



SCHWARTZ INVESTMENT COUNSEL, INC.

Ave Maria Catholic Values Fund

Ave Maria Growth Fund

Ave Maria Rising Dividend Fund

Ave Maria Bond Fund

*Annual Report*  
2005



## Shareholder Accounts

c/o Ultimatus Fund  
Solutions, LLC  
P.O. Box 46707  
Cincinnati, OH 45246  
(888) 726-9331



## Corporate Offices

3707 W. Maple Road  
Suite 100  
Bloomfield Hills, MI 48301  
(248) 644-8500  
Fax (248) 644-4250

Dear Shareowner of:

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

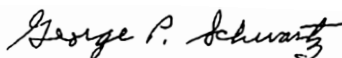
The portfolio managers of the Ave Maria Mutual Funds screen out companies based on the guidelines established by our Catholic Advisory Board. This eliminates from consideration companies related to abortion, pornography, and companies which offer their employees non-marital partner benefits. In total, about 400 companies are screened out by this process, still leaving thousands of issues for our portfolio managers to choose from in assembling the four investment portfolios.

Based on conversations I've had with many of you, screening out offending companies is what you want from a mutual fund family, besides good investment results. Shareholders contact me regularly about how fed up they are with abortion on demand, and the debauchery which has poisoned the culture and threatened traditional marriage. That's probably why our pro-life, pro-family mutual funds have become so popular with investing Catholics. Over 12,000 investors (up 40% during 2005) in 50 states have invested over \$400 million in the Ave Maria Mutual Funds.

As portfolio managers, we look for investment opportunities in companies with good business characteristics, strong balance sheets, positive cash flow, and growing earnings. We don't speculate on short-term trends or fads, instead focusing on the standards which prudent investors have always used to produce favorable long-term results – financial analysis, broad diversification, and a keen attention to valuation.

I'm proud that you are a shareholder.

Sincerely,



George P. Schwartz, CFA  
President

February 10, 2006

**AVE MARIA MUTUAL FUNDS**  
**TABLE OF CONTENTS**

---

Ave Maria Catholic Values Fund:

|                                    |   |
|------------------------------------|---|
| Portfolio Manager Commentary ..... | 1 |
| Performance .....                  | 3 |
| Ten Largest Equity Holdings .....  | 4 |
| Asset Allocation .....             | 4 |
| Schedule of Investments .....      | 5 |

Ave Maria Growth Fund:

|                                    |    |
|------------------------------------|----|
| Portfolio Manager Commentary ..... | 9  |
| Performance .....                  | 10 |
| Ten Largest Equity Holdings .....  | 11 |
| Asset Allocation .....             | 11 |
| Schedule of Investments .....      | 12 |

Ave Maria Rising Dividend Fund:

|                                    |    |
|------------------------------------|----|
| Portfolio Manager Commentary ..... | 14 |
| Performance .....                  | 15 |
| Ten Largest Equity Holdings .....  | 16 |
| Asset Allocation .....             | 16 |
| Schedule of Investments .....      | 17 |

Ave Maria Bond Fund:

|                                    |    |
|------------------------------------|----|
| Portfolio Manager Commentary ..... | 20 |
| Performance .....                  | 21 |
| Ten Largest Holdings .....         | 22 |
| Asset Allocation .....             | 22 |
| Schedule of Investments .....      | 23 |

Statements of Assets and Liabilities..... 26

Statements of Operations ..... 27

Statements of Changes in Net Assets:

|                                      |    |
|--------------------------------------|----|
| Ave Maria Catholic Values Fund.....  | 28 |
| Ave Maria Growth Fund .....          | 29 |
| Ave Maria Rising Dividend Fund ..... | 30 |
| Ave Maria Bond Fund .....            | 31 |

Financial Highlights:

|                                      |    |
|--------------------------------------|----|
| Ave Maria Catholic Values Fund.....  | 32 |
| Ave Maria Growth Fund .....          | 33 |
| Ave Maria Rising Dividend Fund ..... | 34 |
| Ave Maria Bond Fund - Class I .....  | 35 |
| Ave Maria Bond Fund - Class R .....  | 36 |

Notes to Financial Statements ..... 37

Report of Independent Registered Public Accounting Firm ..... 44

Board of Trustees and Executive Officers ..... 45

Catholic Advisory Board ..... 47

Federal Tax Information ..... 48

About Your Fund’s Expenses ..... 49

Other Information ..... 51

# AVE MARIA CATHOLIC VALUES FUND

## PORTFOLIO MANAGER COMMENTARY

Dear Fellow Shareowner:

The Ave Maria Catholic Values Fund had a total return in 2005 of 5.8% (does not include deduction of contingent deferred sales charge) compared to 4.9% for the S&P 500 Index and 12.6% for the S&P 400 Mid Cap Index. Since inception on May 1, 2001, the Fund's return compares favorably to both benchmarks:

|   | Since 5-01-01 Inception Through 12-31-05<br>Total Return |                   |
|---|--|-------------------|
|   | <u>Cumulative</u>  | <u>Annualized</u> |
| Ave Maria Catholic<br>Values Fund (AVEMX) | 63.5%  | 11.1%             |
| S&P 500 Index                             | 6.7%   | 1.4%              |
| S&P 400 Mid Cap Index                     | 51.3%  | 9.3%              |

Similar to 2004, much of 2005's positive stock market performance came in the final quarter of the year as investors realized that \$60 oil, rising interest rates, and even hurricanes would not derail the economy. While the rate of growth in the economy will likely slow in 2006, the benefits of low inflation, stabilizing interest rates and energy prices, and reasonable stock valuations should provide a favorable environment for our style of value investing.

Over the last few months, we've added several companies involved with Homeland Security to the portfolio. They have the characteristics we typically look for in long-term investments. Domestic security will likely demand increasing attention and funding by government and business in coming years. Therefore, we've increased existing positions of Fargo Electronics, Inc. (ID cards and printers) and Mine Safety Appliances Company (gas masks, helmets and body armor), and initiated positions in American Science and Engineering, Inc. (x-ray detection and scanning equipment) and Applied Signal Technology, Inc. (surveillance equipment). These companies offer proprietary products or services that benefit directly from Homeland Security spending and help the U.S. Government fulfill its main purpose for existing – "To insure domestic tranquility and provide for the common defense."

A second area of opportunity for the Ave Maria Catholic Values Fund is the growing importance of higher education to keep America competitive in the global economy. We see good value in for-profit educators, as well as companies that facilitate student loans. These include Education Management Corporation, Student Loan Corporation, First Marblehead Corporation, and ProQuest Company.

## **AVE MARIA CATHOLIC VALUES FUND**

### **PORTFOLIO MANAGER COMMENTARY (Continued)**

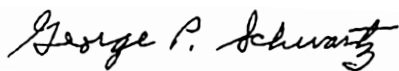
---

Stocks which contributed significantly to 2005 performance were: XTO Energy Inc., Transocean Inc., Patterson–UTI Energy, Inc., and Core Laboratories N.V. (all energy stocks), as well as Thor Industries, Inc., Fargo Electronics, Inc., SunGard Data Systems, Inc., and Lifetime Brands, Inc. Notable under-performers were Dollar Tree Stores, Inc., Furniture Brands International, Inc., Input/Output, Inc., and Diebold, Incorporated. We totally liquidated positions in Diamond Offshore Drilling, Inc., Fleetwood Enterprises, Inc., and Pioneer Natural Resources Company because they had appreciated beyond our estimate of intrinsic value.

Encouragingly, this year we didn't have to sell any shares of companies for violating our pro-life and pro-family screens. Perhaps our letters to the CEOs are having a positive effect. We regularly send letters to the CEOs of companies held in the Fund, lauding their moral business behavior for not violating our Catholic screens.

Thank you for your commitment and support.

Sincerely,



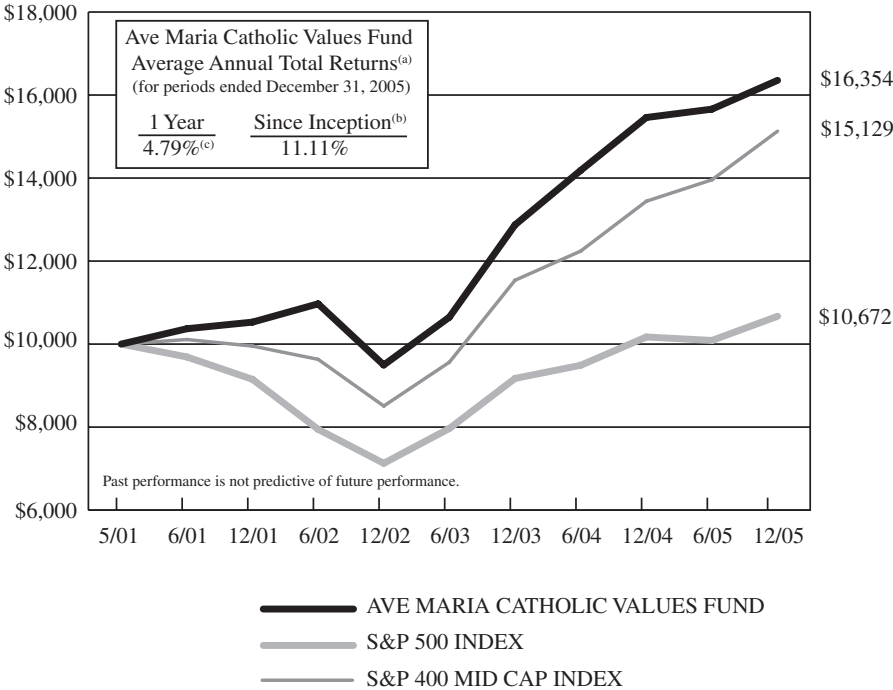
George P. Schwartz, CFA  
Co-Portfolio Manager



Gregory R. Heilman, CFA  
Co-Portfolio Manager

# **AVE MARIA CATHOLIC VALUES FUND** **PERFORMANCE (Unaudited)**

**Comparison of the Change in Value of a \$10,000 Investment  
in the Ave Maria Catholic Values Fund, the S&P 500 Index,  
and the S&P 400 Mid Cap Index**



<sup>(a)</sup> The returns shown do not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

<sup>(b)</sup> Represents the period from the commencement of operations (May 1, 2001) through December 31, 2005.

<sup>(c)</sup> The return shown reflects a 1% contingent deferred sales charge.



# AVE MARIA CATHOLIC VALUES FUND

## TEN LARGEST EQUITY HOLDINGS

### December 31, 2005 (Unaudited)

| Shares  | Company                                 | Market Value  |
|---------|---|---------------|
| 250,000 | Thor Industries, Inc. ....              | \$ 10,017,500 |
| 450,000 | Fargo Electronics, Inc. ....            | 8,662,500     |
| 115,000 | American International Group, Inc. .... | 7,846,450     |
| 300,000 | Dollar Tree Stores, Inc. ....           | 7,182,000     |
| 60,000  | General Dynamics Corporation ....       | 6,843,000     |
| 330,000 | Lifetime Brands, Inc. ....              | 6,821,100     |
| 32,500  | Student Loan Corporation (The) ....     | 6,799,975     |
| 245,000 | North Fork Bancorporation, Inc. ....    | 6,703,200     |
| 185,000 | Mine Safety Appliances Company ....     | 6,698,850     |
| 75,000  | Mohawk Industries, Inc. ....            | 6,523,500     |

## ASSET ALLOCATION (Unaudited)

| Sector   | % of Net Assets |
|--|-----------------|
| Aerospace/Defense .....                              | 6.3%            |
| Apparel & Textiles .....                             | 4.4%            |
| Building Materials & Construction .....              | 0.8%            |
| Business Services .....                              | 5.5%            |
| Communication Equipment & Services.....              | 1.4%            |
| Consumer Products .....                              | 12.0%           |
| Education.....                                       | 1.1%            |
| Electronics .....                                    | 1.8%            |
| Energy & Mining .....                                | 7.0%            |
| Environmental Services .....                         | 0.5%            |
| Finance.....   | 13.9%           |
| Healthcare .....                                     | 10.0%           |
| Industrial Products & Services .....                 | 14.9%           |
| Leisure & Entertainment.....                         | 1.1%            |
| Printing & Publishing .....                          | 1.1%            |
| Real Estate .....                                    | 0.9%            |
| Retail .....   | 5.8%            |
| Technology .....                                     | 0.1%            |
| Transportation .....                                 | 4.1%            |
| Utilities.....                                       | 0.7%            |
| Cash Equivalents, Other Assets and Liabilities ..... | 6.6%            |
|  | <u>100.0%</u>   |



# AVE MARIA CATHOLIC VALUES FUND

## SCHEDULE OF INVESTMENTS

### December 31, 2005

| Shares  | COMMON STOCKS — 93.4%                                | Market Value      |
|---------|--|-------------------|
|         | <b>AEROSPACE/DEFENSE — 6.3%</b>                      |                   |
| 25,000  | American Science and Engineering, Inc. *             | \$ 1,559,250      |
| 165,000 | Applied Signal Technology, Inc. ....                 | 3,745,500         |
| 60,000  | General Dynamics Corporation .....                   | 6,843,000         |
| 30,000  | Harris Corporation .....                             | 1,290,300         |
| 500,000 | TVI Corporation * .....                              | 2,000,000         |
|         |  | <u>15,438,050</u> |
|         | <b>APPAREL &amp; TEXTILES — 4.4%</b>                 |                   |
| 140,000 | Jones Apparel Group, Inc. ....                       | 4,300,800         |
| 75,000  | Mohawk Industries, Inc. * .....                      | 6,523,500         |
|         |  | <u>10,824,300</u> |
|         | <b>BUILDING MATERIALS &amp; CONSTRUCTION — 0.8%</b>  |                   |
| 50,000  | Pulte Homes, Inc. ....                               | <u>1,968,000</u>  |
|         | <b>BUSINESS SERVICES — 5.5%</b>                      |                   |
| 50,000  | Automatic Data Processing, Inc. ....                 | 2,294,500         |
| 450,000 | Fargo Electronics, Inc. * .....                      | 8,662,500         |
| 130,000 | Neogen Corporation * .....                           | 2,731,300         |
|         |  | <u>13,688,300</u> |
|         | <b>COMMUNICATION EQUIPMENT &amp; SERVICES — 1.4%</b> |                   |
| 30,000  | Alltel Corporation .....                             | 1,893,000         |
| 50,000  | CenturyTel, Inc. ....                                | <u>1,658,000</u>  |
|         |  | <u>3,551,000</u>  |
|         | <b>CONSUMER PRODUCTS - DURABLES — 6.4%</b>           |                   |
| 40,000  | Brunswick Corporation .....                          | 1,626,400         |
| 307,000 | Craftmade International, Inc. ....                   | 6,143,070         |
| 50,000  | Harley-Davidson, Inc. ....                           | 2,574,500         |
| 235,000 | Leggett & Platt, Inc. ....                           | 5,395,600         |
|         |  | <u>15,739,570</u> |
|         | <b>CONSUMER PRODUCTS - NONDURABLES — 5.6%</b>        |                   |
| 4,700   | ACCO Brands Corporation * .....                      | 115,150           |
| 145,000 | Chattem, Inc. * .....                                | 5,276,550         |
| 4,000   | Coach, Inc. * .....                                  | 133,360           |
| 20,000  | Fortune Brands, Inc. ....                            | 1,560,400         |
| 330,000 | Lifetime Brands, Inc. ....                           | 6,821,100         |
|         |  | <u>13,906,560</u> |
|         | <b>EDUCATION — 1.1%</b>                              |                   |
| 70,000  | Corinthian Colleges, Inc.* .....                     | 824,600           |
| 60,000  | Education Management Corporation* .....              | 2,010,600         |
|         |  | <u>2,835,200</u>  |

# AVE MARIA CATHOLIC VALUES FUND

## SCHEDULE OF INVESTMENTS (Continued)

| Shares  | COMMON STOCKS — 93.4% (Continued)                 | Market Value      |
|---------|---|-------------------|
|         | <b>ELECTRONICS — 1.8%</b>                         |                   |
| 150,000 | Gentex Corporation .....                          | \$ 2,925,000      |
| 160,547 | Sparton Corporation.....                          | <u>1,438,502</u>  |
|         |   | <u>4,363,502</u>  |
|         | <b>ENERGY &amp; MINING — 7.0%</b>                 |                   |
| 10,000  | Anadarko Petroleum Corporation .....              | 947,500           |
| 90,000  | Core Laboratories N.V. *.....                     | 3,362,400         |
| 80,000  | Exxon Mobil Corporation .....                     | 4,493,600         |
| 575,000 | Input/Output, Inc. * .....                        | 4,042,250         |
| 10,000  | Patterson-UTI Energy, Inc. ....                   | 329,500           |
| 35,000  | Transocean Inc. * .....                           | 2,439,150         |
| 35,000  | XTO Energy Inc. ....                              | <u>1,537,900</u>  |
|         |   | <u>17,152,300</u> |
|         | <b>ENVIRONMENTAL SERVICES — 0.5%</b>              |                   |
| 50,000  | Layne Christensen Company * .....                 | <u>1,271,500</u>  |
|         | <b>FINANCE - BANKS &amp; THRIFTS — 3.7%</b>       |                   |
| 45,000  | BB&T Corporation .....                            | 1,885,950         |
| 245,000 | North Fork Bancorporation, Inc. ....              | 6,703,200         |
| 20,000  | Synovus Financial Corporation.....                | <u>540,200</u>    |
|         |   | <u>9,129,350</u>  |
|         | <b>FINANCE - INSURANCE — 7.0%</b>                 |                   |
| 115,000 | American International Group, Inc. ....           | 7,846,450         |
| 50,000  | Everest Re Group, Ltd. ....                       | 5,017,500         |
| 300,000 | Meadowbrook Insurance Group, Inc. * .....         | 1,752,000         |
| 282,945 | Unico American Corporation * .....                | <u>2,645,536</u>  |
|         |   | <u>17,261,486</u> |
|         | <b>FINANCE - MISCELLANEOUS — 3.2%</b>             |                   |
| 30,000  | First Marblehead Corporation (The).....           | 985,800           |
| 32,500  | Student Loan Corporation (The).....               | <u>6,799,975</u>  |
|         |   | <u>7,785,775</u>  |
|         | <b>HEALTHCARE — 10.0%</b>                         |                   |
| 35,000  | Beckman Coulter, Inc. ....                        | 1,991,500         |
| 40,000  | Kinetic Concepts, Inc. * .....                    | 1,590,400         |
| 83,000  | Lincare Holdings Inc. * .....                     | 3,478,530         |
| 135,000 | Manor Care, Inc. ....                             | 5,368,950         |
| 300,000 | Mylan Laboratories Inc. ....                      | 5,988,000         |
| 97,000  | STERIS Corporation .....                          | 2,426,940         |
| 100,000 | Waters Corporation * .....                        | <u>3,780,000</u>  |
|         |   | <u>24,624,320</u> |
|         | <b>INDUSTRIAL PRODUCTS &amp; SERVICES — 14.9%</b> |                   |
| 52,500  | 3M Company .....                                  | 4,068,750         |
| 50,000  | Balchem Corporation.....                          | 1,490,500         |
| 75,000  | Caterpillar Inc. ....                             | 4,332,750         |
| 85,000  | Diebold, Incorporated .....                       | <u>3,230,000</u>  |

