THE COMPASS

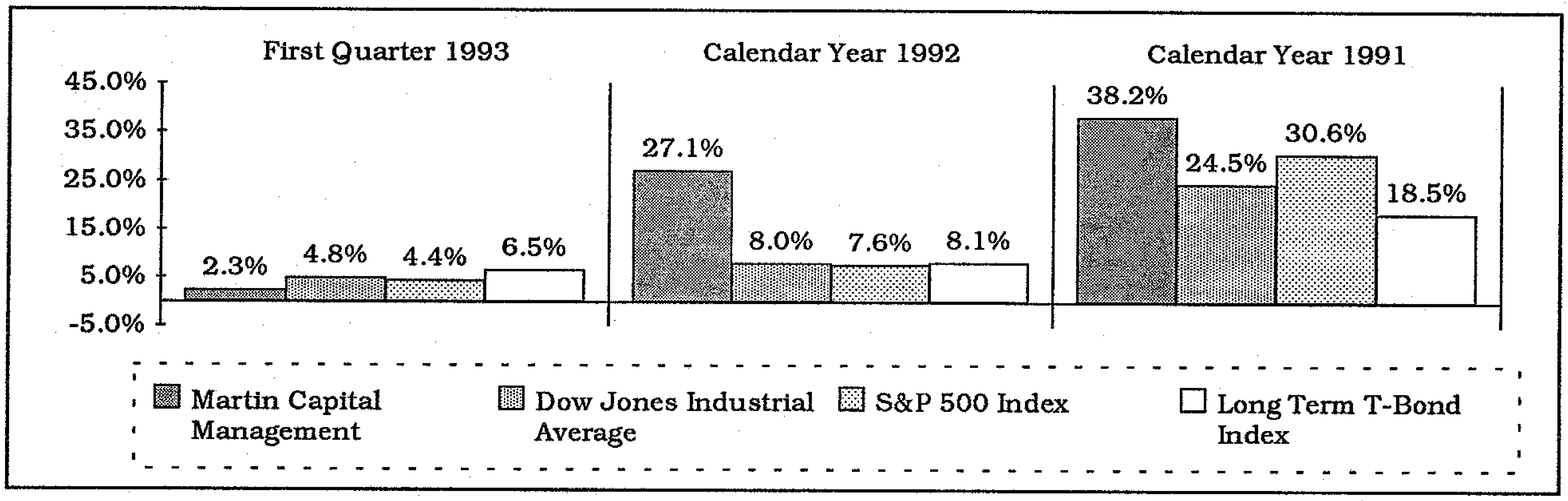
A QUARTERLY NEWSLETTER FROM MARTIN CAPITAL MANAGEMENT

1781 SPYGLASS DRIVE, #376 AUSTIN, TEXAS 78746 512-327-6854

April 1, 1993

DJIA 3435 / S&P500 451.67 / Long T-Bond Index 6.97% (5006) / 3 month T-Bill rate 2.89%
J.P. Morgan Dollar Index 87.2 / Oil 20.45 / Gold 337.60 / Inflation (CPI) 3.2%

Recent Investment Results



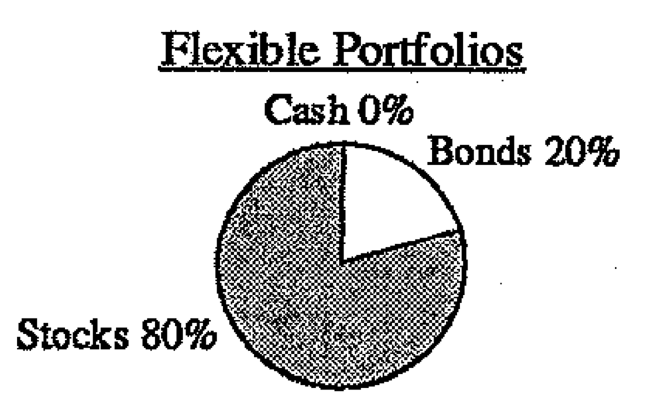
Investment Perspective

The yield on the long treasury bond ended the quarter just below our January newsletter target of 7%. This powerful bond market rally helped to counter-balance deteriorating stock market fundamentals. The resulting mixed performance for the average stock was in line with our ambivalent view toward the stock market at the beginning of the quarter. The DJIA finished up about 5% at 3435, within 15 points of our 3450 expectation. Despite our accurate forecasts for the stock and bond markets, major sell-offs in Synergen and Dell limited our average portfolio to a 2.3% advance.

For the second quarter we are cautious with a positive bias toward both stocks and bonds. Our "most likely" 3 month performance viewpoint (see reverse page) again anticipates a 5% advance for both stocks and bonds. We have increased the "pessimistic" range for stocks to minus 10%. The stock market may retreat toward our pessimistic viewpoint early in the quarter, then rally later to our plus 5% expectation. The bond market is now well into a correction, back up to the 7% level. We believe bond yields will not go much higher than 7.35% before turning back again to under 7%.

