



Market Commentary

1ST QUARTER 2013

Economic Summary

SO FAR, SO GOOD

The stock market has been on a tear. With the Dow and S&P 500® hitting new highs, you might think the economy is really doing well. You might expect strong Gross Domestic Product (GDP) growth, unemployment rates dropping dramatically and confidence levels soaring. Well, those developments have not materialized. Instead, 2012 fourth quarter GDP was revised to only slightly above zero. 2013 first quarter estimates of GDP show modest growth. Unemployment has fallen slightly, mostly because many people have stopped looking for work (500,000 left the labor force in March alone). Business confidence continues to improve slowly. So, why has the stock market rallied lately?

Our view is that things are going fairly well for the U.S. economy – not great, but not too bad. Despite the weak economic recovery, corporate profits have been good and corporate balance sheets are very strong. The Fed’s accommodative stance (quantitative easing) is definitely raising asset prices. The huge level of central bank easing, mostly in the form of bond purchases, is a global phenomenon (CHART 1).

With weak March employment numbers and no signs of inflation (at least as measured by the government), the Federal Reserve’s bond purchases continue at an unsustainable rate of \$85 billion per month. They are helping consumers feel more confident (CHART 2).

That is a key point. Much of the recent stock market performance is a result of increased expectations the economy is improving and that it will improve even

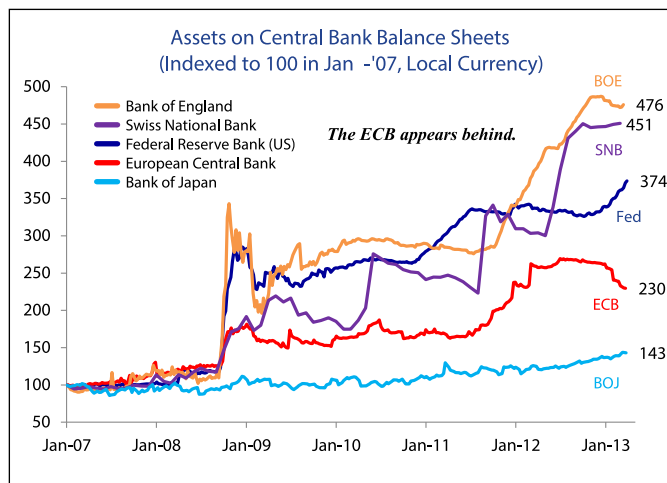


Chart 1

SOURCE: STRATEGAS RESEARCH PARTNERS
 "QUARTERLY REVIEW IN CHARTS", APRIL 1, 2013

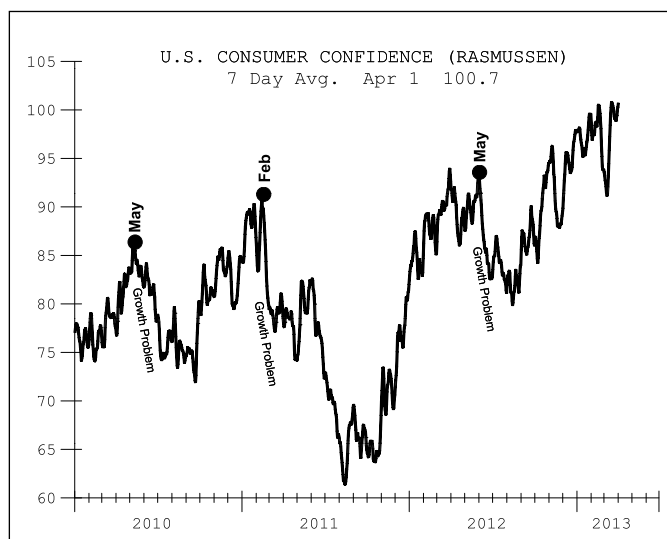


Chart 2

SOURCE: ISI "DAILY ECONOMIC REPORT", APRIL 2, 2013

Past performance does not guarantee future results. 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. You cannot invest directly in an index.

