

THE COMPASS

December 2021

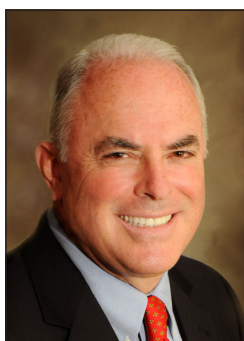
A Quarterly Newsletter of Martin Capital Advisors, LLP

INVESTMENT PERSPECTIVE by Paul Martin, Managing Partner

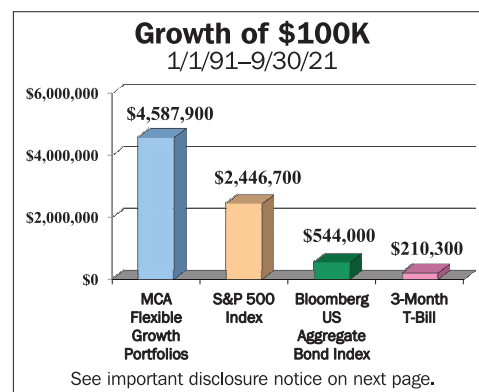
“Bull markets climb a wall of worry”

December 8, 2021

Although there have been plenty of reasons for stocks to sell off this year, the net result is a much better than average performance for the S&P 500. This has happened despite market pundits wringing their hands over a variety of issues, such as coronavirus mutations (most recently Omicron), a spike in inflation, the Federal Reserve taking a more hawkish position on stimulus and rates, possible war with Russia in Ukraine, political turmoil in Congress and the country at large. None of these concerns have had more than a very short-term impact on the stock market because corporate earnings have been quite strong. While it may be debated as to how long this will continue, there are currently no indications of a major slow down, i.e., recession, anytime soon.



The biggest fear for investors seems to be the bounce in inflation to above 6%, which last hit that level in 1990. I would point out, however, that the S&P 500 was down only 3.1% that year in the face of a fairly mild Fed driven recession and then went straight up on an annual basis for the next ten years. Historically, even higher levels of inflation have not been bad for the economy and the stock market. For instance, in 1979 the Consumer Price Index (CPI) was up 13.3% and the S&P 500 was up 18.6% that year and up 32.5% the following year. In the next 20 years there were only two down years for the S&P 500 – the aforementioned 1990 decline and -4.9% in 1981. (Details of this analysis can be found in the Long-Term Performance of Stocks, Bonds, T-Bills, and Inflation on the Martin



Capital website, martincapital.com.)

My larger point is that stocks go up in the long-term despite a variety of short-term crises. The only real threat to stocks and the economy is the Fed. When the Fed severely inverts the yield curve, making short rates much higher than long rates, then there will be a major recession and bear market. Martin Capital has studied this phenomenon and developed a hedging strategy for it. Fortunately, most of the time the Fed just mildly inverts the yield curve and the economy has a mild recession and the stock market keeps going up. (To see a presentation on our hedging strategy please go to martincapital.com.)

Bottom line: I remain bullish on stocks and the economy for the long run.

COMPARISON OF INVESTMENT RESULTS

January 1, 1991 to September 30, 2021

	Martin Capital Advisors ¹	S&P 500	Russell 3000	Bloomberg U.S. Aggregate Bond Index	3 Month T-Bill	Consumer Price Index
Total ²	4487.9%	2346.7%	2472.9%	444.0%	110.3%	104.5%
Avg. ³	13.3%	11.0%	11.1%	5.7%	2.4%	2.4%

¹Total performance, net of commissions, fees, and expenses of all Martin Capital Advisors' Flexible Growth Portfolios.

²Total compounded return, including reinvestment of dividends and interest. ³1991-2021 annualized return.

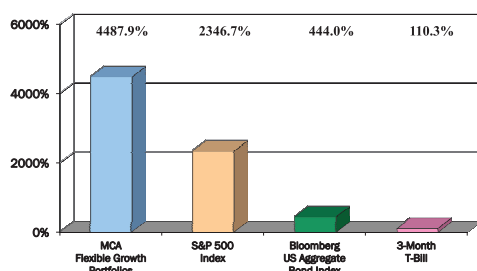
— See Important Disclosure Notice on last page. —

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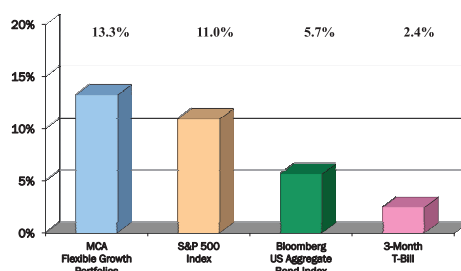
RELATIVE LONG-TERM PERFORMANCE

January 1, 1991 to September 30, 2021

Total Return



Annualized Return



THE COMPASS

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MARTIN CAPITAL
ADVISORS, LLP

1100 NE Loop 410, Suite 300
San Antonio, Texas 78209

210-694-2100

Martin Capital Advisors, LLP, is a registered investment advisor managing private and institutional investment portfolios.