# AVE MARIA CATHOLIC VALUES FUND

## SCHEDULE OF INVESTMENTS (Continued)

| Shares  | COMMON STOCKS — 93.4% (Continued)                     | Market Value          |
|---------|---|-----------------------|
|         | <b>INDUSTRIAL PRODUCTS &amp; SERVICES — 14.9%</b>     |                       |
|         | (Continued)   |                       |
| 10,000  | Dover Corporation .....                               | \$ 404,900            |
| 50,000  | Genuine Parts Company .....                           | 2,196,000             |
| 150,000 | Graco, Inc. ....                                      | 5,472,000             |
| 185,000 | Mine Safety Appliances Company .....                  | 6,698,850             |
| 100,000 | Simpson Manufacturing Company, Inc. ....              | 3,635,000             |
| 22,500  | Stericycle, Inc. * .....                              | 1,324,800             |
| 20,000  | Teleflex Incorporated .....                           | 1,299,600             |
| 60,000  | Zebra Technologies Corporation - Class A * .....      | 2,571,000             |
|         |   | <u>36,724,150</u>     |
|         | <b>LEISURE &amp; ENTERTAINMENT — 1.1%</b>             |                       |
| 10,000  | Polaris Industries, Inc. ....                         | 502,000               |
| 65,000  | RC2 Corporation * .....                               | 2,308,800             |
|         |   | <u>2,810,800</u>      |
|         | <b>PRINTING &amp; PUBLISHING — 1.1%</b>               |                       |
| 5,000   | Courier Corporation .....                             | 171,700               |
| 95,500  | ProQuest Company * .....                              | 2,665,405             |
|         |   | <u>2,837,105</u>      |
|         | <b>REAL ESTATE — 0.9%</b>                             |                       |
| 25,000  | Duke Realty Corporation .....                         | 835,000               |
| 50,000  | Health Care Property Investors, Inc. ....             | 1,278,000             |
|         |   | <u>2,113,000</u>      |
|         | <b>RETAIL — 5.8%</b>                                  |                       |
| 150,000 | Christopher & Banks Corporation .....                 | 2,817,000             |
| 300,000 | Dollar Tree Stores, Inc. * .....                      | 7,182,000             |
| 5,000   | Hibbett Sporting Goods, Inc. * .....                  | 142,400               |
| 135,000 | Ross Stores, Inc. ....                                | 3,901,500             |
| 4,000   | Tractor Supply Company * .....                        | 211,760               |
|         |   | <u>14,254,660</u>     |
|         | <b>TECHNOLOGY — 0.1%</b>                              |                       |
| 7,100   | Stratasys, Inc.* .....                                | 177,571               |
|         | <b>TRANSPORTATION — 4.1%</b>                          |                       |
| 250,000 | Thor Industries, Inc. ....                            | 10,017,500            |
|         | <b>UTILITIES — 0.7%</b>                               |                       |
| 305,000 | SEMCO Energy, Inc. * .....                            | 1,714,100             |
|         | <b>TOTAL COMMON STOCKS</b> (Cost \$190,383,502) ..... | <u>\$ 230,188,099</u> |

# **AVE MARIA CATHOLIC VALUES FUND** **SCHEDULE OF INVESTMENTS (Continued)**

| Face<br>Amount | REPURCHASE AGREEMENTS <sup>(1)</sup> — 7.0%   | Market Value                 |
|----------------|---|------------------------------|
| \$ 17,317,339  | U.S. Bank N.A., 3.250%, dated 12/30/05, due 01/03/06<br>repurchase proceeds: \$17,323,592 (Cost \$17,317,339) ..... | \$ 17,317,339                |
|                | <b>TOTAL INVESTMENTS AT MARKET VALUE — 100.4%</b><br>(Cost \$207,700,841) .....                                     | \$ 247,505,438               |
|                | <b>LIABILITIES IN EXCESS OF OTHER ASSETS — (0.4%) .....</b>   | <u>( 1,130,326 )</u>         |
|                | <b>NET ASSETS — 100.0%</b> .....  | <u><u>\$ 246,375,112</u></u> |

\* Non-income producing security.

<sup>(1)</sup> Repurchase agreement is fully collateralized by \$17,317,339 GNMA, Series 2004-18 AB, 4.500%, due 12/16/28. The aggregate market value of the collateral at December 31, 2005 was \$17,664,048.

See notes to financial statements.

# **AVE MARIA GROWTH FUND**

## **PORTFOLIO MANAGER COMMENTARY**

---

Dear Fellow Shareholders:

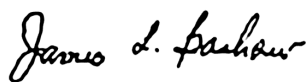
For the year ended December 31, 2005, the Ave Maria Growth Fund had a total return of 0.3% compared with 4.9% for the S&P 500 Index. Since inception (May 1, 2003), the Fund's total return has been 16.5% annualized compared to 14.3% annualized for the S&P 500 Index.

Calendar year 2005 presented special challenges. The 4.9% return for the S&P 500 Index was heavily influenced by a 40% jump in the energy component of the index and a 20% return from the utility segment. Because energy and utility companies have not historically been growth companies, we only had one name in these two industries – Occidental Petroleum Corporation. Our mission is to purchase shares of superior growth companies when they're selling at reasonable prices. Additionally, the healthcare and consumer staples sectors provided small positive returns. These four sectors comprised approximately 37% of the \$11 trillion market value of the S&P 500 Index. As a result, six of the investment sectors, or about 63% of its total market value, recorded negative returns in 2005. The bottom line for 2005 was, if you didn't own energy and utility stocks it was very hard to have good performance.

However, during the fourth quarter of 2005, this phenomenon began to reverse. Energy and utilities were negative, and five out of six of the earlier negative investment sectors turned positive. If this more balanced trend continues, it may work to the advantage of a diversified, high-quality investment portfolio like the Ave Maria Growth Fund.

The best performing issues in the Ave Maria Growth Fund in 2005 were Brown & Brown, Inc. (insurance agency), Johnson Controls, Inc. (automotive supplier), and Garmin Ltd. (global positioning systems). Those that lagged included these consumer-related stocks: Polaris Industries, Inc. (all-terrain vehicles) and Harley-Davidson, Inc. (motorcycles). We're adding to the laggards because their fundamentals are still good and the shares are now better values.

Respectfully,

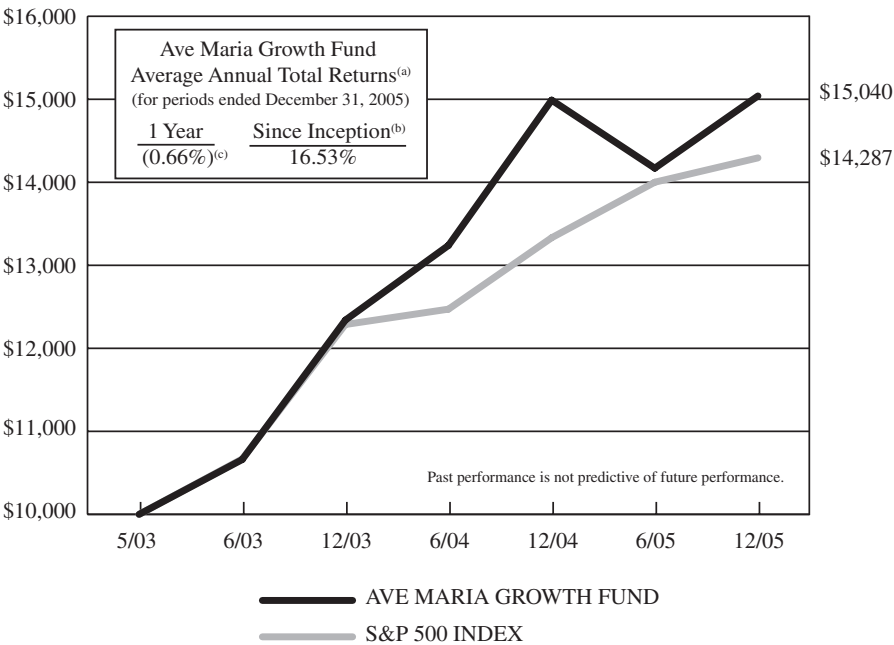


James L. Bashaw, CFA  
Portfolio Manager

# AVE MARIA GROWTH FUND

## PERFORMANCE (Unaudited)

Comparison of the Change in Value of a \$10,000 Investment  
in the Ave Maria Growth Fund and the S&P 500 Index



<sup>(a)</sup> The returns shown do not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

<sup>(b)</sup> Represents the period from the commencement of operations (May 1, 2003) through December 31, 2005.

<sup>(c)</sup> The return shown reflects a 1% contingent deferred sales charge.

# AVE MARIA GROWTH FUND

## TEN LARGEST EQUITY HOLDINGS

### December 31, 2005 (Unaudited)

| Shares | Company                              | Market Value |
|--------|--------------------------------------|--------------|
| 30,600 | Johnson Controls, Inc. ....          | \$ 2,231,046 |
| 50,950 | FactSet Research Systems, Inc. ....  | 2,097,102    |
| 68,200 | CLARCOR, Inc. ....                   | 2,026,222    |
| 55,400 | Biomet, Inc. ....                    | 2,025,978    |
| 50,300 | Franklin Electric Company, Inc. .... | 1,988,862    |
| 30,100 | C.R. Bard, Inc. ....                 | 1,984,192    |
| 71,950 | North Fork Bancorporation, Inc. .... | 1,968,552    |
| 45,200 | Kellogg Company ....                 | 1,953,544    |
| 61,400 | Donaldson Company, Inc. ....         | 1,952,520    |
| 53,050 | Graco, Inc. ....                     | 1,935,264    |

## ASSET ALLOCATION (Unaudited)

| <u>Sector</u>  | <u>% of Net Assets</u> |
|--|------------------------|
| Aerospace/Defense .....                              | 6.2%                   |
| Business Services .....                              | 3.3%                   |
| Consumer Products .....                              | 8.2%                   |
| Electronics .....                                    | 2.6%                   |
| Energy & Mining .....                                | 2.9%                   |
| Finance.....   | 14.3%                  |
| Food & Tobacco .....                                 | 6.0%                   |
| Healthcare .....                                     | 14.3%                  |
| Industrial Products & Services .....                 | 23.9%                  |
| Leisure & Entertainment.....                         | 2.4%                   |
| Retail .....   | 7.2%                   |
| Technology .....                                     | 2.8%                   |
| Transportation .....                                 | 2.8%                   |
| Cash Equivalents, Other Assets and Liabilities ..... | 3.1%                   |
|  | <u>100.0%</u>          |



# AVE MARIA GROWTH FUND

## SCHEDULE OF INVESTMENTS

### December 31, 2005

| Shares | COMMON STOCKS — 96.9%                         | Market Value     |
|--------|---|------------------|
|        | <b>AEROSPACE/DEFENSE — 6.2%</b>               |                  |
| 24,200 | Alliant Techsystems, Inc. *                   | \$ 1,843,314     |
| 16,300 | General Dynamics Corporation                  | 1,859,015        |
| 5,000  | Rockwell Collins, Inc.                        | 232,350          |
|        |   | <u>3,934,679</u> |
|        | <b>BUSINESS SERVICES — 3.3%</b>               |                  |
| 50,950 | FactSet Research Systems, Inc.                | <u>2,097,102</u> |
|        | <b>CONSUMER PRODUCTS - DURABLES — 5.6%</b>    |                  |
| 34,900 | Harley-Davidson, Inc.                         | 1,797,001        |
| 39,900 | Toro Company (The)                            | 1,746,423        |
|        |   | <u>3,543,424</u> |
|        | <b>CONSUMER PRODUCTS - NONDURABLES — 2.6%</b> |                  |
| 19,100 | Black & Decker Corporation (The)              | <u>1,660,936</u> |
|        | <b>ELECTRONICS — 2.6%</b>                     |                  |
| 25,200 | Garmin Ltd.                                   | <u>1,672,020</u> |
|        | <b>ENERGY &amp; MINING — 2.9%</b>             |                  |
| 22,900 | Occidental Petroleum Corporation              | <u>1,829,252</u> |
|        | <b>FINANCE - BANKS &amp; THRIFTS — 6.1%</b>   |                  |
| 56,200 | National City Corporation                     | 1,886,634        |
| 71,950 | North Fork Bancorporation, Inc.               | 1,968,552        |
|        |   | <u>3,855,186</u> |
|        | <b>FINANCE - INSURANCE — 5.3%</b>             |                  |
| 50,400 | Arthur J. Gallagher & Co.                     | 1,556,352        |
| 58,500 | Brown & Brown, Inc.                           | 1,786,590        |
|        |   | <u>3,342,942</u> |
|        | <b>FINANCE - MISCELLANEOUS — 2.9%</b>         |                  |
| 49,900 | SEI Investments Company                       | <u>1,846,300</u> |
|        | <b>FOOD &amp; TOBACCO — 6.0%</b>              |                  |
| 45,200 | Kellogg Company                               | 1,953,544        |
| 60,000 | McCormick & Company, Inc.                     | 1,855,200        |
|        |   | <u>3,808,744</u> |
|        | <b>HEALTHCARE — 14.3%</b>                     |                  |
| 29,300 | Beckman Coulter, Inc.                         | 1,667,170        |
| 55,400 | Biomet, Inc.                                  | 2,025,978        |
| 30,100 | C. R. Bard, Inc.                              | 1,984,192        |
| 53,000 | Patterson Companies, Inc. *                   | 1,770,200        |
| 43,600 | Waters Corporation *                          | 1,648,080        |
|        |   | <u>9,095,620</u> |

# AVE MARIA GROWTH FUND

## SCHEDULE OF INVESTMENTS (Continued)

| Shares | COMMON STOCKS — 96.9% (Continued)                   | Market Value         |
|--------|---|----------------------|
|        | <b>INDUSTRIAL PRODUCTS &amp; SERVICES — 23.9%</b>   |                      |
| 43,400 | AMETEK, Inc. ....                                   | \$ 1,846,236         |
| 68,200 | CLARCOR, Inc. ....                                  | 2,026,222            |
| 61,400 | Donaldson Company, Inc. ....                        | 1,952,520            |
| 24,100 | Expeditors International of Washington, Inc. ....   | 1,626,991            |
| 50,300 | Franklin Electric Company, Inc. ....                | 1,988,862            |
| 53,050 | Graco, Inc. ....                                    | 1,935,264            |
| 15,700 | ITT Industries, Inc. ....                           | 1,614,274            |
| 30,600 | Johnson Controls, Inc. ....                         | 2,231,046            |
|        |   | <u>15,221,415</u>    |
|        | <b>LEISURE &amp; ENTERTAINMENT — 2.4%</b>           |                      |
| 30,300 | Polaris Industries, Inc. ....                       | <u>1,521,060</u>     |
|        | <b>RETAIL — 7.2%</b>                                |                      |
| 45,800 | Bed Bath & Beyond Inc. * ....                       | 1,655,670            |
| 73,500 | Christopher & Banks Corporation ....                | 1,380,330            |
| 54,100 | Ross Stores, Inc. ....                              | <u>1,563,490</u>     |
|        |   | <u>4,599,490</u>     |
|        | <b>TECHNOLOGY — 2.8%</b>                            |                      |
| 32,300 | Mettler-Toledo International Inc. * ....            | <u>1,782,960</u>     |
|        | <b>TRANSPORTATION — 2.8%</b>                        |                      |
| 42,300 | Landstar System, Inc. ....                          | <u>1,765,602</u>     |
|        | <b>TOTAL COMMON STOCKS</b> (Cost \$57,445,931) .... | <u>\$ 61,576,732</u> |

| Face Amount  | REPURCHASE AGREEMENTS <sup>(1)</sup> — 3.0%  | Market Value         |
|--------------|--|----------------------|
| \$ 1,890,623 | U.S. Bank N.A., 3.250%, dated 12/30/05, due 01/03/06<br>repurchase proceeds: \$1,891,306 (Cost \$1,890,623) .... | <u>\$ 1,890,623</u>  |
|              | <b>TOTAL INVESTMENTS AT MARKET VALUE — 99.9%</b><br>(Cost \$59,336,554) ....                                     | <u>\$ 63,467,355</u> |
|              | <b>OTHER ASSETS IN EXCESS OF LIABILITIES — 0.1% .....</b>  | <u>93,997</u>        |
|              | <b>NET ASSETS — 100.0%</b> .....   | <u>\$ 63,561,352</u> |

\* Non-income producing security.

<sup>(1)</sup> Repurchase agreement is fully collateralized by \$1,890,623 FGCI, Pool #E99430, 4.500%, due 09/01/18. The aggregate market value of the collateral at December 31, 2005 was \$1,928,846.

See notes to financial statements.

# AVE MARIA RISING DIVIDEND FUND

## PORTFOLIO MANAGER COMMENTARY

---

Dear Fellow Shareholders:

As of December 31, 2005, the Ave Maria Rising Dividend Fund held stock in 39 companies diversified across 18 industries. Virtually all of the companies in the portfolio raised their dividend during 2005. Investing in companies that have regularly raised their dividend is a defining characteristic of this Fund. Traditionally, dividends have contributed about half of the total return produced by stocks in general; therefore, a growing stream of dividends is particularly important. Rising dividends are also indicative of balance sheet integrity and sound underlying business fundamentals. To increase dividends year after year, companies must generate growth in earnings and cash flow. Some companies use accounting gimmicks to fudge their earnings – but they can't fake a dividend. Our typical portfolio company uses conservative accounting practices and regularly increases dividends, which is indicative of a highly-disciplined board of directors and a shareholder-focused corporate culture.

