AVE MARIA MUTUAL FUNDS

Market Commentary

1ST QUARTER 2017

The Stock Market

The U.S. stock market posted its fifth consecutive quarterly gain as the S&P 500 Index returned 6.07% for the 3 months ended March 31, 2017. Over the last twelve months, the market was up 17.2% (CHARTS 1 & 2). The information technology and consumer discretionary sectors have led the market higher recently. The telecommunication services and energy sectors declined after generating market-leading returns in 2016. The S&P Index advance was supported by a strong recovery in first-quarter profits, which are estimated to have risen 13% year over year, and by dividend increases of 6%. The "profit recession" of 2015-16 has clearly ended. We expect profits to grow 5 - 10% this year.

On March 9th, the bull market marked its eight year anniversary since the 2009 low. Much has changed in the last eight years, but some things have not changed a lot. The market has advanced 250%. So, while dividends more than doubled, the dividend yield on the Index has declined from 4.2% to 2%. Surprisingly, oil prices were nearly unchanged point to point, rising only 5% from $47 per barrel to $49.25. Of course, this stability in oil belies a move above $100 and below $30 in between. Back then, the Federal Funds target rate was a mere 0.25% and is still only 0.75% eight years later. The yield on the ten year U.S. Treasury Note moved even less from 2.86% to 2.61%.

The Bond Market

The Federal Reserve, as expected, raised the Federal Funds target rate another notch (0.25%) to 1% in late March. The ten year Treasury Note yield actually

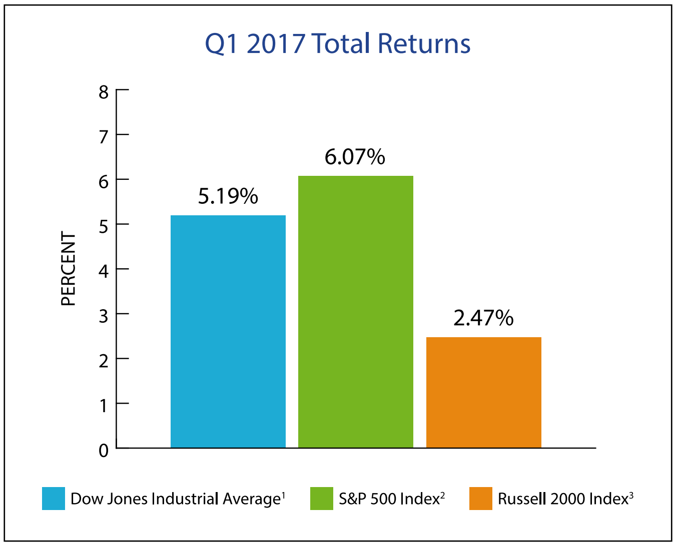

Chart 1

SOURCE: MORNINGSTAR DIRECT

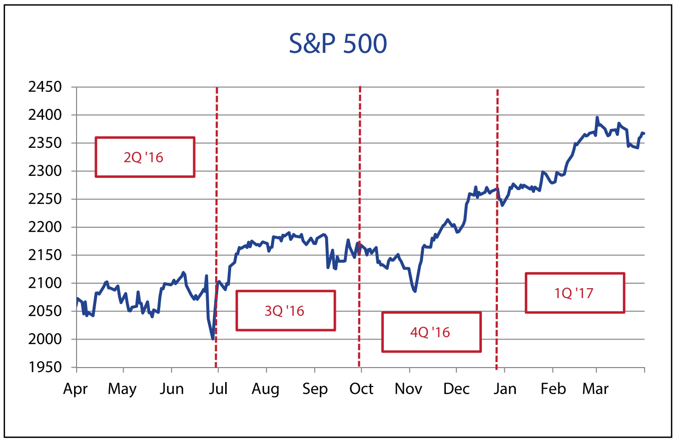

Chart 2

SOURCE: STRATEGAS RESEARCH PARTNERS
"QUARTERLY REVIEW IN CHARTS" — APRIL 3, 2017

Past performance does not guarantee future results. You cannot invest directly in an index.

[1] The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

[2] The S&P 500® Index is a capitalization weighted unmanaged index of 500 widely traded stocks, created by Standard & Poor's. The index is considered to represent the performance of the stock market in general.

