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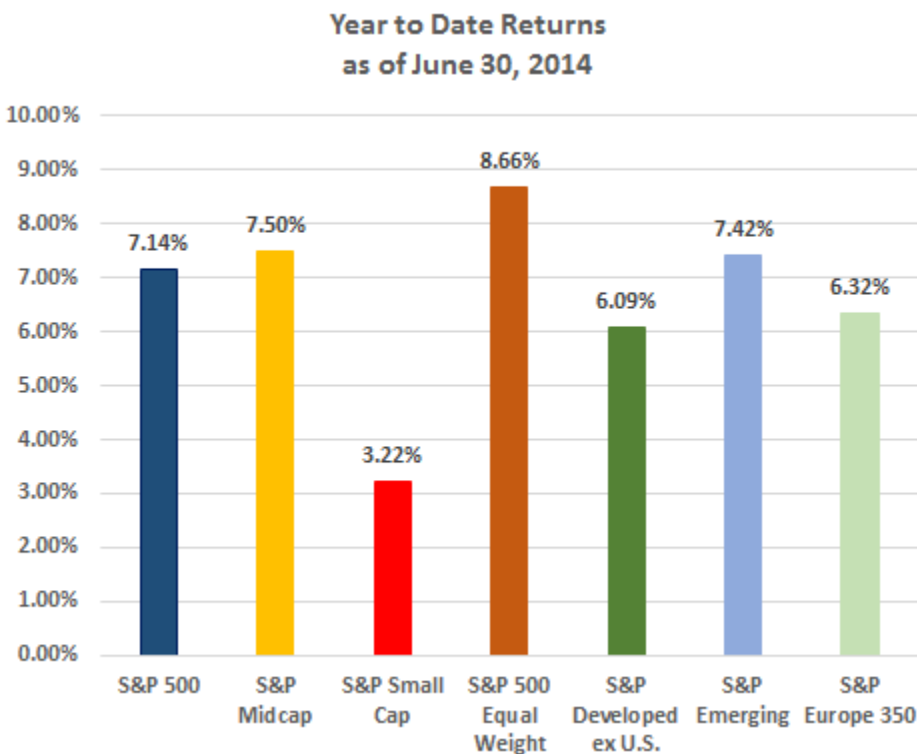
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July 9, 2014

MARKET

US Stock markets reached new highs on major averages during the second quarter of 2014. With very little volatility, the S&P 500 remained strong over the quarter, with the S&P 500 producing a total return of 7.14% for the first half of the year.

As the below index return chart shows, the indices displayed all have relatively healthy returns except for the lagging small cap index. The return data was obtained from S&P Dow Jones Indices and their report had very few negative returns for the indices they reported on. While many investors were and remain under weighted in international stocks, those markets had respectable returns as well.





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The momentum in the stock market was driven by a number of factors. We will recite what we believe are the top four in an abbreviated list.

1. The short-term interest rate remains close to zero.
2. Long-term government bond rates fell when they were expected to rise worldwide.
3. Reports of worldwide inflation continued at very low levels in most jurisdictions.
4. The Federal Reserve is still expanding excess reserves and acquiring assets onto its balance sheet, however it is tapering.

The combination of these factors continues to support equity prices. On a comparative or relative basis, stocks still seem attractive. Slow growth and low inflation in the economy continue to support an expansion of American corporate earnings.

As you can see from the chart on the next page, Utilities were the big winners in the first half of the year. Utilities tend to outperform in a weak market. This is because they have very stable business models with recurring revenues. They also tend to pay a large portion of their profits out in dividends, so when investors are looking for yield, they often turn to utilities. Also, when bond yields go down, that makes other yielding assets — such as dividend paying stocks — more attractive by comparison. Thus, utilities are a way for investors to piggy-back the strength in bonds while retaining equity exposure, and the correlation should remain intact unless the stock market turns south and starts to decline.