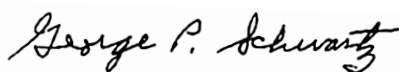
The investment performance for the Fund during its first eight months of operation ended December 31, 2005 was +6.7%. This compares with the 5.4% total return on the S&P Dividend Aristocrat Index and 8.8% return for the S&P 500 Index for the same period.

The energy sector represented one of the only industries with positive investment results in 2005. Given our focus on companies with the capacity to regularly increase dividends, we didn't find much cause to invest in energy stocks. Major contributors to the performance of the Fund came from Thor Industries, Inc. (recreational vehicles), Johnson Controls, Inc. (automotive supply and building controls), Caterpillar Inc. (construction and mining equipment), and Ross Stores, Inc. (retailer).

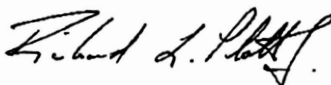
We sold Dominion Resources, Inc. out of the portfolio because it became a violator of one of our pro-life, pro-family screens. The Company adopted a policy of offering non-marital partner benefits to their employees. As is our practice, we wrote to management and the Board of Directors of Dominion informing them of our reason for selling the stock and urged them to reverse their policy, which would allow us to repurchase the shares.

We appreciate your commitment and strive to do all in our power to merit your confidence.

With best regards,



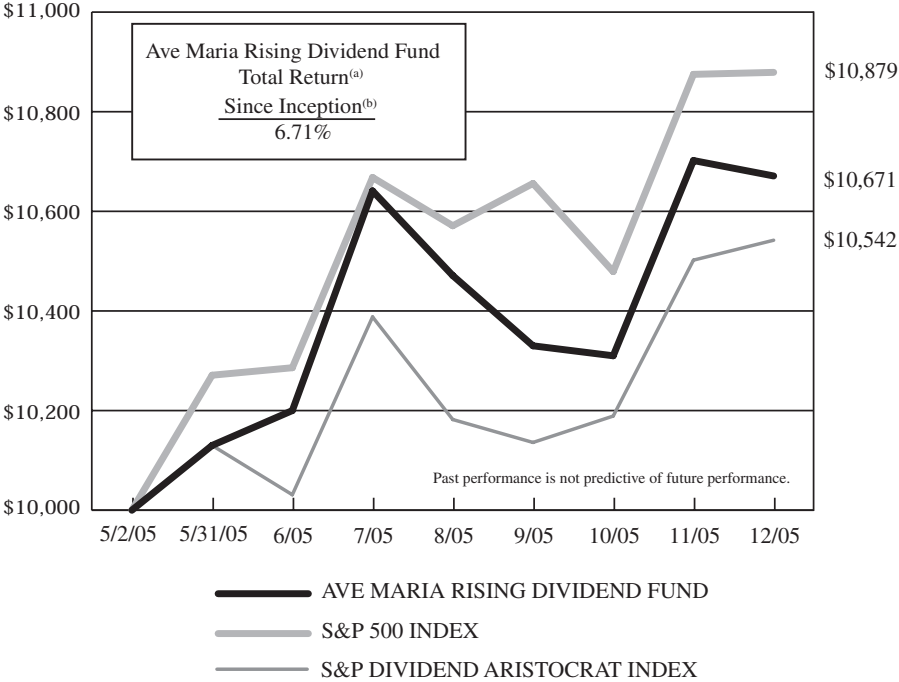
George P. Schwartz, CFA  
Co-portfolio Manager



Richard L. Platte, Jr., CFA  
Co-portfolio Manager

# **AVE MARIA RISING DIVIDEND FUND** **PERFORMANCE (Unaudited)**

**Comparison of the Change in Value of a \$10,000 Investment in the Ave Maria Rising Dividend Fund, the S&P 500 Index, and the S&P Dividend Aristocrat Index**



<sup>(a)</sup> The return shown does not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

<sup>(b)</sup> Represents the period from the commencement of operations (May 2, 2005) through December 31, 2005.

# AVE MARIA RISING DIVIDEND FUND

## TEN LARGEST EQUITY HOLDINGS

### December 31, 2005 (Unaudited)

| Shares | Company                              | Market Value |
|--------|--------------------------------------|--------------|
| 25,000 | Thor Industries, Inc. ....           | \$ 1,001,750 |
| 18,000 | Alberto-Culver Company .....         | 823,500      |
| 28,000 | Ross Stores, Inc. ....               | 809,200      |
| 35,000 | Leggett & Platt, Inc. ....           | 803,600      |
| 26,000 | Arthur J. Gallagher & Co. ....       | 802,880      |
| 18,000 | Kellogg Company .....                | 777,960      |
| 25,000 | McCormick & Company, Inc. ....       | 773,000      |
| 20,000 | Diebold, Incorporated .....          | 760,000      |
| 16,500 | Sherwin-Williams Company (The) ..... | 749,430      |
| 10,000 | Emerson Electric Co. ....            | 747,000      |

## ASSET ALLOCATION (Unaudited)

| <u>Sector</u>  | <u>% of Net Assets</u> |
|--|------------------------|
| Aerospace/Defense .....                              | 1.8%                   |
| Apparel & Textiles .....                             | 0.3%                   |
| Building Materials & Construction .....              | 4.5%                   |
| Business Services .....                              | 2.4%                   |
| Communication Equipment & Services.....              | 1.7%                   |
| Consumer Products .....                              | 13.8%                  |
| Energy & Mining .....                                | 1.9%                   |
| Finance.....   | 16.1%                  |
| Food & Tobacco .....                                 | 8.1%                   |
| Healthcare .....                                     | 2.7%                   |
| Industrial Products & Services .....                 | 27.5%                  |
| Leisure & Entertainment.....                         | 2.5%                   |
| Retail .....   | 3.2%                   |
| Transportation .....                                 | 4.0%                   |
| Utilities.....                                       | 5.4%                   |
| Cash Equivalents, Other Assets and Liabilities ..... | 4.1%                   |
|  | <u>100.0%</u>          |

# AVE MARIA RISING DIVIDEND FUND

## SCHEDULE OF INVESTMENTS

### December 31, 2005

| Shares | COMMON STOCKS — 95.9%                                | Market Value     |
|--------|--|------------------|
|        | <b>AEROSPACE/DEFENSE — 1.8%</b>                      |                  |
| 4,000  | General Dynamics Corporation .....                   | \$ 456,200       |
|        | <b>APPAREL &amp; TEXTILES — 0.3%</b>                 |                  |
| 1,000  | Mohawk Industries, Inc. * .....                      | 86,980           |
|        | <b>BUILDING MATERIALS &amp; CONSTRUCTION — 4.5%</b>  |                  |
| 20,000 | Masco Corporation .....                              | 603,800          |
| 30,000 | RPM International Inc. ....                          | 521,100          |
|        |  | <u>1,124,900</u> |
|        | <b>BUSINESS SERVICES — 2.4%</b>                      |                  |
| 13,000 | Automatic Data Processing, Inc.....                  | 596,570          |
|        | <b>COMMUNICATION EQUIPMENT &amp; SERVICES — 1.7%</b> |                  |
| 7,000  | Alltel Corporation .....                             | 441,700          |
|        | <b>CONSUMER PRODUCTS - DURABLES — 7.6%</b>           |                  |
| 10,000 | Harley-Davidson, Inc. ....                           | 514,900          |
| 35,000 | Leggett & Platt, Inc.....                            | 803,600          |
| 25,000 | Newell Rubbermaid Inc. ....                          | 594,500          |
|        |  | <u>1,913,000</u> |
|        | <b>CONSUMER PRODUCTS - NONDURABLES — 6.2%</b>        |                  |
| 18,000 | Alberto-Culver Company .....                         | 823,500          |
| 16,500 | Sherwin-Williams Company (The).....                  | 749,430          |
|        |  | <u>1,572,930</u> |
|        | <b>ENERGY &amp; MINING — 1.9%</b>                    |                  |
| 8,500  | Exxon Mobil Corporation .....                        | 477,445          |
|        | <b>FINANCE - BANKS &amp; THRIFTS — 9.3%</b>          |                  |
| 16,000 | BB&T Corporation .....                               | 670,560          |
| 27,000 | North Fork Bancorporation, Inc.....                  | 738,720          |
| 15,000 | Synovus Financial Corporation.....                   | 405,150          |
| 15,000 | United Bankshares, Inc.....                          | 528,600          |
|        |  | <u>2,343,030</u> |
|        | <b>FINANCE - INSURANCE — 4.3%</b>                    |                  |
| 4,000  | American International Group, Inc. ....              | 272,920          |
| 26,000 | Arthur J. Gallagher & Co. ....                       | 802,880          |
|        |  | <u>1,075,800</u> |
|        | <b>FINANCE - MISCELLANEOUS — 2.5%</b>                |                  |
| 3,000  | Student Loan Corporation (The).....                  | 627,690          |

# **AVE MARIA RISING DIVIDEND FUND** **SCHEDULE OF INVESTMENTS (Continued)**

| Shares | COMMON STOCKS — 95.9% (Continued)                    | Market Value         |
|--------|--|----------------------|
|        | <b>FOOD &amp; TOBACCO — 8.1%</b>                     |                      |
| 15,000 | Hormel Foods Corporation .....                       | \$ 490,200           |
| 18,000 | Kellogg Company .....                                | 777,960              |
| 25,000 | McCormick & Company, Inc.....                        | 773,000              |
|        |  | <u>2,041,160</u>     |
|        | <b>HEALTHCARE — 2.7%</b>                             |                      |
| 17,000 | Manor Care, Inc. ....                                | <u>676,090</u>       |
|        | <b>INDUSTRIAL PRODUCTS &amp; SERVICES — 27.5%</b>    |                      |
| 9,000  | 3M Company .....                                     | 697,500              |
| 13,000 | Avery Dennison Corporation .....                     | 718,510              |
| 12,000 | Caterpillar Inc. ....                                | 693,240              |
| 20,000 | Diebold, Incorporated .....                          | 760,000              |
| 14,000 | Dover Corporation .....                              | 566,860              |
| 10,000 | Emerson Electric Co. ....                            | 747,000              |
| 15,000 | Graco, Inc. ....                                     | 547,200              |
| 10,000 | Johnson Controls, Inc. ....                          | 729,100              |
| 18,000 | Mine Safety Appliances Company .....                 | 651,780              |
| 13,500 | Stanley Works (The) .....                            | 648,540              |
| 3,000  | Teleflex Incorporated.....                           | 194,940              |
|        |  | <u>6,954,670</u>     |
|        | <b>LEISURE &amp; ENTERTAINMENT — 2.5%</b>            |                      |
| 12,500 | Polaris Industries, Inc. ....                        | <u>627,500</u>       |
|        | <b>RETAIL — 3.2%</b>                                 |                      |
| 28,000 | Ross Stores, Inc.....                                | <u>809,200</u>       |
|        | <b>TRANSPORTATION — 4.0%</b>                         |                      |
| 25,000 | Thor Industries, Inc.....                            | <u>1,001,750</u>     |
|        | <b>UTILITIES — 5.4%</b>                              |                      |
| 14,000 | Exelon Corporation .....                             | 743,960              |
| 15,000 | FPL Group, Inc. ....                                 | 623,400              |
|        |  | <u>1,367,360</u>     |
|        | <b>TOTAL COMMON STOCKS</b> (Cost \$23,123,442) ..... | <u>\$ 24,193,975</u> |



# **AVE MARIA RISING DIVIDEND FUND** **SCHEDULE OF INVESTMENTS (Continued)**

| Face Amount  | REPURCHASE AGREEMENTS <sup>(1)</sup> — 4.8%   | Market Value         |
|--------------|---|----------------------|
| \$ 1,217,808 | U.S. Bank N.A., 3.250%, dated 12/30/05, due 01/03/06<br>repurchase proceeds: \$1,218,247 (Cost \$1,217,808) ..... | \$ 1,217,808         |
|              | <b>TOTAL INVESTMENTS AT MARKET VALUE — 100.7%</b><br>(Cost \$24,341,250) .....                                    | \$ 25,411,783        |
|              | <b>LIABILITIES IN EXCESS OF OTHER ASSETS — (0.7%) .....</b>   | ( 169,172 )          |
|              | <b>NET ASSETS — 100.0%</b> .....  | <u>\$ 25,242,611</u> |

\* Non-income producing security.

<sup>(1)</sup> Repurchase agreement is fully collateralized by \$1,217,808 FGCI, Pool #E99430, 4.500%, due 09/01/18. The aggregate market value of the collateral at December 31, 2005 was \$1,242,412.

See notes to financial statements.

## **AVE MARIA BOND FUND**

### **PORTFOLIO MANAGER COMMENTARY**

---

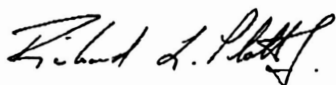
Dear Fellow Shareholders:

The bond market spent another year dealing with the fallout of Fed monetary policy. During 2005, the Fed raised the Fed Funds rate eight times, and once so far in 2006. That was on top of the five increases during 2004 or 14 increases over 18 months, raising the overnight rate from 1.00% to 4.50% currently. In contrast, long-term rates remained stable during this period. The result has been a flat yield curve, which is unusual, since investors generally demand higher yields for longer maturity, fixed-income instruments.

The flat yield curve has resulted in lower prices of short and intermediate maturity bonds, even the extremely high quality conservative type, which we have in the Ave Maria Bond Fund. Consequently, in 2005 the decline in the prices of our bonds, combined with the coupon income, produced a total return of 1.4% for the retail class compared to 1.6% for the Lehman Brothers Intermediate U.S. Government/Credit Index. Our small position in dividend paying stocks (15% of the portfolio as of December 31, 2005) made a modest positive contribution to performance for the year.

We sold Dominion Resources, Inc. out of the portfolio because the company became a violator of one of our pro-life, pro-family screens. The Company adopted a policy of offering non-marital partner benefits to their employees. As is our practice, we wrote to management and the Board of Directors of Dominion informing them of our reason for selling the stock and urged them to reverse their policy, which would allow us to repurchase the shares.

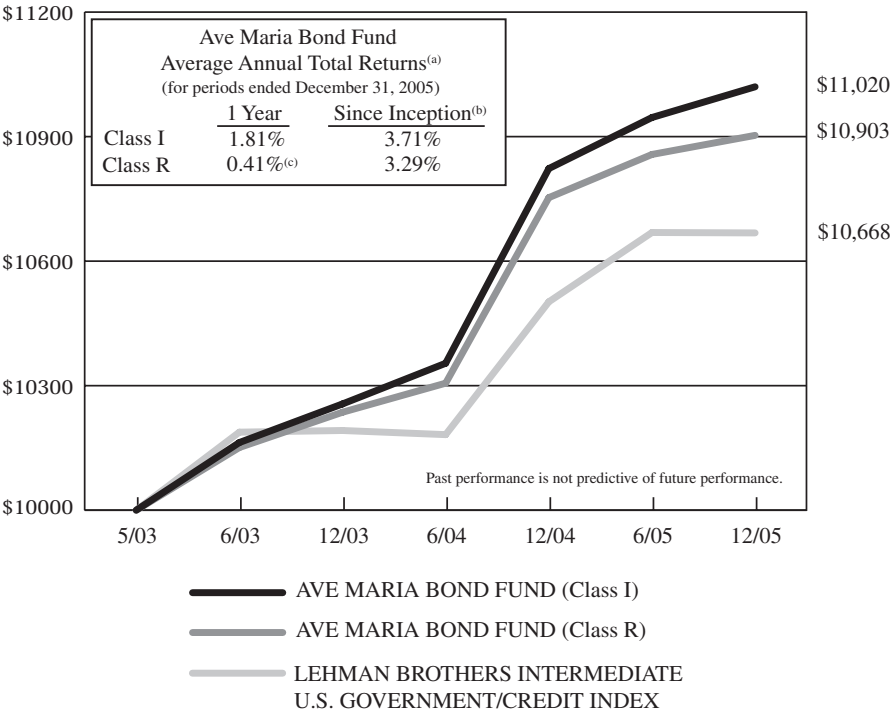
With best regards,



Richard L. Platte, Jr., CFA  
Portfolio Manager

# **AVE MARIA BOND FUND** **PERFORMANCE (Unaudited)**

**Comparison of the Change in Value of a \$10,000 Investment  
in the Ave Maria Bond Fund and the Lehman Brothers  
Intermediate U.S. Government/Credit Index**



<sup>(a)</sup> The returns shown do not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

<sup>(b)</sup> Represents the period from the commencement of operations (May 1, 2003) through December 31, 2005.

<sup>(c)</sup> The return shown reflects a 1% contingent deferred sales charge.