[3] The Russell 2000® Index is an unmanaged index of the smallest 2,000 stocks in the Russell 3000® Index.

The Bond Market (CONTINUED)

declined a bit to 2.4% after the Fed action, leaving it nearly unchanged compared to year-end. Further, the Fed telegraphed more rate hikes later this year and indicated they may begin to shrink the size of their bond portfolio by letting maturities gradually run off. Notwithstanding these gradual shifts, policy remains accommodative. Real interest rates remain below the Fed's inflation target of 2% and actual inflation as measured by the CPI (CHART 3). Even as the Fed begins to tighten modestly, many central banks globally continue to expand their balance sheets. In March, the combined balance sheets of the Federal Reserve, Bank of Japan and the European Central Bank were up 18% year over year (CHART 4). We expect rates to grind higher as long as the U.S. and global economic expansion continues.

The Economy

Early estimates of first quarter U.S. growth indicate steady if slow improvement. We expect real growth of around 2-3% in 2017. Economic drivers are diverse and include employment growth, accelerating wages, housing, healthcare, e-commerce, technology, rebounding energy production and capital spending. Unemployment remains below 5% and importantly, employment of millennials (AGES 25-34) has increased by 2.8% year over year. This has positive implications for housing and capital investments going forward. Anemic productivity growth has hampered the economy throughout the last decade (CHART 5). Capital spending is beginning to rise as business confidence improves (CHART 6). Home prices are increasing. Stock prices are at record highs. The wealth effect of both lifts consumer spending, household formations and housing. This all creates a positive feedback loop. In addition, foreign economies, notably China, Japan and Eurozone, are improving to various degrees.

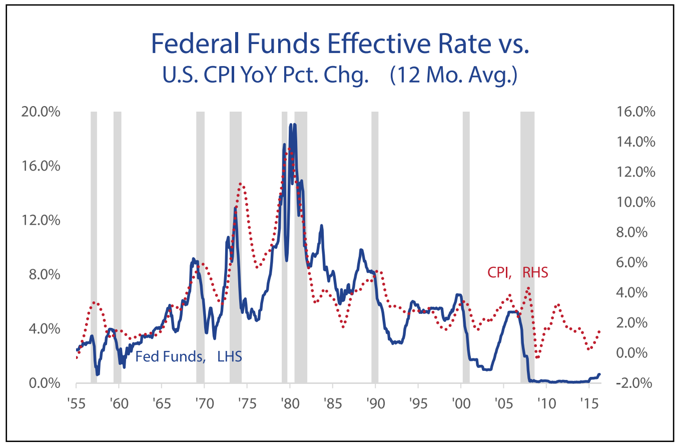

Chart 3

SOURCE: STRATEGAS RESEARCH PARTNERS
"QUARTERLY REVIEW IN CHARTS" — APRIL 3, 2017

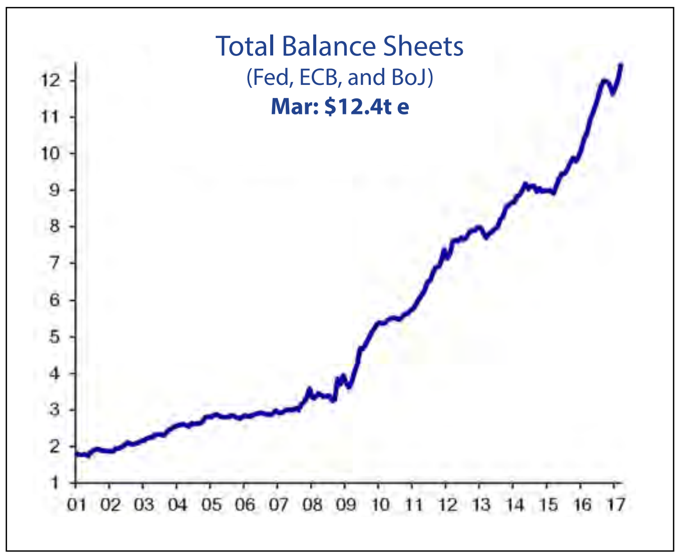

Chart 4

SOURCE: EVERCORE ISI
"DAILY ECONOMIC REPORT" — APRIL 7, 2017

Past performance does not guarantee future results.

