

THE COMPASS

November 2020

A Quarterly Newsletter of Martin Capital Advisors, LLP

INVESTMENT PERSPECTIVE by Paul Martin, Managing Partner

“Onward, through the Fog!”

November 11, 2020

When I was a sophomore at the University of Texas at Austin, just before I was drafted into the Army, I bought a small wooden paperweight that says “Onward, through the Fog!” Admittedly, the saying has several connotations, but I like to focus on the idea of navigating through uncertainty as best you can, knowing that when the fog eventually lifts there will be better days ahead.

Today, we are in a fog of uncertainty caused by several unknowns consisting primarily of a viral pandemic and a

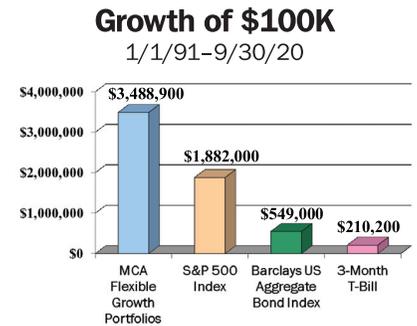


disputed election. However, the time-honored adage “This, too, shall pass” comes to mind as a confirmation that we will make it through the fog, perhaps sooner than later.

So, we can all debate the positive and negative consequences of the election and how deadly COVID-19 may be, but we have a great country that will persevere. Also,

in the meantime, the Federal Reserve has our financial back, as I have pointed out in the last two newsletters. This is why stocks are doing well this year, despite all the doubts about where the future may lead.

While I always hesitate to



See important disclosure notice on next page.

make short-term guesses about where the stock market may be in the near future, I am fairly sanguine that the stock market will be higher a year from now and probably will be much higher several years from now. That said, the Fed’s push for additional stimulus and higher inflation to strengthen the economy, which is also positive for stocks, is a major negative for fixed-income securities in the long-term, and investors should take this into account in their asset allocations.

Onward, through the Fog!

COMPARISON OF INVESTMENT RESULTS

January 1, 1991 to September 30, 2020

	Martin Capital Advisors ¹	S&P 500	Russell 3000	Barclays Aggregate Bond Index	3 Month T-Bill	Consumer Price Index
Total ²	3388.9%	1782.0%	1851.0%	449.0%	110.2%	94.3%
Avg. ³	12.7%	10.4%	10.5%	5.9%	2.5%	2.3%

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.

— See Important Disclosure Notice on last page. —

MARTIN CAPITAL
ADVISORS

RELATIVE LONG-TERM PERFORMANCE

January 1, 1991 to September 30, 2020

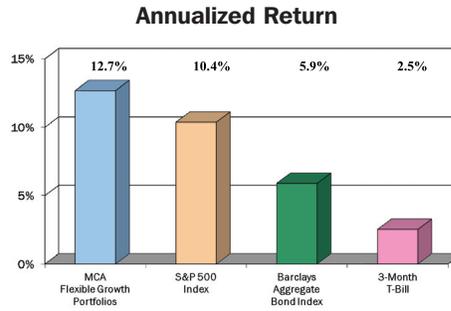
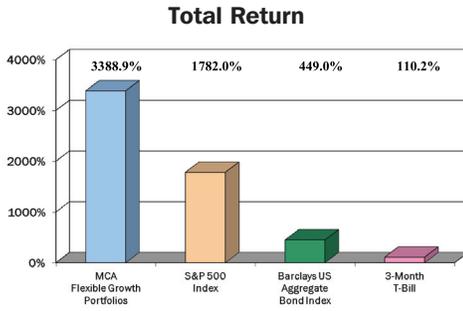


