AVE MARIA FOCUSED FUND

Q3 2020 COMMENTARY

For the three months ended September 30, 2020, the total return on the Ave Maria Focused Fund (AVEAX) was 5.17%, compared to the S&P 500® Index which returned 8.93%. The returns for the Ave Maria Focused Fund compared to its benchmark as of September 30, 2020 were:

	Since Inception#*	Gross/Net Prospectus Expense Ratio[1]
Ave Maria Focused Fund	11.80%	2.72%/1.26%
S&P 500® Index	19.73%	

Cumulative   * Since Inception date is 5-1-2020

[1]The adviser has contractually agreed to limit the ordinary operating expenses (excluding Acquired Fund Fees and Expenses, interest, taxes, brokerage costs and extraordinary expenses) of the Ave Maria Focused Fund to an amount not exceeding 1.25% of the Fund's average daily net assets until at least May 1, 2023.

Performance data quoted represents past performance, which is no guarantee of future results. Investment return and principal value are historical and may fluctuate so that redemption value may be worth more or less than the original cost. Current performance may be lower or higher than what is quoted. Performance data reflects certain fee waivers and reimbursements. Without such waivers, performance would have been lower. Call 1-866-AVE-MARIA or visit www.avemariafunds.com for the most current month-end performance.

During the third quarter, we added to ten of our original 17 positions and initiated four new investments, increasing deployed capital from 82.7% of the Fund's capital to 91.5%.

New Investments:

- Autodesk, Inc. is a software business that serves the architectural, engineering, and construction industries, in addition to manufacturing, media, and entertainment industries. The company's most well-known product is AutoCAD, which is the gold standard of architectural software. Although the industry is mature, Autodesk has multiple avenues for growth. First, they can grow licenses modestly while implementing annual price increases. Second, they can convert users of pirated copies to paid users. Third, they can convert perpetual license customers into subscription customers. Fourth, they can sell subscriptions directly to customers, circumventing third-party salesman. Finally, they can upsell/cross-sell to their current customer base. Within their construction segment, they will benefit from the digitization of the construction supply chain. In manufacturing, they are the number three player, but they have a disruptive cloud-based service that is growing faster than the top two competitors. 96% of their revenue is recurring. Management is confident that over the next two and half years, they can grow free cash flow nearly 70%. Given the multiple levers for growth that they can pull, we expect mid-to-high teens annual topline growth with even higher earnings growth for several years.

- eDreams ODIGEO is the leading online travel agency for flights in Europe, at roughly 1.8x the size of the next competitor (Expedia). eDreams is a company we were excited about pre-COVID-19. After a €10.25 IPO price in 2014, eDreams was quickly abandoned by many institutional shareholders as the share price fell below €5.00 due to operational missteps. Dana Dunne, a new CEO appointed in 2015, has executed a remarkable turnaround. Dana used flights, usually the first service purchased for a trip, to expand into other areas of travel spend. He developed the best mobile application in the space, increasing mobile bookings from 15% to 44%. Recently, he implemented a prime program, which further lowered customer acquisition costs. They entered 2020 with a strong balance sheet, earnings growth, and a structural advantage for growing their hotel booking business. eDreams trades on a regional exchange in Spain, which likely hurts their ability to attract institutional shareholders. We believed that eDreams would continue to grow and would have been acquired by a larger competitor (possibly Expedia or Booking.com). Then COVID-19 disrupted European travel and eDreams was affected along with the rest of the travel industry. However, it has two advantages versus other companies in the industry. First, it has a highly variable cost structure. Second, the company gets paid for completing a booking, but they do not have to refund their portion of the cost of a flight if a flight is canceled. As of July, revenue was down 60%, but improving daily. At that level of revenue decline, they are free cash flow neutral. We think that travel will take time to return, and eDreams is an attractive way to participate in a recovery. We also expect eDreams to pick up market share as the industry consolidates.

