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MARKET

For the first quarter of 2013, the S&P 500 and the Dow Jones 30 closed at record highs. Stocks rallied despite disappointing reports on jobs and the economy. The first quarter ended with solid gains for equities. It took over five years, but on the last day of trading for the quarter, the Standard & Poor's 500 Index finally closed at a new all-time high.

The S&P 500 finished up 10% for the quarter while The Dow, ended up 11.25% for the same period. This is the best first quarter since 1998. The Nasdaq is up 8.2% year-to-date. It's still about 35% below its March 2000 closing high of 5,048.62, which came at the cusp of the dot-com bubble. The market hasn't had a down year since 2008.

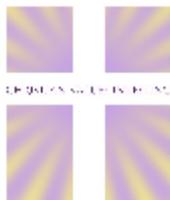
The Federal Reserve has helped fuel the rally by keeping interest rates at record-low levels since late 2008. Now four years in the process, the strategy has finally allowed the housing market to stabilize and to start to show some growth again.

In contrast, the global equity markets did not participate fully in the first quarter rally of 2013. The EMI Global Equity Index (an index of 10 global bourses) actually declined marginally (-.10%) for the quarter. Brazil, China and Hong Kong lead the EMI Index lower.

Unlike the first quarter of 2012, when metals and agricultural commodities were the high flyers both of these sectors performed poorly during the first quarter. Metals and agricultural commodities were lower across the board while the US dollar firmed over the quarter adding negative pressure on both of these sectors.

Brent crude prices were down one percent for the quarter but RBOB gasoline increased by double digits, a positive sign for the refining sector but the end result is higher gas prices for the US consumer.

Gold futures closed first quarter of 2013 in red with a decline of nearly 5 percent as fears about Europe eased. Silver performed even worse than gold, falling by 6.4 percent over the quarter as investors viewed both of these safe haven commodities as not the place to park money.



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PERSONAL MESSAGE

Originally published by Truth Media Network, published in "Power to Change," entry for Suzanne Benner, *March 13th, 2013* Copyright 2013

"Now devote your heart and soul to seeking the LORD your God." (1 Chronicles 22:19a)

At the end of David's life, he appointed his son Solomon as king. He instructed Solomon to build the temple – a house for the name of God – using the preparations he had made. When David ordered the leaders of Israel to help Solomon, he began with this instruction: *"Now devote your heart and soul to seeking the LORD your God." (1 Chronicles 22:19a)*

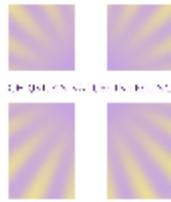
Devote means to set apart or to dedicate a person or thing for a special purpose. Rather than casual interest, being devoted requires a conscious, focused decision. To devote oneself implies giving one's entire being and energy to that purpose.

David's admonition to the leaders reaches us today. There is no higher goal than devoting ourselves to seeking God with all our hearts and souls. Our lives must show evidence of such devotion to God.

In order to understand what devotion to God looks like, I looked up the use of the word "devote" in the New Testament. I invite you to join me in considering these calls to devotion:

"Be devoted to one another in love." (Romans 12:10a)

"Devote yourselves to prayer, being watchful and thankful." (Colossians 4:2)



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"Our people must learn to devote themselves to doing what is good." (Titus 3:14)

"Until I come, devote yourself to the public reading of Scripture, to preaching and to teaching."
(1 Timothy 4:13)

"And I want you to stress these things, so that those who have trusted in God may be careful to devote themselves to doing what is good." (Titus 3:8b)

When we devote ourselves to seeking God, we choose a life of love. We live lives of continual prayer and thanksgiving. We study the Scriptures and share them with others. We dedicate our time and energy toward doing what is good and, we do it all for the glory of God.

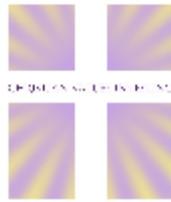
Heavenly Father, I want to devote my heart and soul to seeking You. Show me how to live out this desire so that You have first place within me. I ask this in the holy name of Jesus, Amen.

MODEL PORTFOLIOS

One year ago, we started taking a slightly defensive position in most of our models. Our first-phase plan was to maintain most of our positions. In 2013 our investing plan is to harvest cash and NOT deploy it back into the market until we see bargains in the market. Even though our models were in a large cash position for the first quarter, our Christian models only finished slightly below the index's they are compared against. We believe this happened because our models hold superior growth companies that allowed them to catch up with the general market.

The market should continue to be volatile and buying opportunities could exist sometime during the summer months. From our previous market letters, you know we do not try to call market bottoms or tops; however, we do look for trend reversals. Currently, the market is still very bullish.

Rebalancing and tweaking our models is a main priority for the quarter ahead, however: We will hold a large allocation in cash until we see value in the market. We will continue with this strategy until we see value.



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CONCLUSION

We should be ecstatic about such a raging bull market. But uncertainty will not allow for us to rejoice. It's not clear what will happen next. However, we believe markets will start to go lower in the near term. We believe the fundamentals of the domestic economy don't support the indexes' current levels.

A big question right now is "Are we are getting ready for another summer slump for the S&P 500?" The calls for "sell in May and go away" are coming earlier and earlier. Since the S&P 500 is at a record high, now maybe the time for a market correction. The S&P 500 is currently trading at a PE of 18.05, which is rich valuation considering the fact that U.S. is experiencing sluggish economic growth. We will have a pullback/correction at some point, but I think there could be more gains before that happens.

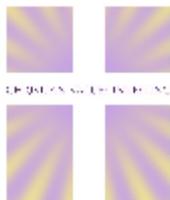
We think the peak of this bull run could occur in the next two or three weeks, and the market will decline over the next 30 to 50 days by 5 to 10%, setting the stage for another rally in the second half of the year. Another scenario could be that we see a correction of 20-25% if the current optimism prevails on the back of weak underlying economic data and relatively weak corporate earnings.

Whatever happens we plan to be ready. However, for now, we remain in the bullish camp, until we see more evidence to the contrary. We will have a pullback/correction at some point, but we think there could be more gains before that happens.

John Templeton famously said "Bull-markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria." We believe we are somewhere between skepticism and optimism, but no where near euphoria. Also, a copy of our current 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:

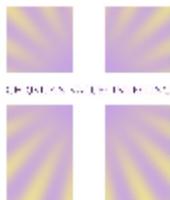
1. We desire **justice and mercy for the defenseless** so we screen out companies involved in:
 - Abortion
 - Life destroying or distorting scientific research
 - Human rights issues such as religious persecution, terrorism and political oppression
2. We desire **justice and mercy for the poor** so we 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.

The information provided herein is not a complete analysis of every material fact respecting any industry, security or investment. Opinions expressed by Christian Values are subject to change without notice. Statements of fact cited by Mr. Hammond have been obtained from sources



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