



AVE MARIA MUTUAL FUNDS

MARKET COMMENTARY - Q2 2025

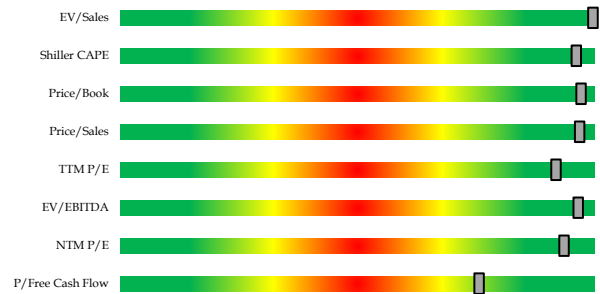
Economic Summary

The second quarter was a powerful reminder that even with perfect foresight, predicting market outcomes is extraordinarily difficult. Imagine being told on April 1st that over the next three months, a global trade war would intensify with rising tariffs, the U.S. fiscal deficit would grow so large that the last remaining credit agency would strip the country of its AAA rating, and a new conflict would erupt between Israel and Iran. With that information in hand, would anyone have reasonably predicted the S&P 500 and NASDAQ would reach all-time highs, U.S. Treasury yields would decline, and oil prices would fall? Markets often defy conventional logic, underscoring the importance of discipline and long-term perspective.

From a historical perspective, valuation multiples across the S&P 500 appear elevated (CHART 1). While this may seem concerning at first glance, it becomes more reasonable in the context of record operating margins forecasted by analysts over the next 12 months (CHART 2). Moreover, when the five largest companies are excluded, the valuation of the remaining constituents aligns more closely with long-term historical averages, suggesting that the broader Index is not uniformly overvalued. This environment presents attractive opportunities for active investors to uncover overlooked and undervalued companies within the market.

The earnings outlook shifted over the quarter as companies reported results and analysts revised estimates to reflect the evolving impact of tariffs. According to FactSet, second quarter earnings growth is now expected to be approximately 5% year-over-year,

S&P 500 Valuation: Current Percentile Ranking Relative to History



Source: Strategas, Factset, Bloomberg, Robert Shiller, Data as of 6/30/2025

Chart 1

SOURCE: STRATEGAS RESEARCH PARTNERS
"QUARTERLY REVIEW IN CHARTS" – JULY 7, 2025

Estimated Next 12-Month S&P 500 Operating Margin



Source: Strategas, Bloomberg, Data as of 6/30/25

Chart 2

SOURCE: STRATEGAS RESEARCH PARTNERS
"QUARTERLY REVIEW IN CHARTS" – JULY 7, 2025

well below the 10% growth forecasted at the start of the quarter. For the remainder of the year, full-year earnings growth expectations have been revised down to 9% from 15% at the beginning of the year. So, what are investors anticipating in the second half? Likely a combination of continued fiscal stimulus, a more accommodative Federal Reserve, and a loosening regulatory environment, all of which could support higher corporate profits.

The Stock Market

Large-cap stocks significantly outperformed small caps during the first half of the year, with the S&P 500 rising 6.2% compared to the -1.8% total return for the Russell 2000 Index (CHART 3). The mega-cap, tech-heavy NASDAQ Composite rebounded strongly, posting a 5.9% gain year-to-date after declining -10.3% in the first quarter.

Growth stocks outpaced value stocks during the second quarter, reversing their prior underperformance. The Russell 1000 Growth Index surged 18.0% in the quarter, lifting its year-to-date return to 6.1%. In comparison, the Russell 1000 Value Index gained 3.8% for the quarter and 6.0% for the first half of the year (CHART 4). Growth's outperformance was driven by enthusiasm around artificial intelligence, strong results from

