

The American Hero Newsletter - October 2007

Helping investors strengthen American culture by supporting companies that best reflect American values.

Workplace Chaplains

Carter B. LeCraw, CEO

Motivated, happy, and productive employees are vital for a healthy company to succeed. Employers tend to think that generous pay, health insurance, and a challenging work environment are sufficient to keep employees motivated and productive. In reality, all people have deep emotional and spiritual needs that can't always be met by the standard employee benefit package. Consequently, an increasing number of innovative companies are addressing these important needs by enlisting the help of workplace chaplains.

The idea of chaplains in the workplace is actually not new. Chaplains have been used for over 235 years by our nation's largest employer, the U.S. military. They were even used in the 1920's to lend support to workers building the Hoover dam. Since that time their ranks have grown to over 4,000 in various public and private companies across America. Currently, there are several workplace chaplain service providers. The largest, Marketplace Chaplains USA was founded in 1984 and has over 2,200 chaplains serving over 130,000 employees and 350 companies in 42 states. Their size has doubled in the last six years. An-

other, Corporate Chaplains of America, founded in 1996, now has 100 full-time chaplains who serve over 70,000 workers in 24 states.

There are many reasons workplace chaplains have become so helpful to employees including their ability to offer personalized and confidential counseling, around the clock availability, their unique understanding of the workplace environment, and the "no-cost to the employee" factor.

There are many employers who have a deep sense of concern for their employees. Even so, it can be awkward and often inappropriate for managers to "pry" into the personal affairs of employees. Chaplains can help bridge the gap by providing the concerned and confidential support many people need. This can boost employee morale, reduce absenteeism, increase employee retention, and even contribute positively to company profits. The value to employers is evidenced by the retention rate of corporate chaplain services. For example, Marketplace Chaplains USA reports that they have retained as customers, 96% of the companies that have utilized their services for at least three years.

As an investment firm we like to see chaplains employed by the companies in which we invest client assets. One of our Heroes, Pil-

grim's Pride, enlists over 300 Marketplace chaplains to care for the needs of their large workforce, and another, Tyson Foods, employs over 100 in-house chaplains. Dave Butters a human resources manager at Pilgrim's Pride related this encouraging story, "Recently, we had an employee who was so upset about a conflict with his supervisor he was in tears, but we couldn't get at what was going on. The next day, I saw the employee talking to one of the chaplains. Later that day, he was smiling and gave me a big thumbs up. I don't know what happened, but it was obviously something good."

Some might say corporate America is a hard, unfeeling place that only cares about money and profit. The growing use of chaplains in the workplace is evidence that there are numerous employers who care deeply for their workers and are stepping up to provide important emotional and spiritual support.

At American Values Investments we applaud the efforts of chaplain providers like Marketplace Chaplains USA, and Corporate Chaplains of America and companies like Pilgrim's Pride and Tyson Foods that utilize their services. Darkness does, indeed, exist in our culture, but this creative use of the vast spiritual assets of our country gives me great hope for America.



Investment Commentary

Russ Miller, CFA
Chief Investment Counsel
October 2007

Performance in the first nine months of 2007 has been most encouraging. Following is the performance of our models, less fees and expenses*. (Note: Two of our models, James and Peter, are no longer available for new investment but are shown since there are some accounts still attached to these models. We plan to eliminate all client assets from these two portfolios by year's end.)

	Year to date	Since inception	Inception date
Equity	+11.45%	+52.45%	4/30/04
Equity Plus	+8.01%	+59.60%	4/30/04
Balanced	+6.20%	+44.89%	4/30/04
James	+5.06%	+10.34%	5/31/06
Andrew	+1.60%	+33.58%	5/31/04
Peter	+3.78%	+39.24%	5/31/04
Tim Accum	+14.73%	+48.66%	10/31/04
Cen Accum	+78%	+78%	7/31/07
DR Accum.	+10.21%	+26.98%	12/31/04
DR Equity	+8.88%	+47.50%	4/30/04

We also track our stock performance in comparison to market cap weighted benchmarks. Most model portfolios exceeded their benchmarks in most historic periods.