MCA FLEXIBLE GROWTH PORTFOLIOS TOP 20 STOCKS

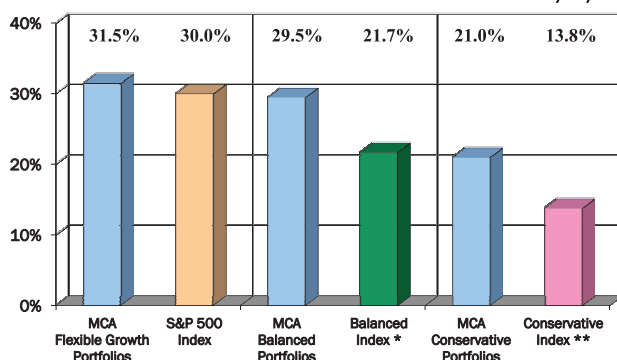
as of September 30, 2021

1 Apple	141.50	6 Edwards Lifesciences	113.21	11 Paypal Holdings	260.21	16 Trex	101.93
2 Square	239.84	7 MasterCard	347.68	12 Tractor Supply	202.61	17 Williams-Sonoma	177.33
3 Intuitive Surgical	994.15	8 Costco Wholesale	449.35	13 Alphabet Cl A	2673.52	18 US Physical Therapy	110.60
4 IDEXX Laboratories	621.90	9 Visa	222.75	14 Blackrock	838.66	19 Lam Research	569.15
5 Starbucks	110.31	10 Texas Instruments	192.21	15 Charles Schwab	72.84	20 Oracle	87.13

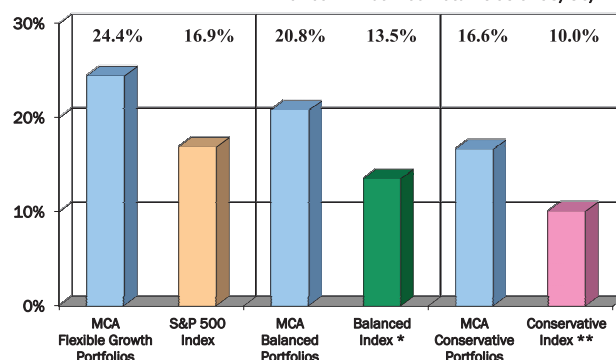
INVESTMENT RESULTS

Martin Capital Advisors' Investment Portfolios vs. S&P 500 and Barclays Aggregate Bond Indexes

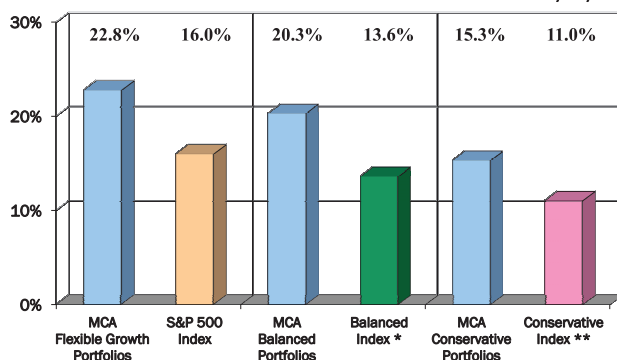
One-Year Returns as of 09/30/21



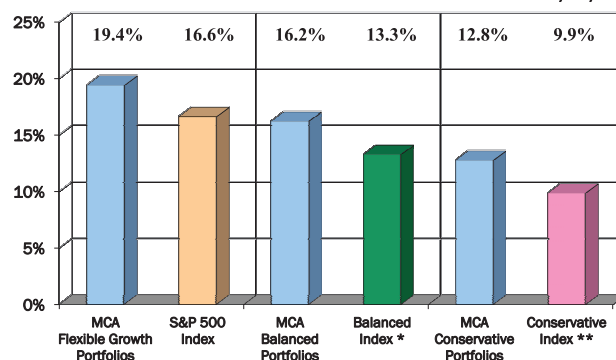
Five-Year Annualized Returns as of 09/30/21



Three-Year Annualized Returns as of 09/30/21



Ten-Year Annualized Returns as of 09/30/21



IMPORTANT DISCLOSURE NOTICE

Past performance does not guarantee future results. Figures include the reinvestment of all dividends received and reflect cash and cash equivalents. Martin Capital Advisors, LLP (MCA) composite returns are net of all fees and expenses. From time to time, composite performance may reflect the use of margin investing and options, as well as material investments in bonds and cash, and volatility may differ from that of the benchmark. As of 09/30/2021, the MCA Flexible Growth/Balanced/Conservative portfolios' returns represent, respectively, 49/9/2 individual portfolios and 75%/21%/2% of all funds under management by MCA. Clients explicitly elect these management styles on their Personal Data Form. The MCA Flexible Growth Portfolios are managed for capital appreciation, and the MCA Balanced and Conservative Portfolios are managed for capital appreciation and income. Independent performance reporting is provided by CGM Investment Management.