# **AVE MARIA BOND FUND** **TEN LARGEST HOLDINGS** **December 31, 2005 (Unaudited)**

| Par Value    | Holding  | Market Value |
|--------------|--|--------------|
| \$ 5,000,000 | U.S. Treasury Note, 3.750%, due 05/15/08 ..... | \$ 4,928,905 |
| 3,500,000    | U.S. Treasury Note, 3.750%, due 03/31/07 ..... | 3,470,194    |
| 3,500,000    | U.S. Treasury Note, 4.125%, due 05/15/15 ..... | 3,423,301    |
| 3,500,000    | U.S. Treasury Note, 3.375%, due 10/15/09 ..... | 3,379,824    |
| 3,000,000    | U.S. Treasury Note, 3.000%, due 11/15/07 ..... | 2,925,234    |
| 3,000,000    | U.S. Treasury Note, 2.625%, due 05/15/08 ..... | 2,881,875    |
| 2,500,000    | U.S. Treasury Note, 3.375%, due 02/28/07 ..... | 2,469,530    |
| 2,000,000    | U.S. Treasury Note, 4.375%, due 08/15/12 ..... | 1,999,766    |
| 2,000,000    | U.S. Treasury Note, 2.875%, due 11/30/06 ..... | 1,972,266    |
| 2,000,000    | U.S. Treasury Note, 3.375%, due 02/15/08 ..... | 1,958,828    |

## **ASSET ALLOCATION (Unaudited)**

|   | % of Net Assets |
|---|-----------------|
| <b>U.S. GOVERNMENT AND AGENCY OBLIGATIONS</b>       |                 |
| U.S. Treasuries .....                               | 54.0%           |
| U.S. Government Agencies .....                      | 6.9%            |
| <b>CORPORATE BONDS</b>                              |                 |
| <u>Sector</u>                                       |                 |
| Consumer Products .....                             | 3.0%            |
| Finance .....                                       | 6.3%            |
| Industrials .....                                   | 6.3%            |
| Utilities .....                                     | 3.0%            |
| <b>COMMON STOCKS</b>                                |                 |
| <u>Sector</u>                                       |                 |
| Building Materials & Construction .....             | 0.9%            |
| Communication Equipment & Services .....            | 0.7%            |
| Consumer Products .....                             | 2.1%            |
| Energy & Mining .....                               | 0.7%            |
| Finance .....                                       | 4.3%            |
| Healthcare .....                                    | 0.7%            |
| Real Estate .....                                   | 1.1%            |
| Utilities .....                                     | 4.2%            |
| Cash Equivalents, Other Assets and Liabilities..... | 5.8%            |
|   | <u>100.0%</u>   |

# AVE MARIA BOND FUND

## SCHEDULE OF INVESTMENTS

### December 31, 2005

| Par Value    | U.S. GOVERNMENT AND<br>AGENCY OBLIGATIONS — 60.9%                                 | Market Value         |
|--------------|---|----------------------|
|              | <b>U.S. TREASURIES — 54.0%</b>  |                      |
| \$ 2,000,000 | U.S. Treasury Note, 2.875%, due 11/30/06 .....                                    | \$ 1,972,266         |
| 2,500,000    | U.S. Treasury Note, 3.375%, due 02/28/07 .....                                    | 2,469,530            |
| 3,500,000    | U.S. Treasury Note, 3.750%, due 03/31/07 .....                                    | 3,470,194            |
| 3,000,000    | U.S. Treasury Note, 3.000%, due 11/15/07 .....                                    | 2,925,234            |
| 1,000,000    | U.S. Treasury Note, 3.000%, due 02/15/08 .....                                    | 971,836              |
| 2,000,000    | U.S. Treasury Note, 3.375%, due 02/15/08 .....                                    | 1,958,828            |
| 3,000,000    | U.S. Treasury Note, 2.625%, due 05/15/08 .....                                    | 2,881,875            |
| 5,000,000    | U.S. Treasury Note, 3.750%, due 05/15/08 .....                                    | 4,928,905            |
| 1,214,560    | U.S. Treasury Inflation-Protection Note,<br>3.875%, due 01/15/09 .....            | 1,276,522            |
| 1,000,000    | U.S. Treasury Note, 3.000%, due 02/15/09 .....                                    | 959,766              |
| 3,500,000    | U.S. Treasury Note, 3.375%, due 10/15/09 .....                                    | 3,379,824            |
| 1,500,000    | U.S. Treasury Note, 4.250%, due 10/15/10 .....                                    | 1,492,149            |
| 2,000,000    | U.S. Treasury Note, 4.375%, due 08/15/12 .....                                    | 1,999,766            |
| 1,000,000    | U.S. Treasury Note, 4.000%, due 02/15/14 .....                                    | 972,891              |
| 3,500,000    | U.S. Treasury Note, 4.125%, due 05/15/15 .....                                    | 3,423,301            |
|              |   | <u>35,082,887</u>    |
|              | <b>U.S. GOVERNMENT AGENCIES — 6.9%</b>  |                      |
| 1,000,000    | Federal Farm Credit Bank, 4.480%, due 08/24/12 .....                              | 984,693              |
| 1,000,000    | Federal Farm Credit Bank, 4.600%, due 12/27/12 .....                              | 991,736              |
| 500,000      | Federal Home Loan Bank, 3.375%, due 07/21/08 .....                                | 483,921              |
| 1,000,000    | Federal Home Loan Bank, 5.477%, due 01/28/09 .....                                | 1,020,935            |
| 1,000,000    | Federal Home Loan Bank, 4.375%, due 02/04/10 .....                                | 979,881              |
|              |   | <u>4,461,166</u>     |
|              | <b>TOTAL U.S. GOVERNMENT AND<br/>AGENCY OBLIGATIONS (Cost \$40,132,398) .....</b> | <b>\$ 39,544,053</b> |

| Par Value    | CORPORATE BONDS — 18.6%   | Market Value     |
|--------------|---|------------------|
|              | <b>CONSUMER PRODUCTS — 3.0%</b>   |                  |
| \$ 1,000,000 | Harley-Davidson, Inc. - 144A, 3.625%, due 12/15/08 .....                  | \$ 967,344       |
| 1,000,000    | Leggett & Platt, Inc., 4.650%, due 11/15/14 .....                         | 961,284          |
|              |   | <u>1,928,628</u> |
|              | <b>FINANCE — 6.3%</b>   |                  |
| 1,000,000    | Caterpillar Financial Services Corporation, 2.650%,<br>due 01/30/06 ..... | 998,690          |
| 1,000,000    | Caterpillar Financial Services Corporation, 4.750%,<br>due 02/17/15 ..... | 976,578          |
| 1,000,000    | Marshall & Ilsley Bank, 5.250%, due 09/04/12 .....                        | 1,011,685        |
| 1,000,000    | Regions Financial Corporation, 7.000%, due 03/01/11 .....                 | 1,092,985        |
|              |   | <u>4,079,938</u> |

# AVE MARIA BOND FUND

## SCHEDULE OF INVESTMENTS (Continued)

| Par Value    | CORPORATE BONDS — 18.6% (Continued)   | Market Value         |
|--------------|---|----------------------|
|              | <b>INDUSTRIALS — 6.3%</b>   |                      |
| \$ 1,000,000 | Alcoa, Inc., 6.000%, due 01/15/12 .....   | \$ 1,047,194         |
| 1,010,000    | Dover Corporation, 6.250%, due 06/01/08 .....   | 1,044,198            |
| 1,000,000    | Masco Corporation, 4.800%, due 06/15/15 .....   | 932,165              |
| 1,000,000    | United Technologies Corporation, 6.350%, due 03/01/11 .....                             | 1,065,744            |
|              |   | <u>4,089,301</u>     |
|              | <b>UTILITIES — 3.0%</b>   |                      |
| 1,000,000    | Alabama Power Company, 3.125%, due 05/01/08 .....                                       | 961,080              |
| 1,000,000    | National Rural Utilities Cooperative Finance Corporation,<br>6.000%, due 05/15/06 ..... | 1,004,621            |
|              |   | <u>1,965,701</u>     |
|              | <b>TOTAL CORPORATE BONDS</b> (Cost \$12,277,552).....                                   | <u>\$ 12,063,568</u> |

| Shares | COMMON STOCKS — 14.7%                                | Market Value      |
|--------|--|-------------------|
|        | <b>BUILDING MATERIALS &amp; CONSTRUCTION — 0.9%</b>  |                   |
| 35,000 | RPM International Inc. ....                          | <u>\$ 607,950</u> |
|        | <b>COMMUNICATION EQUIPMENT &amp; SERVICES — 0.7%</b> |                   |
| 7,500  | Alltel Corporation .....                             | <u>473,250</u>    |
|        | <b>CONSUMER PRODUCTS - DURABLES — 2.1%</b>           |                   |
| 30,000 | Leggett & Platt, Inc.....                            | 688,800           |
| 27,000 | Newell Rubbermaid Inc. ....                          | 642,060           |
|        |  | <u>1,330,860</u>  |
|        | <b>ENERGY AND MINING — 0.7%</b>                      |                   |
| 15,000 | National Fuel Gas Company.....                       | <u>467,850</u>    |
|        | <b>FINANCE - BANKS &amp; THRIFTS — 3.3%</b>          |                   |
| 15,000 | BB&T Corporation .....                               | 628,650           |
| 15,000 | Huntington Bancshares Incorporated .....             | 356,250           |
| 15,000 | National City Corporation.....                       | 503,550           |
| 24,000 | North Fork Bancorporation, Inc.....                  | 656,640           |
|        |  | <u>2,145,090</u>  |
|        | <b>FINANCE - INSURANCE — 1.0%</b>                    |                   |
| 22,000 | Arthur J. Gallagher & Co. ....                       | <u>679,360</u>    |
|        | <b>HEALTHCARE — 0.7%</b>                             |                   |
| 10,000 | Landauer, Inc.....                                   | <u>460,900</u>    |
|        | <b>REAL ESTATE — 1.1%</b>                            |                   |
| 12,000 | Duke Realty Corporation .....                        | 400,800           |
| 10,000 | Washington Real Estate Investment Trust .....        | 303,500           |
|        |  | <u>704,300</u>    |

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

| Shares | COMMON STOCKS — 14.7% (Continued)                   | Market Value        |
|--------|---|---------------------|
|        | <b>UTILITIES — 4.2%</b>                             |                     |
| 15,000 | Exelon Corporation .....                            | \$ 797,100          |
| 15,000 | FPL Group, Inc. ....                                | 623,400             |
| 16,000 | Pinnacle West Capital Corporation .....             | 661,600             |
| 18,000 | Southern Company .....                              | 621,540             |
|        |   | <u>2,703,640</u>    |
|        | <b>TOTAL COMMON STOCKS</b> (Cost \$8,801,100) ..... | <u>\$ 9,573,200</u> |

| Face Amount  | REPURCHASE AGREEMENTS <sup>(1)</sup> — 5.0%   | Market Value         |
|--------------|---|----------------------|
| \$ 3,252,648 | U.S. Bank N.A., 3.250%, dated 12/31/05, due 01/03/06<br>repurchase proceeds: \$3,253,823 (Cost \$3,252,648) ..... | <u>\$ 3,252,648</u>  |
|              | <b>TOTAL INVESTMENTS AT MARKET VALUE — 99.2%</b><br>(Cost \$64,463,698) .....                                     | <u>\$ 64,433,469</u> |
|              | <b>OTHER ASSETS IN EXCESS OF LIABILITIES — 0.8% ....</b>  | <u>520,202</u>       |
|              | <b>NET ASSETS — 100.0%</b> .....  | <u>\$ 64,953,671</u> |

<sup>(1)</sup> Repurchase agreement is fully collateralized by \$3,252,648 GNMA, Series 2002-94 C, 4.463%, due 10/16/25. The aggregate market value of the collateral at December 31, 2005 was \$3,317,847.

See notes to financial statements.



# AVE MARIA MUTUAL FUNDS

## STATEMENTS OF ASSETS AND LIABILITIES

### December 31, 2005

|  | Ave Maria<br>Catholic<br>Values Fund | Ave Maria<br>Growth Fund | Ave Maria<br>Rising<br>Dividend Fund | Ave Maria<br>Bond Fund |
|--|--------------------------------------|--------------------------|--------------------------------------|------------------------|
| <b>ASSETS</b>  |                                      |                          |                                      |                        |
| Investment securities:                               |                                      |                          |                                      |                        |
| At amortized cost .....                              | \$ 207,700,841                       | \$ 59,336,554            | \$ 24,341,250                        | \$ 64,463,698          |
| At market value (Note 1) .....                       | \$ 247,505,438                       | \$ 63,467,355            | \$ 25,411,783                        | \$ 64,433,469          |
| Receivable for investment securities sold .....      | 950,171                              | —                        | —                                    | —                      |
| Receivable for capital shares sold .....             | 634,242                              | 226,042                  | 162,424                              | 9,976                  |
| Dividends and interest receivable .....              | 171,367                              | 58,636                   | 35,217                               | 526,602                |
| Other assets .....                                   | 22,941                               | 10,724                   | 11,670                               | 9,574                  |
| <b>TOTAL ASSETS</b> .....                            | <u>249,284,159</u>                   | <u>63,762,757</u>        | <u>25,621,094</u>                    | <u>64,979,621</u>      |
| <b>LIABILITIES</b>                                   |                                      |                          |                                      |                        |
| Payable for investment securities purchased .....    | 2,088,148                            | —                        | 331,662                              | —                      |
| Payable for capital shares redeemed .....            | 138,503                              | 45,483                   | —                                    | 500                    |
| Payable to Adviser (Note 2) .....                    | 610,791                              | 133,147                  | 31,567                               | 3,146                  |
| Payable to affiliate (Note 2) .....                  | 31,100                               | 7,900                    | 4,000                                | 5,500                  |
| Other accrued expenses .....                         | 40,505                               | 14,875                   | 11,254                               | 16,804                 |
| <b>TOTAL LIABILITIES</b> .....                       | <u>2,909,047</u>                     | <u>201,405</u>           | <u>378,483</u>                       | <u>25,950</u>          |
| <b>NET ASSETS</b> .....                              | <u>\$ 246,375,112</u>                | <u>\$ 63,561,352</u>     | <u>\$ 25,242,611</u>                 | <u>\$ 64,953,671</u>   |
| <b>NET ASSETS CONSIST OF:</b>                        |                                      |                          |                                      |                        |
| Paid-in capital .....                                | \$ 207,470,128                       | \$ 59,430,551            | \$ 24,172,078                        | \$ 64,982,084          |
| Undistributed net investment income .....            | —                                    | —                        | —                                    | 1,816                  |
| Distributions in excess of net realized gains        |                                      |                          |                                      |                        |
| from security transactions .....                     | ( 899,613 )                          | —                        | —                                    | —                      |
| Net unrealized appreciation/(depreciation)           |                                      |                          |                                      |                        |
| on investments .....                                 | 39,804,597                           | 4,130,801                | 1,070,533                            | ( 30,229 )             |
| <b>NET ASSETS</b> .....                              | <u>\$ 246,375,112</u>                | <u>\$ 63,561,352</u>     | <u>\$ 25,242,611</u>                 | <u>\$ 64,953,671</u>   |
| Shares of beneficial interest outstanding (unlimited |                                      |                          |                                      |                        |
| number of shares authorized, no par value) .....     | <u>16,356,868</u>                    | <u>4,236,942</u>         | <u>2,383,277</u>                     |                        |
| Net asset value, offering price and redemption       |                                      |                          |                                      |                        |
| price per share (Note 1) <sup>(a)</sup> .....        | <u>\$ 15.06</u>                      | <u>\$ 15.00</u>          | <u>\$ 10.59</u>                      |                        |
| <b>PRICING OF CLASS I SHARES</b>                     |                                      |                          |                                      |                        |
| Net assets applicable to Class I shares .....        |                                      |                          |                                      | <u>\$ 48,114,866</u>   |
| Shares of beneficial interest outstanding (unlimited |                                      |                          |                                      |                        |
| number of shares authorized, no par value) .....     |                                      |                          |                                      | <u>4,766,155</u>       |
| Net asset value, offering price and redemption       |                                      |                          |                                      |                        |
| price per share (Note 1) .....                       |                                      |                          |                                      | <u>\$ 10.10</u>        |
| <b>PRICING OF CLASS R SHARES</b>                     |                                      |                          |                                      |                        |
| Net assets applicable to Class R shares .....        |                                      |                          |                                      | <u>\$ 16,838,805</u>   |
| Shares of beneficial interest outstanding (unlimited |                                      |                          |                                      |                        |
| number of shares authorized, no par value) .....     |                                      |                          |                                      | <u>1,670,034</u>       |
| Net asset value, offering price and redemption       |                                      |                          |                                      |                        |
| price per share (Note 1) <sup>(a)</sup> .....        |                                      |                          |                                      | <u>\$ 10.08</u>        |

<sup>(a)</sup> Except with respect to the Ave Maria Rising Dividend Fund and Class I shares of the Ave Maria Bond Fund, redemption price will vary if subject to contingent deferred sales charge (Note 1).

See notes to financial statements.

# AVE MARIA MUTUAL FUNDS

## STATEMENTS OF OPERATIONS

### For the Year Ended December 31, 2005<sup>(a)</sup>

|   | Ave Maria<br>Catholic<br>Values Fund | Ave Maria<br>Growth Fund | Ave Maria<br>Rising<br>Dividend Fund | Ave Maria<br>Bond Fund |
|---|--------------------------------------|--------------------------|--------------------------------------|------------------------|
| <b>INVESTMENT INCOME</b>  |                                      |                          |                                      |                        |
| Dividend .....  | \$ 2,586,676                         | \$ 637,580               | \$ 290,534                           | \$ 340,338             |
| Interest .....  | 374,644                              | 30,200                   | 26,685                               | 1,658,272              |
| Total Income .....  | <u>2,961,320</u>                     | <u>667,780</u>           | <u>317,219</u>                       | <u>1,998,610</u>       |
| <b>EXPENSES</b>   |                                      |                          |                                      |                        |
| Investment advisory fees (Note 2) .....                                       | 2,424,716                            | 577,142                  | 97,361                               | 165,253                |
| Distribution fees (Note 2) .....  | 606,177                              | 144,285                  | —                                    | —                      |
| Distribution fees - Class R (Note 2) .....                                    | —                                    | —                        | —                                    | 32,724                 |
| Administration, accounting and<br>transfer agent fees (Note 2) .....          | 363,821                              | 86,575                   | 32,000                               | 57,197                 |
| Postage and supplies .....  | 59,356                               | 25,647                   | 7,301                                | 16,677                 |
| Legal and audit fees .....  | 48,937                               | 24,228                   | 11,788                               | 23,699                 |
| Registration fees - Common .....  | 41,662                               | 27,415                   | 13,918                               | 12,632                 |
| Registration fees - Class I .....   | —                                    | —                        | —                                    | 1,627                  |
| Registration fees - Class R .....   | —                                    | —                        | —                                    | 7,858                  |
| Trustees' fees and expenses .....   | 21,391                               | 21,391                   | 8,618                                | 21,391                 |
| Custodian fees .....  | 29,554                               | 11,512                   | 5,278                                | 8,562                  |
| Compliance service fees .....   | 22,616                               | 5,388                    | 1,196                                | 5,190                  |
| Insurance expense .....   | 20,401                               | 4,917                    | 1,174                                | 5,394                  |
| Advisory board fees and expenses .....  | 6,146                                | 6,146                    | 4,480                                | 6,146                  |
| Reports to shareholders .....   | 10,731                               | 4,895                    | 681                                  | 1,945                  |
| Other expenses .....  | 14,721                               | 6,719                    | 3,115                                | 10,638                 |
| TOTAL EXPENSES .....  | <u>3,670,229</u>                     | <u>946,260</u>           | <u>186,910</u>                       | <u>376,933</u>         |
| Less fees waived and/or expenses reimbursed<br>by the Adviser (Note 2):       |                                      |                          |                                      |                        |
| Common .....  | ( 33,160 )                           | ( 80,548 )               | ( 24,642 )                           | ( 169,186 )            |
| Class I .....   | —                                    | —                        | —                                    | ( 1,627 )              |
| NET EXPENSES .....  | <u>3,637,069</u>                     | <u>865,712</u>           | <u>162,268</u>                       | <u>206,120</u>         |
| <b>NET INVESTMENT INCOME/(LOSS) .....</b>                                     | <u>( 675,749 )</u>                   | <u>( 197,932 )</u>       | <u>154,951</u>                       | <u>1,792,490</u>       |
| <b>REALIZED AND UNREALIZED GAINS/<br/>(LOSSES) ON INVESTMENTS</b>             |                                      |                          |                                      |                        |
| Net realized gains from security transactions .....                           | 6,419,904                            | 195,655                  | 5,878                                | 277,837                |
| Net realized gains from in-kind<br>redemptions (Note 1) .....                 | 25,684,514                           | 5,019,059                | —                                    | —                      |
| Net change in unrealized appreciation/<br>(depreciation) on investments ..... | <u>( 18,517,281 )</u>                | <u>( 4,911,979 )</u>     | <u>1,070,533</u>                     | <u>( 954,305 )</u>     |
| <b>NET REALIZED AND UNREALIZED<br/>GAINS/(LOSSES) ON INVESTMENTS .....</b>    | <u>13,587,137</u>                    | <u>302,735</u>           | <u>1,076,411</u>                     | <u>( 676,468 )</u>     |
| <b>NET INCREASE IN NET<br/>ASSETS FROM OPERATIONS .....</b>                   | <u>\$ 12,911,388</u>                 | <u>\$ 104,803</u>        | <u>\$ 1,231,362</u>                  | <u>\$ 1,116,022</u>    |

<sup>(a)</sup> Except for the Ave Maria Rising Dividend Fund, which represents the period from the commencement of operations (May 2, 2005) through December 31, 2005.

