

# SCHWARTZ INVESTMENT COUNSEL, INC.

*Value Investing Since 1980*

## Item 1: Cover Page for Part 2A of Form ADV

### **Firm Brochure**

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This brochure provides information about the qualifications and business practices of Schwartz Investment Counsel, Inc. If you have any questions about the contents of this brochure, please contact us at 248-644-8500 or [www.schwartzinvest.com](http://www.schwartzinvest.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Schwartz Investment Counsel, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

There have been no material changes in the brochure since the last annual update of Form ADV Part 2.

**Item 3: Table of Contents**

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## **Item 4: Advisory Business**

Schwartz Investment Counsel, Inc. (the “Adviser”) has been providing investment advice to institutional and individual investors since 1980. George P. Schwartz is the President of the Adviser and owns a controlling interest in the Adviser. The Adviser provides portfolio management services and investment advisory services for individual accounts (individuals, institutions, pension plans, profit sharing plans, 401k plans, foundations, and corporations or other businesses not listed) mutual funds, and separately managed accounts. The Adviser serves as investment adviser to Schwartz Investment Trust, a diversified open-end management investment company and its seven series: Schwartz Value Fund, Ave Maria Catholic Values Fund, Ave Maria Growth Fund, Ave Maria Rising Dividend Fund, Ave Maria Opportunity Fund, Ave Maria World Equity Fund and Ave Maria Bond Fund. The Adviser may also recommend investments in the Ave Maria Money Market Account, an omnibus account invested in an unaffiliated money market fund.

The Adviser manages stock and bond portfolios and balanced portfolios. The Adviser may recommend all types of equity and debt securities, including, but not limited to, common stocks, preferred stocks, corporate bonds, U.S. Government securities, mortgage-backed securities, convertible securities, warrants, foreign securities, shares of investment companies including exchange-traded funds, and commercial paper. The Adviser provides investment advisory services for accounts on a discretionary basis, with exceptions in limited situations. In providing investment advisory services to the Ave Maria Mutual Funds, the Adviser adheres to Catholic moral screens established by the Ave Maria Mutual Funds’ Catholic Advisory Board. The Catholic Advisory Board reviews the companies selected by the Adviser to ensure that the companies operate in a way that is consistent with teachings and core values of the Roman Catholic Church. The Catholic Advisory Board evaluates companies using publicly available information, information from the Adviser, and information from shareholders and other sources in making its recommendations.

The Adviser tailors advisory services to each client by attempting to select the right investment mix based on the client’s investment goals. The Adviser meets with individual clients at least annually and provides performance reports at least quarterly. With respect to Schwartz Investment Trust, the Adviser adheres to the investment objectives, investment policies and investment restrictions and limitations described in each Fund’s prospectus and statement of additional information, which can be found at [www.schwartzinvest.com](http://www.schwartzinvest.com).

#### **Item 4: Advisory Business (continued)**

As of December 31, 2011, the Adviser manages client assets of \$898.4 million on a discretionary basis and \$0.7 million on a non-discretionary basis.

The Adviser does not participate in wrap fee programs.

#### **Item 5: Fees and Compensation**

Management fees payable to the Adviser are dependent on the type of client account, and fees with respect to separately managed accounts are generally negotiable. The standard management fee schedule for equity and balanced separately managed accounts is one percent (1.00%) of account value on the first \$5 million of assets and 1/2 of one percent (0.50%) on assets over \$5 million. For fixed income separately managed accounts, the standard management fee is 1/4 of one percent (0.25%) of account value. Certain separately managed accounts employing a morally screened discipline are generally subject to a \$10 million account minimum and are charged a management fee of 1/2 of one percent (0.50%) on the market value of equity accounts and 1/4 of one percent (0.25%) on the market value of fixed income accounts. It is the Adviser's policy to charge its separately managed accounts a minimum management fee of \$20,000 annually, which may be waived in the Adviser's discretion. The Adviser's fees for separately managed accounts are based upon a percentage of assets under management which generally range from .38% to 1.00%.

