STEWARDSHIP PARTNERS MARKET COMMENTARY

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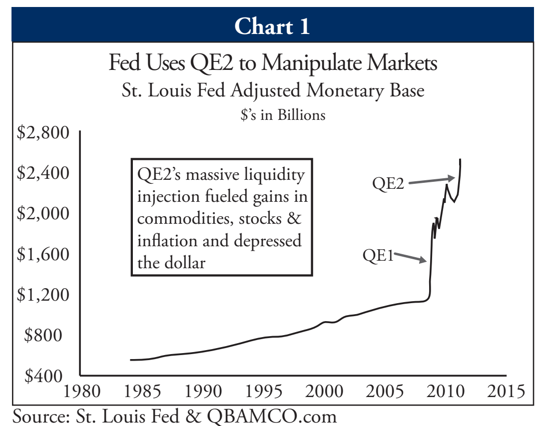
Landmines Triggered, But Markets Suffer No Damage?

"The prudent see danger and take refuge, but the simple keep going and suffer" Proverbs 27:12 (NIV)

Stewardship Partners portfolios were cautiously positioned as 2011 began. Our concerns centered on the negative consequences of excessive government intervention in the markets, as well as a variety of what we referred to as "landmines" representing substantial risks to the markets. The primary landmines concerning us were the European sovereign debt crisis, economic trouble in Japan, the debt and deficit in the US, the rising risk of a hard economic landing in the emerging markets and the possibility of a bursting of the mega property bubble in China. We believed the European sovereign debt crisis was the most imminent threat to financial markets. It was harder to time, however, when the other issues might become relevant to investors. In each case, however, trouble has come to the fore faster than we expected and each of these landmines has already been triggered. Not only that, other disturbing economic issues have developed quickly as well. Inflation expectations rose sharply, the G-7 intervened to weaken Japan's currency, S&P signaled a potential downgrade of both US and Japanese debt, economic growth expectations fell in the US, a nuclear accident rated as serious as Chernobyl unfolded in Japan, oil prices jumped on the back of disconcerting tension in the Middle East, the value of the US dollar sank precipitously and housing prices continued to fall. There has been no shortage of worrying macroeconomic developments in 2011.

Chart 1



Source: St. Louis Fed & QBAMCO.com

Table 1

1Q11 Total Returns

US Indices	1Q11
S&P 500	5.91%
S&P 500 Value	6.80%
S&P 500 Growth	5.07%
NASDAQ* (price only)	4.83%
S&P 400 (Mid Cap)	9.36%
S&P 600 (Small Cap)	7.71%
Treasury Bonds	-0.14%
High Grade Corp. Bonds	0.97%
Gold	0.81%
Global & International Indices	
MSCI World	4.29%
MSCI EAFE	2.67%
MSCI Euro	9.56%
MSCI Far East	-4.99%
MSCI Japan	-8.28%
US Economic Sectors	
Energy	16.95%
Materials	5.96%
Industrials	8.83%
Consumer Discretionary	4.60%
Consumer Staples	3.05%
Health Care	6.68%
Financials	3.32%
Information Technology	4.38%
Telecom	4.55%
Utilities	4.05%

Source: Standard & Poors, MSCI, Bloomberg

With all of these rising threats, it would be natural for the markets to falter. Indeed, had we known in advance all of this was going to occur; we would have been even more concerned than we were in our last commentary. In fact, less than a year ago, the S&P 500 fell over 17% just on concerns about Greece's possible default. Now, there are many more destabilizing forces at work, including not only Greece's inevitable default, but also that of Ireland and Portugal, all of which could put Europe's banking system at risk. The market did not, however, totally ignore these disconcerting developments. The S&P fell over 7% from its February 18th high through the middle of March and was in negative territory for 2011 at that point. Just two weeks before the end of the quarter, many of Stewardship Partners' portfolios were ahead of the index. Then, in a questionable display of resilience, the market shot higher over the next ten trading sessions to end the quarter solidly in the black (Table 1). It is not clear exactly what the market was responding to as there was no positive resolution to any of the problems during this ten day period. Indeed, some continued to worsen. As best we can determine, the market's rapid recovery in the face of serious macroeconomic concerns can be traced mainly to the flood of liquidity the Federal Reserve had created in the financial markets via its QE2 program (Chart 1). It seems the now more concentrated and, therefore, powerful Wall Street investment houses are eager to take a "damn the torpedoes" risk-taking approach as long as the Fed is willing to provide them the magic, but temporary, elixir of abundant liquidity.

We remain concerned that temporarily papering over fundamental economic challenges with excessive liquidity will ultimately have a bad outcome for investors. While this belief led to our cautiously positioned portfolios underperforming the indices in the first quarter, we suspect the distortions in the financial markets caused by QE2 may begin to be corrected as its end on June 30th nears. It is worth noting there was no QE program in place to rescue the market when it fell 17% last year. For now, we continue to believe it is better to be safe than sorry.

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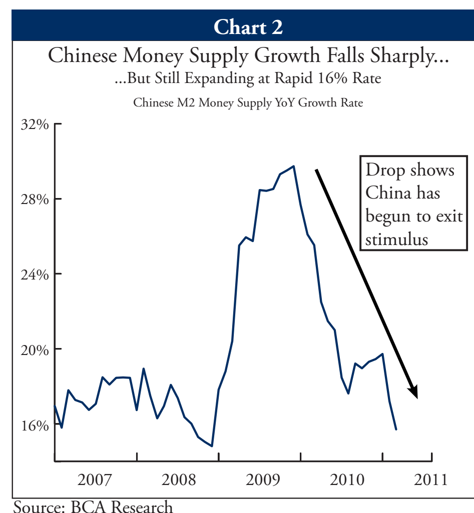
DEFUSING LANDMINES IS A RISKY ENDEAVOR

