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MARKET COMMENTARY

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Bear Stearns and Equities Reap the Whirlwind of Excessive Debt

"They sow wind and reap the whirlwind " Hosea 8:7 (NIV)

The defining moment of the first quarter came at its end with the collapse of Bear Stearns. From the very first day of the quarter, however, stock prices were under pressure as the collapse of the so-called "shadow banking system" continued to unfold. The astoundingly explosive growth of debt that occurred outside the regulated confines of commercial banking in recent years created excesses leading to the demise of Bear Stearns (Chart 1). The US's fifth largest investment bank was a significant player in the subprime mortgage fiasco and left itself exposed to the possibility of a quick death by leveraging its own equity capital base over thirty times! While the aptly named Bear Stearns may have been dealt with sternly by the current bear market, it is hardly alone among participants in the shadow banking system in having too much exposure to the massive debt these financial institutions helped create. Investors should expect further ramifications, perhaps from sizable banking institutions which skirted banking regulations using a wide variety of off-balance sheet financing vehicles or helped create the huge unregulated market for credit default swaps that may be the source of future trouble.

Chart 1

Source: Bigcharts.com

Table 1

1Q08 Total Returns

US Indices	1Q08
S&P 500	-9.45%
S&P 500 Citigroup Value	-8.95%
S&P 500 Citigroup Growth	-9.92%
NASDAQ* (price only)	-14.07%
S&P 400 (Mid Cap)	-8.85%
S&P 600 (Small Cap)	-7.46%
Treasury Bonds	3.87%
High Grade Corp. Bonds	-1.88%
Gold	11.60%
Global & International Indices	
MSCI World	-9.06%
MSCI EAFE	-8.91%
MSCI Euro	-9.68%
MSCI Far East	-8.94%
MSCI Japan	-7.81%
US Economic Sectors (Price Change Only)	
Energy	-6.27%
Utilities	-9.78%
Materials	-3.31%
Consumer Staples	-2.54%
Health Care	-11.37%
Industrials	-5.31%
Consumer Discretionary	-7.87%
Financials	-12.28%
Technology	-15.24%
Telecom	-14.66%

Source: Merrill Lynch, MSCI, NDR, Strategas

Surging growth in the equally unregulated and leveraged hedge fund industry also contributed to the credit crisis. With burgeoning assets making it difficult to achieve returns in the equity markets, hedge funds turned to the much larger fixed income market to find investment success. Enterprising Wall Street brokers were happy to use their extensive skills to create complicated products to meet the hedge funds' needs while filling their own coffers with fees. In the absence of appropriate regulation, however, what started as a rational effort eventually spun out of control. Most of the damage has thus far been contained in the financial and housing sectors of the economy. Indeed, first quarter earnings for the S&P 500 stocks outside of the financial sector are expected to rise 6-8%. Still, equity investors bore significant pain in the first quarter as both US and foreign stocks fell nearly 10% due primarily to concerns about the credit crisis (Table 1).

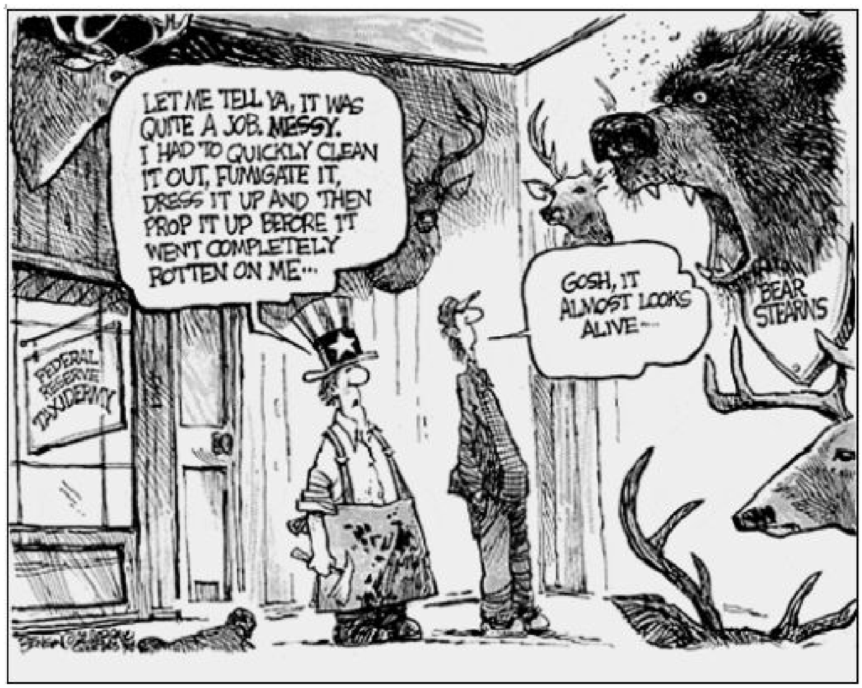
Despite our efforts to position our portfolios more defensively in the first quarter, Stewardship Partners achieved mixed results. Several of our strategies outperformed the indices while others underperformed, but in neither case by a large amount. The stocks we held simply did not do as well as we had hoped, often despite achieving excellent earnings. Stronger returns achieved thus far in the second quarter indicate our holdings are now performing more in line with our expectations. Our tactical portfolios performed better than our standard portfolios due to our successful use of inverse index ETFs during the downturn.

