(d)</sup> Annualized.

See notes to financial statements.

# AVE MARIA BOND FUND - CLASS R

## FINANCIAL HIGHLIGHTS

### Per Share Data for a Share Outstanding Throughout Each Period

	Six Months Ended June 30, 2004 (Unaudited)	Period Ended December 31, 2003 <sup>(a)</sup>
Net asset value at beginning of period .....	\$ 10.09	\$ 10.00
Income/(loss) from investment operations:		
Net investment income .....	0.11	0.14
Net realized and unrealized gains/(losses) on investments .....	( 0.04 )	0.10
Total from investment operations .....	0.07	0.24
Less distributions:		
From net investment income .....	( 0.11 )	( 0.14 )
From net realized gains on investments .....	—	( 0.01 )
Total distributions .....	(0.11)	( 0.15 )
Net asset value at end of period.....	\$ 10.05	\$ 10.09
Total return .....	0.7% <sup>(b)</sup>	2.4% <sup>(b)</sup>
Ratios/Supplementary Data:		
Net assets at end of period (000's).....	\$ 2,954	\$ 1,502
Ratio of net expenses to average net assets <sup>(c)</sup> .....	0.70% <sup>(d)</sup>	0.69% <sup>(d)</sup>
Ratio of net investment income to average net assets .....	2.15% <sup>(d)</sup>	1.96% <sup>(d)</sup>
Portfolio turnover rate .....	45% <sup>(d)</sup>	50% <sup>(d)</sup>

<sup>(a)</sup> Represents the period from the initial public offering (May 1, 2003) through December 31, 2003.

<sup>(b)</sup> Not annualized.

<sup>(c)</sup> Absent fee waivers and expense reimbursements by the Adviser, the ratio of expenses to average net assets would have been 1.62%<sup>(d)</sup> and 2.49%<sup>(d)</sup> for the periods ended June 30, 2004 and December 31, 2003, respectively.

<sup>(d)</sup> Annualized.

See notes to financial statements.



# AVE MARIA MUTUAL FUNDS

## NOTES TO FINANCIAL STATEMENTS

### June 30, 2004 (Unaudited)

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#### 1. Significant Accounting Policies

The Ave Maria Catholic Values Fund, the Ave Maria Growth Fund, and the Ave Maria Bond Fund (the Funds) are each a series of the Schwartz Investment Trust, a diversified open-end management investment company registered under the Investment Company Act of 1940 and established as an Ohio business trust under a Declaration of Trust dated August 31, 1992. The Ave Maria Catholic Values Fund commenced the public offering of its shares on May 1, 2001. The public offering of shares of the Ave Maria Growth Fund and the Ave Maria Bond Fund commenced on May 1, 2003. The Funds determine and make available for publication the net asset value of each of its shares on a daily basis.

The investment objective of the Ave Maria Catholic Values Fund is to seek long-term capital appreciation from equity investments in companies that do not violate the core values and teachings of the Roman Catholic Church. The investment objective of the Ave Maria Growth Fund is to seek long-term capital appreciation, using the growth style, from equity investments in companies that do not violate the core values and teachings of the Roman Catholic Church. The investment objective of the Ave Maria Bond Fund is to seek preservation of principal with a reasonable level of current income. See the Prospectus for more detailed information regarding the investment strategies of each Fund.

The Ave Maria Bond Fund offers two classes of shares: Class I shares (sold subject to a distribution fee of up to 0.10% of the average daily net assets attributable to Class I shares) and Class R shares (sold subject to a distribution fee of up to 0.25% of the average daily net assets attributable to Class R shares). Each class of shares represents an interest in the same assets of the Fund, has the same rights and is identical in all material respects except that (1) Class R bears the expenses of higher distribution fees; (2) certain other class specific expenses will be borne solely by the class to which such expenses are attributable; (3) Class I shares are not subject to the contingent deferred sales load described below; (4) each class has exclusive voting rights with respect to matters relating to its own distribution arrangements; and (5) Class I shares require an initial investment of \$2.5 million.

Shares of each Fund are sold at net asset value. To calculate the net asset value, each Fund's assets are valued and totaled, liabilities are subtracted, and the balance is divided by the number of shares outstanding. The offering price and redemption price per share is equal to the net asset value per share, except that shares of each Fund (except for Class I shares of the Ave Maria Bond Fund) are subject to a 1% contingent deferred sales load if redeemed within one year of their purchase.