As the year progresses, the financial markets should become more volatile. The increase in volatility presents both risk and potential reward - the risk of panic selling, and the reward of more trading opportunities to enhance performance. Clearly, we are now well into the latest bull market phase. As everyone knows, valuations are high. We believe, however, in the importance of looking beyond the obvious. While the bears grit their teeth over high valuations, they miss the many positive factors supporting high valuations. Just as an excellent stock merits a high price/earnings ratio - the economic cycle, baby-boom demographics, technological acceleration, and global market integration warrant high market valuations. Of course, there will be serious corrections from time to time as the markets become over-extended; yet even in the face of many difficult problems, it is important to maintain perspective - weighing the positive against the negative. As long as there is plenty to worry about, there will be plenty of liquidity to drive the financial markets higher. If a point is ever reached where there is nothing to worry about, buy gold and head for the hills. Until then, we will be very careful about reducing investment exposure, using only incremental hedging tactics in periods of extended risk.

Asset Allocation



Market Timing Viewpoint

	Three Month Performance Expectation April 1, 1993 to June 30, 1993		
	Optimistic	Most Likely	Pessimistic
DJIA/S&P500:	3775/500 (+10.0%)	3600/475 (+5.0%)	3100/410 (-10.0%)
T-Bond Index:	6.30% (+10.0%)	6.65% (+5.0%)	7.35% (-5.0%)
T-Bill rate: neutral / Dollar: higher / Oil: neutral / Gold: lower / Inflation: neutral			
	One Year Performance Expectation April 1, 1993 to March 31, 1994		
	Optimistic	Most Likely	Pessimistic
DJIA/S&P500:	4100/540 (+20.0%)	3900/520 (+15.0%)	3600/475 (+5.0%)
T-Bond Index:	6.0% (+15.0%)	6.3% (+10.0%)	7.0% (unch)
T-Bill rate: neutral / Dollar: higher / Oil: neutral / Gold: lower / Inflation: neutral			

Common Stock Position List

Apple Computer	Cyprus Minerals	Michaels Stores	Synergen
Banc One	Dell Computer	Microsoft	Texas Instruments
BankAmerica	Electronic Arts	Motorola	Union Pacific
Best Buy	Hewlett-Packard	Office Depot	Waterhouse
Bombay Co.	Honeywell	Oppenheimer Capital	Whole Foods Market
Charles Schwab	Intel	Primerica	
Chrysler	Lotus Development	Southwest Airlines	
Coleman	Mail Boxes Etc.	Sprint	

Investment Philosophy

Our investment approach focuses on the reality that in order to achieve long-term superior performance there must be an acceptance of some amount of short-term risk. With this in mind, we pursue an investment allocation strategy emphasizing a diversified mix of stocks and bonds - structuring our clients' portfolios according to their ability to withstand short-term volatility in the pursuit of long-term investment performance.

Both fundamental and technical factors are taken into account in determining a prospective investment's risk-reward ratio. Socially responsible issues, such as environmental policies and employee relations, are evaluated as part of our investment risk assessment.

Overall market risk is considered in the timing of investment decisions and the implementation of hedging strategies. The reduction of investment exposure during periods of high market risk, and the complementary increase of investment commitment during periods of low risk, should normally reduce volatility and enhance portfolio performance.

Our general goal, which will vary depending on inflation and individual client risk tolerance, is a 15% to 20% average annual return over the course of a five year period or market cycle. We expect that this goal can be achieved with minimized risk through our combination of risk-reward analysis and market timing strategies.

Comparison of Investment Results

		Performance of Relevant Indices				
	Martin Capital* Management	Dow Jones Industrial Average	S&P 500 Index	Long-Term T-Bond Index	Money Market Avg. Yld.	Consumer Price Index
1986	+ 33.7%	+ 28.1%	+ 18.6%	+ 24.1%	+ 6.1%	+ 1.1%
1987	+ 13.5%	+ 5.7%	+ 5.2%	- 2.7%	+ 5.6%	+ 4.4%
1988	+ 27.3%	+ 16.6%	+ 17.1%	+ 9.2%	+ 5.9%	+ 4.1%
1989	+ 37.9%	+ 32.4%	+ 31.5%	+ 18.9%	+ 6.5%	+ 4.8%
1990	+ 5.8%	- 0.5%	- 3.2%	+ 6.3%	+ 5.9%	+ 6.1%
1991	+ 38.2%	+ 24.5%	+ 30.6%	+ 18.5%	+ 5.2%	+ 3.1%
1992	+ 27.1%	+ 8.0%	+ 7.6%	+ 8.1%	+ 3.3%	+ 3.0%
Total**	+395.1%	+179.7%	+161.3%	+113.5%	+ 45.4%	+ 29.7%
Avg. ***	+ 25.7%	+ 15.8%	+ 14.7%	+ 11.4%	+ 5.5%	+ 3.8%

* Total annual performance, net of commissions, fees, and expenses, of all discretionary investment portfolios.
** Total compounded return, including reinvestment of dividends and interest.
*** 1986-1992 average annualized return.

(Past performance does not guarantee future results.)

Martin Capital Management is a registered investment advisor, managing discretionary investment portfolios on a percentage fee basis for individuals, trusts, and pension plans.