



# Ave Maria Growth Fund

Q2 2018  
Investment  
Commentary

For the three months ended June 30, 2018, the total return on the Ave Maria Growth Fund (AVEGX) was 4.64%, compared to the S&P 500® Index, which returned 3.43%. The returns for the Ave Maria Growth Fund compared to its benchmark as of June 30, 2018 were:

|                       | Year to<br>Date | 1 Yr.  | 3 Yrs.^ | 5 Yrs.^ | 10 Yrs.^ | Since<br>Inception^* | Prospectus<br>Expense<br>Ratio |
|-----------------------|-----------------|--------|---------|---------|----------|----------------------|--------------------------------|
| Ave Maria Growth Fund | 6.14%           | 20.54% | 12.88%  | 13.68%  | 11.13%   | 11.30%               | 0.97%                          |
| S&P 500® Index        | 2.65%           | 14.37% | 11.93%  | 13.42%  | 10.17%   | 9.66%                |                                |

^ Annualized \* Since Inception date is 5-1-2003

**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](http://www.avemariafunds.com) for the most current month-end performance.

Unfortunately, The Madison Square Garden Company (MSG) – a position started early in the first quarter of 2018 – was not among the Fund’s top holdings during this period, when its stock price was up by more than 45%. MSG recently announced its intent to divide its professional sports teams and entertainment segments into two distinct entities. MSG owns the New York Knicks (NBA) and New York Rangers (NHL), plus various entertainment assets, including Madison Square Garden, which some call the “The World’s Most Famous Arena.” Professional sports teams are unique assets capable of strong intrinsic value growth over many years. MSG’s stock price is starting to reflect this value.

## Top Five Return Contributors (YTD Q2 2018)

| <u>Company</u>                          | <u>Contribution to Return</u> |
|---|-------------------------------|
| Mastercard Incorporated (MA)            | +1.03%                        |
| Copart, Inc. (CPRT)                     | +0.98%                        |
| The Madison Square Garden Company (MSG) | +0.62%                        |
| O’Reilly Automotive, Inc. (ORLY)        | +0.57%                        |
| Visa, Inc. (V)                          | +0.54%                        |

The Industrials sector was among the worst performing S&P 500 sectors during the first half of 2018, and some of our industrials holdings suffered. The Fund remains invested in four of the top five return detractors listed below. The exception is Colfax Corporation, which the Fund exited during the second quarter. Colfax was founded by brothers Mitchell Rales and Steven Rales, who also founded Danaher, a company that has rewarded investors with strong returns over many years. Our investment thesis was that Colfax could replicate Danaher’s success as the company followed the same playbook of acquiring companies and making them more efficient through the Colfax Business System (copied from the Danaher Business System). What we didn’t fully appreciate at the outset of our investment was the amount of time it is going to take for Colfax to transform its business portfolio – primarily through acquisitions - to more attractive end-markets. Seller price expectations remain high, helped by the flood of private equity money competing with Colfax for acquisitions.



Colfax's current business portfolio is over-indexed to commodity-related end markets and the Chinese power generation market, which is in steep decline as the country addresses pollution concerns.

## Top Five Return Detractors (YTD Q2 2018)

| <u>Company</u>                        | <u>Detraction to Return</u> |
|---------------------------------------|-----------------------------|
| Colfax Corporation (CFX)              | -0.47%                      |
| Rockwell Automation, Inc. (ROK)       | -0.36%                      |
| 3M Company (MMM)                      | -0.35%                      |
| Cerner Corporation (CERN)             | -0.26%                      |
| MSC Industrial Direct Co., Inc. (MSM) | -0.23%                      |

Our goal remains to purchase shares of exceptional companies at attractive prices to produce favorable returns over the long run. Our team continues to spend considerable time searching for companies that fit our quality and price requirements.

We appreciate your participation in the Ave Maria Growth Fund.

## IMPORTANT INFORMATION FOR INVESTORS

As of 6-30-18, the holding percentages of the stocks mentioned in this commentary are as follows; The Madison Square Garden Company (1.9%), Mastercard Incorporated (4.2%), Copart, Inc. (3.7%), O'Reilly Automotive, Inc. (4.1%), Visa, Inc. – Class A (3.5%), Rockwell Automation, Inc. (4.0%), 3M Company (2.0%), Cerner Corporation (1.9%) and MSC Industrial Direct Co., Inc. (2.0%). 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 6-30-18: Mastercard, Inc. (4.2%), O'Reilly Automotive, Inc. (4.1%), Rockwell Automation, Inc. (4.0%), Accenture PLC (4.0%), Copart, Inc. (3.7%), Visa, Inc. - Class A (3.5%), Medtronic PLC (3.4%), Moody's Corporation (3.3%), Lowe's Companies, Inc. (3.0%) and The Charles Schwab Corp. (2.8%). The most current available data regarding portfolio holdings can be found on our website, [www.avemariafunds.com](http://www.avemariafunds.com).

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.

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](http://www.avemariafunds.com). Distributed by Ultimus Fund Distributors, LLC.***