



Christian Values Investing Inc.

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MARKET

All three major indices had double-digit gains for the year. The Dow finished the year at its highest level since August 2008, before the height of the financial crisis. The S&P had its best December gain in nineteen years. The Dow Jones industrial average rose 11 percent, to close the year at 11,577.51. The Standard & Poor's 500 index gained 12.8 percent, and the Nasdaq composite index rose 16.9 percent.

The numbers hide the fact that it was a rocky year. Stocks plunged in the spring after Greece required an emergency bailout to deal with its debt crisis. The May 6 "flash crash," which sent the Dow down to a loss of nearly 1,000 points in less than a half hour, also rattled investors.

Stocks came back in the last two months of the year after the Federal Reserve announced a \$600 billion bond-buying program to lower interest rates and stimulate the economy. Investors were also encouraged by an extension of Bush-era tax cuts and improving economic reports on unemployment, retail sales and consumer confidence.

Commodities finished 2010 at their highest levels in years. The jump in prices has been driven by China's seemingly insatiable demand for raw materials and speculators betting that they could profitably ride the momentum higher. Gold closed the year at \$1,421.40 an ounce, up roughly 31 percent for the year. Copper surged more than 40 percent. Corn finished the year at a more than two-year high of \$6.29. Crude closed the year at \$91.38 a barrel. Its rapid rise has some predicting \$100-a-barrel oil is just around the corner, and with it, higher prices at the pump.

The U.S. dollar is expected to outperform most of the world's major currencies next year. The reason being, the economies of Europe and Japan are in worse shape than the US economy. This makes the yen, the euro and the British pound riskier bets in 2011. A notable exception is the Chinese yuan, which is likely to rise next year as Beijing fights inflation. For the year end 2010, the euro fell 8.3 percent against the dollar and the pound fell 2.5 percent against the dollar. But the dollar was down 12.2 percent against the yen.



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PERSONAL MESSAGE

Do you feel or have you felt there is something God is working on in your life? Something you have desired that God has promised you, but that has not come to fruition? Be patient and wait on God, for He will finish what He starts. If it is His will, His promise for you, you will surely attain it. When God gives you a promise or rather when you get a revelation of God's promise in your life, you need to hold on to it. It is the devil's aim to take from you your faith in God's promises. Just as the seeds that are sown by the wayside are eaten by the birds (Matthew 13:19), so Satan wants to take God's promise from you. It is inevitable that each one of us will face challenges, trials, temptations and hardships through life. The devil would have you believe that these problems are too much, life is too hard, there's just no point! While God will say to you "My son, my daughter, hold onto My promises for nothing is too difficult for me. I'm going to see you through. Focus on My promises...not your problems." King David said "***I cling to Your testimonies; O Lord do not put me to shame!***" ***Psalm 119:31***. In effect he was saying I'm not letting go of your promises, they mean everything to me and I need to see them work in my life; please don't let me end up looking like a fool! We also need to *cling* to God's promises, kind of like a baby clings to his or her mother. In that mother's arms there's assurance, safety and protection. God's promises act not only as assurance, but also as a shield from the lies of Satan (Proverbs 30:5).

God's promises deal with all aspects of our life - our health, relationships, finances, family, work, love, etc. You have to search God's Word, find His promises and hold onto them. Speak His promises over your life. Thank Him for His promises that are in your life. Whenever you speak God's promises on your life, its manifestation draws nearer. Whenever you thank Him for them, you remain in His will. So if, for example, the devil tries to tell you something like 'You're sick and you'll never be well.' you say 'No I don't think so, God promised me that...by His stripes I was healed.' ***1 Peter 2:24***. Then you turn your attention to God and say 'God I thank you for your promise...it's in you I put my trust.' Even at times when it seems the hardest, don't give up. Don't entertain Satan's thoughts. He's not worth your time!

We are to continue believing God's promises through faith. Faith is a gift from God that he grants to people when they hear, read study and remember His Promises (His Word). Faith is nothing more and nothing less than expecting the best. Whether it's investments or in your family, if you have faith in someone you expect the best from them, you believe in them. The same holds true with our Christian faith. We expect the best from God.



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If you are a person that doesn't know if God has promised you something great; start reading the Bible and praying that God would reveal His mighty Word and promises to you. We can't expect God to do great and mighty things in our life, if we aren't even willing to ask him. We are not to give up on our prayers, even if we have been praying for years. If and when you come to a place in life and feel you had absolutely nothing but a promise from God, then you have enough.

MODEL PORTFOLIOS

Christian Values Investing is committed to excellence in Biblically-Responsible Investing (BRI). BRI is a distinctly Christian form of Socially Responsible Investing. Our research identifies those companies whose behavior is in conflict with our deeply held Christian beliefs so that we can avoid being co-owners in these companies. We view this additional due diligence on our part as a logical extension of the stewardship responsibilities God has entrusted to us.

We believe that God has called us to be good stewards over all that He has entrusted to us – including the investments He allows us to manage at any point in time. Accordingly, we should seek a good return on these investments; yet, do so within the context of aligning ourselves with God's purposes. Through Biblically-Responsible Investing, we take a reasonable approach, seasoned with grace, utilizing both positive and negative screening criteria; in this we hope to honor God and to influence our culture to adopt Biblical perspectives on important cultural issues.

Our models portfolios once again faired really well versus the market. Our flagship portfolio, "The Faith" portfolio is up 28.64% compared to 11.89% for the FTSE KLD 400 Social Index. Our higher risk portfolios (David & Joseph) were up 36.55% and 45.77% respectively.

Our balanced portfolio (The Sanctuary) was up 18.60% compared to 8.55% for the balanced index. The Refuge portfolio that was launched at the end of April was up 15.51% compared to 4.0% for the index.

The Trust portfolio, our capital preservation portfolio was launched in late August of 2010 was up 1.83%, compared to a negative .12% for the index.



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CONCLUSION

Stocks could produce another good year for investors. For starters, 2011 will be the third year of Barack Obama's administration, and there hasn't been a down year in Year 3 of a presidential administration since 1937. The Dow Jones industrials have averaged a 19% gain over the last seven year 3's of a president's first term. However, there are positive and negative things happening as we enter into 2011. On the positive side, U.S. manufacturing is gaining strength, and the credit market is coming back alive. Consumers seem to be gaining confidence about the direction of the country.

Here is the negative. Unemployment will remain high. Oil prices are rising and gas could hit four dollars a gallon by September. Our National debt could hit the 14.2 trillion dollar debt ceiling by early spring opening the door for Congress to increase our debt. Europe may not be able to solve its financial crisis.

As the economy picks up steam, the Federal Reserve will be pressured to increase interest rates. Higher interest rates put downward pressure on stock prices -- because companies have to pay more to raise capital, because higher interest rates slow the economy (and thus lower revenues and profits), and because the more bonds, CDs and other fixed-income investments pay, the more competition they pose to stocks for investors' cash. If the Fed gets aggressive this year on raising interest rates, it would be bad news for the stock market.

With all that said, we are barely on the bullish fence for 2011 and this could change before year-end. We believe the market has the potential to return 8 to 10% for equity investors. As oil prices increase, we believe the market will initially overlook the price increase. But eventually inflation will become a fear and the market could retreat.

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.



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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 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



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- 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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