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MARKET

With no shortage of drama, 2009 has been a much more pleasant year than the eventful yet dreadful 2008. For the year, the S&P500 has returned about 26% (including dividends), in contrast to a 38% decline in 2008. The big lesson that investors learned in 2009 was to “stay the course.”

Here is how the year looked, month by month, along with major events:

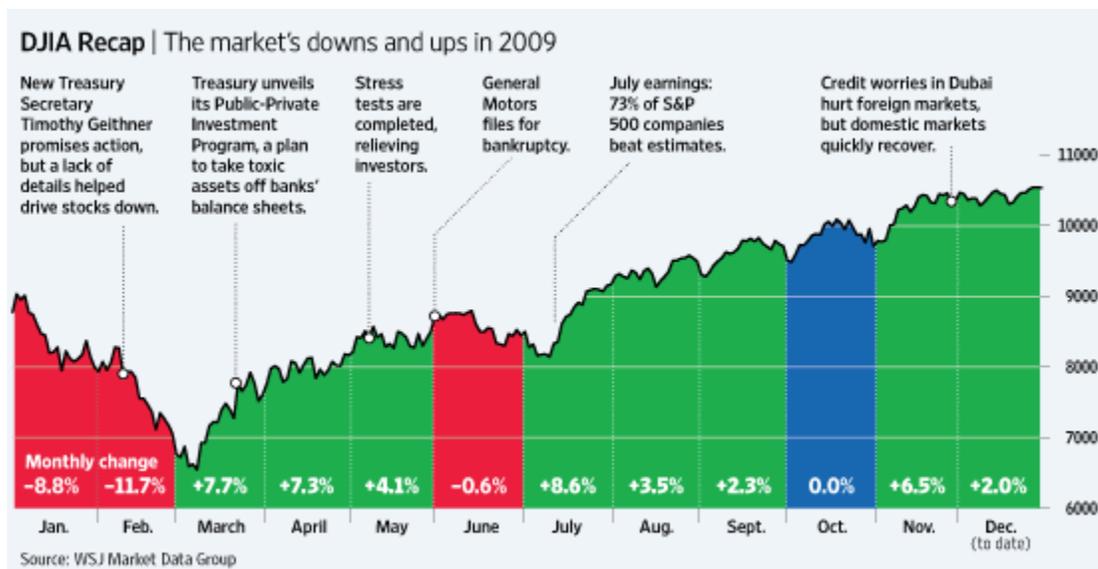
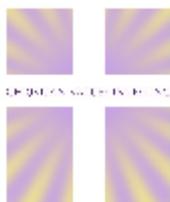


Chart courtesy of Wall Street Journal.

The end of 2009 also marks the end of the decade. On the next page, you will see a chart depicting the price performance of the Dow for each decade since 1900. As you can see, from the close of 1999 through 2009 was the second worst performance on record. Only the Great Depression decade of the 1930s was worse.