The following is a summary of significant accounting policies followed by the Funds:

**(a) Valuation of investments** – Securities which are traded on stock exchanges or are quoted by NASDAQ are valued at the closing sales price as of the close of the regular session of trading on the New York Stock Exchange (NYSE) on the day the securities are being valued, or, if not traded on a particular day, at the closing bid price. Securities traded in the over-the-counter market, and which are not quoted by NASDAQ, are valued at the average of the highest current independent bid and lowest current independent offer as of the close of the regular session of trading on the NYSE on the day of valuation. Securities which are traded both in the over-the-counter market and on a stock exchange are valued according to the broadest and

AVE MARIA MUTUAL FUNDS  
NOTES TO FINANCIAL STATEMENTS (Continued)

most representative market. Securities (and other assets) for which market quotations are not readily available are valued at their fair value as determined in good faith in accordance with consistently applied procedures established by and under the general supervision of the Board of Trustees.

**(b) Income taxes** – It is each Fund’s policy to comply with the special provisions of Subchapter M of the Internal Revenue Code applicable to regulated investment companies. As provided therein, in any fiscal year in which the Fund so qualifies and distributes at least 90% of its taxable income, the Fund (but not the shareholders) will be relieved of federal income tax on the income distributed. Accordingly, no provision for income taxes has been made.

In order to avoid imposition of the excise tax applicable to regulated investment companies, it is also each Fund’s intention to declare as dividends in each calendar year at least 98% of its net investment income and 98% of its net realized capital gains plus undistributed amounts from prior years.

The tax character of distributable earnings at June 30, 2004 was as follows:

	Ave Maria Catholic Values Fund	Ave Maria Growth Fund	Ave Maria Bond Fund
Accumulated ordinary income .....	\$ 2,316,975	\$ 79,122	\$ 88,894
Undistributed gains .....	7,597,262	—	41,925
Unrealized appreciation .....	37,696,817	3,611,082	22,553
Total distributable earnings .....	<u>\$ 47,611,054</u>	<u>\$ 3,690,204</u>	<u>\$ 153,372</u>

The following information is based upon the federal income tax cost of the investment securities as of June 30, 2004:

	Ave Maria Catholic Values Fund	Ave Maria Growth Fund	Ave Maria Bond Fund
Gross unrealized appreciation.....	\$ 39,701,457	\$ 4,285,036	\$ 479,486
Gross unrealized depreciation.....	( 2,004,640 )	( 673,954 )	( 456,933 )
Net unrealized appreciation .....	<u>\$ 37,696,817</u>	<u>\$ 3,611,082</u>	<u>\$ 22,553</u>
Federal income tax cost.....	<u>\$ 147,713,033</u>	<u>\$ 26,808,884</u>	<u>\$ 33,661,332</u>

The difference between the federal income tax cost of portfolio investments and the financial statement cost for the Ave Maria Catholic Values Fund is due to certain timing differences in the recognition of capital losses under income tax regulations and accounting principles generally accepted in the United States of America (GAAP).

**(c) Security transactions and investment income** – Security transactions are accounted for on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recognized on the accrual basis. Realized gains and losses on security transactions are determined on the identified cost basis. Discounts and premiums on fixed-income securities purchased are amortized using the interest method.

# AVE MARIA MUTUAL FUNDS

## NOTES TO FINANCIAL STATEMENTS (Continued)

**(d) Dividends and distributions** – Dividends from net investment income, if any, are declared and paid annually in December for the Ave Maria Catholic Values Fund and the Ave Maria Growth Fund and are declared and paid monthly for the Ave Maria Bond Fund. Each Fund expects to distribute any net realized capital gains annually. Dividends and distributions to shareholders are recorded on the ex-dividend date. The tax character of distributions paid during the periods ended June 30, 2004 and December 31, 2003 were as follows:

Period Ended	Ordinary Income	Long-Term Capital Gains (15%)	Total Distributions
Ave Maria Catholic Values Fund:			
December 31, 2003 .....	\$ —	\$ 977,801	\$ 977,801
Ave Maria Bond Fund – Class I:			
June 30, 2004 .....	\$ 389,588	\$ —	\$ 389,588
December 31, 2003 .....	\$ 494,608	\$ —	\$ 494,608
Ave Maria Bond Fund – Class R:			
June 30, 2004 .....	\$ 25,700	\$ —	\$ 25,700
December 31, 2003 .....	\$ 10,391	\$ —	\$ 10,391

**(e) Estimates** – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 2. Investment Advisory Agreement and Transactions with Related Parties

The President of the Funds is also the President and Chief Investment Officer of Schwartz Investment Counsel, Inc. (the Adviser). Certain other trustees and officers of the Funds are officers of the Adviser, or of Schwartz Fund Distributors, Inc. (the Distributor), the Funds' principal underwriter, or of Ultimus Fund Solutions, LLC (Ultimus), the administrative, accounting and transfer agent for the Funds.