Table of Contents:

Market Commentary	1
BRI Commentary	7
Ministry Commentary	10

Dealing with the Consequences: Liquidity, Solvency, Recession

"They must bear the consequences of their sin" Ezekiel 44:12 (NIV)



Steven Benson, Slate.com

We believe that there is a chance that the Bear Stearns' collapse will mark the bottom of the current bear market. While further scary news on the bad debt front is inevitable, we are hopeful that the point of maximum pessimism for this market will ultimately be traced back to Bear Stearns. The company's demise occurred simply because fear spread through the market that Bear did not have the cash on hand to meet its obligations. The rumors persisted despite the fact that its businesses were functioning well and it had a significant cash position and substantial equity capital in the days just prior to the Fed organized rescue by JP Morgan. But if the market believes your firm is crippled, the crisis of confidence will quickly kill it due to the large amounts of leverage employed in an investment bank. Any firm employing excessive leverage needs to maintain the confidence of the market participants. Had Bear Stearns been a commercial bank rather than an investment bank, it likely would still be among the quick as it could have accessed the Fed's discount window to help it survive the fear-induced liquidity pinch it faced. In a bitter irony, its collapse gave the Fed the political cover it needed to make just such a facility available to other investment banks. This is one reason why we believe the Fed may now have finally gotten ahead of this crisis after being slow to act for so long. The Fed's decision to essentially open a discount window for investment banks, along with a variety of other significant and sometimes unprecedented moves, has appeared to address the very serious problem of inadequate liquidity in the financial markets. Addressing the liquidity issues in the market is a prerequisite for a return to normalcy. When fear takes over in a financial market, liquidity has always proven to be a coward. Markets need a force larger than themselves to restore order, and the Fed is that force. Thankfully, the Fed acted and, while still early, it appears its belated yet strenuous efforts have reversed the momentum of the panic spreading through the credit markets.

The Fed is well-equipped to deal with liquidity problems in the credit markets. Regrettably, liquidity is not the only issue facing this market. The Fed injecting massive liquidity into the markets is clearly helpful in stemming a fear-induced rout of share prices, but the root cause of the market's apprehension is solvency concerns related to the many bad debts piling up on financial institutions' balance sheets. The Fed can assist in resolving these issues by providing the stopgap liquidity needs and by lowering short-term interest rates, as they have done and will likely continue to do. Lower rates create an environment where banks can more easily earn profits and rebuild their balance sheets. This recapitalization process takes time and can be speeded up by the sale of new equity to investors as seen recently in the cases of UBS, Lehman Brothers and many others. It will undoubtedly take months or even longer, however, before investors are fully convinced that the solvency issue has been completely dealt with. The massive scope of the shadow banking system and the lack of transparency associated with it suggest that lingering solvency concerns will be difficult to overcome quickly. Hedge funds have been under siege as a result of their own leverage, client withdrawals, exposure to suspect fixed income instruments and derivatives as well as lenders restricting their credit lines. Many have already closed down, and countless more may follow. One fund run by Peloton Partners won the Hedge Fund of the Year Award for 2007 due its 80%+ returns but was defunct by February 2008! The use of large amounts of debt were the cause of both its high 2007 returns and its hasty 2008 extinction. Numerous banks may also suffer a similar fate before this solvency matter is resolved. Even some of the largest banks may face exceedingly trying times due to the bad debts they are exposed to. We would not be surprised if some banks end up being taken over by the US government before this crisis has run its course. Certainly, we would expect there to be concern about such drastic actions being needed even if it ultimately is never required.