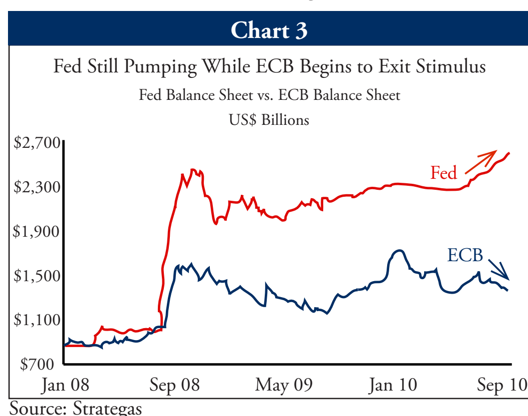
"Why let this threat grow, to the detriment of the royal interests?" Ezra 4:22 (NIV)

Governments around the world responded with enormous stimulus measures to the 2008 crash. The efforts were not carefully measured, but rather were gigantic and frantically implemented. The potential for worldwide depression was very real and thus implementing an economic "Powell Doctrine" of using overwhelming force was the best choice given the dire circumstances. Eventually, however, it comes time for policymakers to sort out the collateral damage such massive stimulus creates, while attempting to carefully guide economic activity towards normal. Nations are currently at varying points in this policy reversal process and are facing different constraints on their actions. Removing stimulus without upsetting the global economic apple cart will undoubtedly prove to be a challenging and delicate procedure, particularly since the circumstances in which this endeavor is undertaken are rarely ideal. With multiple landmines littering the global economic landscape, navigating the withdrawal of this stimulus raises the risk of unanticipated economic disruption.



Source: BCA Research

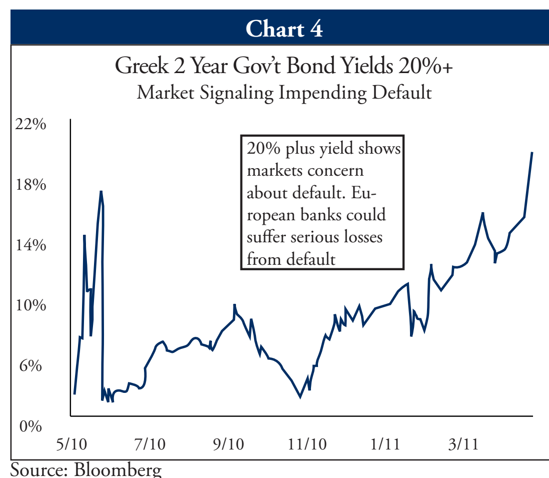
The emerging markets have been among the first to attempt to pull in the reins on their relatively stronger economies, and China has led the way. With protests from truckers and others popping up in China over high fuel prices, the government is anxious to corral its overheating economy as quickly as possible. China has raised interest rates four times and has boosted reserve requirements at its banks on ten occasions as well in an attempt to rein in massive loan growth. That loan growth contributed to a property bubble in China's larger cities that may be the world's biggest ever. It also led to inflation getting out of control, rising to 5.4% in the most recent report. Many believe the officially reported inflation figures are manipulated and inflation may actually be running as high as 10%. Even assuming the government numbers are accurate, inflation is still on the rise reflecting the economy's over-stimulated growth. Money supply growth has fallen sharply from the peak of China's stimulus efforts, but still remains at high levels, which may make containing inflationary forces difficult (Chart 2). Moreover, borrowers have found ways to circumvent the banking system to obtain loans via China's own home grown shadow banking system. Ratings agencies are also beginning to address a rising and sizable bad loans problem in China. With its citizens getting restless over inflation as well as some early signs that its residential real estate bubble may have begun to burst, China, and therefore the rest of the world, could soon find itself in a difficult spot. Its many attempts to quell its over-stimulated economy could easily lead to an unexpected hard landing. Given China's historically massive economic growth combined with substantial distortions from government intervention, it is overripe for a nasty economic correction. Many imbalances have arisen as indicated by the property bubble and rising bad loans. With early indications its economy is more fragile than most perceive it to be, we are watching closely to see if China can continue wind down the impact from excessive stimulus without harming itself or the global economy. This is a big risk to many financial markets, particularly commodity markets, and investors are simply ignoring the warning signs.



Source: Strategas

The warning signs of trouble in Europe are better documented, but are also still being largely ignored. The European Central Bank's (ECB) stimulus efforts trailed that of the US Fed in 2008 (Chart 3) and fiscal stimulus among the Euro nations was also not as sizable. More recently, as the Fed embarked on QE2, the ECB was already beginning to draw down its holdings of government bonds. Last month, the ECB pressed forward with policy normalization as it raised interest rates for the first time and promised further increases in the months ahead. Europe's early attempt at an exit from its stimulus efforts will almost certainly lead to further economic problems among those countries suffering from unsustainable debt levels – the so-called PIGS. Portugal requested a bailout late in the first quarter and Greece and Ireland have already received bailouts from the European Union's facility to deal with these countries. At the moment, it looks like Greece will soon have to restructure its debts as the bailout funds ultimately did nothing to help the country pay back its loans. Despite substantial austerity efforts in Greece tied to its original bailout, its debt situation continues to worsen. As a result, interest rates on Greece's debt have

skyrocketed, with its two year yield now over 20%, as investors have concluded a default and restructuring is inevitable (Chart 4). Unfortunately, the same will soon be true for Ireland and Portugal as well. Interest rates on their debt is also rising quickly, reflecting this risk. Outside of Germany, which is benefitting from strong exports, European growth is already quite slow with the PIGS largely in recession due to the severe austerity programs they have been pursuing. While GNP growth could fall into a recession across most of Europe as these countries begin to confront economic reality, the biggest risk for Europe and the rest of the world is the possible impact of these restructurings on the European banking system. Some estimates suggest bank losses could be in the $500 – $900 billion range if all of the PIGS were forced to restructure their debts. At the moment, Spain seems like it will avoid this fate, but European banks will almost certainly face significant losses on the debt they hold in the other three nations. Given the European effort to contain this crisis has been rather chaotic thus far, confidence levels it will be resolved without a degree of economic tumult are low. It appears efforts to "kick the can down the road" are about exhausted and developments here could impact the markets in the months ahead. With the ECB actually aggravating conditions for the PIGS as it seeks to curtail inflationary pressures, the probability of an economic/banking accident in Europe appears higher than investors seem willing to acknowledge.



