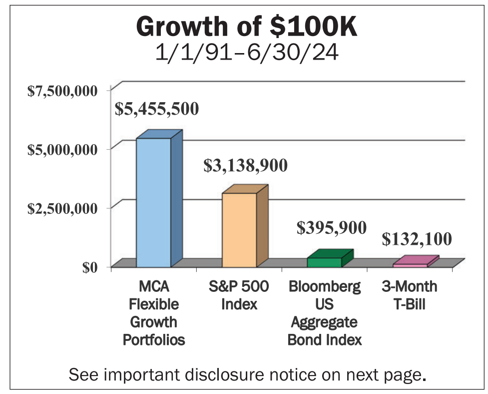
THE COMPASS

September 2024 — **A Quarterly Newsletter of Martin Capital Advisors, LLP**

INVESTMENT PERSPECTIVE by Paul Martin, Managing Partner



Stocks plateau as the Fed is now too tight, but the economy has not gone over the cliff, yet.

September 12, 2024

The stock market has bounced around in the third quarter as the Fed has refused to lower its very restrictive Fed Funds effective rate of 5.375% – despite inflation statistics, such as the Consumer Price Index (CPI, 2.5%) and Personal Consumption Expenditures (PCE, 2.6%), falling into the range of the Fed's 2% target and below their long-term average rates of about 3%. Similar scenarios unfolded in 2000 to 2002 and 2007 to 2009 when the Fed was too slow in lowering a severely restrictive Fed Funds rate, resulting in the two worst bear markets since 1931.

Historically, at least going back to 1953, the only factor causing severe recessions and unusually extreme bear markets has been the Fed being unreasonably tight with monetary policy. When the Fed has caused an exceedingly steep inversion of the one-year Treasury Bill rate to the overnight Fed Funds rate, severe recessions have resulted in severe bear markets. With the recent drop in the one-year T-Bill rate, the probability of a severe recession and bear market is going up. That said, if the Fed begins lowering the Fed Funds rate next week, disaster may be avoided.

Relatively mild bear markets, such as happened in 2022, can happen anytime and they are very difficult to predict. The saving grace is that they turn around fairly quickly. Severe recessions and bear markets driven by the Fed being too tight, such as 2007 to 2009, take many years to recover, so Martin Capital has developed an options hedging strategy to minimize the downside in Fed driven severe bear markets. (Information can be found on our website, www.martincapital.com, under the Resources tab in the *Yield Curve Hedging Strategy* presentation.)

At this point, since the Fed may not lower the Fed Funds rate fast enough, long-term investors should maintain their stock market positions, but begin thinking about hedging their equity investments in the next few months.

COMPARISON OF INVESTMENT RESULTS

January 1, 1991 to June 30, 2024

	Martin Capital Advisors[1]	S&P 500	Russell 3000	Bloomberg U.S. Aggregate Bond Index	3 Month T-Bill	Consumer Price Index
Total[2]	5455.5%	3138.9%	3149.1%	395.9%	132.1%	134.8%
Avg.[3]	12.7%	10.9%	11.0%	4.9%	2.5%	2.6%

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

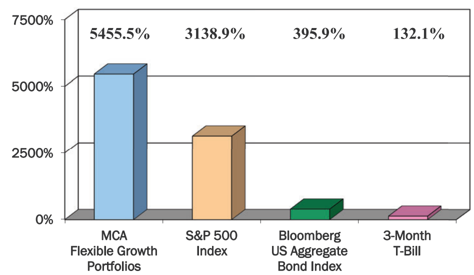
[2]Total compounded return, including reinvestment of dividends and interest. [3]1991-2024 annualized return.

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

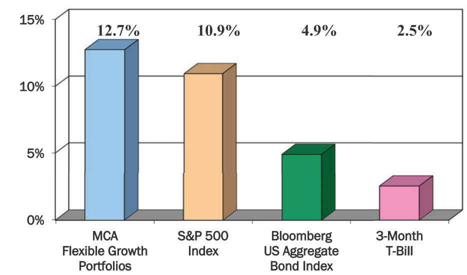
RELATIVE LONG-TERM PERFORMANCE

January 1, 1991 to June 30, 2024

Total Return



Annualized Return



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A Quarterly Publication of
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

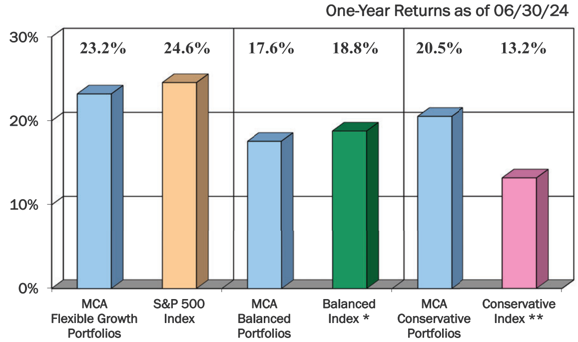
as of June 30, 2024

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

INVESTMENT RESULTS

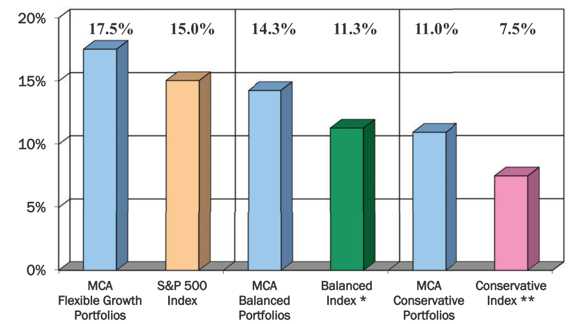
Martin Capital Advisors' Investment Portfolios vs. S&P 500 and Barclays Aggregate Bond Indexes

One-Year Returns as of 06/30/24



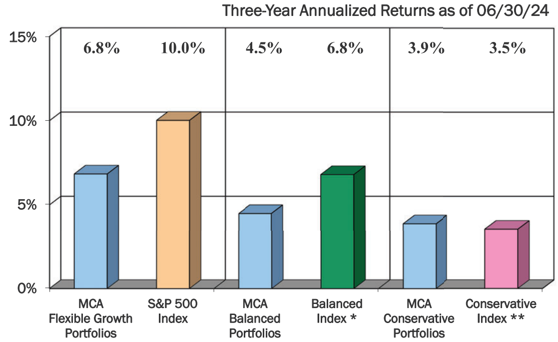
* 75% S&P 500 Index + 25% Bloomberg US Aggregate Bond Index
** 50% S&P 500 Index + 50% Bloomberg US Aggregate Bond Index

Five-Year Annualized Returns as of 06/30/24



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

Three-Year Annualized Returns as of 06/30/24



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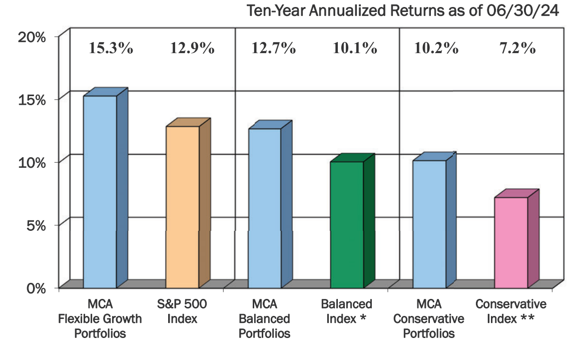
Ten-Year Annualized Returns as of 06/30/24



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

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 06/30/2024, the *MCA Flexible Growth/Balanced/Conservative* portfolios' returns represent, respectively, 51/11/2 individual portfolios and 66%/26%/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, 2023 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.

Past Performance does not guarantee future results.