THE COMPASS

September 2022 | A Quarterly Newsletter of Martin Capital Advisors, LLP

INVESTMENT PERSPECTIVE by Paul Martin, Managing Partner

In the short run, the stock market often goes down; In the long run, the stock market always goes up.

September 9, 2022

As I write this commentary for our quarterly newsletter today, the S&P 500 is down about 2% from where it was at the time of my last newsletter commentary at the beginning of May; however, volatility has remained high. At this point, a lot of uncertainty has already been priced into the stock market, but program trading algorithms still have a bias towards selling rallies, so it's hard to say in the short run when the stock market will get back on track for higher long run returns. That said, I'm fairly confident that we saw the low for this bear market cycle on June 16. If not, then there may be better buying opportunities in the short run, but it's important to keep in mind that the stock market always goes up in the long run.

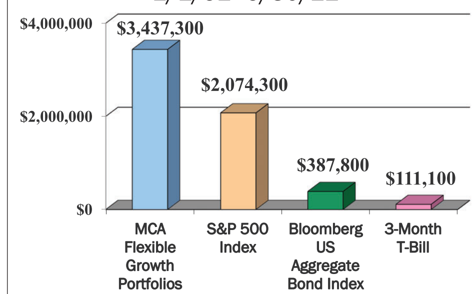
As I said in the previous edition of *The Compass* (and applies even more so today):

"I think that the biggest short-term positive is the extremely negative sentiment that has built up over the past few months. I learned the value of monitoring sentiment conditions early in my investment career in 1985 when I noticed that option trading always gave a contrarian signal at market extremes. Since then, I have added a host of other sentiment gauges that I follow. Today they are all at very negative levels, indicating that the financial markets have already priced in much of the worrisome conditions that have weighed on the markets so far this year. Of course, short-term timing is always a difficult game to play, so it's hard to call exactly when the stock market will bottom, but we should be getting very close to that point."

"Long-term timing, however, is a much easier game to play because stocks eventually go up. Multi-year bear markets are very unusual, and they are always driven by the Fed severely inverting the yield curve, and not by wars, pandemics, and high inflation. History shows that most recessions are driven by mild yield curve inversions resulting in mild recessions in which the stock market actually goes up. For instance, many of the investment pundits in the media have been pounding the table recently on the Fed Funds rate increases that were made under Paul Volcker's leadership to bring down inflation from 1979 (13.3% CPI) to 1987 (4.4% CPI). Their claim is that Volcker destroyed the economy and stock market to bring inflation under control. But the fact is that he orchestrated a very controlled increase in rates that resulted in two mild recessions and the S&P 500 was up significantly (+290%) during his eight-year tenure with only one down year (1981, -4.9%)."

"All of that said, Martin Capital has developed a hedging strategy based on severe yield curve inversions that has called every major stock market top within a few months since 1953 (see the presentation on our website). At this point, the strategy is a long way from generating a hedging signal, so I remain confident that stocks will be higher over the next few years. If I'm wrong, then the saving grace is that they definitely will be higher in the long run."

Growth of $100K
1/1/91–6/30/22



See important disclosure notice on next page.

COMPARISON OF INVESTMENT RESULTS

January 1, 1991 to June 30, 2022

	Martin Capital Advisors[1]	S&P 500	Russell 3000	Bloomberg U.S. Aggregate Bond Index	3 Month T-Bill	Consumer Price Index
Total[2]	3437.3%	2074.3%	2118.4%	387.8%	111.1%	121.5%
Avg.[3]	12.0%	10.3%	10.3%	5.2%	2.4%	2.6%

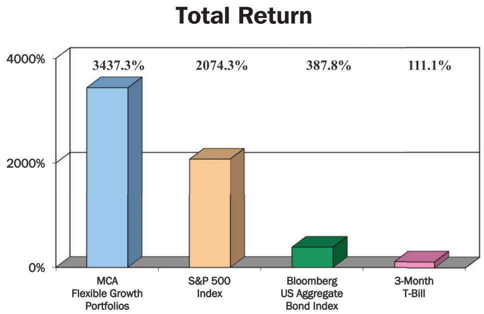
[1]Total performance, net of commissions, fees, and expenses of all Martin Capital Advisors' *Flexible Growth Portfolios.*

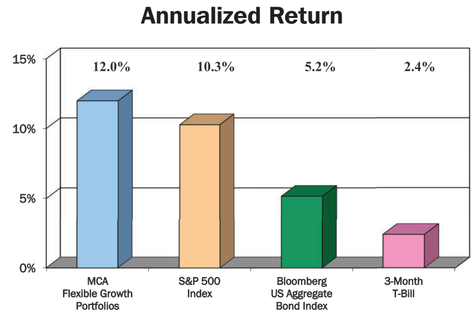
[2]Total compounded return, including reinvestment of dividends and interest. [3]1991-2022 annualized return.

