INVESTMENT PERSPECTIVE by Paul Martin, Managing Partner

“It was the best of times, it was the worst of times…”

August 1, 2020

Charles Dickens’ novel, *A Tale of Two Cities*, begins with: “It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair…” The performance of the stock market this year reflects Dickens’ observations on the contrary aspects of the world, as most notably demonstrated in the huge disparity in the returns of stocks in different sectors. While most tech stocks have fared very well since the market bottomed in March, other sectors, such as energy and travel companies, have barely begun to recover.

Most commentators on the financial markets have been scratching their heads over the wide dispersions in performance, but it’s really very simple: companies that have been able to take advantage of the COVID-19 storm have risen in price and companies that have not weathered the storm well are still struggling to survive and so have been unable to bounce back from their precipitous declines in the spring.

In the last edition of *The Compass* I said that the very accommodative position the Federal Reserve moved to in March would be positive for stocks, and that has proven to be the case thus far. Although other variables may come into play in the near-term, the probability is high that the stimulus being provided by the Fed will continue to support the economy and the stock market for the foreseeable future.

The big question is what further measures Congress may take to maintain the support it has already provided to an economy in freefall. It seems most likely that additional support will be forthcoming soon, adding on to the massive injection of liquidity being supplied by the Fed.

Interestingly, many market prognosticators have been expressing concerns about the inflationary consequences of massive debt increases and economic stimulus. Although the return of higher inflation will hurt fixed income prices, it should be great for the economy and the stock market, just as it was for thirty years after the Great Depression and World War Two.

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COMPARISON OF INVESTMENT RESULTS

<table>
<thead>
<tr>
<th>Martin Capital Advisors¹</th>
<th>S&amp;P 500</th>
<th>Russell 3000</th>
<th>Barclays Aggregate Bond Index</th>
<th>3 Month T-Bill</th>
<th>Consumer Price Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total²</td>
<td>2921.4%</td>
<td>1627.7%</td>
<td>1686.5%</td>
<td>445.6%</td>
<td>110.2%</td>
</tr>
<tr>
<td>Avg³</td>
<td>12.2%</td>
<td>10.1%</td>
<td>10.3%</td>
<td>5.9%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

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.
³1991-2020 annualized return.

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INVESTMENT RESULTS

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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 June 30, 2020

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Price</th>
<th>Total Return</th>
<th>Annualized Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Apple</td>
<td>364.80</td>
<td>2931.4%</td>
<td>11.6%</td>
</tr>
<tr>
<td>2</td>
<td>Intuitive Surgical</td>
<td>569.83</td>
<td>3627.7%</td>
<td>11.1%</td>
</tr>
<tr>
<td>3</td>
<td>Square</td>
<td>104.94</td>
<td>444.6%</td>
<td>11.4%</td>
</tr>
<tr>
<td>4</td>
<td>MasterCard</td>
<td>295.70</td>
<td>318.2%</td>
<td>10.9%</td>
</tr>
<tr>
<td>5</td>
<td>IDEXX Laboratories</td>
<td>330.16</td>
<td>310.2%</td>
<td>10.8%</td>
</tr>
</tbody>
</table>

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 06/30/2020, the MCA Flexible Growth/Balanced/Conservative portfolios’ returns represent, respectively, 40/7/1 individual portfolios and 75%/21%/1% of all funds under management by MCA. Clients explicitly elect these management styles on their Personal Data Form.

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.

www.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.