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MARKET

What does the future hold? Of course no one knows, but we can analyze a number of factors to give us an idea how 2011 might treat individual & institutional investors who are the backbone of the stock market. The late John Denver recorded a song called *Take me Home, Country Roads*. The lyrics of this song are "Almost heaven, West Virginia, Blue Ridge Mountains, Shenandoah River - Life is old there Older than the trees Younger than the mountains Growin like a breeze Country Roads, take me home To the place I belong..." The first quarter of 2011 has been "Almost heaven." However, the road that takes us home is not always a smooth country road but a bumpy rocky road.

The start of 2011 has been a roller coaster ride, a rocky road for investors. Stocks were resilient through the first quarter, hanging tough despite Japan's earthquake and nuclear crisis and a series of uprisings in North Africa and the Middle East. The Dow industrials outperformed both the S&P 500 and Nasdaq, indicating preference for stronger companies as overseas concerns lingered. For the first quarter, the Dow rose 6.4 percent, compared with the S&P's gain of 5.4 percent and the Nasdaq's advance of 4.8 percent. The Dow Jones had their best first quarter in more than a decade.

We believe the Dow will trade higher and the S&P 500 will break its current resistance level at 1,330. A level the index has been unable to break despite several attempts in the past month. The bad news is that when the Feds start raising interest rates, we could see a major slow down in the economy. This will hurt growth in the stock market as well as demand for many commodities.

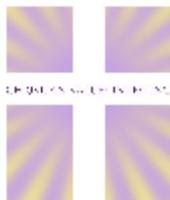
At the time this market letter is being written, the price of oil has hit a 30-month high. Brent Crude is currently trading at \$117.20 per barrel. This represents an increase of \$25.82 since the end of 2010. A spike in oil prices drums up inflation fears, which makes gold and silver an attractive investment.

Gold prices settled at a record high as the first quarter wrapped up and investors bought gold as protection against a weak U.S dollar. Gold is currently trading at \$1,439.90 an ounce.

Silver prices closed at \$37.88, a 31-year record close. Silver rose 22% in the first quarter.

PERSONAL MESSAGE

While riding in my car recently, the thought of Holy and Righteous living kept running through my mind. In Millen and Savannah Georgia, my maternal and paternal grandparents set a



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pathway of holy and righteous living as a memorial for their children and grandchildren. This way of life serves as a guide for the way I should live my life.

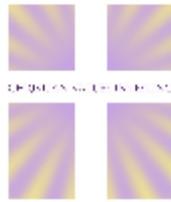
In the past, many in our nation grew up in Christian homes and they were taught "Be ye holy for I am holy" (1 Pet 1:16). It seems like this command for holy and righteous living has become a suggestion in the lives of many; a great exodus from the sound teaching of God's Word has taken place. The parents and grandparents may have lit a blazing trail of Holy and Righteous living; however, the light has grown dim and went out in the eyes of their children and grandchildren.

The Bible tells us in 2 Timothy 3:1 that as we start approaching the end times, that the love of many will grow cold and that lawlessness and immorality will start to abound. It also says in this verse that men will become lovers of self and money, along with becoming unholy, blasphemers, unloving, unthankful, disobedient to parents, unforgiving, slanderers, without self-control, traitors, headstrong and lovers of pleasure rather than lovers of God.

When the children of Israel crossed the Jordan River (Joshua Chapter 4), they set up a memorial made of stones. It was to remind them of the way God had led them across the Jordan River to the Promised Land. Joshua told the Israelites that when their children asked them what the stones meant they were to tell them about the difficult journey their ancestors had completed. Just previous to this, in Deuteronomy 8:17-18, the Israelites had wandered through the desert for 40 years, and Moses was addressing them for one of the last times in the desert. In this address, Moses, the leader of the nation of Israel, was warning them about the dangers of pride and forgetting the blessings of God.

