AVE MARIA MUTUAL FUNDS

MARKET COMMENTARY – Q4 2024

Economic Summary

We remain cautiously optimistic about the equity market outlook heading into 2025. According to FactSet, analysts are forecasting earnings growth of 15% alongside a 6% increase in revenue in 2025. Achieving these targets will be essential to justify the S&P 500's elevated forward 12-month price-to-earnings (P/E) ratio of 21.4, higher than its five- and ten-year averages of 19.7 and 18.1, respectively.

AI dominated headlines throughout last year and is expected to remain a major focus for investors in the coming year. With billions of dollars being invested by some of the world's largest and most advanced companies, the big question is whether this surge in spending will deliver the returns Wall Street anticipates, or will reality fall short of expectations.

From a regulatory standpoint, the Trump administration is expected to appoint more business-friendly leadership, potentially easing the constraints seen over the past four years. However, tariffs remain an unpredictable variable, as market analysts try to separate political rhetoric from the actual policies that will take shape in 2025.

On the consumer front, unemployment remains low, and sentiment has improved since the election. However, consumer spending, especially among low- to middle-income households, remains under pressure. While inflation has eased, its lasting effects continue to weigh heavily on many consumers.

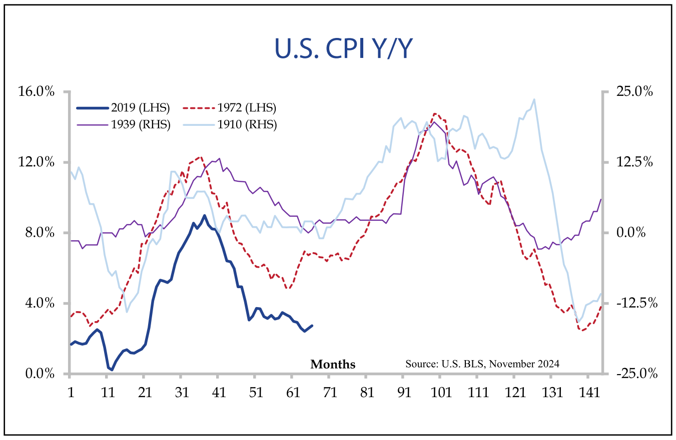

Chart 1

SOURCE: STRATEGAS RESEARCH PARTNERS
"QUARTERLY REVIEW IN CHARTS" — JANUARY 3, 2025

Past performance does not guarantee future results.

If the administration undertakes additional deficit-financed spending, inflation could resurface, potentially prompting the Federal Reserve to retract its monetary easing measures to counteract rising pressures. As illustrated in Chart 1, inflation has historically manifested in two distinct waves. If these historical patterns hold, inflation will accelerate once again. Meanwhile, interest rates on the intermediate and long ends of the yield curve are likely to remain volatile as markets closely monitor monetary and fiscal policy decisions coming out of Washington.

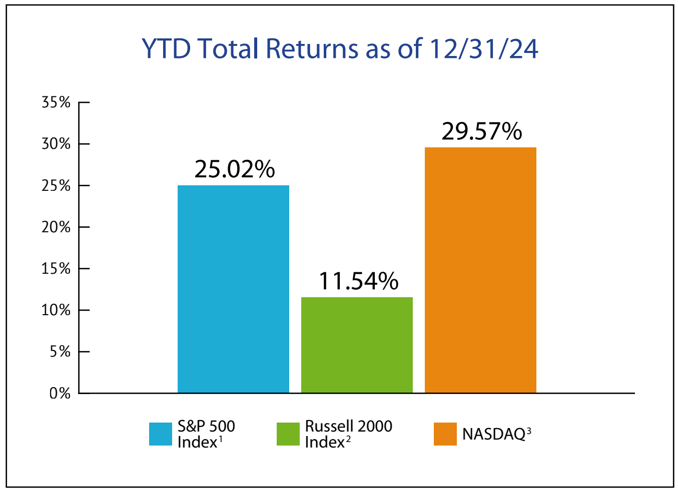

Chart 2

SOURCE: MORNINGSTAR DIRECT

The Stock Market

The S&P 500 rose by 25.0%, and the technology-heavy NASDAQ surged by 29.6%, underscoring the continued dominance of large-cap stocks in the market (CHART 2). In contrast, the Russell 2000 index achieved a total return of 11.5%, which was less than half of the S&P 500's gain and nearly a third of the NASDAQ's performance.

