

THE COMPASS

March 2025

A Quarterly Newsletter of Martin Capital Advisors, LLP

INVESTMENT PERSPECTIVE by Paul Martin, Managing Partner

Political Turmoil Puts Pressure on Stocks, but the Fed Funds Rate Remains Accommodative

March 11, 2025

The S&P 500 began 2025 on a positive note following a 25% return in 2024, but began to roll over in late February on concerns about a variety of political and economic uncertainties. On the fixed income side, the Bloomberg Aggregate Bond Index achieved a meager 1.25% return in 2024, but is still slightly higher in 2025.

At this point, the S&P 500 is close to correction territory and there is the possibility of further selling into bear market territory. However, as long as the Fed remains accommodative, the likelihood of a severe bear market is small, regardless of ongoing political and economic uncertainties. Fixed income markets will probably do fairly well in this environment –



roughly in the range of their long-term returns, which are about half of the long-term returns of the S&P 500.

To quote my last newsletter commentary in December:

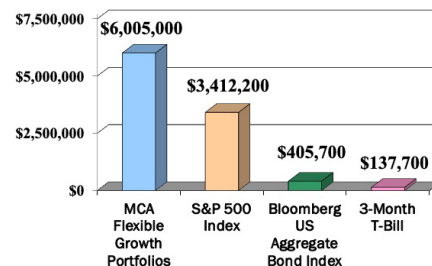
“For now, the Fed seems to have

some consideration for its dual mandate of both price stability and maximum sustainable employment, so the likelihood of a major recession and bear market in the next year has dropped considerably. While many market prognosticators are debating the pros and

cons of major changes being proposed and enacted by President Trump, it remains to be seen how these changes may play out in the long-run. In any event, presidential actions historically have had a fairly minor long-term impact on the economy and financial markets. Ultimately, the severity of yield

Growth of \$100,000

01/01/1991 - 12/31/2024



See important disclosure notice on next page.

curve inversions, going back to at least the 1920s, has been the driver of financial catastrophes. Although bear markets do happen on a regular basis in reaction to political and economic uncertainties (such as 2018, 2020, and 2022), when they are not driven by the Fed being too tight with monetary policy (as in 2008), they turn around fairly quickly and it's not worth trying to guess the top or the bottom. (Please see our *Yield Curve Hedging Strategy* at www.martincapital.com)

Bottom line: stock prices are unpredictable in the short-run, but always higher in the long-run.”

COMPARISON OF INVESTMENT RESULTS

January 1, 1991 to December 31, 2024

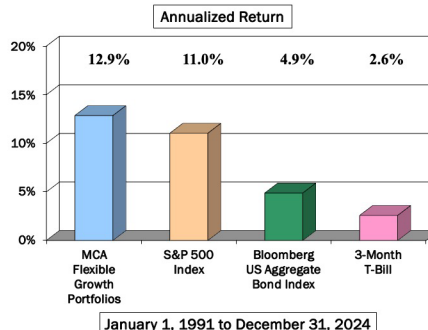
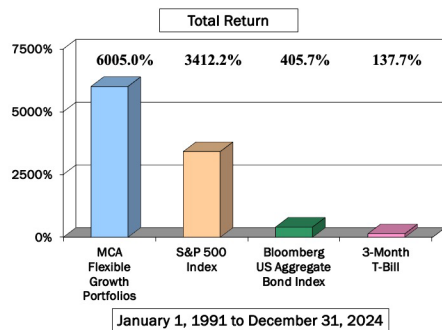
	Martin Capital Advisors ¹	S&P 500	Russell 3000	Bloomberg U.S. Aggregate Bond Index	3 Month T-Bill	Consumer Price Index
Total ²	6005.0%	3412.2%	3442.4%	405.7%	137.7%	135.9%
Avg. ³	12.9%	11.0%	11.1%	4.9%	2.6%	2.6%

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. ³1991-2024 annualized return.

— See Important Disclosure Notice on last page. —

RELATIVE LONG-TERM PERFORMANCE January 1, 1991 to December 31, 2024



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MARTIN CAPITAL
ADVISORS, LLP

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

210-694-2100

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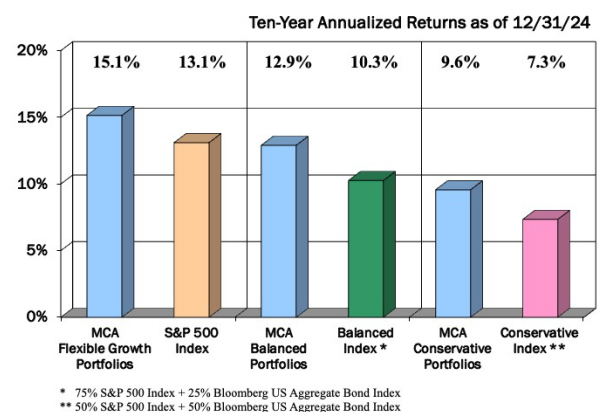
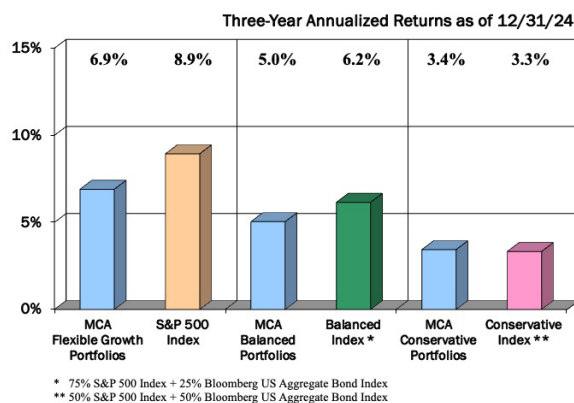
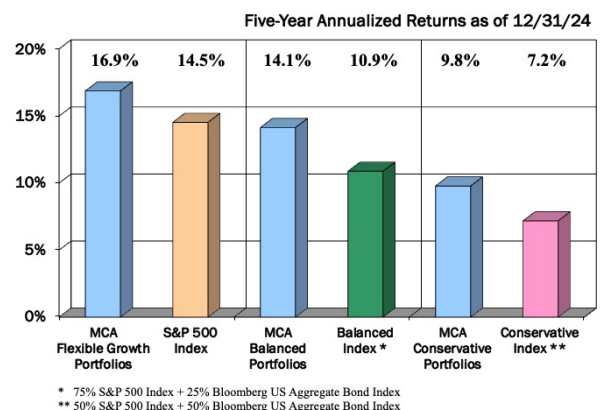
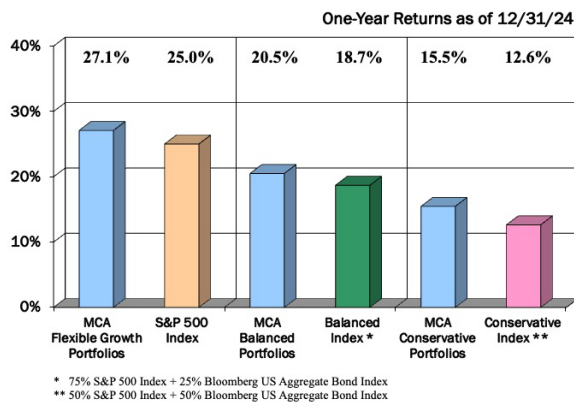
MCA FLEXIBLE GROWTH PORTFOLIOS TOP 25 STOCKS

as of December 31, 2024

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

INVESTMENT RESULTS

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



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 12/31/2024, the MCA Flexible Growth/Balanced/Conservative portfolios' returns represent, respectively, 52/12/2 individual portfolios and 68%/25%/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.

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