THE COMPASS

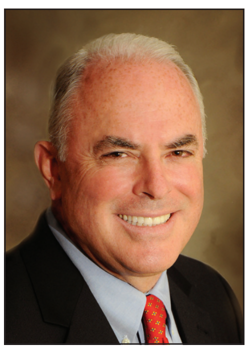
May 2020 A Quarterly Newsletter of Martin Capital Advisors, LLP

INVESTMENT PERSPECTIVE by Paul Martin, Managing Partner

“Don’t Fight the Fed”

May 1, 2020

The Compass commentary in January proved to be prescient in suggesting that a stock market correction could be imminent and perhaps driven by the new coronavirus, which had just started to spread in the U.S. Unfortunately, because I thought the public reaction to this new virus would be similar to the swine flu in 2009, my expectation was that there would be a similar impact on the stock market, but the decline from the top in February to the bottom in March was almost triple the decline driven by the swine flu in 2009.



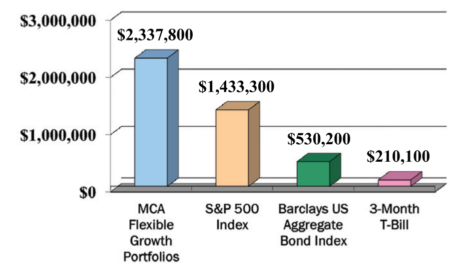
That said, the stock market has bounced back in line with my expectation that a sell-off probably would rebound fairly quickly. As of the end of April, the S&P 500 year-to-date total return was down 9.3% – not great, but not terrible, either, especially following a 31.5% gain in 2019.

Much of the reason for the V-shaped rebound in stocks is the extraordinary measures the Federal Reserve has taken to keep the markets operating smoothly, as well as the speed at which it moved from a tight monetary position to an extremely accommodative position. More importantly, the Fed has made it clear that it is willing to provide an “infinite amount of cash” to support the economy and financial markets. This is a hugely positive sea change for stocks and the economy that could last for years, even after COVID-19 eventually becomes another manageable virus – so “Don’t fight the Fed.”

On the other hand, long-term bonds eventually will be hurt by the pick-up in inflation that will ensue as a result of the Fed’s shift to a much more accommodative policy. The resulting higher inflation will benefit the economy and stocks, but it will be bad for bonds. So, rather than worrying so much about the stock market, investors really should be worrying more about the bond market.

Of course, “It ain’t over till it’s over,” as Yogi Berra used to say, and stocks may give back some of their April gains in the near-term. However, COVID-19 is a lipid virus and will take a break in the summer, giving time for solutions to be developed to deal with it before it comes back in the fall. Taking into account the trillions of dollars being directed into the markets and the economy by the Fed and the government, the odds are pretty good that stocks will be higher a year from now, and probably much higher in the next several years.

Growth of $100K
1/1/91–3/31/20



See important disclosure notice on next page.

COMPARISON OF INVESTMENT RESULTS

January 1, 1991 to March 31, 2020

	Martin Capital Advisors[1]	S&P 500	Russell 3000	Barclays Aggregate Bond Index	3 Month T-Bill	Consumer Price Index
Total[2]	2237.8%	1333.3%	1364.0%	430.2%	110.1%	93.3%
Avg.[3]	11.4%	9.5%	9.6%	5.9%	2.6%	2.3%

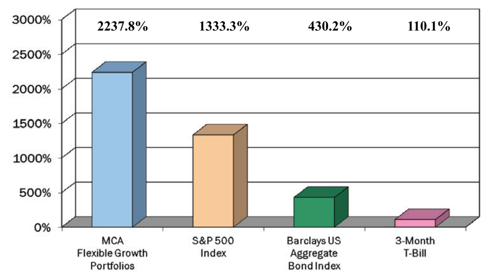
[1]Total performance, net of commissions, fees, and expenses of all Martin Capital Advisors’ *Flexible Growth Portfolios.*
[2]Total compounded return, including reinvestment of dividends and interest. [3]1991-2020 annualized return.