In 2024, the performance gap between value and growth stocks was substantial. The Russell 1000 Growth index returned 33.4%, while the Russell 1000 Value index achieved a 14.4% return (CHART 3).

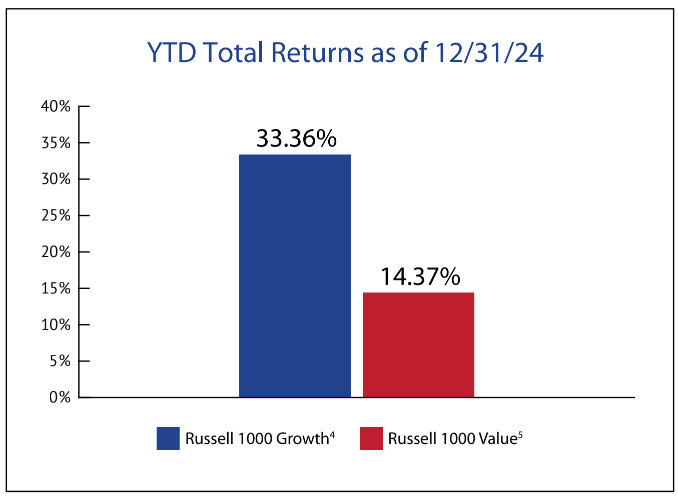

Chart 3

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.

At the sector level for the S&P 500, Communication Services, Technology, and Financials were top performers for the year, delivering returns of 40.2%, 36.6%, and 30.6%, respectively. Conversely, the Materials, Health Care, and Real Estate sectors lagged, posting returns of 0.0%, 2.6%, and 5.2%, respectively.

The Bond Market

The 10-year U.S. Treasury Note started the year yielding 3.9% and fluctuated as investors digested economic, monetary, and fiscal policy implications. Ultimately, the 10-year finished the year yielding 4.6% as investors grasp the ramifications of what the new administration means for the economy.

Corporate bond spreads have continued to narrow near historic lows during the year (CHART 4). Investors should exercise caution when adding credit exposure at this time. This is particularly important for low credit quality bonds, where investors are not being adequately compensated for the additional credit risk.

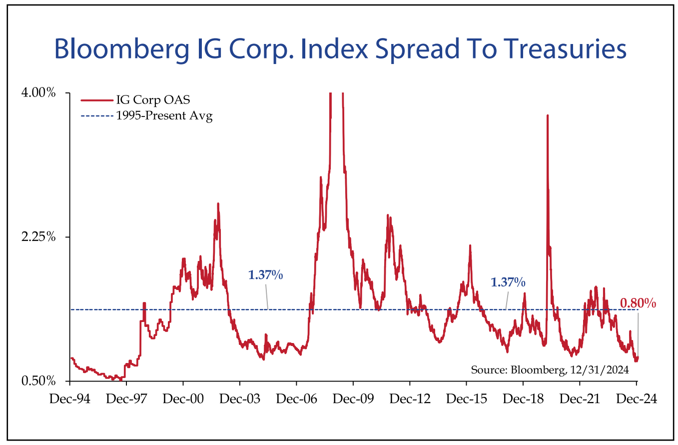

Chart 4

SOURCE: STRATEGAS RESEARCH PARTNERS
"QUARTERLY REVIEW IN CHARTS" — JANUARY 3, 2025