Management fees payable to the Adviser by each Fund of Schwartz Investment Trust are computed and accrued daily, and paid quarterly, as a percentage of a Fund's average daily net assets. The management fee for each of Schwartz Value Fund, Ave Maria Catholic Values Fund, Ave Maria Growth Fund, Ave Maria Opportunity Fund and Ave Maria World Equity Fund is 0.95% per annum of average daily net assets; the management fee for Ave Maria Rising Dividend Fund is 0.75% of average daily net assets; and the management fee for Ave Maria Bond Fund is 0.30% of average daily net assets.

Management fees are calculated and billed in arrears on a quarterly basis. Fees may be deducted from client accounts, subject to client approval and authorization, or billed directly to the client.

## **Item 5: Fees and Compensation (continued)**

The Adviser does not receive commissions either directly or indirectly for the purchase or sale of securities by clients. Clients will pay commissions and other transaction charges to brokers for executing transactions placed by the Adviser. Certain brokerage firms, acting as custodian of client assets, may charge additional custodial fees. The Adviser may place orders for the execution of transactions through brokers and dealers as the Adviser may select, and a client may pay a commission on transactions in excess of the amount of commissions another broker or dealer would have charged. Please refer to Item 12 in this brochure for further discussion of the Adviser's brokerage practices.

When deemed appropriate, the Adviser may invest on behalf of its separately managed accounts in shares of an affiliated investment company, Schwartz Investment Trust and its seven "no-load" Funds: Schwartz Value Fund, Ave Maria Catholic Values Fund, Ave Maria Growth Fund, Ave Maria Rising Dividend Fund, Ave Maria Opportunity Fund, Ave Maria World Equity Fund and Ave Maria Bond Fund. The Adviser receives management fees from these Funds for providing investment advisory services. A client will not be charged an additional management fee by the Adviser for any investments in these Funds.

In limited cases, client accounts may be invested in shares of unaffiliated investment companies (such as open-end mutual funds), which will oblige clients to pay both a direct management fee to the Adviser and an indirect management fee to such unaffiliated investment companies.

The Adviser does not collect fees in advance from any client.

The Adviser may recommend to its clients an investment in the Ave Maria Money Market Account, an omnibus account invested in a money market fund managed by an unaffiliated investment adviser. The Adviser receives recordkeeping and administrative servicing fees from the sponsor of such money market fund, which are based upon a percentage of the amount of client assets invested in such money market fund. When recommending an investment in the Ave Maria Money Market Account, verbal disclosure is made to the client regarding the recordkeeping and administrative services fees paid to the Adviser as a result of such investment. Neither the Adviser nor any of its supervised persons accept any other compensation or other incentives for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

## **Item 6: Performance-based Fees**

Neither the Adviser nor any of its supervised persons accepts performance-based fees.

## **Item 7: Clients**

The Adviser provides investment advice to individuals (including high net worth individuals), trusts, foundations, investment companies, qualified retirement plans and corporations or other businesses. The minimum account requirement for separately managed accounts is \$2,000,000 for equity and balanced accounts and \$5,000,000 for fixed income accounts. Certain separately managed accounts employing a morally screened discipline must generally maintain a minimum market value of \$10,000,000. Such minimums may be waived under certain circumstances.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

The Adviser generally uses fundamental security analysis to identify equity securities that are believed to be selling below their intrinsic value. In selecting stocks and other equity securities, special emphasis is placed on identifying companies with superior business characteristics and managerial integrity, which may include companies that are currently out-of-favor with the market or companies undergoing changes that may significantly enhance shareholder value in the future. The Adviser generally selects fixed income securities that appear undervalued relative to other securities or securities believed to have a higher potential for credit upgrade. Investments selected for the Ave Maria Mutual Funds, model portfolio management program and certain separately managed accounts are also selected based upon religious criteria designed to avoid companies that operate in a way that is inconsistent with the teachings and core values of the Roman Catholic Church. This process generally avoids two major categories of companies, those involved in the practice of abortion and those whose policies are judged to be anti-family, such as companies that distribute pornographic material or undermine the Sacrament of Marriage.

