

## Christian Values Investing Inc.

*"serving morally responsible investors"*

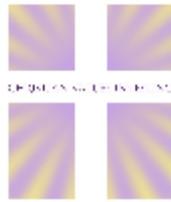
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### MARKET

I'm perplexed on how to start this month's newsletter. So much has gone on since our last quarterly newsletter that I'm at a loss for a starting point. For starters, the economy is still weak, but it is not on a declining trend. Over the last three months, we have had bailout packages, a ragging bear market, and here recently the Obama administration is considering splitting up the "good" and "bad" assets of General Motors and Chrysler and forcing them into bankruptcy. The one bright spot is that within the last three weeks there have been signs that this bear market might be over.

These signs include that the consumer confidence index inched up in March after plummeting to historic lows in February. If Wall Street can get more evidence that the economy has bottomed out, and we believe it will, the stock market has a better chance of making up the sharp losses logged in the first two months of the year. The Dow is still down 12.6 percent for 2009, but it has jumped 21 percent in less than three weeks following a government plan for cleaning up bad assets from banks and reassuring remarks from the CEOs of several banks who said their businesses did well in January and February. The Dow was up 8.6% in March; its first gain after six months of losses. March was the best month for the S&P 500 since October 2002. In case you forgot, October 2002 was the end of the 2000 bear market and the start of the bull market that ran from October 2002 to October 2007.

We believe now is a great time to invest. It's tempting to stay on the sidelines with so much negative press, but investors should consider taking advantage of today's rock-bottom prices. The 2007-09 bear market has been the worst since the Great Depression, and much more savage than that of 2000-02. These two deep bear markets have occurred in less than a decade and we are under the impression that it may have poisoned many people against investing in common stocks. We also believe the stock market is presenting investors with one of the greatest buying opportunities in the past twenty-five years. Since the peak in October 2007, the S& P 500 was down 56% by March 9, 2009. A good indicator that it is time to consider investing in stocks is when the typical investor gets to the point where they hate stocks. The opposite is also true. When investors love stocks is usually a good indicator that it is time to consider selling stocks. Do not get caught in the mind-set of thinking that the current situation is how it will always be. Economies and markets change. We will not always be in a recession, nor will our banking situation always be in crisis mode, neither will the stock market always be bearish. The only thing that will not change is God. The Bible tells us, "I the Lord do not change" (Malachi 3:6). Hebrews 13:8 tells us "Jesus Christ is the same yesterday and today and forever."



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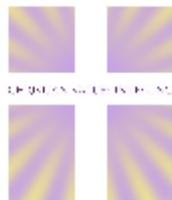
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We are looking and anticipating change in the market and economy. As we all know, all changes are not good. However, we are looking for a positive change in both the economy and market. Monetary and fiscal stimulation has been put into place. Interest rates are very low and this is a good incentive to borrow and invest. The Financial Standards Accounting Board (FSAB) has made it easier for banks to limit loses by changing the Mark to Market rules. This will allow banks weighed down by troubled assets not to take an earnings hit when assets run into trouble. This should allow banks to loosen up on credit causing more money to flow into the economy. Under the old law, the writing down of bad loans often caused the bank's capital to go below regulatory requirements.

We do believe the long-term effect of excessive government spending will be inflation. This could be years into the future. In our opinion, the bulk of our problem with the stock market and the economy has been greed. "The seed" (the role, laws and stance) our government plants today will not bloom or come to maturity until years down the road. What we are now observing in our economy and stock market recently was years in the making. The relaxing of mark to market rules for banks could open the door for corporate management to fudge the truth about the value of its problems assets. This may cause problems down the road. However, short-term it will help ease the credit crisis we are now witnessing.

Another rising concern among investors is the rate of unemployment. The U.S. unemployment rate rose to 8.5 percent in March, the highest in 25 years. A total of 5.1 million jobs have been lost since the recession began in December 2007. According to Catherine Holahan (a writer for MSN Money), the real national unemployment rate is far worse than the U.S. Department of Labor's March figure. She says, "The official rate doesn't include the 3.7 million-plus people who are reluctantly working only part time because of the poor labor market. And it doesn't include the workers who have given up finding a job." When those folks are added to the numbers, the unemployment rate rises to 15.6%.

The employment situation on the horizon will probably look worse in the months to come. Typically, unemployment peaks six months to a year after the economy starts to recover. So, the recovery could be in place for a full year before you see unemployment rates turnaround. The recent stock market rally could be a harbinger of economic recovery. However, that doesn't mean that the economy has turned around. Usually, a stock market rally happens because of the anticipation of a turnaround is near. We also believe that we could reach double digit unemployment before we see a turnaround in the unemployment rate.



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### MODEL PORTFOLIOS

We are proud to say that all of our model portfolios have greatly outperformed their comparable indexes for the last quarter, year, and since their inception. We believe our screening process is working. We continue to look for above-average performers that implement Christian values.

We believe that the market will continue to be volatile but buying opportunities will exist over the next few months. From our previous market letters, you know we do not try call market bottoms or tops. However, we do look for trend reversals. In our opinion, it looks like the market is no longer bearish. We believe the market has move off of its lows and the start of a new bull market is in place.

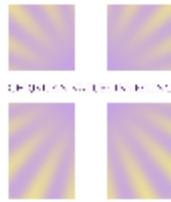
We will be rebalancing and tweaking our models for the quarter ahead, however: We are considering establishing a position in gold (possibly with **SPDR Gold Shares**). We believe that gold prices will keep rising because of the massive deficit spending to combat the U.S. recession. Excessive government spending will boost the risk of inflation and that helps gold.

### CONCLUSION

The first quarter of the year was a rough one for most investors, however we believe the next three quarters will be more profitable. We believe that a trend reversal has taken place in the market and we have high expectations of continued market improvement.

There is little doubt that we are still facing a challenging economic environment. The length and depth of the current recession hinges on reversing the declines in the housing market, labor market, and the continual decline in consumer sentiment. With aggressive fiscal and monetary policies targeted at these problems, investors will have to be patient and allow "the seed" to germinate.

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:

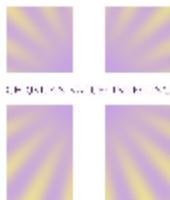
- Alcohol, Gambling and Tobacco
- Pornography
- Homosexuality

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



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- 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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