

CAPITAL GAINS Q&A

Near the end of each calendar year many mutual funds distribute capital gains to their shareholders. These gains arise when securities that have appreciated in value are sold and may be offset by sales of those that have depreciated in value. If the net result of the two is positive, then there is a capital gain, which by law must be distributed to each shareholder by the end of the calendar year. This material is being provided for informational purposes and should not be considered tax advice. Please consult your tax professional for more information. The following frequently asked questions provide further insight on the topic and may prove helpful.

Q: What is the difference between a short-term and long-term capital gain?

A: Short-term gains (less than one year) are distributed to shareholders as income dividends and are taxed at their ordinary income tax rate. Long-term capital gain distributions (greater than one year) are taxed at a maximum rate of 20%.

Q: If the market is down or a fund has negative performance, why is a capital gain paid out?

A: A fund may distribute capital gains due to the sale of a security which may have appreciated in value over the course of several years. A buy-low-and-sell-high philosophy creates just such an event. Portfolio managers who buy and hold for the long-term may also sell securities that have been held for a long time period and have exceeded price targets in a down market year, thereby creating a taxable event. Also, in order for a fund to qualify for special tax treatment under the Internal Revenue Code, a fund is required annually to distribute substantially all of its net investment income in the form of dividends and net realized capital gains.

Q: Do portfolio managers try to minimize capital gains?

A: We do not specifically try to minimize capital gain distributions. Professional portfolio management is our primary objective and many of our funds have an objective of long-term capital appreciation. Securities are sold for investment reasons, not necessarily to offset any gains that may have been incurred.

Q: Does an investor lose money when a capital gain is distributed?

A: No. For example, a fund with a \$10 net asset value distributes a capital gain of \$2 per share. On the date of the distribution, the net asset value of the fund will drop to \$8 per share and the \$2 distribution will be paid out to the shareholder.

Q: Will I receive a check for any distributions made?

A: Many investors choose to reinvest capital gains in more shares of the Funds. You will receive a check if you have selected to have capital gains paid to you.

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Q: If the account is set up to reinvest capital gains, will they still be taxed?

A: Yes, shareholders are required to include capital gains on their federal tax returns whether they received them in cash or had them reinvested. If the fund is held in a tax-deferred account, such as an Individual Retirement Account, the gains are not taxable in the year that they are incurred.

Q: Does every fund make a capital gain distribution each year?

A: There is no guarantee that any of our funds will pay out a distribution in any given year and the size of the distribution may vary. Because there are many factors that determine capital gain distributions, there is no way to predict the magnitude and frequency.

Q: If I just recently bought a fund, will I receive a capital gain distribution?

A: We cannot discriminate between long-term shareholders and those who may have just invested into one of our funds. Investors who own shares of a fund on the record date will receive any distribution and may be subject to taxation.

Q: How will I be notified of the amount my fund(s) distributed?

A: Capital gain distributions are reported on your year-end account statement (mailed in January) and Form 1099-DIV (mailed in February). They are also available online at www.avemariafunds.com through the secure shareholder account access section.

Q: How do I set up online shareholder access?

A: Contact shareholder services at 1-888-726-9331.

Q: How can I find out more about capital gains distributions for Ave Maria Mutual Funds?

A: Estimated gains are typically posted on www.avemariafunds.com at the end of November and updated again in the middle of December. Distributions are made at the end of December. Shareholders can also call 1-866-AVE-MARIA for more information.

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Request a prospectus, which includes investment objectives, risks, fees, charges and expenses and other information that you should read and consider carefully before investing. The prospectus can be obtained by calling 1-866-283-6274 or it can be viewed at www.avemariafunds.com. Distributed by Ultimus Fund Distributors, LLC. Schwartz Investment Counsel, Inc. is not affiliated with Ultimus Fund Distributors, LLC.