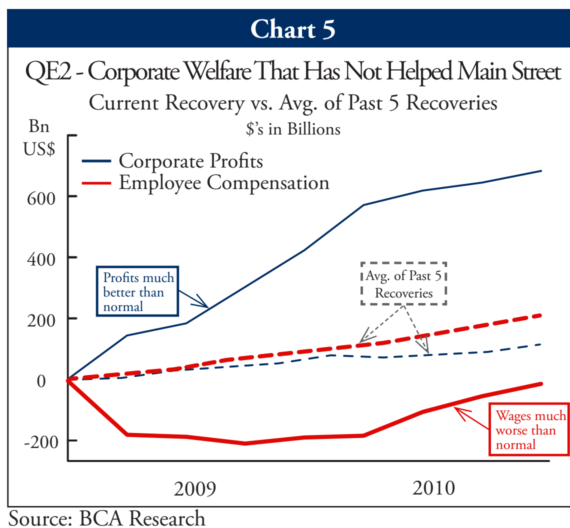
Source: Bloomberg

The US was the cause of the financial calamity in 2008 and it has pursued the most aggressive fiscal and monetary stimulus of any nation. It is also the last nation to begin to attempt to unwind that massive stimulus. QE2 was actually a risky new policy the Fed deemed necessary after its initial attempt to withdraw just one aspect of its monetary stimulus, QE1, caused the economy to run too close falling into recession/deflation again. We are now approaching the time when another partial exit attempt will be made. While corporate profits clearly have clearly benefitted from QE2, there have also been many costs, notably inflation and dollar debasement. Worse, QE2 did little to help consumers, whose real incomes are being hurt by oil prices and whose home values continue to fall. Deficit cutting will also lead to a fiscal drag on the US economy. Therefore, no one really knows if the US economy will now be able to stand on its own after QE2 ends on June 30th. We believe investors are underestimating the potential for economic trouble as well as the possibility that speculators who have fueled gains in the financial markets due to QE2 might turn hostile to the markets in its absence.

Bernanke's Homemade Landmine - QE2

"The way of a fool seems right to him, but a wise man listens to advice" Proverbs 12:15 (NIV)

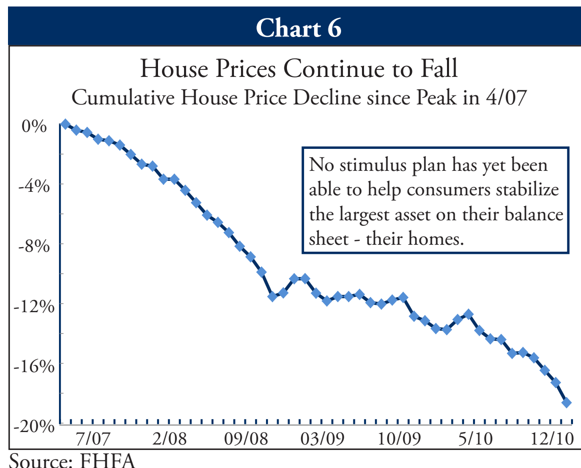
We have viewed QE2 with skepticism from the start. The official stated reason for pursuing QE2 was to keep interest rates low to aid the economic recovery and boost employment. We believe the unstated goals of Ben Bernanke were to boost inflation, thereby creating negative real interest rates and weaken the dollar. This would allow financial firms in particular to improve their profitability, encourage speculation on financial assets, particularly commodities, and boost manufacturing profits through greater exports. Improved financial industry profitability would help rebuild weakened balance sheets and encourage lending. Greater speculation in the financial markets would improve consumer demand as individuals began to feel wealthier. These factors, combined with higher manufacturing profits, would create jobs and lead to a virtuous cycle of economic growth.



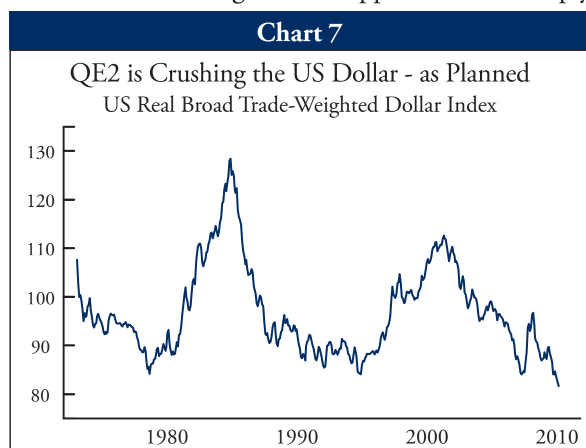
Source: BCA Research

Unfortunately, it appears these goals have only partially been achieved so far. While potential long lasting effects from QE2 may yet allow the rest of its goals to be achieved, there remains substantial doubt this will occur. Chart 5 highlights the major beneficiary of all of the stimulus plans since 2009 has been corporate profits, while wages have

made virtually no progress. The profit recovery has been spectacular relative to past economic recoveries, while the average worker's shortfall versus what is typical is equally stunning. In real inflation-adjusted terms, wage growth has actually been even worse since the inflation caused by QE2 has eaten into the little progress that has been seen. The perception that wealthy Wall Streeters benefitted disproportionately from the Federal bailouts, even though they created the need for these rescues in the first place, is accurate. Bankers and hedge fund speculators have been the big winners from QE2 as the prices of financial assets have jumped while housing prices, Main Street's principal asset, has continued to slump (Chart 6). While sales at luxury retailers are again booming due to Wall Street's QE2-aided quick recovery, the average worker is facing a much more ominous situation. Not only does his home value keep falling, his income is being battered by sharply rising oil, clothing and food prices. Since the average consumer accounts for a considerable portion of the country's economic growth, we would contend that QE2 has therefore built a rather flimsy foundation for future economic growth. It appears to have simply allowed much of the financial chicanery that Wall Street had come to be known for in 2008, which produces so little of true economic value, to be quickly reconstituted. QE2 results looks more like a corporate welfare program for Wall Street than a policy meant to address the key problems holding down Main Street.