Investing in securities involves risk of loss that clients should be prepared to bear.

Equity securities are subject to stock market risks, such as rapid fluctuations in price or liquidity due to earnings and other developments affecting a particular company or industry, stock market trends and general economic conditions, investor perceptions, interest rates and other factors beyond the control of the Adviser. Stock prices tend to move in cycles and may experience periods of turbulence and instability.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss (continued)**

Fixed income securities are subject to certain risks such as credit risk, interest rate risk, prepayment and extension risk and liquidity risk. When interest rates rise, the price of fixed income securities generally decline. Securities with longer maturities and lower credit ratings are generally more sensitive to interest rate changes than shorter-term, higher grade securities.

If the Adviser's opinion about the intrinsic value of a company is incorrect or if the market fails to recognize such value, the price of a security may decline. Because investments for the Ave Maria Mutual Funds and certain separately managed accounts are selected in part based upon religious criteria, the return on these investments may be lower than investments based solely on fundamental security analysis.

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events associated with the Adviser or the Adviser's management persons.

## **Item 10: Other Financial Industry Activities and Affiliations**

Neither the Adviser nor the Adviser's management persons have registered, or have an application pending to register, as a broker-dealer or as a registered representative of a broker-dealer.

Neither the Adviser nor the Adviser's management persons are registered, or have an application pending to register, as a futures commissions merchant, commodity pool operator or commodity trading advisor, or as an associated person of any such entity.

When deemed appropriate, the Adviser may invest on behalf of its separately managed accounts in shares of an affiliated investment, Schwartz Investment Trust and its seven "no-load" Funds: Schwartz Value Fund, Ave Maria Catholic Values Fund, Ave Maria Growth Fund, Ave Maria Rising Dividend Fund, Ave Maria Opportunity Fund, Ave Maria World Equity Fund and Ave Maria Bond Fund. The Adviser receives management fees from these Funds for providing investment advisory services. A client will not be charged an additional management fee by the Adviser for any investments in these Funds.



## **Item 10: Other Financial Industry Activities and Affiliations** **(continued)**

The Adviser does not recommend or select other investment advisers for its clients that pay compensation directly or indirectly to the Adviser. The Adviser has entered into a sub-advisory agreement with JLB & Associates, Inc. whereby JLB & Associates, Inc. provides sub-advisory services to the Ave Maria Growth Fund series of Schwartz Investment Trust and the growth managed account/strategy of the portfolio. The Adviser does not believe that this relationship presents any conflict of interest with clients. Nor does the Adviser have any other business relationships with investment advisers that create a conflict of interest.

## **Item 11: Code of Ethics, Participation in Client Transactions and Personal Trading**

The Adviser is committed to providing investment guidance to clients in a manner that puts the clients' interests first. The Adviser has adopted a Code of Ethics describing the fiduciary duties of its employees in connection with personal trading and participation in client transactions. The Code of Ethics establishes policies and procedures designed to prevent improper personal trading; to identify conflicts of interest; and to provide a means to resolve actual or potential conflicts of interest. A copy of the Code of Ethics will be provided to any prospective or current client upon request.

Employees of the Adviser may invest in the same securities that are bought and sold for client accounts, subject to the restrictions contained in the Code of Ethics. The Adviser recognizes that conflicts of interest may arise in connection with personal trading activities of its employees, and the Code of Ethics contains policies and procedures designed to prevent improper personal trading, to identify conflicts of interest and to provide a means for resolving actual or potential conflicts of interest. Each employee of the Adviser has the responsibility of ensuring that all personal trading and other professional activities comply with the policies and procedures set forth in the Code of Ethics. An employee of the Adviser may not purchase or sell a security on the same day that such security or a related security has been purchased or sold for any client. The employee must verify with the designated compliance officer that no trading in such security by clients has occurred on that day, will occur on that day by submitting a verification form to the compliance officer.