Pursuant to an Investment Advisory Agreement between the Funds and the Adviser, the Adviser is responsible for the management of each Fund and provides investment advice along with the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Funds. For such services, each of the Ave Maria Catholic Values Fund and the Ave Maria Growth Fund pay the Adviser a quarterly fee equal to the annual rate of 1.00% of its average daily net assets. The Ave Maria Bond Fund pays the Adviser a quarterly fee at the annual rate of 0.30% of the average value of its daily net assets.

The Adviser has contractually agreed to waive a portion of its advisory fees or reimburse a portion of operating expenses so that the net expenses of the Ave Maria Catholic Values Fund do not exceed 1.50% until at least May 1, 2005. The Adviser has contractually agreed to waive a portion of its advisory fees or reimburse a portion of operating expenses so that the net expenses of the Ave Maria Growth Fund do not exceed 1.50% and the net expenses of Class I and Class R shares of the Ave Maria Bond Fund do not exceed 0.30%

**AVE MARIA MUTUAL FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

and 0.70%, respectively, until at least May 1, 2007. For the six months ended June 30, 2004, the Adviser waived investment advisory fees of \$27,595 with respect to the Ave Maria Catholic Values Fund; waived investment advisory fees of \$49,702, with respect to the Ave Maria Growth Fund; and waived all of its investment advisory fees of \$49,532 and reimbursed \$30,242 of other operating expenses (including \$24,710 of common expenses, \$350 of Class I expenses and \$5,182 of Class R expenses) with respect to the Ave Maria Bond Fund.

Any fee waivers or expense reimbursements by the Adviser are subject to repayment by the Funds for a period of three years from the end of the fiscal year during which such waivers or reimbursements occurred, provided the Funds are able to effect such repayment and remain in compliance with the undertaking by the Adviser to limit expenses of the Funds. As of June 30, 2004, the amount of fee waivers and expense reimbursements available for reimbursement to the Adviser are as follows:

Ave Maria Catholic Values Fund.....	\$ 251,484
Ave Maria Growth Fund.....	\$ 122,605
Ave Maria Bond Fund .....	\$ 170,601

As of June 30, 2004, the Adviser may recapture a portion of the above amounts no later than the dates as stated below:

	December 31, 2004	December 31, 2005	December 31, 2006	December 31, 2007
Ave Maria Catholic Values Fund .....	\$ 57,270	\$ 99,770	\$ 66,849	\$ 27,595
Ave Maria Growth Fund .....	\$ —	\$ —	\$ 72,903	\$ 49,702
Ave Maria Bond Fund .....	\$ —	\$ —	\$ 90,827	\$ 79,774

The Distributor serves as the principal underwriter for the distribution of shares of the Funds. During the six months ended June 30, 2004, the Distributor collected \$1,511, \$854, and \$204 in contingent deferred sales loads on redemptions of shares of the Ave Maria Catholic Values Fund, Ave Maria Growth Fund, and Class R shares of the Ave Maria Bond Fund, respectively.

Each Fund has adopted a Shareholder Servicing Plan (the Plan), which allows the Funds to make payments to financial organizations for providing account administration and personal and account maintenance services to Fund shareholders. The annual service fee may not exceed an amount equal to 0.25% of each Fund’s daily net assets (except that the service fee is limited to 0.10% of the average net assets of the Ave Maria Bond Fund allocable to Class I shares). During the six months ended June 30, 2004, the total expenses incurred pursuant to the Plan were \$206,726, \$30,223, and \$2,723 for the Ave Maria Catholic Values Fund, the Ave Maria Growth Fund, and Class R shares of the Ave Maria Bond Fund, respectively.

Pursuant to a Mutual Fund Services Agreement between the Funds and Ultimus, Ultimus supplies regulatory and compliance services, calculates the daily net asset value per share, maintains the financial books and records of the Funds, maintains the records of each shareholder's account, and processes purchases and redemptions of each Fund's shares. For the performance of these services, the Ave Maria Bond Fund pays Ultimus a monthly fee at an annual rate of 0.10% of its average daily net assets and each of the Ave Maria

**AVE MARIA MUTUAL FUNDS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

Catholic Values Fund and the Ave Maria Growth Fund pays Ultimus a monthly fee at an annual rate of 0.15% of its average daily net assets. The fee payable by each Fund is subject to a minimum monthly fee of \$4,000.

**3. Investment Transactions**

During the six months ended June 30, 2004, cost of purchases and proceeds from sales and maturities of investment securities, excluding short-term investments and U.S. government securities, were as follows:

	Ave Maria Catholic Values Fund	Ave Maria Growth Fund	Ave Maria Bond Fund
Purchases of investment securities.....	\$ 55,187,420	\$ 14,423,041	\$ 3,718,772
Proceeds from sales of investment securities .....	\$ 32,334,008	\$ 961,424	\$ 1,605,312

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