Economic Summary (CONTINUED)

more in the second half of this year and in 2014 – a plausible scenario.

THE NOT TOO DISTANT PAST

Last year's presidential election, which was only five months ago, seems like ancient history with all of the other problems the media loves to report. (Cyprus, budget battles, gun control, immigration, etc.) Through it all, corporate America has proven its strength and resilience yet again. Industrious workers and well managed companies have prospered, producing great earnings, paying down debts and positioning themselves well for the future. As always, we feel investors should avoid getting too anxious over news headlines. The media loves the near term focus, which is of little consequence to many serious long-term investors.

The stock market and economy do not move in tandem. More often, the stock market is a leading indicator of economic activity. The underlying fundamentals of corporations and their outlook for the next 3-5 years (and beyond) are what really matters for investors. Housing, Energy and Manufacturing are 3 sectors where the U.S. economy is doing fairly well and the prospects appear promising. The housing market continues to show signs of improvement (CHART 3).

The improving housing market may translate into increased consumer spending, which would be very positive for the economy. Domestic energy could really be a game changer for our economy. Increased natural gas and oil production, plus the long-awaited approval of the Keystone XL Pipeline (if Obama approves it) will be very beneficial. With a competitive advantage on energy, manufacturing activity in the U.S. could be materially enhanced (CHART 4).

Freeing up domestic energy supplies would really boost employment, finally getting the unemployment rate to fall for the right reasons.

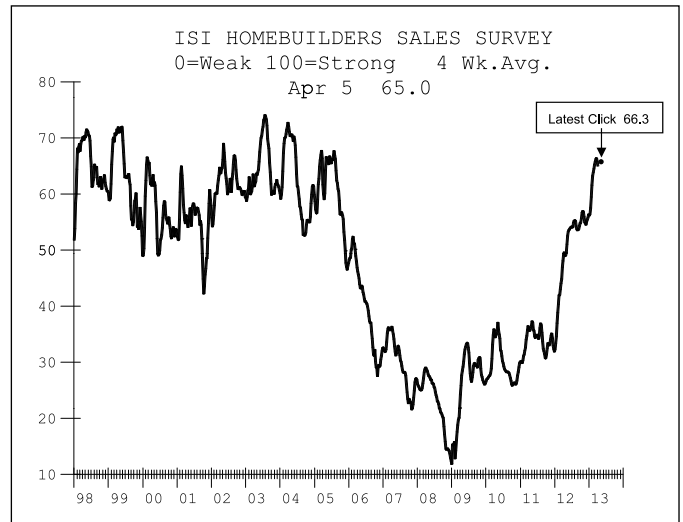


Chart 3

SOURCE: ISI "DAILY ECONOMIC REPORT", APRIL 10, 2013

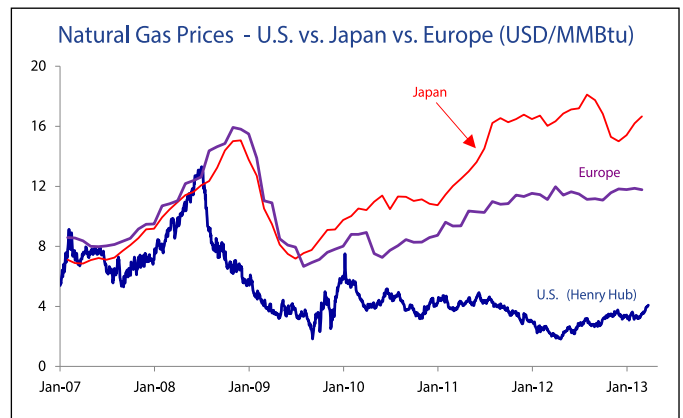


Chart 4

SOURCE: STRATEGAS RESEARCH PARTNERS
"QUARTERLY REVIEW IN CHARTS", APRIL 1, 2013

Past performance does not guarantee future results.