## **Item 11: Code of Ethics, Participation in Client Transactions and Personal Trading**

When deemed appropriate, the Adviser may invest on behalf of its separately managed accounts in shares of an affiliated investment company, Schwartz Investment Trust and its seven “no-load” Funds: Schwartz Value Fund, Ave Maria Catholic Values Fund, Ave Maria Growth Fund, Ave Maria Rising Dividend Fund, Ave Maria Opportunity Fund, Ave Maria World Equity Fund and Ave Maria Bond Fund. The Adviser receives management fees from these Funds for providing investment advisory services. A client will not be charged an additional management fee by the Adviser for any investments in these Funds.

The Adviser may recommend to its clients an investment in the Ave Maria Money Market Account, an omnibus account invested in a money market fund managed by an unaffiliated investment adviser. The Adviser receives recordkeeping and administrative servicing fees from the sponsor of such money market fund, which are based upon a percentage of the amount of client assets invested in such money market fund. When recommending an investment in the Ave Maria Money Market Account, verbal disclosure is made to the client regarding the recordkeeping and administrative servicing fees paid to the Adviser as a result of such investment.

The Adviser has adopted procedures pursuant to Rule 17a-7 under the Investment Company Act of 1940 governing securities transactions between series of Schwartz Investment Trust, or between a series of Schwartz Investment Trust account and another account managed by Adviser. These transactions are effected at the independent current market price for no consideration other than cash payment against prompt delivery of a security. The Adviser will notify clients of any such transactions made on their behalf.

## **Item 12: Brokerage Practices**

In selecting broker-dealers to execute the purchase and sale of securities for clients, the Adviser seeks best execution, taking into account such factors as price (including the applicable brokerage commission or dealer spread), the execution capability, financial responsibility and responsiveness of the broker-dealer and the brokerage and research services provided by the broker-dealer. A client may pay higher commissions than could be obtained from other broker-dealers if the Adviser determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services provided within the “safe harbor” provided by Section 28(e)

## **Item 12: Brokerage Practices (continued)**

of the Securities Exchange Act of 1934. Typically, these research products and services assist the Adviser in terms of its overall investment responsibilities to its clients; however, each product or service received may not benefit all clients equally. The receipt of “soft dollar” benefits may create a conflict of interest by

supplementing the Adviser’s research at no cost to the Adviser or by providing an incentive for the Adviser to select or recommend a broker-dealer based upon its interest in receiving research products or services, rather than receiving the most favorable price available.

Historically, the Adviser has generated soft dollar benefits through the trading activities of Schwartz Investment Trust, but the Adviser may in the future direct trades of separately managed accounts to generate such benefits. Research products and services may be either proprietary (created and provided by the broker-dealer, including tangible research as well as access to analysts and traders) or third-party (created by a third party but provided by the broker-dealer).

Such products and services may include securities quotes and exchange fees; economic, industry, company, municipal, sovereign, legal and political research reports or investment recommendations; and compilations of securities prices, earnings, dividends, financial statements, corporate governance, valuation, technical and similar data. Third party products and services currently being paid for by soft dollar credits generated by Schwartz Investment Trust are Telemet, Bloomberg, Thomson One, CreditSights, Risk Metrics, Morningstar Direct, Morningstar Select Equity Research, Reuters Multex and Zacks Investment Research, Inc.

Separately managed accounts may request that the Adviser use a specific broker (i.e., a directed brokerage arrangement). The use of a particular broker at the client's direction may cost the client more money because it may limit the Adviser's ability to achieve most favorable execution and negotiate commissions with other brokers on the client's behalf. The Adviser will review the quality of services and execution skills of the directed broker and advise the client of any unsatisfactory results and may refuse to conduct business

## **Item 12: Brokerage Practices (continued)**

with that broker. A client with a directed brokerage arrangement may pay higher brokerage commissions because the Adviser may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices. In addition, clients with directed brokerage arrangements may not have the opportunity to participate in initial public offerings, which are typically allocated among clients on a pro rata basis.

