



Economic Summary

The U.S. and foreign capital markets have been in a state of disarray. With inflation at a 40-year high of 7% to 8% (Chart 1), the Federal Reserve (the Fed) is determined to slow it down by raising interest rates. It is generally agreed upon, and even acknowledged by the Fed itself, that past policies were overly stimulative by holding interest rates near zero for an extended period. This, combined with the administration's terrible fiscal policy of massive giveaways, has left the Fed with no choice but to slam on the brakes to slow economic activity and rein in inflation. Consequently, an economic recession is underway.

Stock prices are in bear market territory, and corporate profits in the U.S. will probably decline 10% to 20% over the next 12 months from record highs this past year. As unfortunate as that may be, U.S. companies are in relatively good shape vis-à-vis the rest of the world, because U.S. companies generally have strong balance sheets and excellent earning power. Consumer and investor confidence (Chart 2) are extremely low which is exhibited by the stock market abyss. Such times in the past have produced excellent investment opportunities across various asset classes.

Recessions and bear markets do end. Historically, when they end, prosperity follows. What might be a catalyst for an economic and market recovery is always anyone's guess. If the political landscape changes in November, the outlook could change quickly as it has in previous midterm election years (Chart 3).

We have no special insights into the future, and as we've preached for years, no one can predict short-term stock market moves. Notwithstanding, we have seen many cycles unfold, and we still have confidence in the merits of capitalism and the