We implemented our annual in-depth strategic and tactical review in the second quarter. Third quarter results continued the good performance of earlier quarters. We sought continuity in our investment management, yet found it necessary in the second quarter to replace five companies because of values violations and six more with companies that had better investment merit.

The modern portfolio theory (MPT) statistics of the new portfolio were good. The alpha (stock picking) was higher, the Sharpe ratio (risk adjusted return) was higher and the beta (short term volatility) was lower for the new portfolio. The potential for continued favorable return seemed good.

Yet MPT data is based on historic performance. Therefore, it is encouraging to see that the good performance in the third quarter is consistent with our sensible use of investment tools and sound disciplines that improve the potential for a good risk-adjusted return.

Third quarter stock market performance was choppy. Often the Dow Jones Industrial average rose or declined by several hundred points. The subprime crisis spelled financial ruin for a growing minority, whose ARM (adjustable rate mortgages) interest rates were reset because of considerably higher short-term rates. Simultaneously, declining housing values caused an increasing number to lose their houses and sent a chill through consumer spending.

Internationally the dollar continued to weaken and a seemingly unsustainable surplus of dollars held in China grew further. Also, the continued growth of Chinese, Indian and other Far East economies increased the demand for oil, a key fuel for this economic growth. Thus, despite the huge surge in oil prices (almost tripled to about \$80 in recent years), high prices seemed sustainable. In fact, the weak dollar could lead to further price gains of this key commodity, since oil is sold mainly in dollars, the world's largest currency.

Interwoven into this complex mix of subprime problems, trade imbalances, oil prices and international politics are persistent threats from Islamic terrorists. Amplified by the media these uncertainties seemed unsolvable one day and controllable the next as stock market volatility increased.

Despite these imponderables, stock valuations are generally reasonable. The recent surge in large cap stocks, especially growth, could continue, aided by the influx of trade-deficit dollars that have accumulated abroad. Market sages cite good markets as needing to climb a "wall of worry." Without this media-heightened wall of worry, the market would probably be higher. Therefore, the wall of worry could be forming a base for sustainable stock market gains in the future.

While the stock market uncertainties seem likely to continue, retarding sustained near term gains, **American Values research is certain.** Research by others shows that good values in companies contribute positively to company and stock performance. Therefore, it is good to see the steady increase in research quality on both existing American Values companies as well as the steady increase in American Heroes.

It looks increasingly likely that my steady and highly focused associate,

Benny Van Huss, *researcher par excellence*, will achieve his goal of having 100 American Heroes by year-end. This is well above the roughly 65 current American Heroes.

This is good news for American Values clients, since the investment merit of some of the companies on the research list exceeds the merit of currently owned American Heroes. Thus, the American Hero reserve continues to grow and the risk adjusted return / investment merit of the portfolio could be improved in the future.

There are no transactions planned for the fourth quarter, which is consistent with our low turnover, buy-and-hold strategy. However, as noted above, we continue to monitor investment developments and seek ways to improve long-term investment performance.

While we are unlikely to make significant shifts until 2008, some particularly outstanding American Heroes may be added as we continue to help investors align their investments with the timeless values upon which our country was built. We believe this strategy will help build strong client portfolios as well as a stronger and better America.

Feel free to contact us with questions or comments.

* For estimated fees and expenses we deduct .525% quarterly for stock portfolios and .33% quarterly for mutual fund portfolios. Fees for specific accounts may vary depending upon various factors including size of account, type of account, timing of contributions or other factors. For more information on how fees are calculated and charged clients may contact their investment advisor representative or see our disclosure document, form ADV part 2.

Note: Please contact your advisor if there are any changes in your financial situation or investment objectives, or if you wish to impose, add or modify any reasonable restrictions to the management of your account. Our current disclosure statement is set forth on Part II of Form ADV and is available for your review upon request.

American Values Investments, Inc.
1321 Sunset Drive, Suite 23
Johnson City, TN 37604
(423) 722-1776
www.americanvalues.com