MCA claims compliance with the Global Investment Performance Standards (GIPS®). MCA's GIPS® compliance has been independently verified for the periods January 1, 1991 to December 31, 2019 by Dabney Investment Consulting Associates, Inc., and by Riddles Investment Consulting, LLC. from January 1, 2020 to December 31, 2020. The verification reports are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. The reporting currency is U.S. dollars. Returns are net of fees. To receive a list of composite descriptions of MCA and/or a GIPS® Composite Report, contact Darby Ivins at (210) 694-2100, ext. 2, or darby@martincapital.com.

ADDITIONAL DISCLOSURE NOTICE

MARTIN CAPITAL ADVISORS, LLP (MCA) is a registered investment advisor based in San Antonio, Texas, founded in 1989. MCA specializes in managing customized equity and balanced investment portfolios with an all-cap equity strategy to grow capital, as well as balanced strategies to grow capital with less volatility.

MCA claims compliance with the Global Investment Performance Standards (GIPS®).

Returns are shown in U.S. dollars net of fees.

Martin Capital Advisors, LLP has been independently verified for the periods January 1, 1991 to December 31, 2019 by Dabney Investment Consulting Associates, Inc., and by Riddles Investment Consulting, LLC. from January 1, 2020 to December 31, 2020. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

MCA Flexible Growth Portfolios Composite consists of all fully discretionary portfolios that are invested in publicly traded companies with the goal of maximizing long-term returns. These portfolios are classified as an all-cap core strategy, but predominately invest in large and mid-cap stocks, blending the characteristics of both growth and value investing. Each portfolio typically invests in 30 to 40 stocks that are rigorously selected to meet our core philosophy of investing in companies with an enduring competitive advantage that offer growth at a reasonable price. These portfolios are for investors who are willing to accept significant short-term volatility in the pursuit of superior long-term returns. In addition, from time to time this strategy may utilize material amounts of leverage, options, bonds and strategic cash reserves. The benchmark for this composite is the S&P 500 Index, which is an index of the 500 leading companies in the U.S. and is designed to reflect the risk and return characteristics of the large-cap U.S. equities universe.

MCA Balanced Portfolios Composite consists of all fully discretionary portfolios that are invested in equities and fixed income securities with a target asset allocation of 75% equities and 25% fixed income. These portfolios are for investors with a long-term investment horizon who seek to grow capital, but want to do so with less short-term volatility than the MCA Flexible Growth Portfolios. The equity investments in the portfolios are classified as an all-cap core strategy and are managed in the same way as the MCA Flexible Growth Portfolios. Fixed income investments include both individual and ETF fixed income securities. In addition, from time to time this strategy may utilize material amounts of leverage, options, bonds and strategic cash reserves. The benchmark for this composite is a blend of 75% S&P 500 Index and 25% Barclays U.S. Aggregate Bond Index, rebalanced monthly. The S&P 500 is an index of the 500 leading companies in the U.S. and is designed to reflect the risk and return characteristics of the large-cap U.S. equities universe. The Barclays U.S. Aggregate Bond index is made up of the Barclays U.S. Government/Corporate Bond Index, Mortgage-Back Securities Index, and Asset-Backed Securities Index, and only includes securities that are investment grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$100 million.

MCA Conservative Portfolios Composite consists of all fully discretionary portfolios that are invested in equities and fixed income securities with a target asset allocation of 50% equities and 50% fixed income. These portfolios are for investors who prefer to significantly reduce short-term volatility in their investments rather than maximize long-term returns. The equity investments in the portfolios are classified as an all-cap core strategy and are managed in the same way as the MCA Flexible Growth Portfolios. Fixed income investments include both individual and ETF fixed income securities. In addition, from time to time this strategy may utilize material amounts of leverage, options, bonds and strategic cash reserves. The benchmark for this composite is a blend of 50% S&P 500 Index and 50% Barclays U.S. Aggregate Bond Index, rebalanced monthly. The S&P 500 is an index of the 500 leading companies in the U.S. and is designed to reflect the risk and return characteristics of the large-cap U.S. equities universe. The Barclays U.S. Aggregate Bond index is made up of the Barclays U.S. Government/Corporate Bond Index, Mortgage-Back Securities Index, and Asset-Backed Securities Index, and only includes securities that are investment grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$100 million.

Since inception these strategies have had no material use of leverage, derivatives, or bonds on the composite level.

To receive a list of composite descriptions of MCA and/or a compliant presentation, contact Darby Ivins at (210) 694-2100, ext. 2, or darby@martincapital.com.