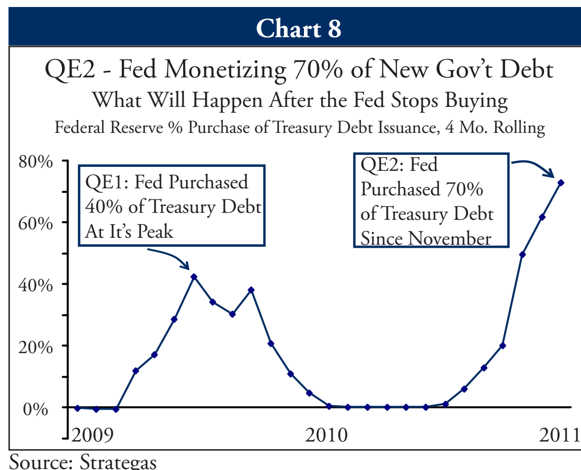


Source: FHFA



Source: BCA Research, Federal Reserve

A more sensible policy prescription would have sought to create a firmer, more productive foundation for economic growth based outside the financial sector's leveraged speculations on unregulated derivatives. Instead, we have reports that the top 25 hedge fund managers each personally made more than $1 billion in 2010 as they use their ever increasing economic power, enhanced by massive margin debt that has again put the financial system at risk, to inflate commodity prices. Those higher prices are in response to rising inflation and weak dollar concerns (Chart 7) brought about by QE2 itself. Economic growth, consumer incomes, corporate profit margins and employment are thereby all threatened by this self-destructive aspect of QE2. This is hardly the virtuous economic cycle Bernanke was pinning his hopes on, but it may well be the ultimate result of QE2. No wonder so many Fed governors have made such uncharacteristically negative statements about QE2. While it has temporarily made investors feel better, we believe that QE2 stands a good chance of being judged more harshly when the history books are written. And those speculators who so quickly embraced QE2 by buying whatever financial assets they could get their hands on will almost certainly short those same assets if the policy's unintended consequences lead to a more difficult economic environment. They will surely reduce their leveraged bullish bets on financial assets once the "protection" offered by QE2's massive liquidity is no longer available.



Source: Strategas

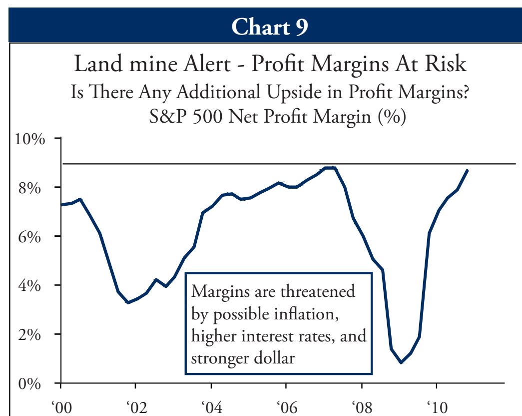
Bernanke's goals with QE2 were well intentioned and frankly he had no other effective options. It was a "Hail Mary" Pass where he was hoping for the best even though he knew the likelihood of complete success was minimal. If nothing else, QE2 removed the risk of deflation, at least temporarily. But many wonder what will happen to inflation expectations, interest rates and economic growth when the Fed's effective monetization of 70% of the gargantuan federal deficit (Chart 8) ends. Some observers believe the market will easily adjust to the absence of the Fed's massive buying. Others are far more skeptical, like Bill Gross who manages the largest bond fund in the world. He has recently completely eliminated US Treasury securities from his portfolio and has even gone short these securities. Additionally, he is maintaining 31% of the fund's assets in cash. Excessive interference into the markets by the government often lead sensible observers to take unusual actions since bad outcomes are more likely. We are concerned deflationary worries may return post June 30th and that stock and commodity prices could suffer rapid reversals as a result. With the added drag from deficit cutting in the background, a cautious approach seems more than warranted at this time.

Are Earnings a Land mine Too? What about the Dollar and Valuation?

"In the path where I walk men have hidden a snare for me" Psalm 142:3b (NIV)

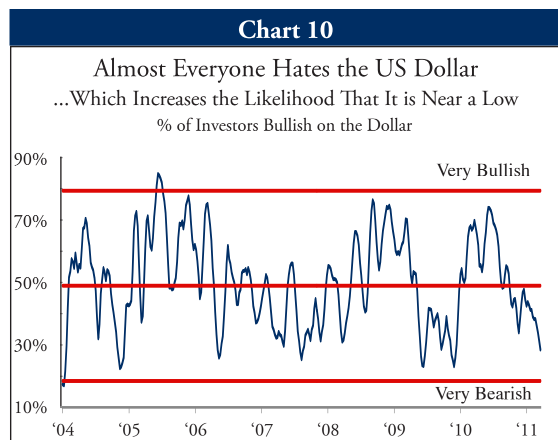
The various efforts to stimulate the world's largest economy worked well at preventing the ultimate disaster - an extended deflationary depression. We can all be thankful our political leaders and policymakers took courageous, if sometimes ill-conceived, steps to avoid such a perilous outcome. Unfortunately, the danger to the economy does not cease once a recovery has been put in place. Exiting the extraordinary measures put in place to rescue the economy is also fraught with risk. This was demonstrated when the economy weakened shortly after the end of QE1. With QE2's end drawing near, at least part of US the economy does seem to be in better condition than when QE1 came to close. As noted earlier, corporate profits have been the biggest beneficiary of QE2. Short term interest rates near 0% combined with abundant liquidity have fueled a rapid recovery in the financial sector profits. The sharp decline in the dollar has also not only bolstered the value of corporation's overseas earnings, but also aided a strong advance in manufacturing earnings as US products are now more cost competitive. As a result, corporate profit margins are once again at the very high levels achieved just before the 2008 crash (Chart 9). Undoubtedly, this strong profit rebound has helped stock prices rise in the face of many macroeconomic challenges in recent months. The Financial sector's profits now make up over 30% of the total and these profits could be at risk if interest rates rise due to inflation concerns and the lack of Fed buying of US Treasuries. History suggests, at a minimum, further profit growth may be difficult to come by now that this high level of profit margin has already been reached. Declining profit expectations are a possibility in the quarters ahead and this would certainly be another possible landmine for equities.

