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MARKET

The S&P 500 ended the first quarter of 2010 with a 4.9% gain for the 3-month period. The index is up 73.5 percent from the March 2009 bottom and all four previous quarters have been gains. The Dow Jones Industrial Average closed up 4.1% for the first quarter, while the Nasdaq Composite Index was up 5.7% for the quarter. Most major asset classes tracked in the U.S. rose during the first quarter of 2010. The economy continues on the path of slow but steady recovery.

The market's relative tranquility has made many analysts upbeat about the chances that its gains will hold. They say investors now have realistic, not overoptimistic, expectations. And the market has gotten used to the idea of a bumpy economic recovery, including the continuing struggles of the housing market. But analysts warn, for stocks to extend their January-March gains, investors will need to see employers hiring again.

Crude futures ended at a 17-month high, as rising gasoline inventories failed to stop the oil market's latest surge. Crude oil closed the quarter near \$83 per barrel. While oil's recent gains have helped the energy sector, some money managers and analysts are beginning to worry that the prospects for a run-up in fuel prices are beginning to pose a greater threat to the broader U.S. economy. We believe if the dollar continues to weaken, a \$100 a barrel oil scenario will be possible by the end of the year. Anything above \$80 a barrel could possibly hurt the economy.

PERSONAL MESSAGE

Obama assures his place in history. He will be remembered as the President who led the country into taking a giant step toward bankruptcy. I believe that our elected Politian's are suffering from the Hezekiah Syndrome. The Hezekiah Syndrome (2 Kings 20:16-19) is when a person doesn't care about what happens to their family or their nation as long as they personally could live out their own years in peace and security. The prophet Isaiah came to Hezekiah and told him that God said "your children and grandchildren are going to be enslaved by an evil dictator after you die!" Then said Hezekiah to Isaiah, "The word of the Lord you have spoken is good. For he thought, Is it not good, if [all this evil is meant for the future and] peace and security shall be in my days."

Did you get that? After years of good and faithful leadership, Hezekiah didn't care about what happened to his family or his nation as long as he personally could live out his own years in peace and security. Does this story have a ring of familiarity? Do you know of any national leaders, who are willing to put future generations in bondage in order to try to achieve a measure of peace and security today?



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If you and I are irresponsible and borrow more money than we can ever pay back. We would effectively be squandering any possible inheritance our children might receive, but we still wouldn't put them in financial bondage because estate laws prohibit inheritance of debt. If our estate is not big enough to cover the debt, some lenders will simply go unpaid and the debt vanishes. Our children wouldn't inherit any assets, but they likewise wouldn't inherit debt. And herein lies one huge difference between personal and national economics: whereas personal debt cannot be inherited, national debt can and will. All the debt that our nation is now incurring our children and grandchildren will have to repay.

Proverbs 22:7 tells us, "The rich ruleth over the poor, and the borrower is slave to the lender." This proverb takes on a meaning that perhaps we haven't yet considered: just as the generations after Hezekiah were enslaved, this ever increasing national debt will enslave future generations.

A recent CNN poll stated that seventy-percent of Americans think the federal budget deficit will go up under the Obama's health care plan. This new law will put us at least one-trillion dollars closer to bankruptcy. Currently, our national debt is hovering near thirteen-trillion dollars. Let's hold our elected officials accountable, so we never get to the place where our debt is so large that we cannot pay the interest on it. Let's practice financial responsibility and be good stewards of what God has given us to manage.

MODEL PORTFOLIOS

Overall, we had a very good first quarter. All six of our model portfolios beat their comparable indexes for the quarter ending 03/31/2010.

Financial stocks, which have led the market in the past year, rose 10.8 percent as banks repair their balance sheets and investors grow more hopeful that mortgage and other loan defaults will decline. Another star performer for the quarter has been the Industrial stocks. This sector of stocks was up about 13% for the quarter. On the other end of the spectrum are the Telecommunications companies. They have been the worst performing segment of the S&P 500. Their stock prices have fallen 5.7 percent. These stocks are seen as safe plays in bad economies in part because they often carry big dividends. But they lose their appeal when the economy picks up. Utility stocks, also known for paying hefty dividends, saw their shares fall 4.6 percent for the quarter.

The momentum has yet to run out of stocks, However long-term we are some what bearish; we would *not* go against the upward trend in the market until the S&P 500 breaks 1150 (or the Dow 30 breaks 9750) on the downside. The last time the market was around that area was November 4, 2009.



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During the past six-weeks we have been doing some extensive research on companies that we feel could add value to our models. Within the next few weeks we will be making some changes to our portfolios. We feel now is the right time to tweak our models for greater growth.

As long as the market stays strong and the momentum is up, we will continue being nearly fully invested. As we see the market breaking down we will start taking a defensive position by going into cash.

CONCLUSION

As we mentioned in the previous newsletter, 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 last quarter of the year could present a different story. We believe that interest rates will start to go up some time during the last quarter 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.

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.

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*



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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
- 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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