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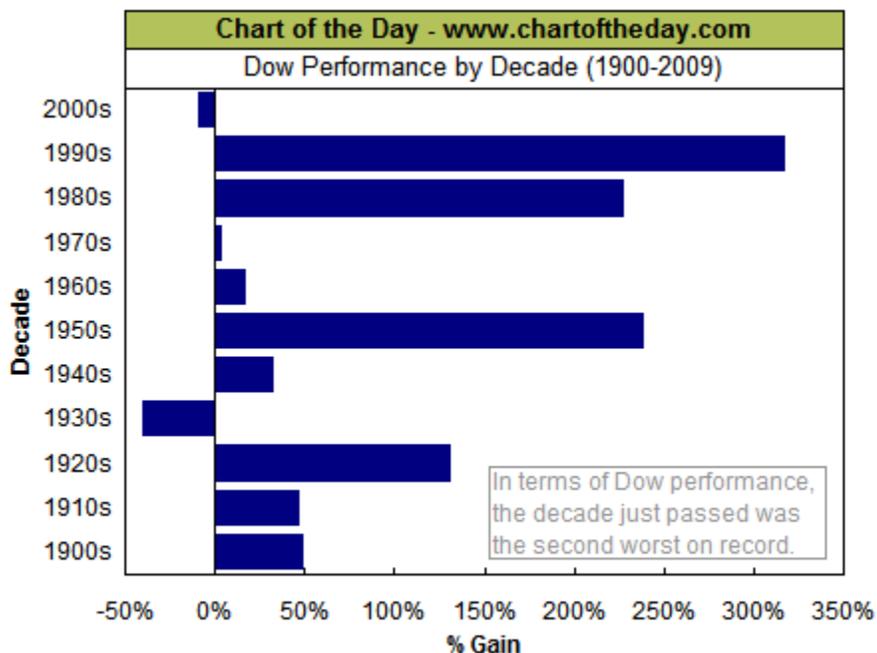
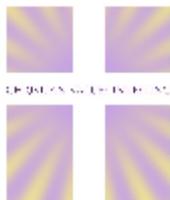


Chart courtesy of Chart of the Day.

The Standard & Poor's 500 index lost about 24% during the last decade. This left stocks worth \$2.5 trillion less today than when the decade began. Without a doubt, greed created the stock market bubble that eventually burst. New ideas about where to invest seemed foolproof and greed crowded out doubts. Many investors looking for the best returns failed to see the potential problems with an Internet business that had no sales plan, or that thousands of expensive homes bought with no down payment might end up in foreclosure. Once again, the Bible is proven true. Proverbs 22:8 tells us, "Greedy people try to get rich quick but don't realize they're headed for poverty."

As stated in our October newsletter, we believe that recession is over. Although there has been no formal announcement, the consensus is the US finally exited one of the longest recessions in its history over summer, with 3rd quarter GDP growing at an annualized 2.8%. Just as important, financial institutions are no longer on the brink of collapse and investors are not in panic mode any more. We believe as the economy strengthens we will see rising interest rates in late 2010. The Federal Reserve can't keep the target on its key federal funds rate at 0% to 0.25%



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forever. A recovering economy will push interest rates higher. Rising interest rates should strengthen the dollar.

PERSONAL MESSAGE

During the past few months the thought of self discipline has been on my heart. I believe most investors including Christian investors lack self-discipline. Self-discipline is important in any endeavor of life. It's best defined as the ability to regulate one's conduct by principle and sound judgment, rather than by impulse, desire, or social custom. Biblically, self-discipline may be summarized in one word: obedience. To exercise self-discipline is to avoid evil by staying within the bounds of God's law.

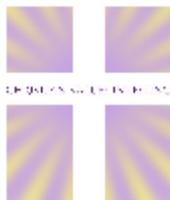
Investors who have the ability to concentrate, focus on their goals, and consistently stay within their priorities tend to succeed. Whether in investing, marriage, academics, the arts, or athletics, success generally comes to the self-disciplined.

Since self-discipline is so important, how do you develop it? How can an investment advisor help their clients develop it? Here are some practical tips that I've found helpful:

Start with small things. Have a budget and a financial plan. Train yourself to live by the budget. Proverbs 21:5 says, "The plans of the diligent lead surely to advantage, But everyone who is hasty comes surely to poverty." For some, the cause of poor planning is a lack of "know how" and not insufficient motivation. The objective of a financial plan is to meet your life long financial goals. This will often include: risk management, capital accumulation, retirement, reduction of taxes, and estate distribution. It has been our experience that the average investor may need planning more than those with great wealth because they have more to lose and less opportunity to recover from poor financial decisions.

Learning self-discipline in the little things, like living on a budget and having a financial plan prepares the way for big successes. If you have a budget and a financial plan, but you do not have the self-discipline to live by them they will not take you where you want to go. Those who are undisciplined in small matters will likely be undisciplined in more important issues. In the words of Solomon, it is the little foxes that ruin the vineyards (Song of Sol. 2:15). And when it comes to finances and investing there are many small issues.