Politics

There was not much to cheer about on the political front in the first quarter compared to post-election expectations. The Republican Congress failed to repeal and replace Obamacare. The House Freedom Caucus, in a classic case of "the perfect being enemy of the good," obstructed all efforts to compromise on a passable plan. Without healthcare reform, Planned Parenthood funding remains in the budget which may result in conservatives withholding their votes for budget approval, threatening a government shutdown. The Trump administration may be pressured to compromises with moderate Democrats to avoid that outcome. The Gorsuch Supreme Court appointment, which bypassed normal Senate voting procedure, may further galvanize partisan positions making tax reform more difficult.

As a result, President Trump is facing the lowest approval ratings of any new president in history. One hopes that his unnecessary drama and unforced political errors will eventually give way to progress on his economic agenda. While all of this is disappointing, the chances for upside surprises has grown. It is still likely there will be some progress on deregulation in the financial and energy sectors, greater spending on defense and infrastructure and some tax cuts, especially on repatriated foreign profits. Even if the Trump economic agenda seems to be stalling, the fact that the twin burdens of taxation and regulation won't get any worse is an economic positive in and of itself compared to pre-election expectations.

The great investor Sir John Templeton observed that "Bull markets are born in pessimism, grow in skepticism, mature in optimism and die in euphoria." Pessimism

Chart 5

SOURCE: HAVER; BUREAU OF LABOR STATISTICS

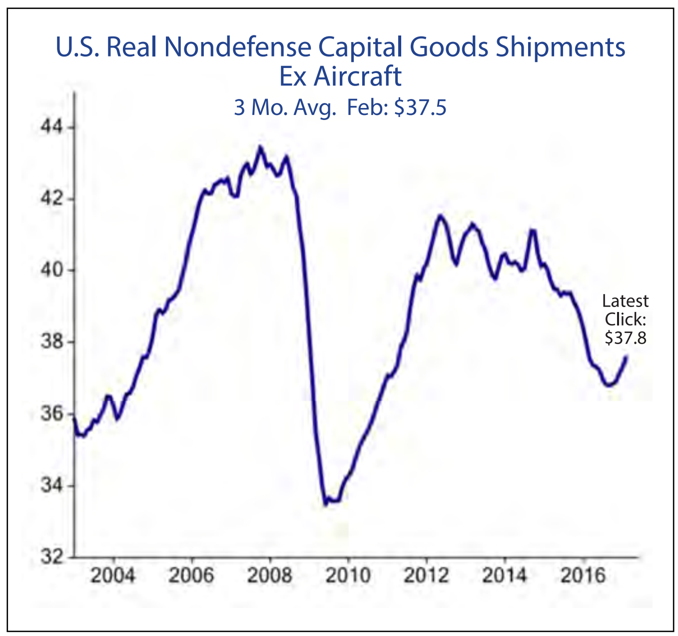

Chart 6

SOURCE: EVERCORE ISI
"WEEKLY ECONOMIC REPORT" – MARCH 27, 2017

Past performance does not guarantee future results.

Politics (CONTINUED)

was pervasive back in 2009 when this bull market began. We have mentioned on numerous occasions in these letters the high level of investor skepticism as evidenced by the consistent net outflows from equities into bonds and cash equivalents over the ensuing years. The market's positive reaction to the 2016 presidential election perhaps marked a shift to optimism which seems supported by a global economic recovery and growing profits. When and if the market transitions to a period of euphoria is anyone's guess, but we remain optimistic that stocks remain attractive for the long run.

Past performance does not guarantee future results.

Schwartz Investment Counsel, Inc., a registered investment adviser established in 1980, serves as investment adviser for Ave Maria Mutual Funds and invests only in securities that meet the Funds' investment and religious requirements. The returns may be lower or higher than if decisions were based solely on investment considerations. The Funds' method of security selection may or may not be successful and the Funds may underperform or outperform the stock market as a whole. All mutual funds are subject to market risk, including possible loss of principal.

Request a prospectus, which includes investment objectives, risks, fees, expenses and other information that you should read and consider carefully before investing. The prospectus can be obtained by calling 1-866-283-6274 or it can be viewed at www.avemariafunds.com. Distributed by Ultimus Fund Distributors, LLC.

200-06-071517