

Christian Values Investing Inc.

"serving morally responsible investors"

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MARKET

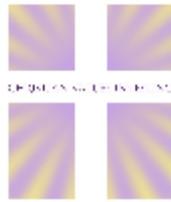
In Ian Fleming's 7th novel in the James Bond series titled "Goldfinger," James Bond finds out about "Operation Grand Slam." This is Auric Goldfinger's codename for his scheme that involves knocking off the U.S. Bullion Depository at Fort Knox, Kentucky. Likewise, the Federal Reserve has a code name for decreasing long-term interest rate and it is called "Operation Twist" program. In the Federal Reserve's scheme, they will attempt to sell shorter-term Treasury securities and buy longer-term Treasuries. The goal would be to keep longer-term interest rates lower. Twist refers to the attempt to twist down long-term rates, and get consumers borrowing. In their September 21st meeting, the Federal Reserve policymakers agreed to buy \$400 billion of longer-term U.S. Treasury securities to put downward pressure on longer-term interest rates. The Federal Reserve's effort to boost the economy by driving down long-term interest rates won't have a big impact on home and car buyers, savers or credit card users. However, new borrowers may benefit from lower rates on mortgages and other fixed-rate loans.

World stock markets remained volatile over the previous months as investors grew increasingly convinced that Greece would default on its debts; an event that economists say has the potential to worsen a global downturn. Greece is running out of cash and needs billions in aid to keep its government operating. If it defaults, banks throughout Europe are likely to lose the money they invested in Greek bonds, an event that could ultimately lead to a recession in Europe and worsen economic problems in the U.S.

Gold's sharp decline and extreme volatility in recent weeks has raised questions about it retaining its traditional role as a safe-haven asset. Gold's price is now 15.6% below its \$1,922.20 all-time high, reached less than a month ago on September 6.

The stock market closed the quarter on the way to its fifth monthly decline in a row and its worst quarter since the 2008-09 financial crises. For the quarter, the Dow Jones lost 12.1%, the S&P and the Nasdaq lost 14.3% and 12.9%, respectively. Crude oil finished the quarter below \$80 a barrel in New York, its lowest level in about a year. Interest rates were lower, while the dollar was higher. The 10-year Treasury yield was at 1.924%.

Since late July, Cash has been King.



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PERSONAL MESSAGE

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"Since we are his children, we will possess the blessings he keeps for his people, and also we will possess with Christ what God has kept for him! For if we share Christ's suffering, we will also share his glory! I consider that what we suffer at this present time cannot be compared at all with the glory that is going to be revealed to us." Romans 8:17-18 (TEV)

A Harvard study found that the more long-term your thinking is, the more successful you will be in life. And the more short-term your thinking is, the less successful you will be.

Unsuccessful people only think about the here and now – what feels good now, what is nice now, and what gives results now. But if you think in the long-term, you will have greater success, because you are willing to put up with short-term pain to gain long-term benefits.

The reason America is in the financial mess it's in right now is because of our inability to delay gratification. We don't know how to say no. We say, "I want it and I want it now, even if I have to charge it and can't pay for it," and the debt has caught up with us. That's what little kids do. They don't know the difference between "no" and "not yet." They have to have it now.

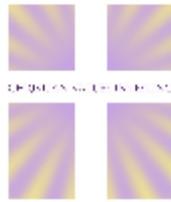
If you want God's blessing on your life, you must focus on the long-term, not the short-term. You can't allow hopelessness that comes from short-term thinking to take hold in your heart or you will get discouraged and give up too soon.

As Christians, we have the longest-term perspective of anybody – it's called eternity – because we know life doesn't end at death. We will transition to the eternal life which is going to go on forever and ever. So we live in light of eternity, not in light of current popularity, current comfort, and current conditions.

If you are feeling hopeless because of current struggles you are experiencing, keep in mind the words of the Apostle Paul: "*[W]hat we suffer at this present time cannot be compared at all with the glory that is going to be revealed to us*" (Romans 8:17 TEV).

In heaven, there will be rewards for you based on the stewardship of your time, money, talents, and the things that God put in your hands. Did you manage them well? Did you use them wisely? Did you live for the here and now with short-term thinking, or did you focus on the long-term and store up treasure in heaven?

Question: How far ahead are you living for?



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MODEL PORTFOLIOS

Our model portfolios were grossly outperforming their benchmark indexes at the end of August. At the end of August our faith portfolio was up 17.65% compared to a -1.77% for the S&P 500.

September came along and changed things. The S&P 500 ended the third quarter down -8.68% year to date. In comparison, our Faith portfolio was still in the black, up 7.14% year to date.

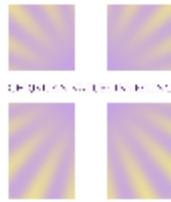
Financial stocks were the weakest S&P 500 sector, not surprising given the worries about the European financial system. Materials followed closely, down a whopping 22.98% for the year. Consumer Staples and Utilities were the two best performing sectors.

In our last newsletter (July), we mentioned that we believed that the market would continue to be volatile but we believed the market would end the year higher than it started. We are not attempting to prognosticate a double dip recession nor are we trying to predict next year's election. We do believe the political pressures of a first year president will help keep the market intact for at least another nine to twelve months. A study published by the National University of Singapore in January 2007 entitled "Mapping the Presidential Election Cycle in the U.S. Stock Market" by Wing-Keung Wong and Michael McAleer found that "there were statistically significant presidential election cycles in the U.S. stock market during the greater part of the last four decades ... stock prices decreased by a significant amount in the second year and then increased by a statistically significant amount in the third year of the presidential election cycle."

In the third and fourth year of the presidential term and the election year, the stock market's performance tends to be above average.

Stock Market Return by U.S Presidential Term Year	
1948-2008	
Year	Average Annual Return
1	7.41%
2	10.21%
3	22.34%
4	9.79%

Source: S&P 500 Total Return Index



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CONCLUSION

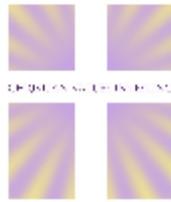
In short, the economy seems to be at a crucial point, and a credible argument can be made for it going in either direction up or down from here. We believe the near-bear market in U.S. stocks is entirely consistent with the deterioration of growth prospects in the American economy.

In addition, we believe the direction of the S&P 500 will give indications on where the economy is headed long before the economic data and GDP reports confirm that we are indeed in or out of a recession. First, if the S&P 500 falls below 950 and stays there then for all intents and purposes we are in a recession, officially designated or not. The S&P 500 was last in this territory July of 2009, and has really not looked back since. A revisit to 950 will be a sure sign that the economy has double dipped back into a recession. Also, low unemployment is key to economic recovery. President Obama has to get the unemployment rate down below 7% or he most likely will not get re-elected. We believe he will introduce some kind of Jobs bill in early 2012. This bill if he can get it passed could help push the market higher.

We also believe that the fourth quarter may be as challenging as the third because of the continuing worries about Europe, the strength of China's economy and jobs at home. But the fourth quarter historically has been a year's strongest. 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.



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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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