Chart 9



Source: Strategas

Chart 10

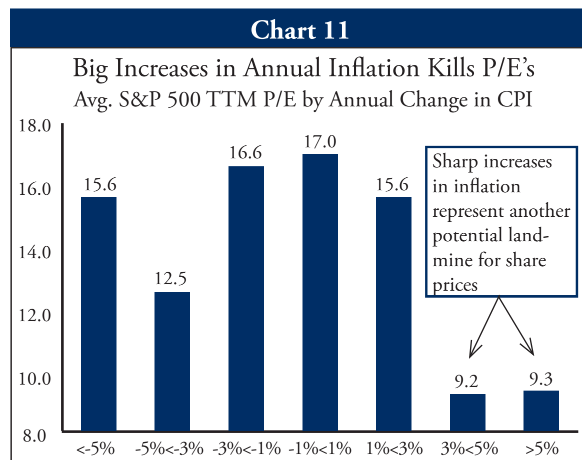


Source: Strategas

Profits are already under some pressure from rising input costs. Commodity prices have spiked as a result of QE2 and this trend is beginning to impact corporate profit margins. McDonalds recently announced it is raising its prices by 1%, but that this will not offset the 4.5% increase it sees in food costs. The company acknowledged it would suffer a decline in margins as a result. Walmart also has warned of significant inflation in the months ahead. Additionally, as QE2 ends, there may be upward pressure on interest rates and the downward pressure on the US dollar may abate. Chart 10 highlights that bearish sentiment on the dollar is already near an extreme, suggesting a rebound in its value would not be surprising. With the G-7 seeking to keep the Yen low to aid Japan's recovery, and with the European sovereign debt situation nearing another crisis point, it would not be difficult to see the dollar strengthen in the months ahead. It may regain its status as "the best house in a bad neighborhood" among global currencies. If so, this will also hurt US manufacturing profits and reduce the dollar value of the very substantial profits US companies earn overseas.

Another potential landmine for equities is a sharp rise in inflation. Clearly, the massive amount of liquidity the Fed has pumped into the banking system represents a latent threat of significant inflation. Removing this liquidity in a timely and careful manner to avoid a burst of inflation will be one of the Fed's greatest challenges. If it turns out that the Fed is not able to achieve a successful exit, equities could see valuations take a big hit. Chart 11 highlights what has happened to P/E multiples in the past when inflation was rising rapidly, and it is not pretty. The still considerable amount of slack in the economy combined with the still low velocity of money may mean inflationary concerns will not be fully realized. Still, it remains another potential landmine for stocks as the Fed may not turn out to be up to the challenge of withdrawing liquidity from the banking system speedily enough to avoid inflation.

Chart 11



Source: Strategas

These Landmines are Very Dangerous and Hard to Predict

"Do not forget the things your eyes have seen" Deuteronomy 4:9b (NIV)

We are not comfortable being cautiously positioned. It goes against our imbedded optimistic bias and long term investment approach. Throughout our over three decades of investing, uncertainty and risk have always been present to one degree or another. We have always been happy to see through those concerns to the brighter future that inevitably came to pass. When our optimism has been questioned at times given the backdrop of alarming trends, such as in late 2008 and early 2009, we described ourselves as "rational optimists". It was not that we were ignoring the landmines present at that time; we just sought to react rationally to them, as well as to the long term values these problems created in equities. These past landmines were simply not as dangerous and were further apart.

Unfortunately, we have also seen the ruinous effects of excessive debt in many nations around the world during our career. It is only recently, however, that debt has exploded to heights in the US and other developed nations which signal to even a rational optimist that caution is now warranted. This prudence has regrettably caused us to miss the QE2-fueled run in share prices between September and April. With share prices now considerably higher and the excessive government debt still present - and still growing rapidly - we believe proceeding carefully remains our best option. Moreover, debt is not the only issue facing the financial markets. We have outlined above any number of very serious challenges economies around the world face and, if space allowed, we could easily describe others. We are now dealing with landmines that have greater explosive force then those seen in the past and to ignore this, as Wall Street currently is, would require taking the word "rational" out of our "rational optimist" description. Moreover, it is difficult to predict when or if the full force of these explosions will be felt. Governments are working hard to defuse these landmines, or at least minimize the magnitude of the blast zone, and this can delay the consequences. Still, it will be very, very hard for various national policymakers to completely eradicate the negative ramifications of delevering national and central bank balance sheets. Moreover, having inserted themselves so forcefully in our economies, the future decisions of policymakers are both critical and highly uncertain. We could end up with hyperinflation if the Fed continues with QE policies as the lesser of the evil choices it faces. On the other hand, we could end up with deflation should the Fed choose instead to raise interest rates to ward off inflation at the same time fiscal policy is being tightened by politicians trying to bring some much-needed order to the nation's balance sheet. While it is possible the economy lurches in neither of these directions but continues to grow at a slow, non-inflationary pace, we believe wisdom - and even rational optimism - requires a more wary investment stance at this time. Keeping one's powder dry now may yield wonderful long term investment opportunities later.

This is not to say that we might not act soon to remove our cautious portfolio positioning. If the probability of a clean exit from stimulus efforts in the US and around the world increases, we will quickly react. We also may choose to get more fully invested soon if we come to believe the day of reckoning is still some time off. If inflation becomes the main issue for the economy, equities may actually do well after an initial sell-off. After price-earnings multiples initially decline at the onset of an inflationary event, share prices usually perform well as corporations are normally good stores of value when prices of goods and services are rising and a currency is weakening. With interest rates so low, bonds are very exposed to losses. If interest rates begin to rise due to inflation or other factors, equities are likely to benefit from a mass movement of assets away from bonds towards stocks. There is little evidence this is happening yet, but we would not want to own a lot of bonds right now. In fact, like Bill Gross, we have a lot of cash and only short-dated high quality bonds in our balanced portfolios right now.