—— See Important Disclosure Notice on last page. ——

RELATIVE LONG-TERM PERFORMANCE

January 1, 1991 to June 30, 2022





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

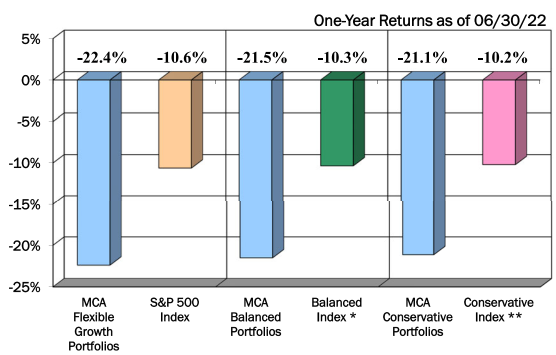
MCA FLEXIBLE GROWTH PORTFOLIOS TOP 20 STOCKS

as of June 30, 2022

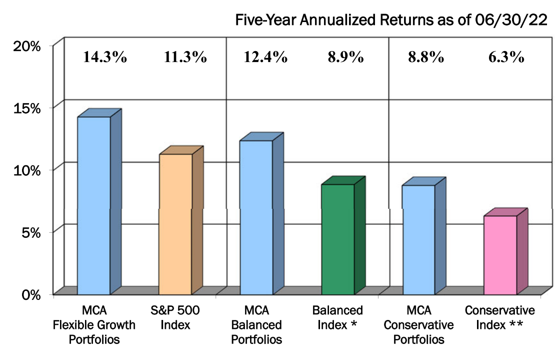
1 Apple	6 Starbucks	11 Texas Instruments	16 Oracle	21 Toll Brothers
2 Intuitive Surgical	7 IDEXX Laboratories	12 US Physical Therapy	17 Nasdaq	22 Trex
3 Edwards Lifesciences	8 Visa	13 Charles Schwab	18 Williams-Sonoma	23 Intuit
4 Mastercard	9 Tractor Supply	14 Alphabet Cl A	19 Lam Research	24 GoDaddy
5 Costco Wholesale	10 Block	15 Blackrock	20 Intercontinental Exchange	25 IPG Photonics

INVESTMENT RESULTS

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



* 75% S&P 500 Index + 25% Bloomberg US Aggregate Bond Index
** 50% S&P 500 Index + 50% Bloomberg US Aggregate Bond Index



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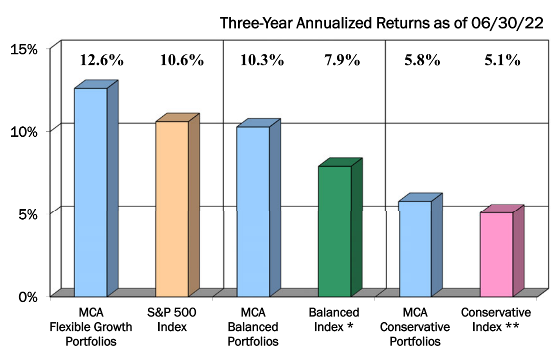

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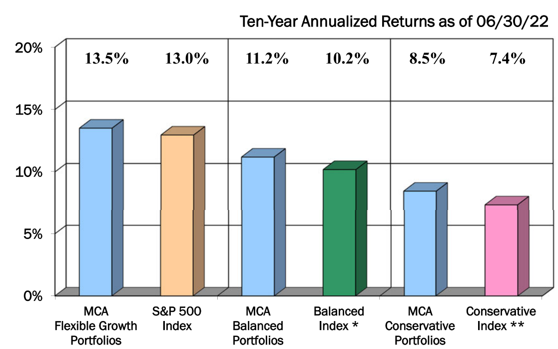

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IMPORTANT DISCLOSURE NOTICE

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 06/30/2022, the *MCA Flexible Growth/Balanced/Conservative* portfolios' returns represent, respectively, 50/10/1 individual portfolios and 75%/21%/1% 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, 2020 by Riddles Investment Consulting, LLC. 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 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. An options hedging strategy is available for this portfolio.

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% Bloomberg 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 Bloomberg U.S. Aggregate Bond index is made up of the Bloomberg 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. An options hedging strategy is available for this portfolio.

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% Bloomberg 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 Bloomberg U.S. Aggregate Bond index is made up of the Bloomberg 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. An options hedging strategy is available for this portfolio.