See notes to financial statements.

# AVE MARIA CATHOLIC VALUES FUND

## STATEMENTS OF CHANGES IN NET ASSETS

|   | Year<br>Ended<br>December 31,<br>2005 | Year<br>Ended<br>December 31,<br>2004 |
|---|---------------------------------------|---------------------------------------|
| <b>FROM OPERATIONS</b>  |                                       |                                       |
| Net investment loss .....   | \$ ( 675,749 )                        | \$ ( 848,428 )                        |
| Net realized gains from security transactions .....                         | 6,419,904                             | 11,939,746                            |
| Net realized gains from in-kind redemptions (Note 1) .....                  | 25,684,514                            | —                                     |
| Net change in unrealized appreciation/(depreciation) on investments .....   | ( 18,517,281 )                        | 25,552,126                            |
| Net increase in net assets from operations .....                            | <u>12,911,388</u>                     | <u>36,643,444</u>                     |
| <b>FROM DISTRIBUTIONS TO SHAREHOLDERS</b>                                   |                                       |                                       |
| From net realized gains on investments .....                                | ( 6,556,047 )                         | ( 11,172,077 )                        |
| <b>FROM CAPITAL SHARE TRANSACTIONS</b>                                      |                                       |                                       |
| Proceeds from shares sold .....   | 71,427,677                            | 83,221,894                            |
| Reinvestment of distributions to shareholders .....                         | 4,811,260                             | 10,923,676                            |
| Payments for shares redeemed .....  | ( 84,289,471 )                        | ( 16,502,334 )                        |
| Net increase/(decrease) in net assets from capital share transactions ..... | <u>( 8,050,534 )</u>                  | <u>77,643,236</u>                     |
| <b>TOTAL INCREASE/(DECREASE) IN NET ASSETS .....</b>                        | <b>( 1,695,193 )</b>                  | <b>103,114,603</b>                    |
| <b>NET ASSETS</b>   |                                       |                                       |
| Beginning of year .....   | 248,070,305                           | 144,955,702                           |
| End of year .....   | <u>\$ 246,375,112</u>                 | <u>\$ 248,070,305</u>                 |
| <b>UNDISTRIBUTED NET INVESTMENT INCOME .....</b>                            | <u>\$ —</u>                           | <u>\$ —</u>                           |
| <b>SUMMARY OF CAPITAL SHARE ACTIVITY</b>                                    |                                       |                                       |
| Shares sold .....   | 4,855,617                             | 5,983,686                             |
| Shares issued in reinvestment of distributions to shareholders .....        | 316,942                               | 750,253                               |
| Shares redeemed .....   | ( 5,785,549 )                         | ( 1,133,670 )                         |
| Net increase/(decrease) in shares outstanding .....                         | ( 612,990 )                           | 5,600,269                             |
| Shares outstanding, beginning of year .....                                 | 16,969,858                            | 11,369,589                            |
| Shares outstanding, end of year .....                                       | <u>16,356,868</u>                     | <u>16,969,858</u>                     |

See notes to financial statements.

# AVE MARIA GROWTH FUND

## STATEMENTS OF CHANGES IN NET ASSETS

|   | Year<br>Ended<br>December 31,<br>2005 | Year<br>Ended<br>December 31,<br>2004 |
|---|---------------------------------------|---------------------------------------|
| <b>FROM OPERATIONS</b>  |                                       |                                       |
| Net investment loss .....   | \$ ( 197,932 )                        | \$ ( 90,052 )                         |
| Net realized gains from security transactions .....                       | 195,655                               | 88,987                                |
| Net realized gains from in-kind redemptions (Note 1) .....                | 5,019,059                             | —                                     |
| Net change in unrealized appreciation/(depreciation) on investments ..... | ( 4,911,979 )                         | 7,175,089                             |
| Net increase in net assets from operations .....                          | <u>104,803</u>                        | <u>7,174,024</u>                      |
| <b>FROM DISTRIBUTIONS TO SHAREHOLDERS</b>                                 |                                       |                                       |
| From net realized gains on investments .....                              | <u>(170,748)</u>                      | <u>—</u>                              |
| <b>FROM CAPITAL SHARE TRANSACTIONS</b>                                    |                                       |                                       |
| Proceeds from shares sold .....   | 33,341,319                            | 30,047,463                            |
| Reinvestment of distributions to shareholders .....                       | 145,383                               | —                                     |
| Payments for shares redeemed .....  | ( 21,433,585 )                        | ( 752,065 )                           |
| Net increase in net assets from capital share transactions .....          | <u>12,053,117</u>                     | <u>29,295,398</u>                     |
| <b>TOTAL INCREASE IN NET ASSETS .....</b>                                 | <b>11,987,172</b>                     | <b>36,469,422</b>                     |
| <b>NET ASSETS</b>   |                                       |                                       |
| Beginning of year .....   | 51,574,180                            | 15,104,758                            |
| End of year .....   | <u>\$ 63,561,352</u>                  | <u>\$ 51,574,180</u>                  |
| <b>UNDISTRIBUTED NET INVESTMENT INCOME .....</b>                          | <u>\$ —</u>                           | <u>\$ —</u>                           |
| <b>SUMMARY OF CAPITAL SHARE ACTIVITY</b>                                  |                                       |                                       |
| Shares sold.....  | 2,275,713                             | 2,271,166                             |
| Shares issued in reinvestment of distributions to shareholders .....      | 9,634                                 | —                                     |
| Shares redeemed .....   | ( 1,488,490 )                         | ( 55,526 )                            |
| Net increase in shares outstanding .....                                  | 796,857                               | 2,215,640                             |
| Shares outstanding, beginning of year.....                                | 3,440,085                             | 1,224,445                             |
| Shares outstanding, end of year .....                                     | <u>4,236,942</u>                      | <u>3,440,085</u>                      |

See notes to financial statements.

# AVE MARIA RISING DIVIDEND FUND

## STATEMENT OF CHANGES IN NET ASSETS

|   | Period<br>Ended<br>December 31,<br>2005 <sup>(a)</sup> |
|---|--|
| <b>FROM OPERATIONS</b>  |  |
| Net investment income.....  | \$ 154,951   |
| Net realized gains from security transactions.....                        | 5,878  |
| Net change in unrealized appreciation/(depreciation) on investments ..... | 1,070,533  |
| Net increase in net assets from operations .....                          | <u>1,231,362</u>                                       |
| <b>FROM DISTRIBUTIONS TO SHAREHOLDERS</b>                                 |  |
| From net investment income.....   | ( 155,062 )  |
| From net realized gains on investments .....                              | ( 5,912 )  |
| Net decrease in net assets from distributions to shareholders .....       | <u>( 160,974 )</u>                                     |
| <b>FROM CAPITAL SHARE TRANSACTIONS</b>                                    |  |
| Proceeds from shares sold.....  | 24,214,318   |
| Reinvestment of distributions to shareholders.....                        | 115,204  |
| Payments for shares redeemed.....   | ( 157,299 )  |
| Net increase in net assets from capital share transactions .....          | <u>24,172,223</u>                                      |
| <b>TOTAL INCREASE IN NET ASSETS .....</b>                                 | <b>25,242,611</b>                                      |
| <b>NET ASSETS</b>   |  |
| Beginning of period.....  | <u>—</u>   |
| End of period .....   | <u>\$25,242,611</u>                                    |
| <b>UNDISTRIBUTED NET INVESTMENT INCOME.....</b>                           | <u>\$ —</u>  |
| <b>SUMMARY OF CAPITAL SHARE ACTIVITY</b>                                  |  |
| Shares sold.....  | 2,387,085  |
| Shares issued in reinvestment of distributions to shareholders.....       | 11,154   |
| Shares redeemed.....  | ( 14,962 )   |
| Net increase in shares outstanding.....                                   | 2,383,277  |
| Shares outstanding, beginning of period .....                             | <u>—</u>   |
| Shares outstanding, end of period.....                                    | <u>2,383,277</u>                                       |

<sup>(a)</sup> Represents the period from the commencement of operations (May 2, 2005) through December 31, 2005.

See notes to financial statements.

# AVE MARIA BOND FUND

## STATEMENTS OF CHANGES IN NET ASSETS

|   | Year<br>Ended<br>December 31,<br>2005 | Year<br>Ended<br>December 31,<br>2004 |
|---|---------------------------------------|---------------------------------------|
| <b>FROM OPERATIONS</b>  |                                       |                                       |
| Net investment income .....   | \$ 1,792,490                          | \$ 953,713                            |
| Net realized gains from security transactions .....                       | 277,837                               | 286,596                               |
| Net change in unrealized appreciation/(depreciation) on investments ..... | ( 954,305 )                           | 625,970                               |
| Net increase in net assets from operations .....                          | <u>1,116,022</u>                      | <u>1,866,279</u>                      |
| <b>FROM DISTRIBUTIONS TO SHAREHOLDERS</b>                                 |                                       |                                       |
| From net investment income, Class I .....                                 | ( 1,391,917 )                         | ( 860,906 )                           |
| From net investment income, Class R .....                                 | ( 401,832 )                           | ( 89,172 )                            |
| From net realized gains on investments, Class I .....                     | ( 206,354 )                           | ( 223,509 )                           |
| From net realized gains on investments, Class R .....                     | ( 71,805 )                            | ( 44,699 )                            |
| Net decrease in net assets from distributions to shareholders .....       | <u>( 2,071,908 )</u>                  | <u>( 1,218,286 )</u>                  |
| <b>FROM CAPITAL SHARE TRANSACTIONS</b>                                    |                                       |                                       |
| <b>CLASS I</b>  |                                       |                                       |
| Proceeds from shares sold .....   | 15,155,714                            | —                                     |
| Reinvestment of distributions to shareholders .....                       | 1,255,136                             | 1,084,415                             |
| Payments for shares redeemed .....  | ( 128 )                               | —                                     |
| Net increase in net assets from Class I capital share transactions .....  | <u>16,410,722</u>                     | <u>1,084,415</u>                      |
| <b>CLASS R</b>  |                                       |                                       |
| Proceeds from shares sold .....   | 12,343,959                            | 5,057,877                             |
| Reinvestment of distributions to shareholders .....                       | 437,119                               | 114,761                               |
| Payments for shares redeemed .....  | ( 2,230,831 )                         | ( 231,322 )                           |
| Net increase in net assets from Class R capital share transactions .....  | <u>10,550,247</u>                     | <u>4,941,316</u>                      |
| <b>TOTAL INCREASE IN NET ASSETS</b> .....                                 | 26,005,083                            | 6,673,724                             |
| <b>NET ASSETS</b>   |                                       |                                       |
| Beginning of year .....   | 38,948,588                            | 32,274,864                            |
| End of year .....   | <u>\$ 64,953,671</u>                  | <u>\$ 38,948,588</u>                  |
| <b>UNDISTRIBUTED NET INVESTMENT INCOME</b> .....                          | <u>\$ 1,957</u>                       | <u>\$ 3,685</u>                       |
| <b>SUMMARY OF CAPITAL SHARE ACTIVITY</b>                                  |                                       |                                       |
| <b>CLASS I</b>  |                                       |                                       |
| Shares sold .....   | 1,487,398                             | —                                     |
| Shares issued in reinvestment of distributions to shareholders .....      | 123,286                               | 106,183                               |
| Shares redeemed .....   | ( 13 )                                | —                                     |
| Net increase in shares outstanding .....                                  | 1,610,671                             | 106,183                               |
| Shares outstanding, beginning of year .....                               | 3,155,484                             | 3,049,301                             |
| Shares outstanding, end of year .....                                     | <u>4,766,155</u>                      | <u>3,155,484</u>                      |
| <b>CLASS R</b>  |                                       |                                       |
| Shares sold .....   | 1,215,210                             | 494,261                               |
| Shares issued in reinvestment of distributions to shareholders .....      | 43,058                                | 11,216                                |
| Shares redeemed .....   | ( 219,911 )                           | ( 22,676 )                            |
| Net increase in shares outstanding .....                                  | 1,038,357                             | 482,801                               |
| Shares outstanding, beginning of year .....                               | 631,677                               | 148,876                               |
| Shares outstanding, end of year .....                                     | <u>1,670,034</u>                      | <u>631,677</u>                        |

See notes to financial statements.

# AVE MARIA CATHOLIC VALUES FUND

## FINANCIAL HIGHLIGHTS

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

|  | Year<br>Ended<br>December 31,<br>2005 | Year<br>Ended<br>December 31,<br>2004 | Year<br>Ended<br>December 31,<br>2003 | Year<br>Ended<br>December 31,<br>2002 | Period<br>Ended<br>December 31,<br>2001 <sup>(a)</sup> |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|--|
| Net asset value at beginning of period .....                         | \$ 14.62                              | \$ 12.75                              | \$ 9.47                               | \$ 10.50                              | \$ 10.00   |
| Income/(loss) from investment operations:                            |                                       |                                       |                                       |                                       |  |
| Net investment income/(loss) .....                                   | ( 0.04 )                              | ( 0.05 )                              | ( 0.03 )                              | ( 0.01 )                              | 0.02   |
| Net realized and unrealized gains/(losses)<br>on investments .....   | 0.89                                  | 2.61                                  | 3.40                                  | ( 1.02 )                              | 0.51   |
| Total from investment operations .....                               | 0.85                                  | 2.56                                  | 3.37                                  | ( 1.03 )                              | 0.53   |
| Less distributions:  |                                       |                                       |                                       |                                       |  |
| From net investment income .....                                     | —                                     | —                                     | —                                     | —                                     | ( 0.02 )   |
| From net realized gains on investments .....                         | ( 0.41 )                              | ( 0.69 )                              | ( 0.09 )                              | —                                     | ( 0.01 )   |
| In excess of net realized gains<br>on investments .....              | —                                     | —                                     | —                                     | —                                     | ( 0.00 ) <sup>(b)</sup>                                |
| Total distributions .....  | ( 0.41 )                              | ( 0.69 )                              | ( 0.09 )                              | —                                     | ( 0.03 )   |
| Net asset value at end of period .....                               | \$ 15.06                              | \$ 14.62                              | \$ 12.75                              | \$ 9.47                               | \$ 10.50   |
| Total return <sup>(c)</sup> .....                                    | 5.8%                                  | 20.1%                                 | 35.6%                                 | (9.8)%                                | 5.3% <sup>(d)</sup>                                    |
| Ratios/Supplementary Data:   |                                       |                                       |                                       |                                       |  |
| Net assets at end of period (000's) .....                            | \$ 246,375                            | \$ 248,070                            | \$ 144,956                            | \$ 61,802                             | \$ 23,953  |
| Ratio of net expenses to average net assets <sup>(e)</sup> ..        | 1.50%                                 | 1.50%                                 | 1.50%                                 | 1.50%                                 | 1.50% <sup>(f)</sup>                                   |
| Ratio of net investment income/(loss)<br>to average net assets ..... | (0.28)%                               | (0.44)%                               | (0.28)%                               | (0.14)%                               | 0.39% <sup>(f)</sup>                                   |
| Portfolio turnover rate .....  | 61%                                   | 34%                                   | 58%                                   | 86%                                   | 44% <sup>(f)</sup>                                     |

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

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

<sup>(c)</sup> Total return is a measure of the change in value of an investment in the Fund over the periods covered, which assumes any dividends or capital gains distributions are reinvested in shares of the Fund. Returns shown do not reflect any reduction for sales charges, nor do they reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

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

<sup>(e)</sup> Absent investment advisory fees waived by the Adviser, the ratio of expenses to average net assets would have been 1.51%, 1.52%, 1.56%, 1.69%, and 2.09%<sup>(f)</sup> for the periods ended December 31, 2005, 2004, 2003, 2002, and 2001, respectively.

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

See notes to financial statements.



