



AVE MARIA VALUE FUND

Q4 2018 COMMENTARY

The Ave Maria Value Fund (AVEMX) had a total return of -16.69% for the three months ended December 31, 2018, compared to -17.28% for the S&P MidCap 400. The returns for the Fund compared to its benchmark as of December 31, 2018:

	1 Yr.	3 Yrs.^	5 Yrs.^	10 Yrs.^	Since Inception^*	Prospectus Expense Ratio
Ave Maria Value Fund	-8.75%	7.75%	1.16%	9.51%	6.02%	1.21%
S&P MidCap 400® Index	-11.08%	7.66%	6.03%	13.68%	8.38%	

^ 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 for the most current month-end performance.

2018 was a challenging year for investors around the globe. The U.S. stock market recorded its worst performance since 2008, with the S&P 500 Index down -4.4% for the year. Foreign stock markets fared worse, with Japan (Nikkei 225) down 12.1%, Germany (DAX) -20.6%, and China (Shanghai Composite) -27.0%. Moreover, nearly every asset class had a negative return for 2018.

The Ave Maria Value Fund was unable to avoid most of the wreckage, posting a total return of -8.75% for the year ended December 31, 2018. However, the Fund outperformed its benchmark, the S&P 400 Midcap Index, which declined 11.08%, and its Morningstar mid-blend category average, which declined 11.16%. For the year, the Fund's performance placed it in the top quartile (89th out of 464 funds) in Morningstar's mid-blend category, outpacing 75% of the funds in that peer group.

The multi-year cycle of growth stocks outperforming value stocks continued in 2018. The Russell 1000® Growth index finished the year down 3.8%, while the Russell 1000® Value index was down 10.9%. Likewise, large-cap stocks continued their outperformance over small-caps. According to Morningstar, the best performing fund category was Large-Cap Growth, down 2.1%. In contrast, the worst performing fund category was Small-Cap Value, down 15.6%. In the S&P 500 Index, the best performing sectors were health care, utilities, and consumer discretionary, while the worst performing sectors were energy, materials, and industrials. In this environment of large-cap growth outperformance, the Fund's mid-cap exposure, along with its value-oriented positions, hurt relative performance.



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The Fund owned a handful of stocks that appreciated sharply during the year. The Fund's five best performing stocks in 2018 were:

<u>Company</u>	<u>Industry</u>	<u>2018 Performance</u>
Avid Bioservices, Inc.	Biotechnology	+69.71%
The Madison Square Garden Co.	Leisure and Entertainment	+27.17%
HEICO Corporation	Aerospace & Defense	+24.79%
Texas Pacific Land Trust	Oil/Gas Royalties/Real Estate	+22.34%
Coca-Cola European Partners	Beverages Distributor	+18.45%

On the negative side, Spectrum Brands Holdings, Inc. was the Fund's worst performing security last year. We initiated a position in Spectrum in early 2018. Unfortunately, shortly after our investment, the company experienced some operational problems that negatively impacted results. We increased our position near year end, as we still believe the shares are undervalued with significant recovery potential and the catalyst for the recovery is expected to occur in the first half of 2019.

The Fund's energy related holdings performed poorly in the 4th quarter last year, as oil prices dropped sharply during the period. We remain confident that our energy related holdings Texas Pacific Land Trust, Noble Energy, Inc. and Pioneer Natural Resources Company are well managed, high-quality companies in strong financial condition.

The Fund's five worst performing stocks in 2018 were:

<u>Company</u>	<u>Industry</u>	<u>2018 Performance</u>
Spectrum Brands Holdings, Inc.	Consumer Products	-55.37%
American Airlines Group, Inc.	Airlines	-38.61%
KKR & Co., Inc.	Asset Management	-38.60%
Noble Energy, Inc.	Oil/Gas Exploration & Production	-30.55%
Axalta Coating Systems Ltd.	Specialty Chemicals	-29.71%

During the second half of 2018, the Fund liquidated its holdings of ARRIS International PLC, as the company agreed to be acquired by a larger competitor, and Unico American Corporation, due to deteriorating fundamentals. The following companies were also sold as their share prices reached our estimate of intrinsic value: Cognizant Technology Solutions Corp., Graco, Inc., Hexcel Corporation, Moody's Corporation, and Tractor Supply Company. Four new holdings to the portfolio were: Gildan Activewear, Inc., an apparel manufacturing company; Rosetta Stone, Inc., which provides technology-based learning products worldwide; DowDuPont Inc., which engages in agriculture, materials science, and specialty products businesses worldwide; and Valvoline, Inc., which manufactures and markets automotive lubricants and provides maintenance services.



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During the last three months of 2018, it seems negative headlines dominated the capitals markets. Investors were rattled by a myriad of issues including the ongoing trade war with China, slowing global growth, widening credit spreads, the flattening yield curve, rising interest rates, and political dysfunction in Washington. Consequently, 2018 ended with December registering the worst month for the S&P 500 since 1931. Although stocks have suffered some jaw-dropping declines in recent months, astute investors know that a marvelous buying opportunity can arise when fear is widespread. So, when others are panicking and selling indiscriminately, we remain calm and search for bargains amidst the chaos. Such periods of short-term market turmoil can often create opportunities to acquire shares of great companies when they are on sale. That is the essence of value investing.

In our opinion, the economic and market environment remains positive with a growing U.S. economy, rising corporate profits, strong employment measures, low inflationary pressures, and interest rates that remain accommodative. A resolution to any of the Washington political turmoil could give a boost to consumer sentiment and business confidence. As always, we remain diligent in our efforts to invest in high-quality companies in sound financial condition when they are selling at attractive valuations.

Thank you for being a shareholder in the Ave Maria Value Fund.



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IMPORTANT INFORMATION FOR INVESTORS

As of 12-31-18, the holding percentages of the stocks mentioned in this commentary are as follows; Avid Bioservices, Inc. (0.6%), The Madison Square Garden Co. (1.9%), HEICO Corporation - Class A (5.8%), Texas Pacific Land Trust (6.5%), Coca-Cola European Partners (3.2%), Pioneer Natural Resources Company (1.9%), Spectrum Brands Holdings, Inc. (2.0%), American Airlines Group, Inc. (2.0%), KKR & Co., Inc. (0.2%), Noble Energy, Inc. (0.9%), Axalta Coating Systems Ltd. (1.1%), Gildan Activewear, Inc. (2.9%), Rosetta Stone, Inc. (2.6%), DowDuPont, Inc. (3.8%) and Valvoline, Inc. (2.1%). 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 12-31-18: Texas Pacific Land Trust (6.5%), HEICO Corporation - Class A (5.8%), Delta Air Lines, Inc. (4.1%), InterXion Holding NV (4.1%), DowDuPont, Inc. (3.8%), Qurate Retail, Inc. (3.5%), Coca-Cola European Partners (3.2%), Alleghany Corporation (3.1%), Liberty Media Corporation Series C (2.9%) and Gildan Activewear, Inc. (2.9%). The most current available data regarding portfolio holdings can be found on our website, www.avemariafunds.com.

Morningstar Percentile Rankings is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1. Percentile rankings for other periods are as follows: 3 years (19th out of 382 funds), 5 years (90th out of 335 funds) and 10 years (88th out of 235 funds).

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. 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.



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