• Hermes International is a leading producer of luxury goods founded in 1837, known for painstaking, patient craftmanship. It may take a leather worker ten years of apprenticeship before being able to work on a purse. 72% of their products are sold through their own stores. Hermes continues to add company stores (including county specific websites) and pull product from outside concessionaires which should provide growth as they convert wholesale sales into retail sales. The company is vertically integrated and often owns the farms where their leather is produced. Counterintuitively, Hermes has performed remarkably well in recessions. We believe this is due to the demand for its two flagship handbags: the Kelly and the Birkin. Together they represent ~55% of revenue, with demand far exceeding supply. In fact, the secondary market prices for these two bags are often higher than prices one pays in a Hermes store, if one is lucky enough to be invited to purchase one. We have only witnessed this level of supply/demand imbalance a handful of times – two notable examples are stainless steel Rolex Daytona watches and limited-edition Ferraris. Interestingly, all three companies outperformed their peers during the Great Recession. We believe Hermes could deliver mid-teens annual price appreciation over several years.

• Texas Pacific Land Trust (TPL) is a pure play on the development of the Permian Basin by owning surface land and mineral rights. The company receives royalty payments on their mineral rights and for use of their surface acreage and water rights. We believe there are several ways to benefit with this investment. The continued development of the Permian Basin increases the number of royalties collecting payment. Rising oil prices increase royalty payments. The water business should be competitively advantaged given the vast surface acreage; this could become a sizeable business on its own. Finally, the upcoming conversion to a C-Corp. may attract more institutional shareholders, precede the inclusion into indices, and provide more professional and shareholder-friendly governance. In the short-run, drilling activity is not likely to restart in the Permian unless crude oil prices return to the mid $40s. If sub $45 oil persists, the restructuring of E&P cost structures and the continued advancement of fracking technologies could lower the cost of drilling new wells.

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We believe each of the new investments adhere to the Fund's guiding principles. Each of the four new companies has a strong economic moat that allows it to generate a high return on capital. Each has a long runway for earnings growth. In our opinion, having a portfolio of exceptional companies should help this Fund compound shareholder capital in excess of the Fund's benchmark.

IMPORTANT INFORMATION FOR INVESTORS

As of 9-30-20, the holding percentages of the stocks mentioned in this commentary are as follows: Autodesk, Inc. (2.5%), eDreams ODIGEO ADR (2.1%), Hermes International (2.8%) and Texas Pacific Land Trust (0.3%). Fund holdings are subject to change and should not be considered purchase recommendations. There is no assurance that the securities mentioned remain in the Fund's portfolio or that securities sold have not been repurchased. The Fund's top ten holdings as of 9-30-20: Equinix, Inc. (10.0%), Adobe, Inc. (9.9%), Microsoft Corporation (9.4%), Frontdoor, Inc. (7.5%), Valvoline, Inc. (6.5%), S&P Global, Inc. (4.1%), Chemed Corporation (4.0%), Waste Connections, Inc. (4.0%), Visa, Inc. Class A (3.9%) and Mastercard Incorporated (3.9%). The most current available data regarding portfolio holdings can be found on our website, www.avemariafunds.com. Current and future portfolio holdings are subject to risk.

The Adviser invests only in securities that meet the Fund's investment and religious requirements. The returns may be lower or higher than if decisions were based solely on investment considerations. The method of security selection may or may not be successful and the Fund may underperform or outperform the stock market as a whole. All mutual funds are subject to market risk, including possible loss of principal. The Fund's investments in small- and mid-capitalization companies could experience greater volatility than investments in large-capitalization companies. AVEAX is classified as non-diversified and may therefore invest a greater percentage of its assets in the securities of a limited number of issuers than a fund that is diversified. At times, the Fund may overweight a position in a particular issuer or emphasize investment in a limited number of issuers, industries or sectors, which may cause its share price to be more susceptible to any economic, business, political or regulatory occurrence affecting an issuer than a fund that is more widely diversified. The issuers that the Fund may emphasize will vary from time to time.

The investment performance assumes reinvestment of dividends and capital gains distributions. Performance data reflects certain fee waivers and reimbursements. Without such waivers, performance would have been lower. 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. Indexes do not incur fees and it is not possible to invest directly in an index.

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 online at www.avemariafunds.com. *Distributed by Ultimus Fund Distributors, LLC.*