# AVE MARIA GROWTH FUND

## FINANCIAL HIGHLIGHTS

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

|  | Year<br>Ended<br>December 31,<br>2005 | Year<br>Ended<br>December 31,<br>2004 | Period<br>Ended<br>December 31,<br>2003 <sup>(a)</sup> |
|--|---------------------------------------|---------------------------------------|--|
| Net asset value at beginning of period.....                      | \$ 14.99                              | \$ 12.34                              | \$ 10.00   |
| Income/(loss) from investment operations:                        |                                       |                                       |  |
| Net investment loss .....  | ( 0.05 )                              | ( 0.03 )                              | ( 0.02 )   |
| Net realized and unrealized gains on investments .....           | 0.10                                  | 2.68                                  | 2.36   |
| Total from investment operations.....                            | 0.05                                  | 2.65                                  | 2.34   |
| Less distributions:  |                                       |                                       |  |
| From net investment income .....                                 | —                                     | —                                     | —  |
| From net realized gains on investments .....                     | ( 0.04 )                              | —                                     | —  |
| Total distributions .....  | ( 0.04 )                              | —                                     | —  |
| Net asset value at end of period .....                           | \$ 15.00                              | \$ 14.99                              | \$ 12.34   |
| Total return <sup>(b)</sup> .....                                | 0.3%                                  | 21.5%                                 | 23.4% <sup>(c)</sup>                                   |
| Ratios/Supplementary Data:                                       |                                       |                                       |  |
| Net assets at end of period (000's).....                         | \$ 63,561                             | \$ 51,574                             | \$ 15,105  |
| Ratio of net expenses to average net assets <sup>(d)</sup> ..... | 1.50%                                 | 1.50%                                 | 1.49% <sup>(e)</sup>                                   |
| Ratio of net investment loss to average net assets .....         | (0.34)%                               | (0.29)%                               | (0.36)% <sup>(e)</sup>                                 |
| Portfolio turnover rate .....                                    | 29%                                   | 3%                                    | 0%   |

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

<sup>(b)</sup> Total return is a measure of the change in value of an investment in the Fund over the periods covered, which assumes any dividends or capital gains distributions are reinvested in shares of the Fund. Returns shown do not reflect any reduction for sales charges, nor do they reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

<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 1.64%, 1.79% and 2.61%<sup>(e)</sup> for the periods ended December 31, 2005, 2004 and 2003, respectively.

<sup>(e)</sup> Annualized

See notes to financial statements.

# AVE MARIA RISING DIVIDEND FUND

## FINANCIAL HIGHLIGHTS

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

|  | Period<br>Ended<br>December 31,<br>2005 <sup>(a)</sup> |
|--|--|
| Net asset value at beginning of period .....                     | \$ 10.00   |
| Income from investment operations:                               |  |
| Net investment income.....                                       | 0.08   |
| Net realized and unrealized gains on investments.....            | 0.59   |
| Total from investment operations.....                            | 0.67   |
| Less distributions:  |  |
| From net investment income.....                                  | (0.08)   |
| From net realized gains on investments .....                     | (0.00) <sup>(b)</sup>                                  |
| Total distributions.....   | (0.08)   |
| Net asset value at end of period.....                            | \$ 10.59   |
| Total return <sup>(c)</sup> .....                                | 6.7% <sup>(d)</sup>                                    |
| Ratios/Supplementary Data:                                       |  |
| Net assets at end of period (000's) .....                        | \$ 25,243  |
| Ratio of net expenses to average net assets <sup>(e)</sup> ..... | 1.24% <sup>(f)</sup>                                   |
| Ratio of net investment income to average net assets .....       | 1.19% <sup>(f)</sup>                                   |
| Portfolio turnover rate.....                                     | 21% <sup>(f)</sup>                                     |

<sup>(a)</sup> Represents the period from the initial public offering (May 2, 2005) through December 31, 2005.

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

<sup>(c)</sup> Total return is a measure of the change in value of an investment in the Fund over the period covered, which assumes any dividends or capital gains distributions are reinvested in shares of the Fund. The return shown does not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

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

<sup>(e)</sup> Absent fee waivers and expense reimbursements by the Adviser, the ratio of expenses to average net assets would have been 1.43%<sup>(f)</sup> for the period ended December 31, 2005.

<sup>(f)</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

|   | Year<br>Ended<br>December 31,<br>2005 | Year<br>Ended<br>December 31,<br>2004 | Period<br>Ended<br>December 31,<br>2003 <sup>(a)</sup> |
|---|---------------------------------------|---------------------------------------|--|
| Net asset value at beginning of period .....                        | \$ 10.29                              | \$ 10.09                              | \$ 10.00   |
| Income/(loss) from investment operations:                           |                                       |                                       |  |
| Net investment income .....   | 0.33                                  | 0.28                                  | 0.16   |
| Net realized and unrealized gains/<br>(losses) on investments ..... | ( 0.15 )                              | 0.27                                  | 0.10   |
| Total from investment operations .....                              | 0.18                                  | 0.55                                  | 0.26   |
| Less distributions:   |                                       |                                       |  |
| From net investment income .....                                    | ( 0.33 )                              | ( 0.28 )                              | ( 0.16 )   |
| From net realized gains on investments .....                        | ( 0.04 )                              | ( 0.07 )                              | ( 0.01 )   |
| Total distributions .....   | ( 0.37 )                              | ( 0.35 )                              | ( 0.17 )   |
| Net asset value at end of period .....                              | \$ 10.10                              | \$ 10.29                              | \$ 10.09   |
| Total return <sup>(b)</sup> .....                                   | 1.8%                                  | 5.5%                                  | 2.6% <sup>(c)</sup>                                    |
| Ratios/Supplementary Data:  |                                       |                                       |  |
| Net assets at end of period (000's) .....                           | \$ 48,115                             | \$ 32,458                             | \$ 30,773  |
| Ratio of net expenses to average net assets <sup>(d)</sup> .....    | 0.30%                                 | 0.30%                                 | 0.30% <sup>(e)</sup>                                   |
| Ratio of net investment income to average net assets .....          | 3.32%                                 | 2.77%                                 | 2.36% <sup>(e)</sup>                                   |
| Portfolio turnover rate .....                                       | 22%                                   | 47%                                   | 50% <sup>(e)</sup>                                     |

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

<sup>(b)</sup> Total return is a measure of the change in value of an investment in the Fund over the periods covered, which assumes any dividends or capital gains distributions are reinvested in shares of the Fund. Returns shown do not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

<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 0.61%, 0.72% and 0.71%<sup>(e)</sup> for the periods ended December 31, 2005, 2004 and 2003, respectively.

<sup>(e)</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

|   | Year<br>Ended<br>December 31,<br>2005 | Year<br>Ended<br>December 31,<br>2004 | Period<br>Ended<br>December 31,<br>2003 <sup>(a)</sup> |
|---|---------------------------------------|---------------------------------------|--|
| Net asset value at beginning of period .....                        | \$ 10.28                              | \$ 10.09                              | \$ 10.00   |
| Income/(loss) from investment operations:                           |                                       |                                       |  |
| Net investment income .....   | 0.30                                  | 0.24                                  | 0.14   |
| Net realized and unrealized gains/<br>(losses) on investments ..... | (0.16)                                | 0.26                                  | 0.10   |
| Total from investment operations .....                              | 0.14                                  | 0.50                                  | 0.24   |
| Less distributions:   |                                       |                                       |  |
| From net investment income .....                                    | (0.30)                                | (0.24)                                | (0.14)   |
| From net realized gains on investments .....                        | (0.04)                                | (0.07)                                | (0.01)   |
| Total distributions .....   | (0.34)                                | (0.31)                                | (0.15)   |
| Net asset value at end of period .....                              | \$ 10.08                              | \$ 10.28                              | \$ 10.09   |
| Total return <sup>(b)</sup> .....                                   | 1.4%                                  | 5.1%                                  | 2.4% <sup>(c)</sup>                                    |
| Ratios/Supplementary Data:  |                                       |                                       |  |
| Net assets at end of period (000's) .....                           | \$ 16,839                             | \$ 6,491                              | \$ 1,502   |
| Ratio of net expenses to average net assets <sup>(d)</sup> .....    | 0.61%                                 | 0.70%                                 | 0.69% <sup>(e)</sup>                                   |
| Ratio of net investment income to average net assets .....          | 3.01%                                 | 2.37%                                 | 1.96% <sup>(e)</sup>                                   |
| Portfolio turnover rate .....                                       | 22%                                   | 47%                                   | 50% <sup>(e)</sup>                                     |

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

<sup>(b)</sup> Total return is a measure of the change in value of an investment in the Fund over the periods covered, which assumes any dividends or capital gains distributions are reinvested in shares of the Fund. Returns shown do not reflect any reduction for sales charges, nor do they reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares.

<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 0.92%, 1.31% and 2.49%<sup>(e)</sup> for the periods ended December 31, 2005, 2004 and 2003, respectively.

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

See notes to financial statements.

# **AVE MARIA MUTUAL FUNDS**

## **NOTES TO FINANCIAL STATEMENTS**

### **December 31, 2005**

---

#### **1. Significant Accounting Policies**

The Ave Maria Catholic Values Fund, the Ave Maria Growth Fund, the Ave Maria Rising Dividend Fund and the Ave Maria Bond Fund (the “Funds”) are each a diversified series of the Schwartz Investment Trust (the “Trust”), an 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 Ave Maria Rising Dividend Fund commenced the public offering of its shares on May 2, 2005. 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 Rising Dividend Fund is to provide increasing dividend income over time, long-term growth of capital, and a reasonable level of current income from investments in dividend-paying common stocks of 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 Trust’s Prospectus for 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 contingent deferred sales charge of 1.00% and 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 charge 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 \$25 million. Investment income earned, realized capital gains and losses, and unrealized appreciation and depreciation are allocated daily to each class of shares based upon its proportionate share of total net assets of the Fund. Class-specific expenses are charged directly to the class incurring the expense. Common expenses which are not attributable to a specific class are allocated daily to each class of shares based upon its proportionate share of total net assets of the Fund.

AVE MARIA MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS (Continued)

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 are equal to the net asset value per share, except that shares of the Ave Maria Catholic Values Fund, the Ave Maria Growth Fund and Class R shares of the Ave Maria Bond Fund may be subject to a 1% contingent deferred sales charge (CDSC) if redeemed within one year of their purchase. Shares are not subject to the CDSC if the shares are purchased either directly from the Funds or through a broker-dealer or other financial intermediary that does not receive any compensation in connection with such purchases.

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

**(a) Valuation of investments** – Securities which are traded on stock exchanges 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 which are quoted by NASDAQ are valued at the NASDAQ Official Closing 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 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. Short-term instruments (those with remaining maturities of 60 days or less) are valued at amortized cost, which approximates market value.

**(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 a Fund so qualifies and distributes at least 90% of its taxable income, such 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 December 31, 2005 was as follows:

|   | Ave Maria<br>Catholic<br>Values Fund | Ave Maria<br>Growth Fund | Ave Maria<br>Rising Dividend<br>Fund | Ave Maria<br>Bond Fund |
|---|--------------------------------------|--------------------------|--------------------------------------|------------------------|
| Undistributed ordinary income.....              | \$ —                                 | \$ —                     | \$ —                                 | \$ 7,725               |
| Undistributed long-term gains .....             | 183,566                              | —                        | —                                    | —                      |
| Net unrealized appreciation/(depreciation) .... | 38,721,418                           | 4,130,801                | 1,070,533                            | ( 36,138 )             |
| Total distributable earnings/(deficit) .....    | <u>\$ 38,904,984</u>                 | <u>\$ 4,130,801</u>      | <u>\$ 1,070,533</u>                  | <u>\$ ( 28,413 )</u>   |

# AVE MARIA MUTUAL FUNDS

## NOTES TO FINANCIAL STATEMENTS (Continued)

The following information is based upon the federal income tax cost of the investment securities as of December 31, 2005:

|  | Ave Maria<br>Catholic<br>Values Fund | Ave Maria<br>Growth Fund | Ave Maria<br>Rising Dividend<br>Fund | Ave Maria<br>Bond Fund |
|--|--------------------------------------|--------------------------|--------------------------------------|------------------------|
| Gross unrealized appreciation .....            | \$ 41,143,506                        | \$ 6,191,872             | \$ 1,597,945                         | \$ 1,025,681           |
| Gross unrealized depreciation .....            | ( 2,422,088 )                        | ( 2,061,071 )            | ( 527,412 )                          | ( 1,061,819 )          |
| Net unrealized appreciation/(depreciation).... | \$ 38,721,418                        | \$ 4,130,801             | \$ 1,070,533                         | \$ ( 36,138 )          |
| Federal income tax cost .....                  | \$ 208,784,020                       | \$ 59,336,554            | \$ 24,341,250                        | \$ 64,469,607          |

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. These “book/tax” differences are temporary in nature and are due to the tax deferral of losses on wash sales. The difference between the federal income tax cost of portfolio investments and the financial statement cost for the Ave Maria Bond Fund is due to certain timing differences in the recognition of the amortization of organizational costs. These “book/tax” differences are also temporary in nature.

During the year ended December 31, 2005, the Ave Maria Catholic Values Fund and the Ave Maria Growth Fund realized \$25,684,514 and \$5,019,059, respectively, of net capital gains resulting from in-kind redemptions – in which shareholders who redeemed Fund shares received securities held by the Fund rather than cash. The Funds recognize a gain on in-kind redemptions to the extent that the value of the distributed securities on the date of redemption exceeds the cost of those securities. Such gains are not taxable to the Funds and are not required to be distributed to shareholders.

For the year ended December 31, 2005, the Ave Maria Catholic Values Fund reclassified \$675,749 of its net investment loss against paid-in capital. For the year ended December 31, 2005, the Ave Maria Growth Fund reclassified \$25,155 of its net investment loss against realized gains and \$172,777 against paid-in capital. In addition, the Ave Maria Growth Fund reclassified \$248 of distributions in excess of net realized gains from security transactions against paid-in capital. Also, the Ave Maria Catholic Values Fund and the Ave Maria Growth Fund reclassified its net capital gains resulting from in-kind redemptions of \$25,684,514 and \$5,019,059, respectively, against paid-in capital. For the year ended December 31, 2005, the Ave Maria Rising Dividend Fund reclassified \$111 of overdistributed net investment income and \$34 of distributions in excess of net realized gains from security transactions against paid-in capital. For the year ended December 31, 2005, the Ave Maria Bond Fund reclassified \$152 of distributions in excess of net realized gains from security transactions against paid-in capital. These reclassifications are reflected on the Statement of Assets and Liabilities. Such reclassifications, the result of permanent differences between the financial statement and income tax reporting requirements, have no effect on each Fund’s net assets or net asset value per share.

# AVE MARIA MUTUAL FUNDS

## NOTES TO FINANCIAL STATEMENTS (Continued)

**(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 securities sold are determined on a specific identification basis. Discounts and premiums on fixed-income securities purchased are amortized using the interest method.

**(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. Dividends from net investment income, if any, are declared and paid quarterly for the Ave Maria Rising Dividend 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 years ended December 31, 2005 and December 31, 2004 was as follows:

| Period Ended                           | Ordinary<br>Income | Long-Term<br>Capital Gains | Total<br>Distributions |
|--|--------------------|----------------------------|------------------------|
| <b>Ave Maria Catholic Values Fund:</b> |                    |                            |                        |
| December 31, 2005.....                 | \$ —               | \$ 6,556,047               | \$ 6,556,047           |
| December 31, 2004.....                 | \$ —               | \$ 11,172,077              | \$ 11,172,077          |
| <b>Ave Maria Growth Fund*:</b>         |                    |                            |                        |
| December 31, 2005.....                 | \$ —               | \$ 170,748                 | \$ 170,748             |
| <b>Ave Maria Rising Dividend Fund:</b> |                    |                            |                        |
| December 31, 2005.....                 | \$ 160,974         | \$ —                       | \$ 160,974             |
| <b>Ave Maria Bond Fund - Class I:</b>  |                    |                            |                        |
| December 31, 2005.....                 | \$ 1,391,917       | \$ 206,354                 | \$ 1,598,271           |
| December 31, 2004.....                 | \$ 1,020,957       | \$ 63,458                  | \$ 1,084,415           |
| <b>Ave Maria Bond Fund - Class R:</b>  |                    |                            |                        |
| December 31, 2005.....                 | \$ 401,832         | \$ 71,805                  | \$ 473,637             |
| December 31, 2004.....                 | \$ 121,180         | \$ 12,691                  | \$ 133,871             |

\* There were no distributions for the Ave Maria Growth Fund for the year ended December 31, 2004.

**(e) Repurchase agreements** – The Funds may enter into repurchase agreements (agreements to purchase securities subject to the seller's agreement to repurchase them at a specified time and price) with well-established registered securities dealers or banks. Repurchase agreements may be deemed to be loans by the Funds. It is each Fund's policy to take possession of U.S. Government obligations as collateral under a repurchase agreement and, on a daily basis, mark-to-market such obligations to ensure that their value, including accrued interest, is at least equal to the amount to be repaid to the Fund under the repurchase agreement.

**(f) Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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.



AVE MARIA MUTUAL FUNDS

NOTES TO FINANCIAL STATEMENTS (Continued)

(g) **Common expenses** – Common expenses of the Trust are allocated among the Funds of the Trust based on relative net assets of each Fund or the nature of the services performed and the relative applicability to each Fund.

