

# THE COMPASS

May 2023

A Quarterly Newsletter of Martin Capital Advisors, LLP

## INVESTMENT PERSPECTIVE by Paul Martin, Managing Partner

### Quoting Warren Buffett: “Be fearful when others are greedy and be greedy when others are fearful.”

May 16, 2023

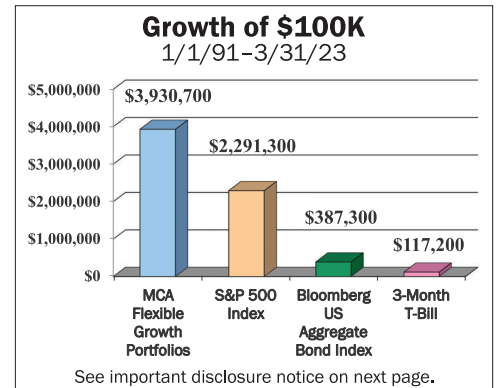
I’ll begin this newsletter with the first sentence of the last newsletter: “No one rings a bell at the bottom of bear markets, but there are always plenty of technical signs that the worst may be over, including a significant amount of handwringing.” Basically, Warren Buffett is saying the same thing when he says, “be greedy when others are fearful.”

Although the same problems that have weighed on the financial markets persist (Fed tightening, war in Ukraine, high inflation [though down significantly from where it was last year], corona virus [though it seems to be under control now], political discord, uncertainties about a possible recession, debt ceiling debates, tensions with Russia and China, plus a new one: recent bank failures), the stock market is per-



forming well so far this year and has rebounded significantly from last year’s October low. In the next few weeks, however, the debt ceiling debate may put extra pressure on the financial markets, but we will pay our debts, as we always have, so I continue to have a positive viewpoint on the prospects for stocks this year.

Quoting last quarter’s newsletter again: “Market timing is always a difficult, if not impossible, game to play, so there is, of course, the possibility that everything gets worse in the near-term and that there could be another significant decline in the stock market. The saving grace is that if you are invested in great companies for the long-term, they will be worth more down the road. This is why Martin Capital is a buy-and-hold investment manager. The bottom line is that whether we are right or wrong with our viewpoint in the near-term,



we know we will be right in the long-term, and we have the track record to prove it.

“That said, after riding out the 2008 Great Recession and worst bear market since 1931, we did a lot of research on the correlation of yield curve inversions to recessions and bear markets and found an indicator that has predicted every severe bear market (such as the one in 2008) going back to at least 1953. This indicator is still far from giving a sell signal (in which case we would implement an options hedging strategy). We do not expect that to change anytime soon, so we remain bullish on the near-term prospects for stocks and, as always, very bullish on the long-term prospects for stocks.”

## COMPARISON OF INVESTMENT RESULTS

January 1, 1991 to March 31, 2023

	Martin Capital Advisors <sup>1</sup>	S&P 500	Russell 3000	Bloomberg U.S. Aggregate Bond Index	3 Month T-Bill	Consumer Price Index
Total <sup>2</sup>	3930.7%	2291.3%	2334.7%	387.3%	117.2%	125.6%
Avg. <sup>3</sup>	12.1%	10.3%	10.4%	5.0%	2.4%	2.6%

<sup>1</sup>Total performance, net of commissions, fees, and expenses of all Martin Capital Advisors’ *Flexible Growth Portfolios*.

<sup>2</sup>Total compounded return, including reinvestment of dividends and interest. <sup>3</sup>1991-2023 annualized return.

— See Important Disclosure Notice on last page. —

# RELATIVE LONG-TERM PERFORMANCE

January 1, 1991 to March 31, 2023



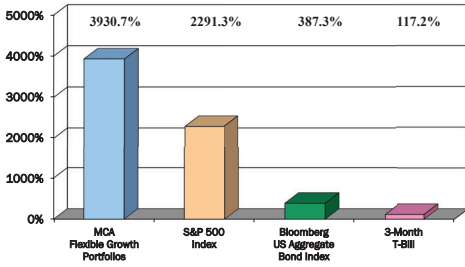
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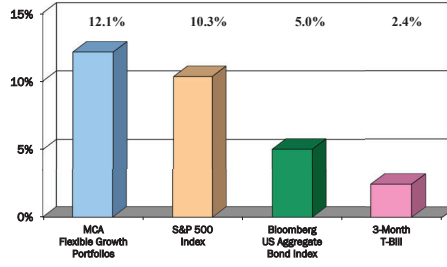
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Martin Capital Advisors, LLP, is a registered investment advisor managing private and institutional investment portfolios.