Economic Summary (CONTINUED)

T.I.N.A.

With the recent death of former British Prime Minister Margaret Thatcher, we are reminded of a nickname given to her by her critics. They called her “Tina” for her relentless defense of free markets – “There Is No Alternative.” TINA summarizes how we view high-quality, well-managed, dividend-paying companies. As the economy continues to recover, higher interest rates and inflation will return. Bonds should underperform in this environment and investors in long-maturity bonds may be shocked at how much money they will lose as the prices of their bonds decline. For these reasons, we have kept bond maturities short.

We continue to believe that carefully selected equities of fine, established companies are still the most attractively-priced asset class. Dividends are increasingly important in the current zero interest rate environment. Many companies have increased their dividend payments substantially in the last few years, a trend we feel is likely to continue (CHARTS 5 & 6).

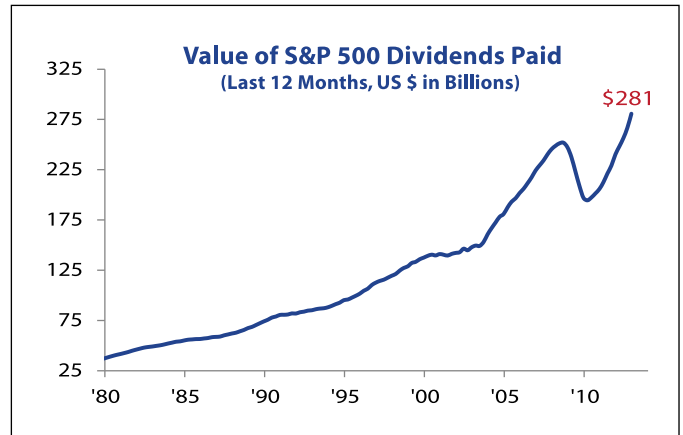


Chart 5

SOURCE: STRATEGAS RESEARCH PARTNERS
“QUARTERLY REVIEW IN CHARTS”, APRIL 1, 2013

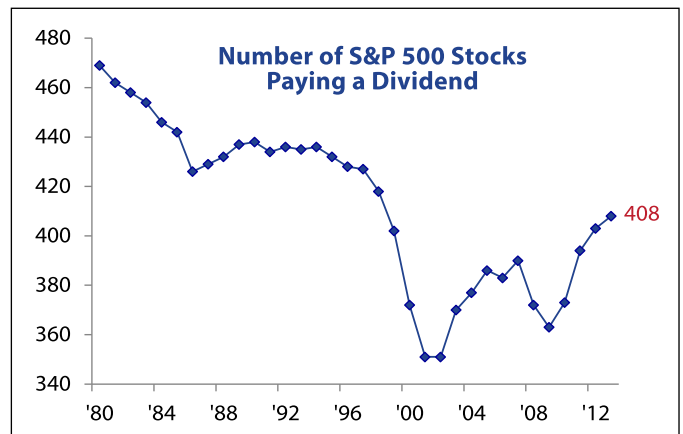


Chart 6

SOURCE: STRATEGAS RESEARCH PARTNERS
“QUARTERLY REVIEW IN CHARTS”, APRIL 1, 2013

Past performance does not guarantee future results.

Schwartz Investment Counsel, Inc., a registered investment adviser established in 1980, serves as investment adviser for Ave Maria Mutual Funds. The Adviser invests in securities only if they meet the Funds’ investment and religious requirements, and as such, the returns may be lower or higher than if the Adviser made decisions based solely on investment considerations. The Funds’ method of security selection may or may not be successful and the Funds may underperform or outperform the stock market as a whole. All mutual funds are subject to market risk, including possible loss of principal. Dividend paying companies may eliminate or reduce their dividend payments.

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 it can be viewed at www.avemariafunds.com. Distributed by Ultimus Fund Distributors, LLC.