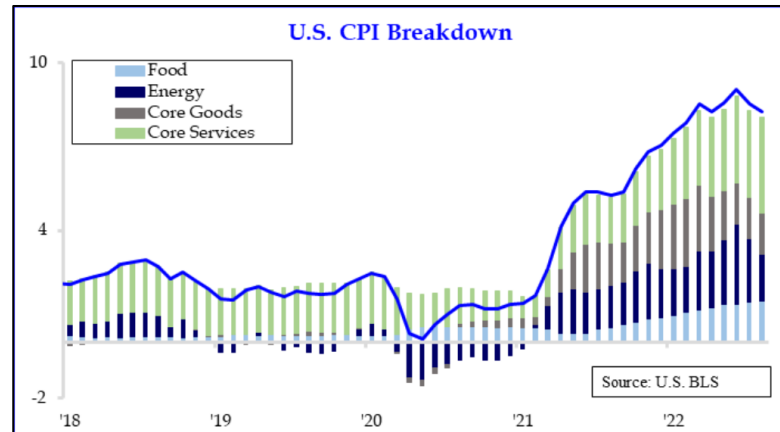


Chart 1

Source: Strategas Research Partners, "Quarterly Review in Charts", 10/3/22

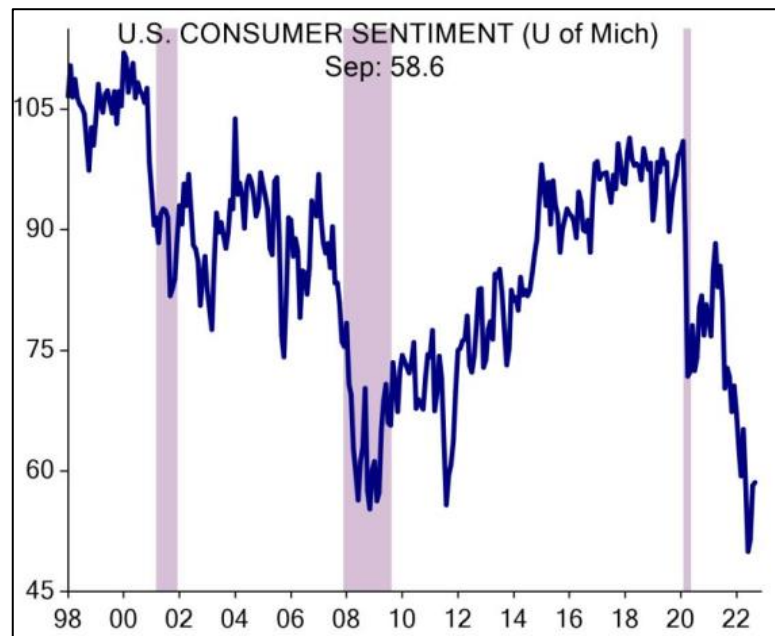


Chart 2

Source: Evercore ISI, "Charts of the Month", 9/30/22

AVE MARIA SEPARATELY MANAGED ACCOUNTS MARKET COMMENTARY 3RD QUARTER 2022

Economic Summary (continued)

wealth-building capabilities of the U.S. capital markets. It's also worth remembering that as stock prices go down, future expected returns go up from depressed prices. In our opinion, many companies in our portfolios have terrific business characteristics, strong managements, and are financially powerful with low debt and excellent staying power.

The Stock Market

So far in 2022, the S&P 500® has finished all three quarters in the red. The Index was down -5% in the third quarter, bringing the year-to-date total to -24%. Small-cap stocks fared slightly better in the quarter, as the Russell 2000® was down -2%, but they have slightly underperformed year-to-date with the Index down just over -25% (Chart 4).

By style, the Russell 1000® Growth Index edged out the Russell 1000® Value Index by finishing the quarter down -4% and -6%, respectively. On a year-to-date basis, the Russell 1000® Value index is down -18% but has handily outperformed the Russell 1000® Growth Index, which is down -31%. The drag on the Growth Index performance can be attributed to large exposure in Information Technology, Consumer Discretionary and Communication Services, which were down year-to-date -33%, -31%, and -44%, respectively. In fact, the three sectors combined averaged over 72% weighting in the Russell 1000® Growth Index weight.