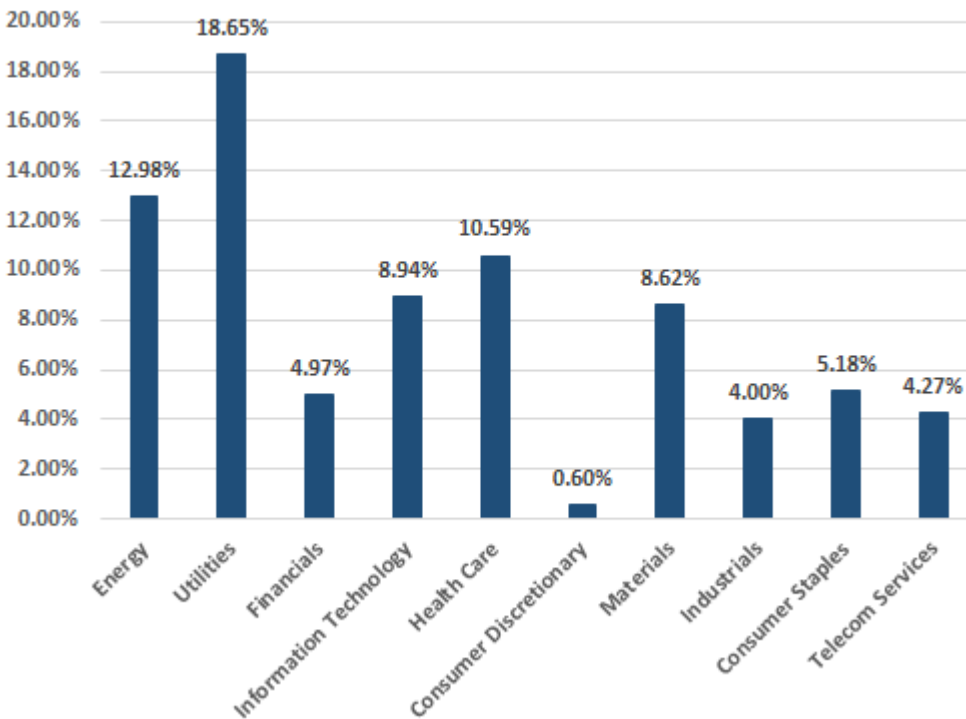


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**Year to Date Sector Returns
as of June 30, 2014**



The bottom line is that the stock market is still in an uptrend (bullish), as data in the second quarter of 2014 confirmed.



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PERSONAL MESSAGE

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Is It Your Planting Season?

"Sluggards do not plow in season; so at harvest time they look but find nothing." Proverbs 20:4

Recently this verse popped out to me as I read my Bible. I stopped and pondered it. "Am I a sluggard?" I asked. I am certainly not a lazy person. So I googled the definition. "Slow", it said. Hummm. I can procrastinate more than I care to admit.

Here God was saying that if one is slow to plant in planting season, the harvest will simply not be there. God's Spirit was speaking to my spirit. I have some opportunities before me in my writing that I am simply dragging my feet on. Yes, I'm busy. But when gardening season arrives I leave the other work in order to plant before it is too late and I miss the rains and the harvest. I need to do that now with my opportunities.

What opportunity, relationship, project, ministry or other "seeds" has God put in your pocket waiting to be planted? Get busy. Re-organize your priorities. The planting season is short. Harvest time will come and you don't want empty hands and missed opportunities. Wrap your fingers around those God given seeds, till up the ground and get to work with the harvest in mind.

Father God,

Thank you that You speak to me when I pause to listen. Please help me to recognize the seeds You have given me. Please help me to plan my days with "garden time" in mind. Water these seeds with Your wisdom and inspiration and with Your blessing. May I not be empty handed in harvest time. Thank you Lord, for Your encouragement. I pray this in Jesus' strong name, amen.



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MODEL PORTFOLIOS

As most of you know, five of our growth models (Faith, Hope, David, Joseph & Solomon) have been in a 30% cash position since mid-January. In each of our market letters this year, we mentioned that we believed that the market is over-valued and we expect a market correction sometime in the near future. We are not attempting to call the top of the market, nor are we trying to predict that higher inflation will show its ugly head. What we were trying to do is look for value in the market. Currently, we see very little value.

Two of our balanced portfolios (Sanctuary & Refuge) have about 35% cash position and our Capital preservation portfolio (Trust) is fully invested. We believed that the market could be volatile and buying opportunities could exist over the next four or five months.

CONCLUSION

Investors have had plenty of reasons to doubt the current bull market's staying power. In 2011, a debt-ceiling crisis and S&P's downgrade of the U.S.'s credit rating helped trigger a 19 percent drop in the S&P 500. Still, the index eked out a 2 percent gain that year. In 2013, the budget standoff in Washington and the government shutdown looked ominous. But stocks registered a stunning 32 percent return.

Many are wondering what will happen next. Many pundits predict another winning year for stocks. But there are no guarantees. For most investors, the best course is to build a diversified portfolio geared to your time horizon and tolerance for risk and to stop worrying about when the bull will head out to pasture. Calling a top is just as hard as identifying a bottom.

One thing making us nervous about stocks these days is the fact the U.S. market has gone more than two years without a correction, or a 10 percent drop. The market at 17,000, just doesn't feel right.

The last major dip for the Standard & Poor's 500 Index (SPX) was an 11 percent drop from its intraday high on April 2, 2012, through its low on June 4, 2012. This year, the closest it's come was a 6.1 percent slide from the middle of January to early February and a 4.4 percent decline in April.

Simply put, two years without a correction is not normal. In a recent article in Yahoo finance written by Jim Edwards claims The Bank for International Settlements — the Swiss-based financial institution that acts as a counterparty to national central banks — has declared that



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stock markets are in a "euphoric" state and has urged central banks globally to begin tightening interest-rate policies now while economies are growing rather than wait for another recession, when it will be too late.

The bottom line; at this time, we are cautious!

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 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



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- 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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