



# AVE MARIA VALUE FUND

## Q2 2020 COMMENTARY

The Ave Maria Value Fund (AVEMX) had a total return of 15.99% for the three months ended June 30, 2020, compared to 24.07% for the S&P MidCap 400® Index. The returns for the Fund compared to its benchmark as of June 30, 2020:

	Year to Date	1 Yr.	3 Yrs.^	5 Yrs.^	10 Yrs.^	Since Inception^*	Prospectus Expense Ratio
Ave Maria Value Fund	-17.07%	-15.91%	0.69%	1.01%	6.44%	5.53%	1.14%
S&P MidCap 400® Index	-12.78%	-6.70%	2.39%	5.22%	11.34%	8.24%	

^ Annualized \* Since Inception date is 5-1-2001

**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.

The Fund's underperformance was primarily due to its small-cap stocks, which performed poorly in the first half of the year. In the S&P 1500®, returns were highly stratified by market cap – the larger the market cap, the better the performance. This is a continuation of the trend in recent years of investors' preference for large-cap stocks and the avoidance of mid-caps and small-caps, especially small-cap value stocks. Likewise, growth stocks continued their recent outperformance over value stocks. According to Morningstar, in the first half of 2020, the best performing fund category was large-cap growth, with the average fund total return of +8.16%. In contrast, the worst performing category was small-cap value with the average fund total return of -23.13%. The table below shows the dominant performance of large-caps vs. small-caps, and growth vs. value stocks so far in 2020.

Index	Market Cap	6/30/20 YTD Total Return
S&P 500®	Large-cap	-3.08%
S&P 500® Growth		+7.93%
S&P 500® Value		-15.52%
S&P 400®	Mid-Cap	-12.78%
S&P 400® Growth		-5.21%
S&P 400® Value		-20.98%
S&P 600®	Small-cap	-17.85%
S&P 600® Growth		-11.54%
S&P 600® Value		-24.46%

Today's stock market, similar to the 1999-2000 internet bubble, has essentially become one of "haves" and "have-nots". The "haves" are a narrow group of large-cap, growth-oriented tech stocks with high prices, sky-high valuations, and a fanatical following on Wall Street. The "have-nots" are a much larger group of small and mid-cap value stocks with inexpensive valuations that few investors care about, currently. With



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the market's ongoing infatuation with large-cap growth stocks, the Fund's value-focused approach and small-cap holdings hurt our relative performance.

The Fund's top 5 contributors to return in the first half of this year were:

<u>Company</u>	<u>Industry</u>	<u>Contribution to Return</u>
KKR & Co., Inc.	Asset Management	+0.35%
Remy Cointreau UNSP ADR	Liquor & Beverages	+0.30%
Otis Worldwide Corporation	Industrial Machinery	+0.27%
Roper Technologies, Inc.	Technology Products	+0.23%
AMETEK, Inc.	Diversified Industrials	+0.22%

The Fund's top 5 detractors from return in the first half of this year were:

<u>Company</u>	<u>Industry</u>	<u>Contribution to Return</u>
Hexcel Corporation	Aerospace & Defense	-1.88%
Athene Holding LTD	Financial Services	-1.76%
Texas Pacific Land Trust	Oil/gas Royalties & Real Estate	-1.68%
Noble Energy, Inc.	Oil/gas Exploration & Production	-1.41%
Graham Holdings Company	Diversified Holding Company	-1.36%

In the first six months, three stocks were liquidated from the portfolio: American Airlines Group Inc., Delta Air Lines, Inc., and Interactive Brokers Group, Inc. American Airlines and Delta were sold early in the year, as we anticipated the significant challenges airlines would face in the midst of a global pandemic. Interactive Brokers was sold as its share price exceeded our intrinsic value estimate. New positions were established in the following companies that meet our criteria of owning shares of high-quality businesses in strong financial condition that are selling at a discount to our estimate of intrinsic value: Alcon, Inc. (medical instruments & supplies), Change Healthcare, Inc. (health information services), CME Group, Inc. (financial data & stock exchanges), Gentex Corporation (automotive & technology products), Haemonetics Corporation (medical instruments & supplies), Otis Worldwide Corporation (industrial machinery) and Remy Cointreau (liquor & beverages).

We remain steadfast in the belief that our value-focused investment approach, using fundamental security analysis to identify stocks trading at a discount to intrinsic value, continues to be a superb way to achieve superior long-term results.

Thank you for your investment in the Ave Maria Value Fund.



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### IMPORTANT INFORMATION FOR INVESTORS

As of 6-30-20, the holding percentages of the stocks mentioned in this commentary are as follows; KKR & Co., Inc. (3.1%), Remy Cointreau UNSP ADR (1.7%), Otis Worldwide Corporation (2.0%), Roper Technologies, Inc. (1.9%), AMETEK, Inc. (0.9%), Hexcel Corporation (0.4%), Athene Holding LTD (0.5%), Texas Pacific Land Trust (7.5%), Noble Energy, Inc. (1.8%), Graham Holdings Company Class B (4.2%), Alcon, Inc. (3.5%), Change Healthcare, Inc. (1.4%), CME Group, Inc. (0.8%), Gentex Corporation (2.2%) and Haemonetics Corporation (1.1%). 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 6-30-20: Texas Pacific Land Trust (7.5%), Rosetta Stone, Inc. (5.1%), Zimmer Biomet Holdings, Inc. (4.4%), Pioneer Natural Resources Co. (4.4%), Graham Holdings Co. Class B (4.2%), Alcon, Inc. (3.5%), Alleghany Corporation (3.5%), KKR & Co., Inc. (3.1%), Valvoline, Inc. (3.0%) and Frontdoor, Inc. (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 400® Midcap Index is an unmanaged index created by Standard & Poor's made up of 400 midcap companies. The index is the most widely used index for mid-sized companies. The S&P 500® Value Index is a market capitalization weighted index developed by Standard & Poor's consisting of those stocks within the S&P 500® Index that exhibit strong value characteristics. The S&P 500® Growth Index is a market-capitalization-weighted index developed by Standard & Poor's consisting of those stocks within the S&P 500® Index that exhibit strong growth characteristics. 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.***



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