

THE COMPASS

June 2025

A Quarterly Newsletter of Martin Capital Advisors, LLP

INVESTMENT PERSPECTIVE by Paul Martin, Managing Partner

Markets Have Bounced Around This Quarter, But Are Now Flat Year-To-Date

June 12, 2025

Quoting the last edition of *The Compass* on March 11, “The S&P 500 began 2025 on a positive note, following an almost 20% return in 2024, but began to roll over in late February on concerns about a variety of political and economic uncertainties.” Those uncertainties caused a mini-crash from April 2 to 7, resulting in an almost 20% bear market decline for the S&P 500 from the February high after the president announced plans to impose major tariffs around the world. Since then, the S&P 500 has rebounded to just under the February high as the Fed has remained accommodative and the economy has remained stable. On the fixed income side, the Bloomberg Aggregate Bond Index is up slightly so far this year.

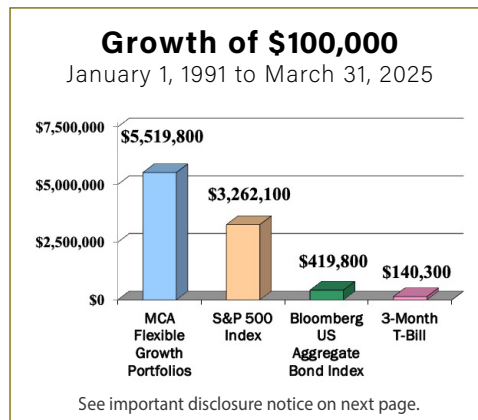
I also said in *The Compass* on March 11: “At this point, the S&P 500 is close to correction territory and there is the possibility of further selling into



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.” Thus far, this opinion has been confirmed: it’s all up to the Fed.

Quoting again the last newsletter commentaries in December and March: “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 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 March 31, 2025

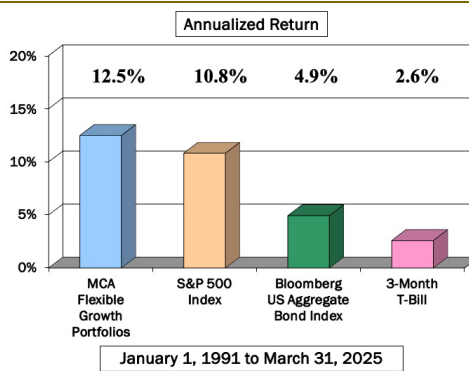
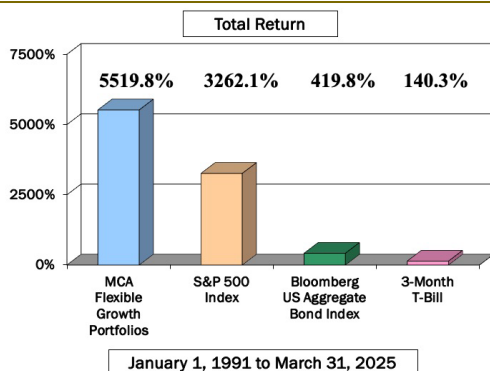
	Martin Capital Advisors ¹	S&P 500	Russell 3000	Bloomberg U.S. Aggregate Bond Index	3 Month T-Bill	Consumer Price Index
Total ²	5519.8%	3262.1%	3275.1%	419.8%	140.3%	139.0%
Avg. ³	12.5%	10.8%	10.8%	4.9%	2.6%	2.6%

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 1991-2025 annualized return.

— See Important Disclosure Notice on last page. —

RELATIVE LONG-TERM PERFORMANCE January 1, 1991 to March 31, 2025



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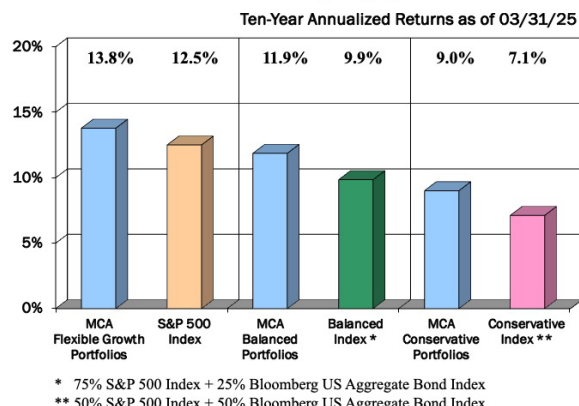
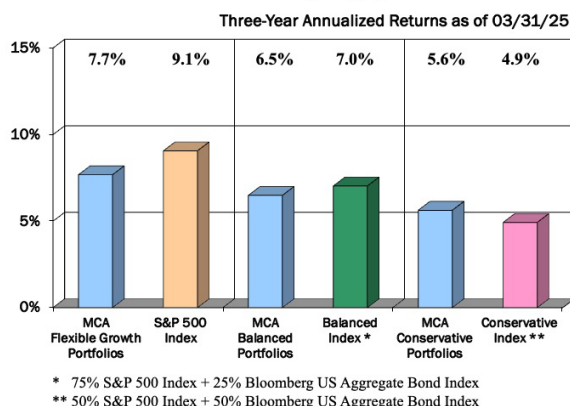
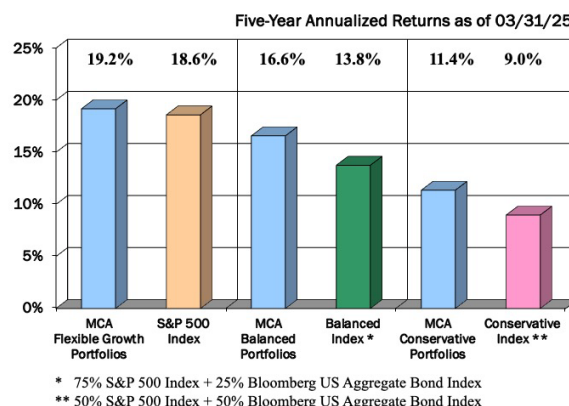
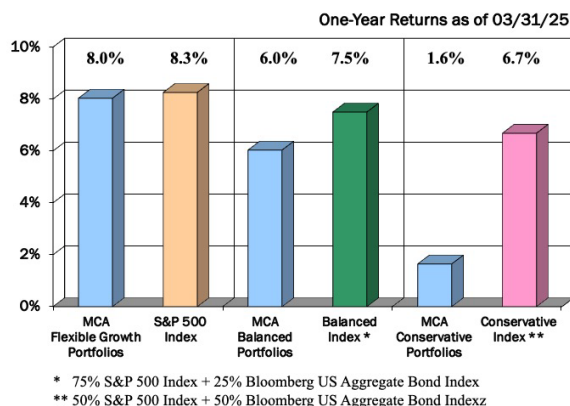
MCA FLEXIBLE GROWTH PORTFOLIOS TOP 25 STOCKS

as of March 31, 2025

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

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 03/31/2025, the MCA Flexible Growth/Balanced/Conservative portfolios' returns represent, respectively, 53/12/1 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.

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, 2024 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 Barncord 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.