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MARKET

Since 1950, September has normally been the weakest month for stocks, but this time it confounded many analysts. The Dow Jones industrial average was up 8 percent for the month of September, making it the best September performance for the index in 71 years (since 1939). However, it is only up 3.5 percent for the year and is still 3.7 percent below its closing high for 2010.

The market's strong advance in the third quarter of this year, up over 11%, may be occurring in anticipation of improved consumer confidence later this year and into 2011. The improvement in confidence may be tied to the results of the midterm elections in November. The importance that is placed on consumer confidence is valid from the standpoint that consumer confidence tends to lead the direction of the stock market. Consumer confidence does have a direct impact on consumer spending. And with consumer spending accounting for over 70% of GDP, improved consumer confidence and a concurrent improvement in consumer spending, an improvement in economic activity likely follows.

Gold is over \$1300 an ounce for good reason. The Obama Administration has flooded the world with the U.S. dollar and Treasuries, global investors have little confidence in the management of the U.S. economy, and investors have taken refuge in gold. Since President Obama took the helm, the U.S. trade deficit increased 60 percent and the federal budget deficit is expected to exceed \$1 trillion a year for several years to come.

The U.S. dollar had the worst quarterly loss in more than eight years in the three months that ended the third quarter. The Dollar is near a five-month low against the euro. The U.S. currency has come under pressure since the Federal Reserve began hinting in late September that it could resume buying U.S. bonds if the economy needed the extra support from even lower interest rates.

Crude oil futures closed the quarter at \$79.97 a barrel. Over the course of the quarter, oil prices rose 5.5% (from \$75.63). Crude oil prices are highly sensitive to global political and economic developments and the value of the US dollar. The reason being, most of the worldwide oil sales are denominated in dollars. As mentioned earlier, the U.S. dollar reached its lowest level against the euro since February as speculation grows on an impending intervention by the US Federal Reserve to boost the ailing economy. Usually, there is a direct inverse correlation between the value of the dollar and crude oil prices. When the dollar's value declines as against other currencies, effective costs in dollars increases and so does the pricing of the crude.



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PERSONAL MESSAGE

As I was driving to work this week, I heard about a new book written by Dr. David Jeremiah. The title of the book is called *The Coming Economic Armageddon*. It will be available in bookstores on October 5th. Jeremiah's book is about the end-time occurrences and the financial warnings that are pointing us toward the Armageddon of the Bible. As I heard the radio commercial, my mind went back to 1993. In 1993, I read the book *The Coming Economic Earthquake* by Larry Burkett. Burkett warned us of the dangers of the ever-growing appetite for debt by our society and federal government. Burkett felt that if we did not change our ways we would experience a huge economic crisis sometime after the turn of the 21st century.

Currently, the United States budget deficit is much greater than what it was at the time Burkett wrote *The Coming Economic Earthquake*. We are much further down the path to economic collapse. The US budget deficit is 10% of GDP, and overall credit amounting to as much as 350% of GDP. The United States has a projected \$100 trillion more in entitlement obligations than the federal government can currently cover, and more than \$1 trillion in state pension underfunding. The two primary ingredients for economic collapse are debt and fear, and the reality is that we have both of them in abundance. In response to the global financial meltdown of 2008, governments around the world spent unprecedented amounts of money that they did not have. The truth is that we are facing the greatest sovereign debt crisis in modern history. There is no way out of this financial mess that does not include a significant amount of economic pain.

The Bible tells us, "*Just as the rich rule the poor, so the borrower is servant to the lender*" (Proverbs 22:7). God's Word has certainly proved to be true. Our recent economic woes have shouted loudly that biblical principles apply to individuals, families, Wall Street, and even governments.

Some of you may dismiss this newsletter as "doom and gloom." However, we at Christian Values believe that our economy cannot continue at its present rate without suffering irreversible damage. We do not suggest that everyone run out and withdraw from the stock market or change all of their investments. Our intent is to inform Christians of the seriousness of our national economic situation, to encourage them to become debt free (including their homes), and to inspire people to get angry enough to demand changes in our current government spending patterns. We also must seek God's intervention and encourage others to do so. Scripture is clear about repentance bringing change. "*[If] My people who are called by My name humble themselves and pray and seek My face and turn from their wicked ways, then I will hear from heaven, will forgive their sin and will heal their land*" (2 Chronicles 7:14). Furthermore, even if



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the events that are described in Burkett and Jeremiah's books happen later rather than sooner, the Christian investor and reader would be better off for following biblical financial principles.

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 10.52% compared to 1.73% for the FTSE KLD 400 Social Index. Our higher risk portfolios (David & Joseph) were up 21.37% and 27.48% respectively.

During the third quarter (08/24/2010) we finally rolled out "The Trust" portfolio. This capital preservation portfolio took almost two years to develop. We back-tested the portfolio during severe market conditions looking for extremely low volatility. Our goal was to develop a low risk portfolio that would generate greater returns than certificates of deposit, short-term bond funds, and money market mutual funds. This portfolio would be suitable for low risk investors seeking capital preservation.

CONCLUSION

The first three-quarters of the year were flat for most investors. We believe the last quarter of the year will be better than the first three. The Federal Reserve has stated that it will do all it can to keep this economy from going back into a recession. We also believe the upcoming national election will be a positive for the stock market. Consumer sentiment should start improving as investors anticipate a "change" in the upcoming election.

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



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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:

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



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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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