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

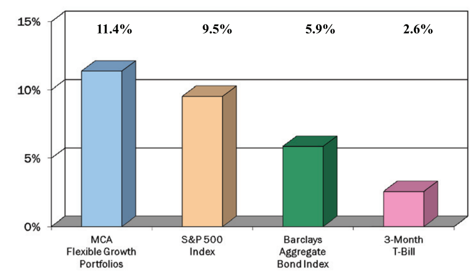
RELATIVE LONG-TERM PERFORMANCE

January 1, 1991 to March 31, 2020

Total Return



Annualized Return



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

MCA FLEXIBLE GROWTH PORTFOLIOS TOP 20 STOCKS

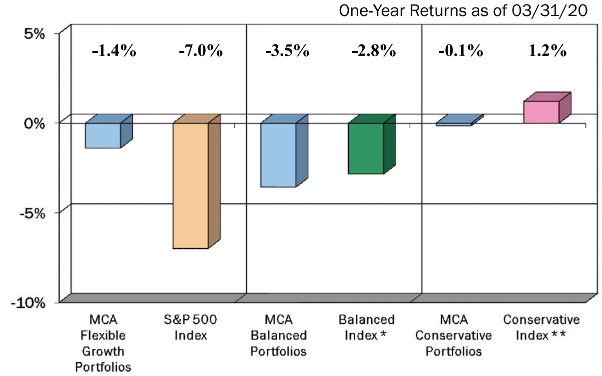
as of March 31, 2020

1	Apple	254.29	6	IDEXX Laboratories	242.24	11	Texas Instruments	99.93	16	DaVita	76.06
2	Intuitive Surgical	495.21	7	Visa	161.12	12	Blackrock	439.97	17	Nasdaq	94.95
3	MasterCard	241.56	8	Costco Wholesale	285.13	13	Intercontinental Exchange	80.75	18	Oracle	48.33
4	Starbucks	65.74	9	Square	52.38	14	Tractor Supply	84.55	19	Charles Schwab	33.62
5	Edwards Lifesciences	188.62	10	US Physical Therapy	69.00	15	IPG Photonics	110.28	20	Alphabet Cl A	1161.95

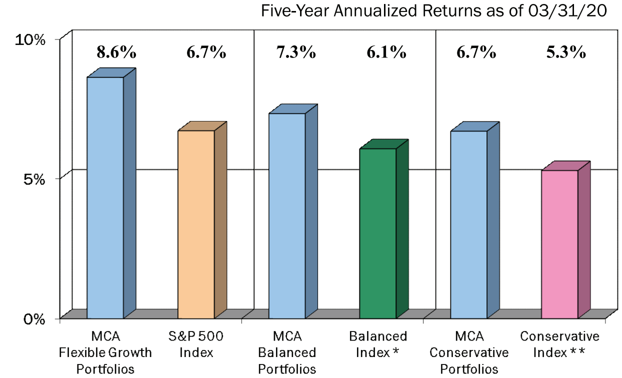
INVESTMENT RESULTS

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

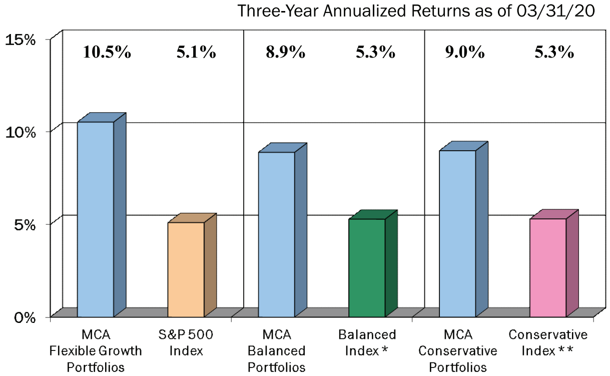
One-Year Returns as of 03/31/20



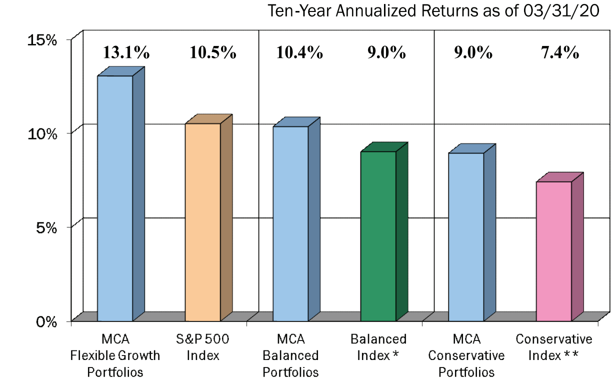
Five-Year Annualized Returns as of 03/31/20



Three-Year Annualized Returns as of 03/31/20



Ten-Year Annualized Returns as of 03/31/20



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 03/31/2020, the *MCA Flexible Growth/Balanced/Conservative* portfolios' returns represent, respectively, 40/6/1 individual portfolios and 75%/20%/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 has been independently verified for the periods January 1, 1991 to December 31, 2019 by Dabney Investment Consulting Associates, Inc. The verification reports are available upon request. The listed composites contain all fee-paying accounts with an investment strategy as indicated by the composite title. Non-fee paying or nondiscretionary portfolios are excluded from the composites, but are included in the definition of total firm assets. Performance results are expressed in U.S. dollars. To receive a complete list and description of Martin Capital composites and a presentation that adheres to the GIPS standards, 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 claims compliance with the Global Investment Performance Standards (GIPS®).

Returns are shown in U.S. dollars net of fees.

Martin Capital Advisors, LLP has been independently verified for the periods January 1, 1991 to December 31, 2019 by Dabney Investment Consulting Associates, Inc. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

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.

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% Barclays 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 Barclays U.S. Aggregate Bond index is made up of the Barclays 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.

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% Barclays 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 Barclays U.S. Aggregate Bond index is made up of the Barclays 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.

Since inception these strategies have had no material use of leverage, derivatives, or bonds on the composite level.

To receive a list of composite descriptions of MCA and/or a compliant presentation, contact Darby Ivins at (210) 694-2100, ext. 2, or darby@martincapital.com.