Another reason for the market's ability to rise in the face of significant macro-economic concerns we have considered is the possibility that China is likewise looking to allocate its huge US dollar-based portfolio away from US Treasuries and into US stocks. At the moment, China holds $1.2 trillion of US Treasuries, which will certainly hurt the Chinese if interest rates rise, inflation becomes a problem and/or the US dollar continues to decline over the longer term. There is some evidence of its bond holdings falling, but we have not been able to identify Chinese purchases of US stocks. Still, some force is entering the market and buying in a significant way when the data would not necessarily dictate such action. Not knowing who is making such seemingly imprudent purchases, we cannot know when they might stop their buying thereby leaving the market to fall as it normally would. If China is indeed making an asset allocation away from bonds, this could be an artificial prop under US share prices that could last for a long period of time. We would alter our approach to our portfolios if Chinese buying of US equities becomes evident and if it is determined that it is likely to go on for a considerable period of time.

We at Stewardship Partners continue to be grateful for the opportunity to serve your investment needs. Please do not hesitate to contact us if you have any questions or if we can be of assistance.

Biblically Responsible Investing (BRI)- Investing as Jesus Would

"Blessed are they that maintain justice, who constantly do what is right." Psalm 106:3 (NIV)

Stewardship Partners, founded in 2000, is a leader in the field of investing with a Christian perspective, a form of Socially Responsible Investing (SRI) known as Biblically Responsible Investing (BRI). Rusty Leonard, CFA, Stewardship Partners' founder and CEO, practiced this investment philosophy while managing over $3 billion of assets as a portfolio manager from 1989 to 2000 with the Templeton organization. He also had the privilege of working directly with the world-renowned global mutual fund manager, Sir John Templeton. By employing a BRI approach to investing, Stewardship Partners 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. Simply put, a "what would Jesus do" approach to portfolio management is what we seek for our clients.

Below are just some of the issues of concern to Stewardship Partners 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 (those companies deemed to be the most active supporters)

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 which

reflect our client's biblically-based Christian worldview. We obtain the information on both the objectionable practices and the exemplary attributes of corporations from our affiliate The Biblically Responsible Investing Institute (www.BRIInstitute.com). We believe BRII gives Stewardship Partners the most comprehensive database of BRI information that currently exists.

It is our hope that, over time, we and other firms like ours may be able to gather enough assets under management to influence corporate behavior in a positive manner with biblical principles and wisdom. As things presently stand, a biblically-based Christian message is not being heard as effectively in the corporate marketplace as it should be since the amount of money dedicated to BRI, while growing rapidly, still falls far short of that in the typically more liberally-biased SRI funds.

For a more in depth study of the topic of Biblically Responsible Investing (BRI), please see our paper entitled ***"The Scriptural Basis for Biblically Responsible Investing."***

BRI in Action – Comparing Good and Bad Corporate Behavior

"Love must be sincere. Hate what is evil; cling to what is good." Romans 12:9 (NIV)

Below you will find an example of both a company that exhibits exemplary attributes, Syngenta, and one we avoid, the New York Times. We own Syngenta in some Stewardship Partners portfolios while we actively avoid ownership in the New York Times in order not to be co-owners in enterprises engaged in or supportive of activities which are harmful to our fellow man and our Lord's creation. **We believe, in the long run, both countries and companies that best align their activities with biblical principles will achieve the greatest success.**

The Good – Syngenta – Solving Hunger and Helping Poor Farmers

"Instruct them to do good, to be rich in good works, to be generous." 1 Timothy 6:18a (NIV)

Based in Basel, Switzerland, Syngenta has a long, complicated history which can be traced back 250 years to an original company involved in dyes. Through many permutations in the centuries that followed, the company resulted from the merger in late 2000 of Novartis' and AstraZeneca's agribusiness units to form the first major global company uniquely devoted to agribusiness. The company's name has two parts. "Syn" refers to synthesis and integration while "genta" refers to humanity. Thus the company's name means "bringing people together", reflecting the merger of the employees from the two units that were merged and the desire for the company to bring humanity together to find the best possible solutions to feeding the world. Through world class science and its global reach the company seeks to help customers increase crop productivity, protect the environment and improve health and quality of life. Syngenta has over 26,000 employees operating in over 90 countries producing nearly $12 billion in sales. The company's principal markets are North America, Europe, the Middle East and Africa but fast growth is also being seen in Latin America and Asia. The company produces chemicals for crop protection, seeds and turf, garden and home care products for homes. The company states that it is "guided by the conviction that value creation depends on the successful integration of business, social and environmental performance. Syngenta is committed to promote and maintain high standards of corporate responsibility worldwide."

Syngenta focuses on sustainable agriculture and water preservation, spending $1 billion on R&D last year. With a rapidly growing global population and increasingly scarce land, water and energy resources, the challenge of eliminating the hunger and malnourishment that as many as 1 billion people currently suffer from as well as preparing for future enormous needs is one that Syngenta is prepared to accept. Agriculture already accounts for 40% of all land resources and 70% of water resources, so the need for technological advancement is critical to eliminating hunger and warding off future threats of food shortages. Clearly, there are few things as important as this, particularly considering the potential for warfare as countries struggle to meet the needs of their people. To avoid such unfortunate consequences, farmers will need to double crop production in the next 40 years. There are currently about 450 million small farms in the world and, while these are most often among the most productive farms, there remains a need to help these farmers to produce even more and to adapt to new methods of sustainable farming. The Syngenta Foundation for Sustainable Agriculture is active in many parts of the developing world helping small rural farmers with vocational skills, empowering women and arranging microfinance opportunities and self-help groups. The goal is to achieve grassroots mobilization and enhance self-reliance.

Syngenta utilizes this great need as a way of recruiting talented staff as well as motivating its staff. But it also works hard to compensate them with attractive salary, bonuses and benefits. Compensation plans are flexible and competitive in the regions where the company has operations. Incentive programs are based on company and individual performance indicators and are used to support the company's global strategy and culture. Moreover, the company emphasizes its desire to help employees reach their full potential, opening the door to their global business enterprise for their staff to move and grow. All employees have individual career development plans that are reviewed with their managers regularly. The company also has a special awards program that can go to individuals or teams of employees. Any award given under this program must be tied to one of the company's core values of Innovation, Intensity, Health and Performance. Any employee is eligible and the company says that each has a story to tell that they are willing to reward. The company also has a strong Code of Conduct that each employee engages with through team-leader sessions and via online training. Extensive customized internal training is available for most employees and the company focuses on leadership training in particular.