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

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

Pursuant to an Investment Advisory Agreement between the Trust 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, the Adviser receives from each of the Ave Maria Catholic Values Fund and the Ave Maria Growth Fund a quarterly fee at the annual rate of 1.00% of its average daily net assets. The Adviser receives from the Ave Maria Rising Dividend Fund and the Ave Maria Bond Fund a quarterly fee at the annual rate of 0.75% and 0.30%, respectively, of its average 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, 2006. 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% and 0.70%, respectively, until at least May 1, 2007. 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 Rising Dividend Fund do not exceed 1.25%, until at least May 1, 2008. For the year ended December 31, 2005, the Adviser waived investment advisory fees of \$33,160 with respect to the Ave Maria Catholic Values Fund; waived investment advisory fees of \$80,548 with respect to the Ave Maria Growth Fund; waived investment advisory fees of \$24,642 with respect to the Ave Maria Rising Dividend Fund; and waived all of its investment advisory fees of \$165,253 and reimbursed \$5,560 of other operating expenses (including \$3,933 of common expenses and \$1,627 of Class I 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 time 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 December 31, 2005 the amount of fee waivers and expense reimbursements available for reimbursement to the Adviser are as follows:

|                                     |            |
|-------------------------------------|------------|
| Ave Maria Catholic Values Fund..... | \$ 136,943 |
| Ave Maria Growth Fund.....          | \$ 246,682 |
| Ave Maria Rising Dividend Fund..... | \$ 24,642  |
| Ave Maria Bond Fund .....           | \$ 415,914 |

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

As of December 31, 2005, the Adviser may recapture a portion of the above amounts no later than the dates as stated below:

|                                      | December 31,<br>2006 | December 31,<br>2007 | December 31,<br>2008 |
|--------------------------------------|----------------------|----------------------|----------------------|
| Ave Maria Catholic Values Fund ..... | \$ 66,849            | \$ 36,934            | \$ 33,160            |
| Ave Maria Growth Fund.....           | \$ 72,903            | \$ 93,231            | \$ 80,548            |
| Ave Maria Rising Dividend Fund ..... | \$ —                 | \$ —                 | \$ 24,642            |
| Ave Maria Bond Fund.....             | \$ 90,827            | \$ 154,274           | \$ 170,813           |

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 Catholic Values Fund, the Ave Maria Growth Fund, and the Ave Maria Rising Dividend 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. For the year ended December 31, 2005, the Ave Maria Catholic Values Fund, the Ave Maria Growth Fund, the Ave Maria Rising Dividend Fund and the Ave Maria Bond Fund paid \$363,821, \$86,575, \$32,000 and \$57,197, respectively, to Ultimus for mutual fund services.

Pursuant to a Distribution Agreement between the Funds’ and the Distributor, the Distributor serves as the Funds’ exclusive agent for the distribution of its shares. During the year ended December 31, 2005, the Distributor collected \$33,893, \$20,888, and \$4,099 in contingent deferred sales charges on redemptions of shares of the Ave Maria Catholic Values Fund, the Ave Maria Growth Fund, and Class R shares of the Ave Maria Bond Fund, respectively.

The Ave Maria Catholic Values Fund, the Ave Maria Growth Fund and the Ave Maria Bond Fund have adopted a Shareholder Servicing Plan (the “Plan”), which allows the Funds to make payments to financial organizations (including the Adviser and other affiliates of each Fund) for providing account administration and personnel 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 year ended December 31, 2005, the total expenses incurred pursuant to the Plan were \$606,177, \$144,285, and \$32,724 for the Ave Maria Catholic Values Fund, the Ave Maria Growth Fund, and Class R shares of the Ave Maria Bond Fund, respectively. No expenses were incurred pursuant to the Plan for Class I shares of the Ave Maria Bond Fund.

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

**3. Investment Transactions**

During the year ended December 31, 2005, 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<br>Catholic<br>Values Fund | Ave Maria<br>Growth Fund | Ave Maria<br>Rising Dividend<br>Fund | Ave Maria<br>Bond Fund |
|--|--------------------------------------|--------------------------|--------------------------------------|------------------------|
| Purchases of investment securities.....            | \$ 137,257,830                       | \$ 27,108,333            | \$ 25,783,832                        | \$ 10,816,160          |
| Proceeds from sales of investment securities ..... | \$ 156,504,559                       | \$ 16,119,488            | \$ 2,666,268                         | \$ 2,799,079           |

**4. Contingencies and Commitments**

The Funds indemnify the Trust’s officers and trustees for certain liabilities that might arise from their performance of their duties to the Funds. Additionally, in the normal course of business, the Funds enter into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Funds’ maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Funds that have not yet occurred. However, based on experience, the Funds expect the risk of loss to be remote.

# **AVE MARIA MUTUAL FUNDS**

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

---

To the Shareholders and Trustees

Ave Maria Catholic Values Fund, Ave Maria Growth Fund,  
Ave Maria Rising Dividend Fund and Ave Maria Bond Fund

We have audited the accompanying statements of assets and liabilities of Ave Maria Catholic Values Fund, Ave Maria Growth Fund, Ave Maria Rising Dividend Fund and Ave Maria Bond Fund (the “Funds”), including the schedules of investments, as of December 31, 2005, and the related statements of operations, changes in net assets, and financial highlights for the periods presented. These financial statements and financial highlights are the responsibility of the Funds’ management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds’ internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2005, by correspondence with the Funds’ custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Ave Maria Catholic Values Fund, Ave Maria Growth Fund, Ave Maria Rising Dividend Fund and Ave Maria Bond Fund as of December 31, 2005, and the results of their operations, their changes in net assets, and their financial highlights for the periods presented, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Chicago, Illinois  
February 14, 2006

# AVE MARIA MUTUAL FUNDS

## BOARD OF TRUSTEES AND EXECUTIVE OFFICERS

### (Unaudited)

Overall responsibility for management of the Trust rests with the Board of Trustees. The Trustees serve during the lifetime of the Trust and until its termination, or until death, resignation, retirement or removal. The Trustees, in turn, elect the officers of the Trust to actively supervise its day-to-day operations. The officers have been elected for an annual term. The following are the Trustees and executive officers of the Trust:

| Trustee/Officer   | Address  | Age | Position Held with the Trust  | Length of Time Served |
|---|--|-----|-------------------------------|-----------------------|
| <i>Interested Trustees:</i>   |  |     |                               |                       |
| * Gregory J. Schwartz   | 3707 W. Maple Road<br>Bloomfield Hills, MI       | 64  | Chairman of the Board/Trustee | Since 1992            |
| * George P. Schwartz, CFA   | 3707 W. Maple Road<br>Bloomfield Hills, MI       | 61  | President/Trustee             | Since 1992            |
| <i>Independent Trustees:</i>  |  |     |                               |                       |
| John E. Barnds  | 640 Lakeside Road<br>Birmingham, MI              | 73  | Trustee                       | Since 2005            |
| Peter F. Barry  | 3707 W. Maple Road<br>Bloomfield Hills, MI       | 78  | Trustee                       | Since 2004            |
| Donald J. Dawson, Jr.   | 333 W. Seventh Street<br>Royal Oak, MI           | 58  | Trustee                       | Since 1993            |
| Fred A. Erb   | 800 Old North Woodward<br>Birmingham, MI         | 82  | Trustee Emeritus              | Since 1994            |
| John J. McHale  | 2014 Royal Fern Court<br>Palm City, FL           | 84  | Trustee Emeritus              | Since 1993            |
| Sidney F. McKenna   | 1173 Banbury Circle<br>Bloomfield Hills, MI      | 83  | Trustee Emeritus              | Since 1993            |
| <i>Executive Officers:</i>  |  |     |                               |                       |
| * Richard L. Platte, Jr., CFA   | 3707 W. Maple Road<br>Bloomfield Hills, MI       | 54  | Vice President and Secretary  | Since 1993            |
| * Timothy S. Schwartz   | 3707 W. Maple Road<br>Bloomfield Hills, MI       | 34  | Treasurer                     | Since 2000            |
| Cynthia M. Dickinson  | 34600 W. Eight Mile Road<br>Farmington Hills, MI | 46  | Chief Compliance Officer      | Since 2004            |
| * Gregory J. Schwartz, George P. Schwartz, Richard L. Platte, Jr. and Timothy S. Schwartz, as affiliated persons of Schwartz Investment Counsel, Inc., the Funds' investment adviser, are "interested persons" of the Trust within the meaning of Section 2(a)(19) of the Investment Company Act of 1940. Gregory J. Schwartz and George P. Schwartz are brothers and Timothy S. Schwartz is the son of George P. Schwartz and the nephew of Gregory J. Schwartz. |  |     |                               |                       |

Each Trustee oversees five portfolios of the Trust: the Ave Maria Catholic Values Fund, the Ave Maria Growth Fund, the Ave Maria Rising Dividend Fund, the Ave Maria Bond Fund and the Schwartz Value Fund. The principal occupations of the Trustees and executive officers of the Trust during the past five years and public directorships held by the Trustees are set forth below:

Gregory J. Schwartz is Chairman of Gregory J. Schwartz & Co., Inc., a registered broker-dealer.

## **AVE MARIA MUTUAL FUNDS**

### **BOARD OF TRUSTEES AND EXECUTIVE OFFICERS**

#### **(Unaudited) (Continued)**

---

George P. Schwartz, CFA is President and Chief Investment Officer of Schwartz Investment Counsel, Inc. and is the co-portfolio manager of the Ave Maria Catholic Values Fund and the Ave Maria Rising Dividend Fund.

John E. Barnds is retired First Vice President of National Bank of Detroit.

Peter F. Barry is retired President of Cadillac Rubber & Plastics Company (a manufacturer of rubber and plastics components).

Donald J. Dawson, Jr. is Chairman of Payroll 1, Inc. (a payroll processing company).

Fred A. Erb is Chairman and Chief Executive Officer of Edgemere Enterprises, Inc. (a real estate investment, development and management company).

John J. McHale is retired President of the Montreal Expos (a major league baseball team).

Sidney F. McKenna is retired Senior Vice President of United Technologies Corporation (a major manufacturer of aircraft engines and other industrial products).

Richard L. Platte, Jr., CFA is Executive Vice President and Secretary of Schwartz Investment Counsel, Inc. and is the portfolio manager of the Ave Maria Bond Fund and the co-portfolio manager of the Ave Maria Rising Dividend Fund.

Timothy S. Schwartz is Vice President and Treasurer of Schwartz Investment Counsel, Inc.

Cynthia M. Dickinson is President of CMD Consulting, LLC (business consultant).

# AVE MARIA MUTUAL FUNDS

## CATHOLIC ADVISORY BOARD (Unaudited)

The Catholic Advisory Board reviews the companies selected by the Adviser to ensure that the companies operate in a way that is consistent with the teachings and core values of the Roman Catholic Church. The Catholic Advisory Board evaluates companies using publicly available information, information from the Adviser, and information from shareholders and other sources in making its recommendations. The following are the members of the Catholic Advisory Board:

| Member             | Address  | Age | Length of Time Served |
|--------------------|--|-----|-----------------------|
| Bowie K. Kuhn      | 136 Teal Pointe Lane, Ponta Vedra Beach, FL          | 79  | Since 2001            |
| Lawrence Kudlow    | One Dag Hammarskjold Plaza, 26th Floor, New York, NY | 58  | Since 2005            |
| Thomas S. Monaghan | One Ave Maria Drive, Ann Arbor, MI                   | 69  | Since 2001            |
| Michael Novak      | 1150 17th Street, NW, Suite 1100, Washington, DC     | 72  | Since 2001            |
| Paul R. Roney      | One Ave Maria Drive, Ann Arbor, MI                   | 48  | Since 2001            |
| Phyllis Schlafly   | 7800 Bonhomme, St. Louis, MO                         | 81  | Since 2001            |

Bowie K. Kuhn is President of The Kent Group (business, sports and financial consultant), and is the former Commissioner of Major League Baseball.

Lawrence Kudlow is the host of CNBC’s “Kudlow & Company” and a nationally syndicated columnist.

Thomas S. Monaghan is Chairman of the Ave Maria Foundation (a non-profit foundation supporting Roman Catholic organizations) and Chairman of Domino’s Farms Corporation. Prior to December 1998, he was Chairman and Chief Executive Officer of Domino’s Pizza, Inc.

Michael Novak is a theologian, author, columnist and former U.S. ambassador. He is Director of Social and Political Studies of the American Enterprise Institute.

Paul R. Roney is Executive Director of the Ave Maria Foundation and President of Domino’s Farms Corporation. Prior to December 1998, he was Treasurer of Domino’s Pizza, Inc.

Phyllis Schlafly is an author, columnist and radio commentator. She is President of Eagle Forum (an organization promoting conservative and pro-family values).

Additional information regarding the Funds’ Trustees, executive officers and Catholic Advisory Board members may be found in the Funds’ Statement of Additional Information and is available without charge upon request by calling (888) 726-9331.

## **AVE MARIA MUTUAL FUNDS**

### **FEDERAL TAX INFORMATION (Unaudited)**

---

In accordance with federal tax requirements, the following provides shareholders with information concerning distributions from net realized gains made by the Ave Maria Catholic Values Fund, the Ave Maria Growth Fund, the Ave Maria Rising Dividend Fund and the Ave Maria Bond Fund and certain ordinary income dividends paid by the Ave Maria Rising Dividend Fund and the Ave Maria Bond Fund during the fiscal year ended December 31, 2005. On December 29, 2005, the Ave Maria Catholic Values Fund declared and paid a long-term capital gain distribution of \$0.4093 per share; the Ave Maria Growth Fund declared and paid a long-term capital gain distribution of \$0.0405 per share; the Ave Maria Rising Dividend Fund declared and paid a short-term capital gain distribution of \$0.0025 per share; and the Ave Maria Bond Fund declared and paid a long-term capital gain distribution of \$0.0433 per share. Periodically throughout the year, the Ave Maria Rising Dividend Fund paid ordinary income dividends totaling \$0.0767 per share. Periodically throughout the year, the Ave Maria Bond Fund paid ordinary income dividends totaling \$0.3296 per share for Class I shares and \$0.2973 per share for Class R shares. As provided by the Jobs and Growth Tax Relief Reconciliation Act of 2003, 100% of the long-term capital gain distribution of \$0.4093, \$0.0405, and \$0.0433 per share for the Ave Maria Catholic Values Fund, the Ave Maria Growth Fund, and the Ave Maria Bond Fund, respectively, and a percentage (100% and 18.9%) of the ordinary income dividends paid for the Ave Maria Rising Dividend Fund and the Ave Maria Bond Fund, respectively, may be subject to a maximum tax rate of 15%. Early in 2006, as required by federal regulations, shareholders received notification of their portion of the Funds' taxable gain distribution, if any, paid during the 2005 calendar year.



# AVE MARIA MUTUAL FUNDS

## ABOUT YOUR FUND'S EXPENSES (Unaudited)

---

We believe it is important for you to understand the impact of costs on your investment. All mutual funds have operating expenses. As a shareholder of the Funds, you incur two types of costs: (1) transaction costs, possibly including contingent deferred sales charges; and (2) ongoing costs, including management fees and other Fund expenses. The following examples are intended to help you understand your ongoing costs (in dollars) of investing in the Funds and to compare these costs with the ongoing costs of investing in other mutual funds.

A mutual fund's expenses are expressed as a percentage of its average net assets. This figure is known as the expense ratio. The expenses in the tables below are based on an investment of \$1,000 made at the beginning of the most recent semi-annual period (July 1, 2005) and held until the end of the period (December 31, 2005).

The tables that follow illustrate each Fund's costs in two ways:

**Actual fund return** – This section helps you to estimate the actual expenses that you paid over the period. The “Ending Account Value” shown is derived from each Fund's actual return, and the third column shows the dollar amount of operating expenses that would have been paid by an investor who started with \$1,000 in the Funds. You may use the information here, together with the amount you invested, to estimate the expenses that you paid over the period.

To do so, simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number given for the Funds under the heading “Expenses Paid During Period.”

**Hypothetical 5% return** – This section is intended to help you compare the Funds' costs with those of other mutual funds. It assumes that each Fund had an annual return of 5% before expenses during the period shown, but that the expense ratio is unchanged. In this case, because the return used is not the Funds' actual returns, the results do not apply to your investment. The example is useful in making comparisons because the Securities and Exchange Commission requires all mutual funds to calculate expenses based on a 5% return. You can assess each Fund's costs by comparing this hypothetical example with the hypothetical examples that appear in shareholder reports of other funds.

Note that expenses shown in the table are meant to highlight and help you compare ongoing costs only. The Funds do not charge a front-end sales load. However, a contingent deferred sales charge of 1% may apply if you redeem your shares within one year of their purchase.

The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and the timing of any purchases or redemptions.

More information about the Funds' expenses, including historical annual expense ratios, can be found in this report. For additional information on operating expenses and other shareholder costs, please refer to the Funds' prospectus.

# **AVE MARIA MUTUAL FUNDS** **ABOUT YOUR FUND’S EXPENSES (Unaudited)** **(Continued)**

## **Ave Maria Catholic Values Fund**

|  | Beginning<br>Account Value<br>July 1, 2005 | Ending<br>Account Value<br>Dec. 31, 2005 | Expenses Paid<br>During Period* |
|--|--|--|---------------------------------|
| Based on Actual Fund Return                          | \$1,000.00                                 | \$1,044.30                               | \$7.73                          |
| Based on Hypothetical 5% Return<br>(before expenses) | \$1,000.00                                 | \$1,017.64                               | \$7.63                          |

\* Expenses are equal to the Ave Maria Catholic Values Fund’s annualized expense ratio of 1.50% for the period, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

## **Ave Maria Growth Fund**

|  | Beginning<br>Account Value<br>July1, 2005 | Ending<br>Account Value<br>Dec. 31, 2005 | Expenses Paid<br>During Period* |
|--|---|--|---------------------------------|
| Based on Actual Fund Return                          | \$1,000.00                                | \$1,061.40                               | \$7.79                          |
| Based on Hypothetical 5% Return<br>(before expenses) | \$1,000.00                                | \$1,017.64                               | \$7.63                          |

\* Expenses are equal to the Ave Maria Growth Fund’s annualized expense ratio of 1.50% for the period, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

## **Ave Maria Rising Dividend Fund**

|  | Beginning<br>Account Value<br>July 1, 2005 | Ending<br>Account Value<br>Dec. 31, 2005 | Expenses Paid<br>During Period* |
|--|--|--|---------------------------------|
| Based on Actual Fund Return                          | \$1,000.00                                 | \$1,046.20                               | \$6.45                          |
| Based on Hypothetical 5% Return<br>(before expenses) | \$1,000.00                                 | \$1,018.90                               | \$6.36                          |

\* Expenses are equal to the Ave Maria Rising Dividend Fund’s annualized expense ratio of 1.25% for the period, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

# AVE MARIA MUTUAL FUNDS

## ABOUT YOUR FUND'S EXPENSES (Unaudited)

### (Continued)

#### Ave Maria Bond Fund – Class I

|  | Beginning<br>Account Value<br>July 1, 2005 | Ending<br>Account Value<br>Dec. 31, 2005 | Expenses Paid<br>During Period* |
|--|--|--|---------------------------------|
| Based on Actual Fund Return                          | \$1,000.00                                 | \$1,006.70                               | \$1.52                          |
| Based on Hypothetical 5% Return<br>(before expenses) | \$1,000.00                                 | \$1,023.69                               | \$1.53                          |

\* Expenses are equal to the Ave Maria Bond Fund – Class I's annualized expense ratio of 0.30% for the period, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

#### Ave Maria Bond Fund – Class R

|  | Beginning<br>Account Value<br>July 1, 2005 | Ending<br>Account Value<br>Dec. 31, 2005 | Expenses Paid<br>During Period* |
|--|--|--|---------------------------------|
| Based on Actual Fund Return                          | \$1,000.00                                 | \$1,004.20                               | \$3.03                          |
| Based on Hypothetical 5% Return<br>(before expenses) | \$1,000.00                                 | \$1,022.18                               | \$3.06                          |

\* Expenses are equal to the Ave Maria Bond Fund – Class R's annualized expense ratio of 0.60% for the period, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half year period).

