THE COMPASS

December 2022 — A Quarterly Newsletter of Martin Capital Advisors, LLP

INVESTMENT PERSPECTIVE by Paul Martin, Managing Partner

With supply/demand imbalances improving, stocks are poised to put the 2022 bear market in the rear-view mirror

December 6, 2022

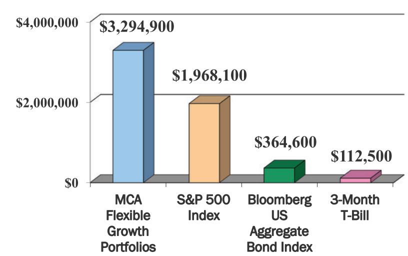
Supply/demand imbalances created by the stimulus measures taken in response to the coronavirus pandemic resulted in high inflation and weak GDP numbers in the first half of 2022. However, as those imbalances have begun to unwind, inflation is starting to decelerate and third quarter GDP has rebounded.

Although the media and the Fed have chosen to continue to express concerns about the economy's resilience with the argument that an expanding economy makes lowering inflation more difficult, the stock market today is about where it was in May. Admittedly, there has been a fair amount of bouncing around since then, but the net effect is that the S&P 500 is still in the range of where it was over six months ago.

That said, the yield curve inversion (long rates lower than short rates), which historically has been a harbinger of recessions, has persisted for a while now. This has given most market pundits the notion that the economy will eventually fall into recession — thereby improving the odds for lower inflation, but also extending the bear market in stocks. At this point, they are probably right about the pending recession and probably wrong about more significant declines in the stock market. Historically, stocks have performed quite well in mild recessions, which is what appears to be currently on the horizon. Only in severe recessions, such as in 2008, have stocks suffered long and extreme bear markets. Since 1953, all of the severe recessions and major bear markets have been driven by the Fed deeply inverting the short end of the yield curve. Martin Capital has developed a hedging strategy that has predicted every major bear market since 1953 based on the inversion percentages of short-term Treasury rates to the Fed Funds rate. Despite the Fed's aggressive rate increases this year, that hedging strategy is still a long way from giving a major bear market warning. Unfortunately, normal bear markets, such as the one occurring this year, are very difficult to predict, but they do have a much shorter duration than the ones caused by severe yield curve inversions.

As we move into 2023, the main question will continue to be, as it has been through most of 2022: how aggressively will the Fed keep raising the Fed Funds rate to counter inflation? My best guess is that they will be data dependent and begin to soften their hawkish stance as supply/demand imbalances continue to improve and inflation statistics move further down the road to lower rates.

Growth of $100K
1/1/91–9/30/22



See important disclosure notice on next page.

COMPARISON OF INVESTMENT RESULTS

January 1, 1991 to September 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]	3294.9%	1968.1%	2019.4%	364.6%	112.5%	121.8%
Avg.[3]	11.7%	10.0%	10.1%	5.0%	2.4%	2.5%

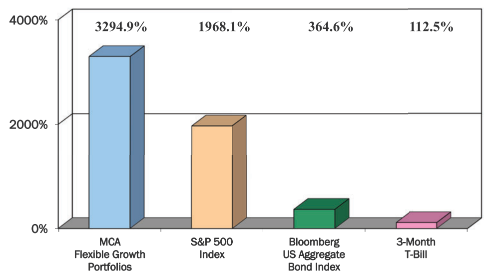
[1]Total performance, net of commissions, fees, and expenses of all Martin Capital Advisors' *Flexible Growth Portfolios.*
[2]Total compounded return, including reinvestment of dividends and interest. [3]1991-2022 annualized return.