Get yourself organized. Make a schedule, however detailed or general you are comfortable with, and stick to it. Have a to-do list of things you need to accomplish. Using a daily planning book or a personal information manager program on your computer would be



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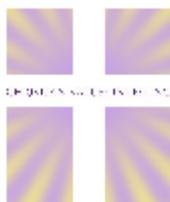
helpful. Do the most difficult tasks first. Most people do just the opposite; spending their time doing the easier, low priority tasks. But when they run out of time (and energy), the difficult, high-priority tasks are left undone. The bottom line is to get organized, even if all you do is jot down appointments and to-do items on a piece of scrap paper. The simple reality is that if you don't control your time, everything (and everyone) else will.

Manage time. If you're supposed to be somewhere at a specific time, be there on time. The apostle Paul listed proper use of time as a mark of true spiritual wisdom: "Be careful how you walk, not as unwise men, but as wise, making the most of your time, because the days are evil" (Eph. 5:15-16). Being punctual marks a life that is organized. It reveals a person whose desires, activities, and responsibilities are under control. Being on time also acknowledges the importance of other people and the value of their time. If you are one that is perpetually late---stop it. Manage and make the most of your time.

Practice self-denial. Learn to say no to your feelings and impulses. If purchasing that boat or dress will kill the budget, don't do it. Don't purchase that new suit after you received a cash gift. Instead invest that cash bonus. Refraining from impulsive purchases keeps you in charge.

My last thought on the subject of self-discipline. The Apostle Paul compares us to an athlete in 1 Corinthians 9:24. The athlete that trains to win certainly wouldn't do things that were counterproductive to his plan. He wouldn't work the wrong muscles, he wouldn't shortcut his sleep, he wouldn't eat wrong foods, and he wouldn't drink alcoholic beverages. However, many investors are spending more than they earn, listening and receiving advice from the wrong sources, watching and listening to the hype on the financial TV channels, reading newspapers, magazines and books that are working the wrong muscles. They are feeding their budgets and their financial plans the wrong food, while intoxicating their minds. Don't be one of them!

Make it a point in 2010 to be self-disciplined and not to do things that are counterproductive to your budget and financial plan.



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MODEL PORTFOLIOS

2009 is now over. Overall, we had a very good year. Our model portfolios beat their comparable indexes by a good margin.

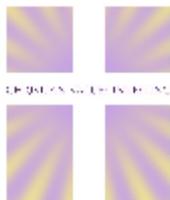
Here is how our models performed in 2009:

| | Year to date performance (01/01/2009 to 12/31/2009) | Comparable Index performance (01/01/2009 to 12/31/2009) |
|------------------------|--|--|
| Faith | 50.51% | 29.25% |
| Hope | 47.70% | 29.25% |
| Sanctuary | 25.39% | 18.03% |
| Joseph | 27.85% | 29.95% |
| David | 47.95% | 29.25% |
| Solomon (mutual funds) | 25.68% | 29.25% |

"Faith" our flagship portfolio was up 50.51% compared with 29.25% for the FTSE KLD 400 Social Index. Also note that once again, the FTSE KLD 400 Social Index has outperformed the S&P 500 index (29.25% vs. 26.46%). This was a good year and it was the fourth straight year that the faith portfolio has beaten the index.

Since the inception of the Faith portfolio (10/2005), we've made 22.48% compared with -3.86% for the FTSE KLD 400 Social Index (including dividends). Best of all, our annual turnover has been around 25% which means we change about five stocks a year.

We are still in the building stages of our new capital preservation portfolio that we mentioned last year. As stated earlier, this portfolio will be named the "Trust Portfolio" because it will be suitable for investors whose primary goal is preservation of capital. This portfolio will seek capital preservation as well as the opportunity for income and growth. The portfolio's chief aim is to preserve capital above investment return. Hopefully, we will have this portfolio in place during the spring of this year.