Total Return



Annualized Return



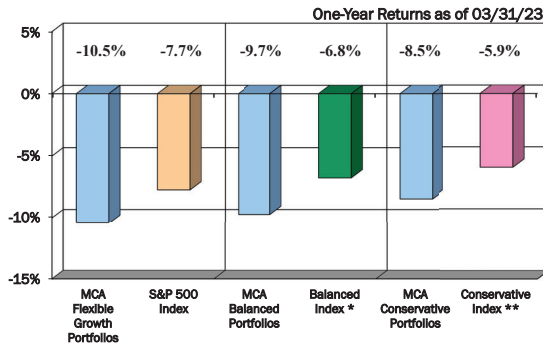
# MCA FLEXIBLE GROWTH PORTFOLIOS TOP 25 STOCKS

as of March 31, 2023

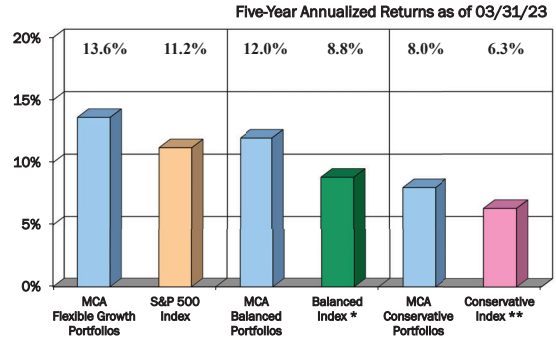
1 Apple	6 IDEXX Laboratories	11 Edwards Lifesciences	16 Williams-Sonoma	21 US Physical Therapy
2 Intuitive Surgical	7 Texas Instruments	12 Oracle	17 Alphabet Cl A	22 Trex
3 Starbucks	8 Block	13 Intuit	18 Chipotle Mexican Grill	23 GoDaddy
4 Mastercard	9 Visa	14 Nvidia	19 Blackrock	24 Cisco Systems
5 Costco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

# INVESTMENT RESULTS

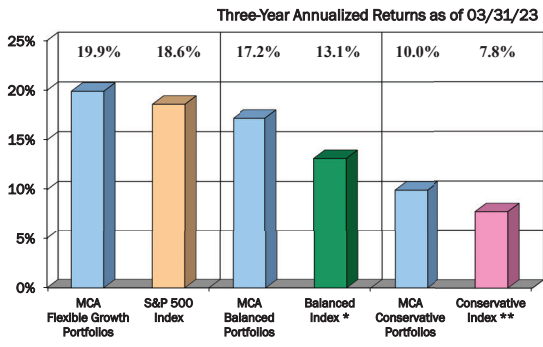
Martin Capital Advisors' Investment Portfolios vs. S&P 500 and Barclays Aggregate Bond Indexes



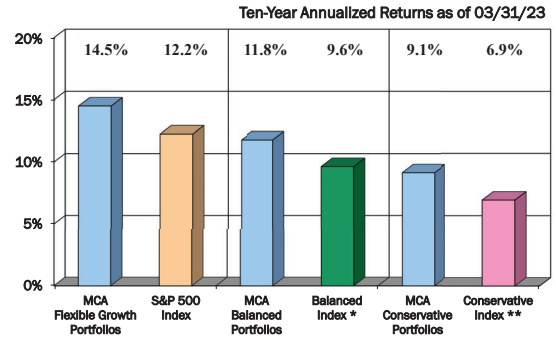
\* 75% S&P 500 Index + 25% Bloomberg US Aggregate Bond Index  
\*\* 50% S&P 500 Index + 50% Bloomberg US Aggregate Bond Index



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



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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 03/31/2023, the MCA Flexible Growth/Balanced/Conservative portfolios' returns represent, respectively, 48/9/2 individual portfolios and 68%/27%/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. 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, 2021 by Absolute Performance Verification 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.