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

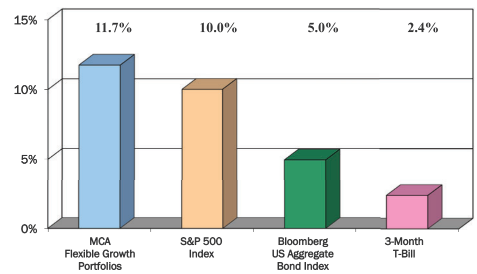
RELATIVE LONG-TERM PERFORMANCE

January 1, 1991 to September 30, 2022

Total Return



Annualized Return



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MARTIN CAPITAL ADVISORS, LLP

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

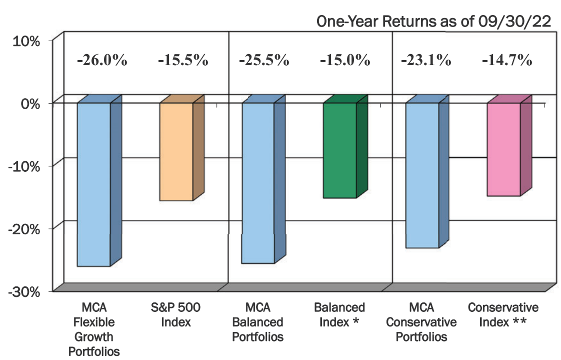
MCA FLEXIBLE GROWTH PORTFOLIOS TOP 25 STOCKS

as of September 30, 2022

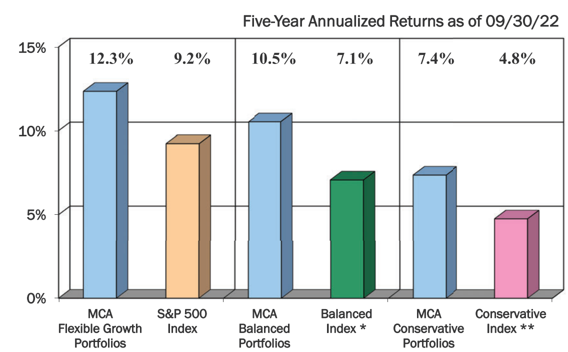
1 Apple	6 Costco Wholesale	11 Block	16 Oracle	21 Trex
2 Starbucks	7 Texas Instruments	12 Chipotle Mexican Grill	17 Tractor Supply	22 Paypal Holdings
3 Intuitive Surgical	8 Lam Research	13 Williams-Sonoma	18 Visa	23 Blackrock
4 Edwards Lifesciences	9 Intuit	14 Mastercard	19 US Physical Therapy	24 Intercontinental Exch.
5 Charles Schwab	10 Alphabet Cl A	15 IDEXX Laboratories	20 Nvidia	25 Morningstar

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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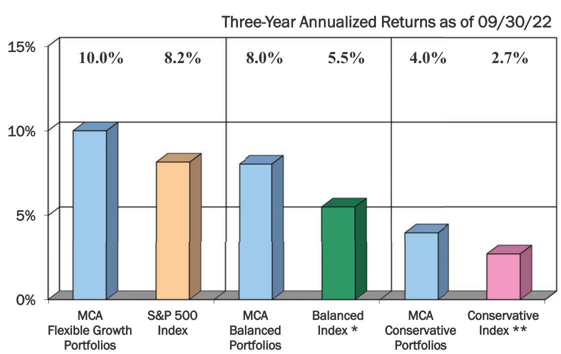

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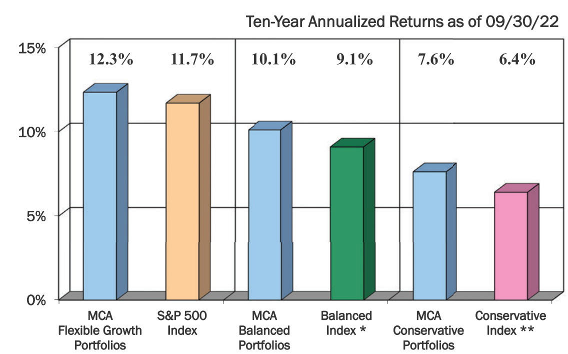

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IMPORTANT DISCLOSURE NOTICE

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 09/30/2022, the *MCA Flexible Growth/Balanced/Conservative* portfolios' returns represent, respectively, 49/10/2 individual portfolios and 60%/33%/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, 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.