

## Navigating Inflation with SMAs

Navigating allocation decisions in the face of rising inflation requires more careful stock selection than the current set of passive investment-based alternatives can deliver. Responding to dynamic changes in inflation, taxes, zero interest rates to higher ones, and fiscal policy dominance necessitates an adaptable strategy focused on changing investing environments. By integrating a fundamental analysis through a quality screen of a company's profitability, cash flow and stewardship, SMAs deviate from the broader markets of passive investors to understand changes on a company level.

We at Martin Investment Management, LLC believe that inflation distorts the book value of a company and the real value of a firm's balance sheet assets. It can impact nominal discount rates and the year-over-year comparison of financial statement data. A robust investment process adjusts for impacts such as inflation.

Investors benefit from separating the high profitability growth stocks from the low profitability ones before blanketly assuming that inflation is equally detrimental for all growth stocks. Companies with a strong competitive advantage should be better equipped to raise prices to offset inflationary pressures. If a firm relies on fixed-rate liabilities, rising inflation provides a benefit by lowering the real value of liabilities.

We have taken pride in managing the complexities of SMAs since 1989. With over 100 years of combined experience, our portfolio managers have a long heritage in understanding the benefits of wealth creation and capital preservation which SMAs strive to obtain. Our experience in domestic and international markets, economic expansions and recessions is evident in our expertise and track record. Our five strategies have been recognized for superior performance over several decades.

While inflation is one example, our dynamic and collaborative team uses a long-term approach to investment management. Our portfolio managers have the patience and the perseverance required to appreciate nuances in the marketplace and most importantly the power of compounding returns over time.

Owning individual equities within a SMA allows advisors to customize client portfolios, enhance tax management, and provide transparency through comprehensive reporting. Clients can choose to grow their capital, increase retirement income, or align their portfolio with their personal values. While the enhanced tax management, portfolio customization, and broad transparency are often cited as the main benefits of SMAs, investment expertise and professional oversight are equally significant.

### Due Diligence

We have established proprietary methods to review individual company fundamentals through a disciplined valuation process, taking into consideration market risks which may influence a portfolio's performance. We review the intrinsic value of investable companies, their growth, and the market price buy them. By holding a focused portfolio of 25 to 30 names, we aim to address what matters most to investors, return on their investments.

As investors increasingly prefer to hold a basket of more passive alternatives, we have confidence that our SMAs provide an opportunity for investors to hold individual companies. Existing passive approaches can rely on overly simplistic metrics to represent an increasingly complex economic reality. They have failed relative to a complete proprietary approach. The importance of objective repeatable factors, such as traditional security analysis and valuation, cannot be understated.

**Martin Investment Management, LLC is a SEC registered investment advisor, located in Palm Beach Gardens FL and Evanston, IL. The firm offers separately managed accounts (SMAs) in five strategies covering the U.S., non-U.S. developed world, and global equities. Its strategies have earned 194 PSN Top Gun Awards highlighting the Best-in-Class SMAs.**