Syngenta seeks to give generously to projects of direct relevance to its goal of improving the livelihood of resource-poor farmers through the Syngenta Foundation. The Foundation has ongoing projects to help small farmers in Mali, Kenya, Bangladesh, Brazil and India. It also funds initiatives to improve seed markets in depressed regions, to improve the yields of rice crops, to support agricultural insurance for poor farmers, promote biodiversity conservation and the production of bio-fuels. The Foundation also seeks to utilize Public-Private Partnerships to further enhance the situation of poor farmers. Recently it has engaged partners to improve the disease resistance of wheat and the nutritional value of corn. Another recent effort was to establish an integrated supply chain for high-quality vegetables for farmers in the Peruvian Andes. Syngenta's HarvestPlus bio-fortification program seeks to bolster the nutritional value of foods already consumed by the poor. The Foundation also plans to reach 200,000 poor India farmers with training about how to improve both their productivity and income. In Vietnam, the Foundation is assisting poor farmers in augmenting food security and their incomes.

Syngenta's good works are, of course, no guarantee of long-term investment success. As Biblically Responsible Investors, however, the company's efforts to help poor farmers, its work to overcome hunger and promote sustainable farming as well as its good treatment of its employees allows us to know we are shareholders in a company seeking to be a blessing to all. While no company, like no person, is perfect, this is clearly a company that strives to be a good corporate citizen and one we can be proud to own!

The Bad – The New York Times – Abortion, Homosexuality and Lots more

"Things that cause people to sin are bound to come, but woe to that person through who they come." Luke 17:1 (NIV)

The New York Times, while struggling for survival in the Internet age, is still one of the best known newspapers in the world. Often referred to as the "newspaper of record", the New York Times' news reporting and editorial stands heavily influence other newspapers as well as other forms of media. Additionally, the company is an owner of the International Herald Tribune, a leading English language newspaper outside the US. The "Times" has long been the leading media voice for liberal political views and a variety of movements which are at odds with Biblically-based wisdom. As such, this company has been one of the most active companies in the world in undermining the Lord's work of sanctification in our world.

The paper's long and aggressive support for abortion is its most distressing attribute. In the past it has also backed up its substantial editorial and news reporting support for abortion with financial contributions to the leading purveyor of abortion services in the US, Planned Parenthood, from shareholder funds.

Not surprisingly, the Times is also a big supporter of homosexuality. Again, that support has been very heavy from the standpoint of the newspaper's reporting, but is further backed up by the company's use of shareholders' funds to support homosexual causes. The Bible is very clear that homosexuality is a sinful behavior and therefore, as BRI proponents, we are compelled to take a stand against corporate activities that support this sin.

Excluding the New York Times from our list of potential investments is not a difficult decision. As BRI investors seeking to please and honor our Lord, we naturally look elsewhere to achieve investment success as we do not want to be associated with a company using shareholder resources in a manner which have a negative impact on individuals and society in general.

Our Ultimate Goal - Funding the Lord's Work

"Therefore go and make disciples of all nations." Matthew 28:19a (NIV)

It is our hope that Stewardship Partners' ability to create an abundance for you will help you to share with those who are in need and assist in fulfilling the Great Commission. Our non-profit ministry affiliate, Wall Watchers, provides a free service to help you educate yourself about the many wonderful Christian giving opportunities available to wise donors. We invite you to join the thousands of visitors to our ministry's website at www.MinistryWatch.com, the Internet's top site for donors to Christian ministries. Should you desire to have someone show you how to best use this site, please contact Rod Pitzer at 866-364-9980 or rpitzer@wallwatchers.org. We would be pleased to be able to help you bless God's people who are in need. Please be sure to check out our 2010 list of our thirty Shining Light Ministry Award winners as well as our companion list of thirty ministries that are subject to a Donor Alert from MinistryWatch.com.

Featured Ministry – Nazarene Compassionate Ministries

"The LORD is good to all; he has compassion on all he has made" Psalm 145:9 (NIV)

Following the example of Jesus, Nazarene Compassionate Ministries (NCM) partners with local Nazarene congregations around the world to clothe, shelter, feed, heal, educate, and live in solidarity with those who suffer under oppression, injustice, violence, poverty, hunger, and disease. NCM recognizes the importance of the role of local churches in delivering God's life-changing work. The local church is God's ordained agent to fulfill the Great Commission. When Jesus completed His earthly ministry, He commanded the church to go into the world and carry His good news. Through the work of the local church, individuals are positively changed, thus, corporately bringing the love of God to their communities.

NCM pursues a variety of programs to help the poor. Recognizing that poor children are one of the most at risk groups, NCM's Child Development Centers are committed to work with families and the community to help children achieve their God-given potential. NCM's centers are currently operating in 28 nations with an emphasis is Central Asia and Africa. NCM also is active in short and long term disaster relief. They continue to minister to earthquake victims in Haiti and are now working to assist in Japan as well, leading with the gospel of Christ. NCM also operates many health clinics around the third world and is active in ministering to those who are suffering from HIV/AIDS. Currently, the ministry is operating in 150 countries.

Nazarene Compassionate Ministries is a worthy ministry that has adopted a Biblically-based model to reach as many as possible with the love of Christ and the Gospel. While still a relatively small relief and development ministry, its efforts are having a wide impact across the world. Additionally, the ministry effectively utilizes the financial resources donors entrust to it as reflected by the Five Star Financial Efficiency Rating earned from www. MinistryWatch.com. NCM is also a 2010 MinistryWatch.com Shining Light Award winner and is worthy of consideration for your financial support.