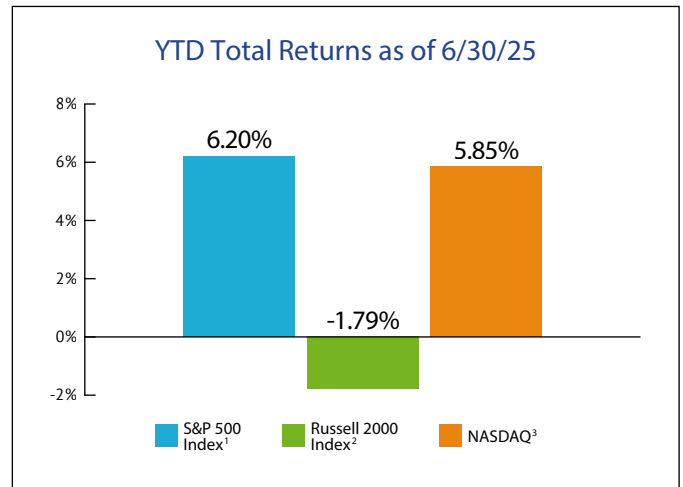


Chart 3

SOURCE: MORNINGSTAR DIRECT

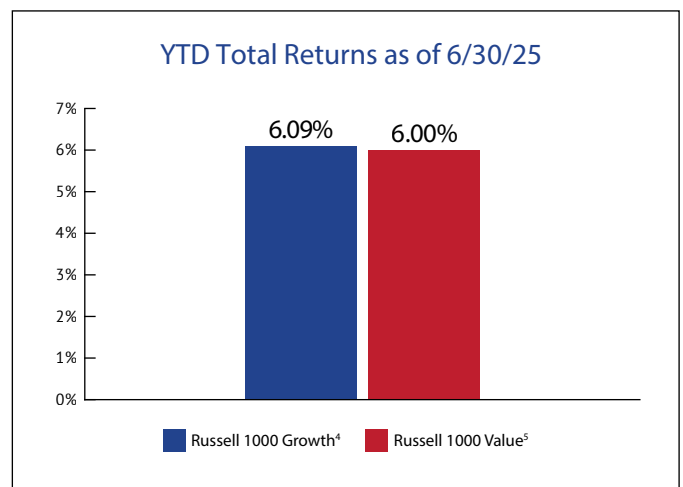


Chart 4

SOURCE: MORNINGSTAR DIRECT

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

¹ 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.

² The Russell 2000® Index is an unmanaged index of the smallest 2,000 stocks in the Russell 3000® Index.

³ The NASDAQ Composite is a stock market index that includes almost all stocks listed on the Nasdaq stock exchange (more than 2500 stocks).

⁴ The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values.

⁵ The Russell 1000® Value Index Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected growth values.

mega-cap technology companies, and expectations for lower interest rates, which tend to benefit longer-duration growth stocks.

At the sector level for the S&P 500, Technology, Communication Services, and Industrials were top performers for the quarter, delivering returns of 23.7%, 18.5%, and 12.9%, respectively. Conversely, Energy, Health Care, and Real Estate lagged, posting returns of -8.6%, -7.2%, and -0.1%, respectively.

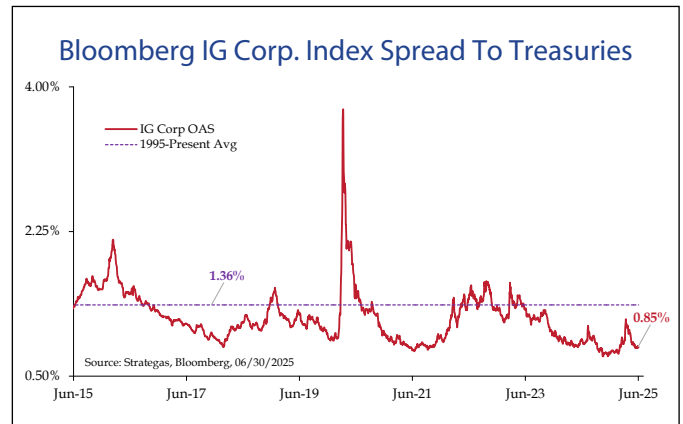


Chart 5

SOURCE: STRATEGAS RESEARCH PARTNERS

"QUARTERLY REVIEW IN CHARTS" — JULY 7, 2025

The Bond Market

The 10-year U.S. Treasury Note experienced considerable volatility during the second quarter. Yields began the quarter at 4.2% and climbed to 4.6% by late May, driven by investor concerns over rising federal deficits and increased Treasury issuance. However, as inflation data showed signs of cooling and expectations for interest rate cuts gained momentum, yields retreated, ending the quarter near their starting point at 4.2%. Corporate credit spreads peaked in early April but steadily narrowed over the course of the quarter, ultimately returning to the historically low levels observed at the start of the year (CHART 5). The initial widening was driven by elevated market volatility and macroeconomic uncertainty. However, as economic data stabilized and investor sentiment improved, spreads gradually tightened. This recovery was further underpinned by strong corporate fundamentals and sustained demand for yield in a low-rate environment. Given how tight spreads remain, investors should remain highly selective when adding credit exposure, as current levels offer limited compensation for taking on additional risk.



AVE MARIA
MUTUAL FUNDS

MARKET COMMENTARY - Q2 2025

Schwartz Investment Counsel, Inc., a registered investment adviser established in 1980, serves as investment adviser for Ave Maria Mutual Funds and invests only in securities that meet the Funds' investment and religious requirements. The returns may be lower or higher than if decisions were 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.

Request a prospectus, which includes investment objectives, risks, fees, charges and 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.