A Quarterly Publication of
MARTIN CAPITAL
ADVISORS, LLP

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

210-694-2100

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



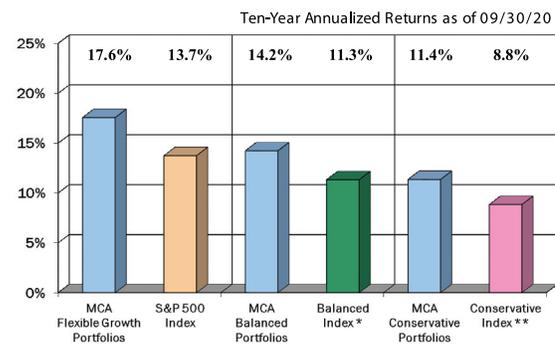
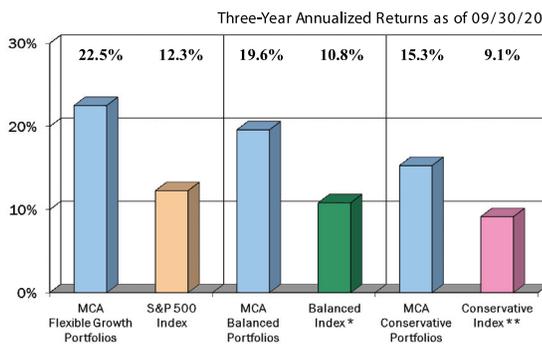
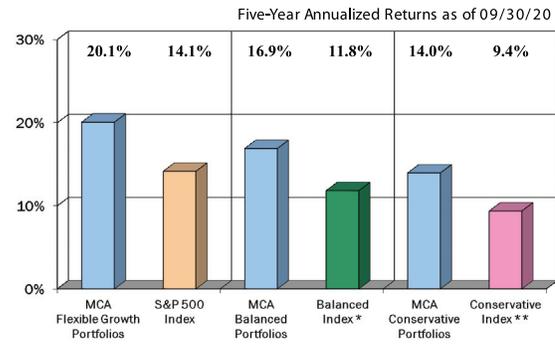
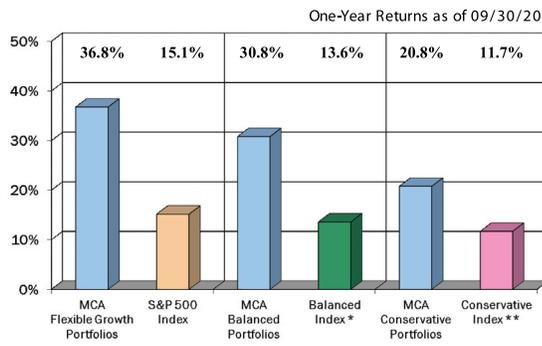
MCA FLEXIBLE GROWTH PORTFOLIOS TOP 20 STOCKS

as of September 30, 2020

1 Apple	115.81	6 Starbucks	85.92	11 Texas Instruments	142.79	16 Trex	71.60
2 Square	162.55	7 Edwards Lifesciences	79.82	12 IPG Photonics	169.97	17 Intercontinental Exch.	100.05
3 Intuitive Surgical	709.54	8 Visa	199.97	13 Paypal Holdings	197.03	18 Nasdaq	122.71
4 MasterCard	338.17	9 Costco Wholesale	355.00	14 US Physical Therapy	86.88	19 Toll Brothers	48.66
5 IDEXX Laboratories	393.11	10 Tractor Supply	143.34	15 Blackrock	563.55	20 Alphabet Cl A	1465.60

INVESTMENT RESULTS

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



* 75% S&P 500 Index + 25% Barclays US Aggregate Bond Index

** 50% S&P 500 Index + 50% Barclays US Aggregate Bond Index

* 75% S&P 500 Index + 25% Barclays US Aggregate Bond Index

** 50% S&P 500 Index + 50% Barclays US Aggregate Bond Index

* 75% S&P 500 Index + 25% Barclays US Aggregate Bond Index

** 50% S&P 500 Index + 50% Barclays US Aggregate Bond Index

* 75% S&P 500 Index + 25% Barclays US Aggregate Bond Index

** 50% S&P 500 Index + 50% Barclays US Aggregate Bond Index

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 09/30/2020, the MCA Flexible Growth/Balanced/Conservative portfolios' returns represent, respectively, 39/7/2 individual portfolios and 75%/20%/2% 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.