The Christian Ministry Marketplace – Helping Donors Give Wisely

"A generous man will prosper, he who refreshes others will himself be refreshed." Proverbs 11:25 (NIV)

Much like the stock market provides for a sensible and efficient allocation of capital in our economy, the rise of a Christian Ministry Marketplace is providing donors with a myriad of helpful resources to maximize the impact and joy of giving to the

work of the Lord. As donors begin to take their giving as seriously as their investing, they will find the assistance offered by the groups listed below to be invaluable. By utilizing these resources, donors are not only likely to make better personal giving decisions, but are also contributing to the growth in the marketplace itself. By so doing, they are helping to lay a foundation for wiser giving for all who follow in their footsteps. Accordingly, we encourage donors to investigate how these groups might help you to give more wisely, achieve a greater impact and create increased joy for both yourself and receivers of your gifts.

The Christian Ministry Marketplace
Resources for Christian Donors

WHY
to give to Christian ministries?

Teaching on Stewardship:

- Crown (crown.org)
- Eternal Perspectives (epm.org)
- Generous Giving (generousgiving.org)
- Royal Treasure (royaltreasure.org)
- Sound Mind Investing (soundmindinvesting.com)
- The Gathering (thegathering.org)
- MaximumGenerosity.org (maximumgenerosity.org)

HOW
to give with a discerning mind?

Professional Advisors:

- Kingdom Advisors (kingdomadvisors.org)
- National Association of Christian Financial Consultants (nacfc.org)
- National Christian Foundation (nationalchristian.com)

Donor Advisors:

- Excellence in Giving (excellenceingiving.com)
- Calvin Edwards & Co. (CalvinEdwardsCompany.com)
- Kardia (http://www.kardiaplanning.com/)

WHERE
to invest in kingdom ministries?

Ministry Research:

- ECFA (ecfa.org)
- MinistryWatch.com (ministrywatch.com)
- Samaritan's Guide (acton.org/cec/guide/)

Ministry Mutual Funds:

- Nat'l Christian Fdn (nationalchristian.com)
- Strategic Resource Group (srginc.org)

Online Donation Services:

- Network For Good (networkforgood.com)

Featured Ministry Marketplace Participant - The ECFA

"we carry the offering, which we administer in order to honor the Lord" 2 Cor 8:19 (NIV)

The ECFA, founded in 1979 by a group of 150 Christian ministries, is an accreditation agency dedicated to helping Christian ministries earn the public's trust through adherence to its seven Standards of Responsible Stewardship. ECFA, under the leadership of President Dan Busby, now has over 2,000 members with combined revenue in excess of $15 billion. Donors to ECFA member ministries, which can be recognized by the ECFA seal on ministry literature, can have confidence that these ministries have voluntarily submitted themselves to the most comprehensive rules and regulations of any peer accountability group in the non-profit arena. We would encourage interested donors to visit the ECFA website at www.ecfa.org. Due to the good work of the ECFA, the Christian Ministry Marketplace is more advanced than the non-profit marketplace in general, thereby affording donors to ECFA members greater confidence that their gift is being utilized wisely.

ECFA's Standards of Responsible Stewardship focus on board governance, financial transparency, integrity in fund-raising, and proper use of charity resources. ECFA provides several services to the donor public. Disclosure requirements enable donors to request and receive audited financial statements for all ECFA members. ECFA's website contains a membership directory with selected financial information of all its members, guidelines for giving, the Donor's Bill of Rights, and general information helpful to the giving public. The ECFA also responds to complaints against its members. All such complaints are investigated thoroughly in order to determine if there has been non-compliance with the ECFA's standards.

Knowing Jesus Christ as Your Lord and Savior

While most of those reading this will have already established a personal relationship with Jesus as their Lord and Savior, it is very likely that many have not. If you are someone who has not yet turned your life over to your Creator, we would have failed you miserably if we presented only information relating to your investments yet did not share with you the most important information of all: truths which have eternal significance for your soul and that will have an overwhelmingly positive impact on your life on this earth.

The gospel message is a simple one, far less complicated than the global impact of rising oil prices or the effect of a revaluation of the Chinese currency. For most people, the first part of it is easy to relate to – you are a sinner. If you are anything like the rest of us (and you are) more often than you probably would like to admit, you either do, say or think something that is clearly wrong and which you are ashamed of. "But what's the big deal", you might say. "If everyone has this problem with sin, can't we all just accept the fact and try our best to get along?"

Well, on this earth, that is exactly what we try to do. We forgive one another's faults and press on with life. From an eternal perspective, however, there remains a problem. Our Creator, who loves us with a love that can only be described as extravagant, has prepared an eternal home for us that He very much desires to share with us. Unfortunately, in our sinful state, we are unable to enter into heaven, which is by its very nature perfect. Desperate not to be separated from us for an eternity, our God devised the only possible solution – a divine exchange. He sent His very own son, who was perfect and thus without sin, as a sacrifice to pay the penalty for our sins. In this exchange, Jesus bore, through His death, all of our sins, so that we in turn could receive all the glory that was due to Him. He was made sinful while we were made perfect and, in our now perfect state, we are able to enter into the eternal home our Lord has prepared for us.

What then gives each of us access to participate in this divine exchange? By responding to this incredible demonstration of extravagant love by our God through an amazing act of your own. As you let the realization of just what your Lord has done for you filter through your heart, mind and soul, you will unavoidably desire to humbly come before Him, acknowledging that it was your sin that led to His sacrifice and recognize His Lordship in your life. And with this step of faith, the divine exchange is completed in your life, and along with it, the assurance of eternal life with a Lord whose love for you knows no bounds. If you have not done so already, we encourage you to take this time to contemplate the issue of your eternal destination and to take that step of faith that will make all the difference in your life, both now and eternally. Based on my experience and the experience of literally millions of others throughout history, it is the most satisfying, enriching and worthwhile choice you will ever make. Years of wonderfully inspiring spiritual growth await you and, if the Bible ever seemed confusing to you in the past, you will now find its wisdom leaping off the pages and into your heart.

If we at Stewardship Partners can be of any assistance to you in this all important matter of your eternal destiny, please do not hesitate to contact us. Like Jesus, we also greatly desire to share an eternal heavenly home with you!

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