It is important to remember the Word of God; the command to live holy and righteous. How God is in control during the positive and negative events in the history of nations, families and individuals, to learn from these events and pass those lessons on to future generations.

There are people today who are wholly self-centered. They are "lovers of themselves." What they think, what they say and what they do is driven by self-love. These people are consumed by the desire for more; to make material things their chief object of their affection. Don't be one of them. Make a decision today that you will create a memorial by living holy and righteous before God.



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MODEL PORTFOLIOS

As most of you know, all of our model portfolios had been fully invested since mid-October 2008. Currently, we believe the market could continue to rise but volatility will continue. Buying opportunities should start to erode over the next few months. We are not attempting to call the top of the market nor were we trying to predict when interest rates will start going up. Neither are we trying to predict the severity that fourteen trillion dollars of debt will have on the financial markets. What we were trying to do is to be faithful stewards of your money. We believe that sometime in the next five to ten years, our country will hit a debt brick wall. Before this happens, we want to be in a position that financially benefits our clients. As that day gets closer, our desire is to take a defensive stance that would protect our clients from inflation and the possibility of a devalued dollar.

Short-term, we believe that interest rates will likely start going up some time this year. We will want to be shed of all intermediate and long term bonds. As interest rates go up, bond prices go down. Short term bonds will be a less volatile than intermediate and longer term bonds. As interest rates go up, we will gradually move money out of some sectors in the S&P 500 and over weigh into other sectors that perform better under a rising interest rate environment.

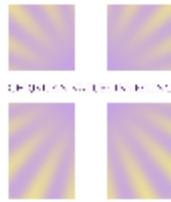
In the next few months we will be making some changes to our portfolios. With the fears of rising interest rates, a heavier weighing of certain industry groups will be in order. Year to date, energy and industrials have been the top performing sectors in the S&P 500. This should continue as oil prices continue to rise. In contrast, utilities have been the worst performing sector followed by consumer staples and information technology.

CONCLUSION

Two years ago in early March, the financial crisis of 2008 caused the S&P 500 to hit bottom. Investors continue to ask, "where are the markets going?" Since the crisis, markets have healed and have regained both stability and strength, and morale is back in the ranks of individual investors. However, from here on, I'm cautiously neutral. I will explain below.

I believe the market could continue to rise, but at a much slower pace, and that it will actually be little higher by year end. The economy, too, is expanding slowly, and is experiencing growth in some sectors. My top picks are energy, precious metals, industrial metals and agricultural companies.

The Federal Reserve committed to buying \$600 billion of Treasuries during the eight months of Quantitative Easing II (QE2) and it will end in June of this year. Three months before the artificial low interest rates go away. Bill Gross, the manager of the world's largest bond fund,



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knows more about bonds and currencies than anyone else in the world. He believes when The Federal Reserve stops buying Treasuries in June, interest rates will start to rise. He believes this will signify the end of a great 30-year bull market in bonds. Gross has put his money where his mouth is and has cut his fund's holdings of Treasury bonds to zero.

As we stated fifteen months, we also believe that interest rates will start to go up as soon as the quantitative easing ends. When this happens, stocks will most likely retreat, the dollar will gain in value, and gold prices will decline. The first half of the year should be better than the second.

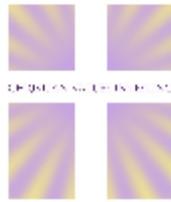
The last three months has proven to me that the world is unstable. Financial, environmental, social, and political crisis can devastate our nest egg while confounding our normal way of life. All of our rewards from hard work can be gone in a moment. Just because the world suffers chaos does not mean your eternal security must follow in the same footsteps. Men and women that are called of God need to realize our hope is in our risen savior.

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 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:



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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

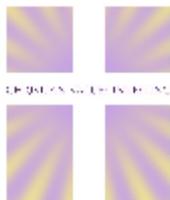
Armed with this information, we are then prepared to make as strong an effort as possible to build investment portfolios that reflect our client's biblically-based Christian worldview.

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