The Adviser has adopted Trade Aggregation and Allocation Policy and Procedures that permit it to aggregate or "bunch" orders being placed for execution at the same time for accounts of two or more clients where it believes this action is consistent with its duty to seek best execution and in the best interests of clients. This practice may enable the Adviser to obtain more favorable executions and/or net prices for the aggregated order. The Adviser will not favor any client account over any other client account, and each account that participates in an aggregated order will participate at the average share price for all transactions placed by the Adviser in that security on a given business day, with all transaction costs shared on a pro rata basis. Transactions will not be aggregated with respect to any client if the practice is prohibited by or inconsistent with that client's investment advisory agreement with the Adviser.

## **Item 13: Review of Accounts**

Individual accounts and separately managed accounts are reviewed at least quarterly based upon the account's annual cycle and are evaluated in terms of account objectives and the Adviser's evolving economic and market outlook.

During the review process, individual assets held in client accounts are reviewed and evaluated in terms of their ability to contribute to overall objectives. Additional reviews are triggered by any of the following: 1) changes in account investment objectives, 2) changes in the Adviser's investment outlook and 3) changes related to individual assets held in the client account. The reviews are conducted by the applicable Portfolio Manager responsible for the account, as well as by the President and Chief Investment Officer.

### **Item 13: Review of Accounts (continued)**

Written asset statements are provided to client accounts quarterly. Such statements include a listing of the individual assets by category, the par value or number of shares held, the cost, current market value, and estimated annual income. From time to time, the Adviser provides reports to clients outlining its economic and investment outlook.

Portfolios of Schwartz Investment Trust are generally reviewed weekly by the portfolio manager. A security may be sold when it appreciates and is no longer undervalued, when a company fails to achieve its expected results or when economic factors or competitive or other developments impair its intrinsic value.

### **Item 14: Client Referrals and Other Compensation**

The Adviser does not receive an economic benefit from anyone other than clients for providing investment advice or other advisory services to its clients.

The Adviser and its related persons do not directly or indirectly compensate any person for client referrals.

### **Item 15: Custody**

Rule 206(4)-2(c)(1) of the Investment Advisers Act provides that the Adviser is deemed to have custody of client funds and securities solely because the Adviser has been granted authority by some clients to withdraw advisory fees directly from client accounts. The Adviser and its employees do not take custody of client funds and securities or serve as custodian for any clients except to the extent that the authority to collect fees for investment advisory services provided to clients is deemed to constitute custody.

Securities and funds in client accounts are maintained with a qualified custodian and held in the client's name. Qualified custodians holding client assets are instructed to provide at least quarterly account statements to clients. Clients should carefully review those statements. Clients are urged to compare the account statements they receive from the qualified custodian with the account statements they receive from the Adviser.

### **Item 16: Investment Discretion**

The Adviser typically has discretionary authority pursuant to advisory agreements with clients, with full power to supervise and direct the investment of client accounts and to make and implement investment decisions, all without prior consultation with client, in accordance with such investment objectives and parameters as determined by the client or, in the case of the Funds of Schwartz Investment Trust, in accordance with the investment policies and limitations described in the Trust's prospectuses and statements of additional information.

### **Item 17: Voting Client Securities**

The Adviser has accepted authority to vote securities for some clients. The Adviser will not be required to take any action or render any advice with respect to the voting of portfolio securities unless the Adviser has contractually agreed to do so. The Adviser has adopted proxy voting policies and procedures that describe how the Adviser intends to vote proxies on behalf of those clients for which it has accepted authority to vote. The proxy voting policies and procedures provide that the Adviser will vote proxies solely in the interests of clients and will not support the position of a company's management in any situation determined not to be in a client's best interests. The Adviser will resolve any conflict of interest in a way that will most benefit clients. If a conflict of interest is determined to be material (i.e., it has the potential to influence the Adviser's decision-making process), the conflict will be disclosed to the client. A copy of the Adviser's proxy voting policies and procedures will be provided to any prospective or current client upon request. Clients may obtain information regarding how their proxies were voted by calling 248-644-8500 or by writing to Schwartz Investment Counsel, Inc., 3707 W. Maple Road, Bloomfield Hills, MI 48301.

### **Item 18: Financial Information**

Because the Adviser does not require or solicit prepayment of fees and does not have custody of client funds or securities, the Adviser is not required to respond to this item.