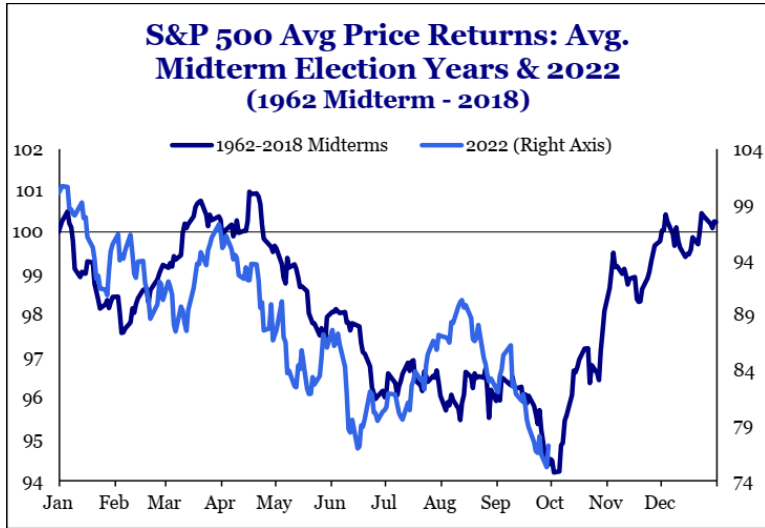


Chart 3

Source: Strategas Research Partners, "Policy Outlook", 10/4/22

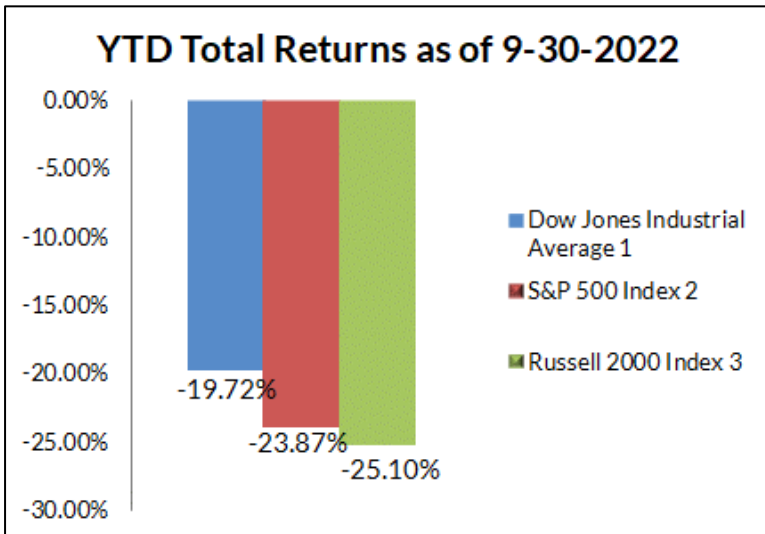


Chart 4

Source: Morningstar Direct

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 Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. ³ The Russell 2000® Index is an unmanaged index of the smallest 2,000 stocks in the Russell 3000® Index. You cannot invest directly in an index.

Past performance does not guarantee future results.

The Bond Market

U.S. Government bond yields increased across the yield curve with the largest increase coming on the shorter end, predominantly due to the Fed increasing short-term interest rates. As mentioned in the past, the yield curve remains inverted as the 2-year U.S. Treasury finished the quarter yielding 4.2% vs. 3.9% on the 10-year Treasury. Past inversions have typically served as forerunners to economic slowdowns as bond markets are factoring in future interest rate cuts to jumpstart the economy.

Corporate credit spreads leveled off in June and July but increased markedly in September as equity markets hit turbulence and investors required additional compensation. Currently, spreads are above their 20-year averages, and this has historically served as a good gauge to add additional exposure to high-quality corporate bonds.

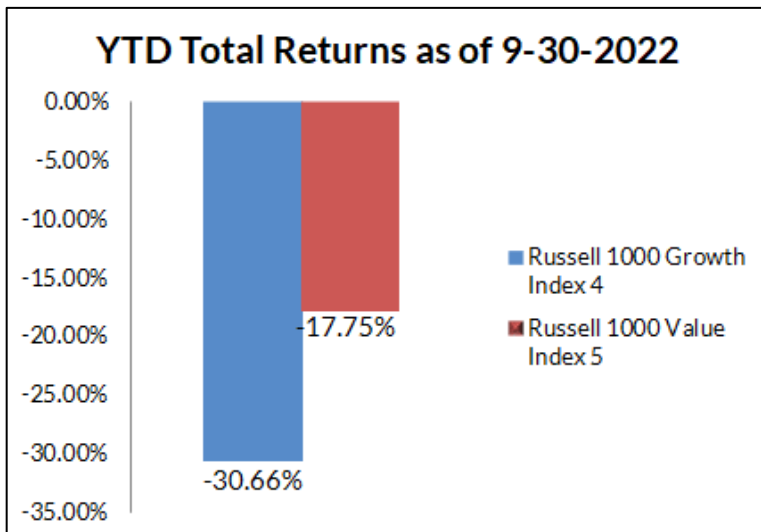


Chart 5
Source: Morningstar Direct

⁴The 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. ⁵The 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.

Past performance does not guarantee future results.

The Ave Maria Division was established in April 2001 and is a division of Schwartz Investment Counsel, Inc., which was established in 1980. The Ave Maria Division became GIPS compliant in February 2009. The Ave Maria Division has a Catholic Advisory Board that reviews the companies selected for investment to ensure that the companies operate in a way that is consistent with the teachings and core values of the Roman Catholic Church. The Ave Maria Division is responsible for all accounts under Schwartz Investment Counsel, Inc. that are managed according to the Catholic mandate as defined by the Ave Maria Division's Catholic Advisory Board. For GIPS purposes, the Ave Maria Division has been defined as the "Firm", and is held out to clients and potential clients as a distinct business entity.

Prospective investors should consider the account's investment objectives and risks carefully before investing.