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CONCLUSION

We at Christian Values expect to see slow, steady growth in first half of 2010. As the Fed leaves interest rates unchanged; the dollar will continue to fall, and stocks will continue to rise. This trend should continue — at least in the first half of the year. We also believe that earnings growth for companies during the first half of the year will beat analyst expectations. This will happen because aggressive cost cutting measures over the past eighteen months have boosted profit margins across the board.

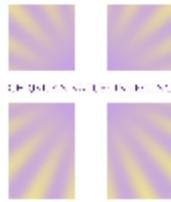
The second half of the year could present a different story. We believe that interest rates will start to go up some time during the second half of the year. When this happens, stocks will most likely retreat, the dollar will gain in value, and gold prices will drop. The first half of the year should be better than the second.

Because the world is so unstable and cycles from boom to bust can devastate one's savings, it is always wise to invest in the "eternal." People need to build up treasures in heaven where moth, rust, greed, thieves, and a poor economy cannot touch (Matt 6:19). Building treasures in heaven include relationships, the joy of giving, and becoming a better person. These type treasures are not like treasure on earth. It does not wear out, it cannot be stolen, it does not fade. Once you have it, you have it forever - even death cannot take it away.

We at Christian Values continue to be grateful for the opportunity to serve your investment & financial planning needs. Please do not hesitate to contact us if you have any questions or if we can be of any assistance. Also, a current copy of our ADV is available upon request. Also, a current copy of our ADV is available upon request.

BIBLICALLY RESPONSIBLE INVESTING (BRI)

Christian Values Investing (CVI), founded in 1993, is a leader in the field of investing with a Christian perspective, known as Biblically Responsible Investing (BRI). *By employing a BRI approach to investing, Christian Values seeks to achieve long-term capital gains through ownership in securities of companies that are a blessing to mankind. Conversely, we seek to avoid profiting from owning companies engaged in sinful activities that bring physical and spiritual loss to our fellow man. Our heart's desire is to do no harm to our fellow man in the process of being the best possible guardians of the wealth the Lord has given us stewardship over.* The Bible is the word of God and a manual for living. Many people would be surprised to know that in the Bible there are over 2,000 references to money and possessions. God cares



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about what we do with that which he has entrusted to us. At Christian Values, we are committed to invest in a way that honors God.

Below are just some of the issues of concern to Christian Values Investing and the specific sinful activities that fall into each category:

1. We desire **justice and mercy for the defenseless** so we screen out companies involved in:

- Abortion
- Life destroying or distorting scientific research
- Human rights issues such as religious persecution, terrorism and political oppression

2. We desire **justice and mercy for the poor** so we screen out companies involved in:

- Greed-based marketing techniques
- Discrimination and unjust labor practices
- Any abuses of the poor, children and/or the elderly

3. We have **compassion for those addicted and/or engaged in sinful lifestyles** so we screen out companies involved in:

- Alcohol, Gambling and Tobacco
- Pornography
- Homosexuality

4. We want to **protect marriage and the family** so we screen out companies involved in:

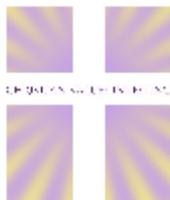
- Entertainment that seeks to destroy biblically-based attitudes
- Efforts to promote lifestyles the Bible indicates are sinful

Additionally, we favor companies that clearly embrace:

- Honesty, Compassion, Diligence, Prudence and Creativity
- Support for quality products at fair prices and constructive stakeholder relations
- Support for a sustainable and healthy environment
- Support for charitable giving
- Support for the Jewish people and the state of Israel

Armed with this information, we are then prepared to make as strong an effort as possible to build investment portfolios that reflect our client's biblically-based Christian worldview.

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