## OTHER INFORMATION (Unaudited)

A description of the policies and procedures the Funds use to determine how to vote proxies relating to portfolio securities is available without charge upon request by calling toll-free (888) 726-9331, or on the Securities and Exchange Commission's ("SEC") website at <http://www.sec.gov>. Information regarding how the Funds voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is also available without charge upon request by calling toll-free (888) 726-9331, or on the SEC's website <http://www.sec.gov>.

The Schwartz Investment Trust files a complete listing of portfolio holdings for each of the Funds with the SEC as of the first and third quarters of each fiscal year on Form N-Q. The filings are available free of charge, upon request, by calling (888) 726-9331. Furthermore, you may obtain a copy of the filing on the SEC's website at <http://www.sec.gov>. The Trust's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC, and information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.



Ave Maria Catholic Values Fund

Ave Maria Growth Fund

Ave Maria Rising Dividend Fund

Ave Maria Bond Fund

### **Ave Maria Mutual Funds**

series of

Schwartz Investment Trust

3707 W. Maple Road

Suite 100

Bloomfield Hills, Michigan 48301

### **Board of Trustees**

Gregory J. Schwartz, Chairman

George P. Schwartz, CFA

John E. Barns

Peter F. Barry

Donald J. Dawson, Jr.

Fred A. Erb, Emeritus

John J. McHale, Emeritus

Sidney F. McKenna, Emeritus

### **Officers**

George P. Schwartz, CFA, President

Richard L. Platte, Jr., CFA, V.P./Secretary

Timothy S. Schwartz, Treasurer

Robert G. Dorsey, Assistant Secretary

John F. Splain, Assistant Secretary

Mark J. Seger, CPA, Assistant Treasurer

Theresa M. Bridge, CPA, Assistant Treasurer

Craig J. Hunt, Assistant Vice President

Cynthia M. Dickinson, Chief Compliance Officer

### **Catholic Advisory Board**

Bowie K. Kuhn, Chairman

Lawrence Kudlow

Thomas S. Monaghan

Michael Novak

Paul R. Roney

Phyllis Schlafly

### **Investment Adviser**

SCHWARTZ INVESTMENT COUNSEL, INC.

3707 W. Maple Road

Suite 100

Bloomfield Hills, Michigan 48301

### **Distributor**

ULTIMUS FUND DISTRIBUTORS, LLC

225 Pictoria Drive, Suite 450

Cincinnati, Ohio 45246

### **Custodian**

US BANK, N.A.

425 Walnut Street

Cincinnati, Ohio 45202

### **Administrator**

ULTIMUS FUND SOLUTIONS, LLC

P.O. Box 46707

Cincinnati, Ohio 45246

### **Independent Registered**

### **Public Accounting Firm**

DELOITTE & TOUCHE LLP

111 S. Wacker Drive

Chicago, Illinois 60606

### **Legal Counsel**

SULLIVAN & WORCESTER LLP

1666 K Street, NW, Suite 700

Washington, DC 20006

**AVE MARIA CATHOLIC VALUES FUND**

**\*\*SUPPLEMENTAL TAX INFORMATION FOR 2005\*\***

**Ave Maria Catholic Values Fund paid the following distribution in 2005:**

| <b>Record<br/>Date</b> | <b>Ex-<br/>Dividend<br/>Date</b> | <b>Long-Term<br/>Capital Gain<br/>Distribution<br/>Per Share</b> |
|------------------------|----------------------------------|--|
| <b>12/28/2005</b>      | <b>12/29/2005</b>                | <b>\$0.4093</b>  |

**Federal Taxation**

As provided by the Jobs and Growth Tax Relief Reconciliation Act of 2003, capital gain distributions paid by the Fund may be subject to a maximum tax rate of 15%. These distributions are taxable whether received in cash or reinvested in additional shares of the Fund. Complete information for your account will be computed and reported in conjunction with your 2005 Form 1099-DIV.

A Form 1099-DIV, "Dividends and Distributions", has been provided to all non-exempt shareholders who earned gross taxable dividends of \$10 or more during 2005. The information on Form 1099-DIV will be sent to the Internal Revenue Service and should be utilized in the preparation of your 2005 federal income tax return.

**AVE MARIA GROWTH FUND**

**\*\*SUPPLEMENTAL TAX INFORMATION FOR 2005\*\***

**Ave Maria Growth Fund paid the following distribution in 2005:**

| <b>Record<br/>Date</b> | <b>Ex-<br/>Dividend<br/>Date</b> | <b>Long-Term<br/>Capital Gain<br/>Distribution<br/>Per Share</b> |
|------------------------|----------------------------------|--|
| <b>12/28/2005</b>      | <b>12/29/2005</b>                | <b>\$0.0405</b>  |

**Federal Taxation**

As provided by the Jobs and Growth Tax Relief Reconciliation Act of 2003, capital gain distributions paid by the Fund may be subject to a maximum tax rate of 15%. These distributions are taxable whether received in cash or reinvested in additional shares of the Fund. Complete information for your account will be computed and reported in conjunction with your 2005 Form 1099-DIV.

A Form 1099-DIV, "Dividends and Distributions", has been provided to all non-exempt shareholders who earned gross taxable dividends of \$10 or more during 2005. The information on Form 1099-DIV will be sent to the Internal Revenue Service and should be utilized in the preparation of your 2005 federal income tax return.

**AVE MARIA GROWTH FUND**

**\*\*SUPPLEMENTAL TAX INFORMATION FOR 2005\*\***

**Ave Maria Growth Fund paid the following distribution in 2005:**

| <b>Record<br/>Date</b> | <b>Ex-<br/>Dividend<br/>Date</b> | <b>Long-Term<br/>Capital Gain<br/>Distribution<br/>Per Share</b> |
|------------------------|----------------------------------|--|
| <b>12/28/2005</b>      | <b>12/29/2005</b>                | <b>\$0.0405</b>  |

**Federal Taxation**

As provided by the Jobs and Growth Tax Relief Reconciliation Act of 2003, capital gain distributions paid by the Fund may be subject to a maximum tax rate of 15%. These distributions are taxable whether received in cash or reinvested in additional shares of the Fund. Complete information for your account will be computed and reported in conjunction with your 2005 Form 1099-DIV.

A Form 1099-DIV, "Dividends and Distributions", has been provided to all non-exempt shareholders who earned gross taxable dividends of \$10 or more during 2005. The information on Form 1099-DIV will be sent to the Internal Revenue Service and should be utilized in the preparation of your 2005 federal income tax return.

## **AVE MARIA RISING DIVIDEND FUND**

### **\*\*SUPPLEMENTAL TAX INFORMATION FOR 2005\*\***

**Ave Maria Rising Dividend Fund paid the following distributions in 2005:**

| <b>Record Date</b> | <b>Ex-Dividend Date</b> | <b>Income Dividend Per Share</b> | <b>Short-Term Capital Gain Distribution Per Share</b> | <b>Percentage of Qualified Dividend Income</b> |
|--------------------|-------------------------|----------------------------------|---|--|
| <b>6/29/2005</b>   | <b>6/30/2005</b>        | <b>\$0.0200</b>                  |   | <b>100.00 %</b>                                |
| <b>9/29/2005</b>   | <b>9/30/2005</b>        | <b>\$0.0300</b>                  |   | <b>100.00 %</b>                                |
| <b>12/28/2005</b>  | <b>12/29/2005</b>       | <b>\$0.0267</b>                  |   | <b>100.00 %</b>                                |
| <b>12/28/2005</b>  | <b>12/29/2005</b>       |                                  | <b>\$0.0025</b>                                       | <b>100.00 %</b>                                |

### **Federal Taxation**

Income dividends and short-term capital gain distributions paid during 2005 are taxable as ordinary dividends for federal tax purposes. These distributions are taxable whether received in cash or reinvested in additional shares of the Fund. As provided by the Jobs and Growth Tax Relief Reconciliation Act of 2003, certain dividends and capital gain distributions paid by the Fund may be subject to a maximum tax rate of 15%. During 2005, all income dividends and short-term capital gains paid by the Fund were classified as "Qualified Dividends". Complete information for your account will be computed and reported in conjunction with your 2005 Form 1099-DIV.

A Form 1099-DIV, "Dividends and Distributions", has been provided to all non-exempt shareholders who earned gross taxable dividends of \$10 or more during 2005. The information on Form 1099-DIV will be sent to the Internal Revenue Service and should be utilized in the preparation of your 2005 federal income tax return.



## **AVE MARIA BOND FUND – CLASS I**

### **\*\*SUPPLEMENTAL TAX INFORMATION FOR 2005\*\***

**Ave Maria Bond Fund – Class I paid the following distributions in 2005:**

| <b>Record Date</b> | <b>Ex-Dividend Date</b> | <b>Income Dividend Per Share</b> | <b>Long-Term Capital Gain Distribution Per Share</b> | <b>Percentage of Qualified Dividend Income</b> |
|--------------------|-------------------------|----------------------------------|--|--|
| <b>1/28/2005</b>   | <b>1/31/2005</b>        | <b>\$0.0256</b>                  |  | <b>18.875%</b>                                 |
| <b>2/25/2005</b>   | <b>2/28/2005</b>        | <b>\$0.0241</b>                  |  | <b>18.875%</b>                                 |
| <b>3/30/2005</b>   | <b>3/31/2005</b>        | <b>\$0.0244</b>                  |  | <b>18.875%</b>                                 |
| <b>4/28/2005</b>   | <b>4/29/2005</b>        | <b>\$0.0277</b>                  |  | <b>18.875%</b>                                 |
| <b>5/27/2005</b>   | <b>5/31/2005</b>        | <b>\$0.0262</b>                  |  | <b>18.875%</b>                                 |
| <b>6/29/2005</b>   | <b>6/30/2005</b>        | <b>\$0.0271</b>                  |  | <b>18.875%</b>                                 |
| <b>7/28/2005</b>   | <b>7/29/2005</b>        | <b>\$0.0283</b>                  |  | <b>18.875%</b>                                 |
| <b>8/30/2005</b>   | <b>8/31/2005</b>        | <b>\$0.0271</b>                  |  | <b>18.875%</b>                                 |
| <b>9/29/2005</b>   | <b>9/30/2005</b>        | <b>\$0.0281</b>                  |  | <b>18.875%</b>                                 |
| <b>10/28/2005</b>  | <b>10/31/2005</b>       | <b>\$0.0286</b>                  |  | <b>18.875%</b>                                 |
| <b>11/29/2005</b>  | <b>11/30/2005</b>       | <b>\$0.0327</b>                  |  | <b>18.875%</b>                                 |
| <b>12/28/2005</b>  | <b>12/29/2005</b>       | <b>\$0.0297</b>                  |  | <b>18.875%</b>                                 |
| <b>12/28/2005</b>  | <b>12/29/2005</b>       |                                  | <b>\$0.0433</b>                                      | <b>-----</b>                                   |

### **Federal Taxation**

Income dividends paid during 2005 are taxable as ordinary dividends for federal income tax purposes. These distributions are taxable whether received in cash or reinvested in additional shares of the Fund. As provided by the Jobs and Growth Tax Relief Reconciliation Act of 2003, certain dividends and long-term capital gain distributions paid by the Fund may be subject to a maximum tax rate of 15%. During 2005, 18.875% of income dividends paid by the Fund were classified as “Qualified Dividends.” Complete information for your account will be computed and reported in conjunction with your 2005 Form 1099-DIV.

A Form 1099-DIV, “Dividends and Distributions”, has been provided to all non-exempt shareholders who earned gross taxable dividends of \$10 or more during 2005. The information on Form 1099-DIV will be sent to the Internal Revenue Service and should be utilized in the preparation of your 2005 federal income tax return.

## **AVE MARIA BOND FUND – CLASS I**

### **\*\*SUPPLEMENTAL TAX INFORMATION FOR 2005 (Continued)\*\***

#### **State Taxation**

The state taxation of regulated investment company dividends that are derived in whole or in part from interest on federal obligations varies from state to state. Please consult your tax adviser concerning the taxation of regulated investment company dividends in your state.

During 2005, Ave Maria Bond Fund – Class I derived its income from securities issued by the following:

|                           |                |
|---------------------------|----------------|
| Common Stocks             | 17.02%         |
| U.S. Treasury Obligations | 52.98%         |
| Federal Home Loan Bank    | 4.94%          |
| Federal Farm Credit Bank  | 4.41%          |
| Corporate Obligations     | 17.73%         |
| Repurchase Agreements     | <u>2.92%</u>   |
|                           | <u>100.00%</u> |

As of December 31, 2005, the portfolio of Ave Maria Bond Fund – Class I was invested as follows:

|                           |                |
|---------------------------|----------------|
| Common Stocks             | 14.86%         |
| U.S. Treasury Obligations | 54.45%         |
| Federal Home Loan Bank    | 3.86%          |
| Federal Farm Credit Bank  | 3.07%          |
| Corporate Obligations     | 18.72%         |
| Repurchase Agreements     | <u>5.04%</u>   |
|                           | <u>100.00%</u> |

## **AVE MARIA BOND FUND – CLASS R**

### **\*\*SUPPLEMENTAL TAX INFORMATION FOR 2005\*\***

**Ave Maria Bond Fund – Class R paid the following distributions in 2005:**

| <b>Record Date</b> | <b>Ex-Dividend Date</b> | <b>Income Dividend Per Share</b> | <b>Long-Term Capital Gain Distribution Per Share</b> | <b>Percentage of Qualified Dividend Income</b> |
|--------------------|-------------------------|----------------------------------|--|--|
| <b>1/28/2005</b>   | <b>1/31/2005</b>        | <b>\$0.0222</b>                  |  | <b>18.875%</b>                                 |
| <b>2/25/2005</b>   | <b>2/28/2005</b>        | <b>\$0.0211</b>                  |  | <b>18.875%</b>                                 |
| <b>3/30/2005</b>   | <b>3/31/2005</b>        | <b>\$0.0210</b>                  |  | <b>18.875%</b>                                 |
| <b>4/28/2005</b>   | <b>4/29/2005</b>        | <b>\$0.0245</b>                  |  | <b>18.875%</b>                                 |
| <b>5/27/2005</b>   | <b>5/31/2005</b>        | <b>\$0.0228</b>                  |  | <b>18.875%</b>                                 |
| <b>6/29/2005</b>   | <b>6/30/2005</b>        | <b>\$0.0263</b>                  |  | <b>18.875%</b>                                 |
| <b>7/28/2005</b>   | <b>7/29/2005</b>        | <b>\$0.0258</b>                  |  | <b>18.875%</b>                                 |
| <b>8/30/2005</b>   | <b>8/31/2005</b>        | <b>\$0.0246</b>                  |  | <b>18.875%</b>                                 |
| <b>9/29/2005</b>   | <b>9/30/2005</b>        | <b>\$0.0256</b>                  |  | <b>18.875%</b>                                 |
| <b>10/28/2005</b>  | <b>10/31/2005</b>       | <b>\$0.0261</b>                  |  | <b>18.875%</b>                                 |
| <b>11/29/2005</b>  | <b>11/30/2005</b>       | <b>\$0.0302</b>                  |  | <b>18.875%</b>                                 |
| <b>12/28/2005</b>  | <b>12/29/2005</b>       | <b>\$0.0271</b>                  |  | <b>18.875%</b>                                 |
| <b>12/28/2005</b>  | <b>12/29/2005</b>       |                                  | <b>\$0.0433</b>                                      | <b>-----</b>                                   |

### **Federal Taxation**

Income dividends paid during 2005 are taxable as ordinary dividends for federal income tax purposes. These distributions are taxable whether received in cash or reinvested in additional shares of the Fund. As provided by the Jobs and Growth Tax Relief Reconciliation Act of 2003, certain dividends and long-term capital gain distributions paid by the Fund may be subject to a maximum tax rate of 15%. During 2005, 18.875% of income dividends paid by the Fund were classified as “Qualified Dividends.” Complete information for your account will be computed and reported in conjunction with your 2005 Form 1099-DIV.

A Form 1099-DIV, “Dividends and Distributions”, has been provided to all non-exempt shareholders who earned gross taxable dividends of \$10 or more during 2005. The information on Form 1099-DIV will be sent to the Internal Revenue Service and should be utilized in the preparation of your 2005 federal income tax return.

## **AVE MARIA BOND FUND – CLASS R**

### **\*\*SUPPLEMENTAL TAX INFORMATION FOR 2005 (Continued)\*\***

#### **State Taxation**

The state taxation of regulated investment company dividends that are derived in whole or in part from interest on federal obligations varies from state to state. Please consult your tax adviser concerning the taxation of regulated investment company dividends in your state.

During 2005, Ave Maria Bond Fund – Class R derived its income from securities issued by the following:

|                           |                |
|---------------------------|----------------|
| Common Stocks             | 17.02%         |
| U.S. Treasury Obligations | 52.98%         |
| Federal Home Loan Bank    | 4.94%          |
| Federal Farm Credit Bank  | 4.41%          |
| Corporate Obligations     | 17.73%         |
| Repurchase Agreements     | <u>2.92%</u>   |
|                           | <u>100.00%</u> |

As of December 31, 2005, the portfolio of Ave Maria Bond Fund – Class R was invested as follows:

|                           |                |
|---------------------------|----------------|
| Common Stocks             | 14.86%         |
| U.S. Treasury Obligations | 54.45%         |
| Federal Home Loan Bank    | 3.86%          |
| Federal Farm Credit Bank  | 3.07%          |
| Corporate Obligations     | 18.72%         |
| Repurchase Agreements     | <u>5.04%</u>   |
|                           | <u>100.00%</u> |