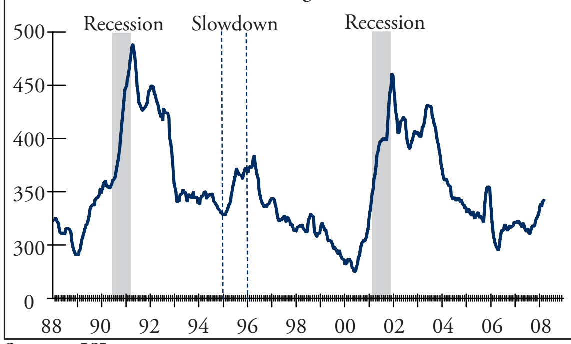
At the same time we have these concerns, however, we marvel at the ability of the markets to operate in a positive way by providing billions in new equity to troubled banks. The highly successful IPO of Visa in the midst of great market turmoil was also impressive. It may be that a resolution to the current solvency issues may progress faster than many pessimists believe.

Solvency issues lead directly to more restrictive credit policies as financial institutions seek to rebuild their balance sheets. For an economy that has grown accustomed to living large on someone else's nickel, the reduced supply of credit is certain to be such a shock to the system that a recession seems inevitable. Thus far, however, we have been pleasantly surprised by the fact the US and global economies seem to be only slowing rather than contracting. In the US, growth remained barely positive in the fourth quarter of 2007 and many economists expect it to eke out a positive result in the first quarter of 2008 as well. With the federal government's rebates kicking in during the second quarter of 2008, it seems possible that improved economic growth could be attained during the remainder of the year as well. Further government actions to assist the housing sector may also contribute to improved economic performance. This surprising economic performance in the midst of very serious credit headwinds is yet another testimony to the flexibility and underlying strength of the US economy. So far, most of the pain during this crisis has been felt mostly by highly leveraged homeowners in California and Florida as well as by wealthy hedge fund investors and the financial institutions that serve them. If the steps taken by the Fed and the federal government prove sufficient to stave off the recessionary threat, employment trends, which have not yet reached recessionary levels (Chart 2), may stabilize and Main Street may avoid being seriously impacted. As in an earthquake, the greatest consequences of the credit crisis may be felt closest to the epicenter of the problem—on Wall Street and in other financial capitals across the world.

Chart 2

Unemployment Claims Not Yet to Recession Levels

13 Week Average (in 1000s)



Source: ISI

The Cost of Greed – Liberalism, Regulation and a Weak Dollar

"Watch out! Be on your guard against all kinds of greed" Luke 12:15 (NIV)

At the heart of the current crisis is a familiar instigator—greed. Due to man's sinful nature, greed is constantly searching for a manner to express itself and capitalism offers it an easy path to achieve influence. Enlightened self-interest fuels capitalism in good times but when such self-interest is darkened by greed, trouble is sure to follow. Sadly, such a pattern almost always unfolds in each economic cycle. Sinful man inevitably takes what is good and perverts it, thereby contributing to his own demise. Such is the case in this current credit crisis where the seeds of its destruction were sown years earlier. The Reagan revolution ushered in a period of conservative economic values that were fundamentally good and formed the foundation for a long-lasting period of wealth creation. These values included low taxation and reduced government interference in business. As this cycle matured, financiers, freed from previous regulatory constraints, began to create new financial products that earned them attractive fees. A wide variety of hedge funds earning high returns aided conspicuously by leverage were among the earliest of these innovations. As these hedge funds prospered, Wall Street began to create new products and even new markets to help them fulfill their appetite for high returns. Unfortunately, these also employed even more leverage as well as convoluted structures. While the details are too complex and extensive to delve into in this commentary, suffice it to say that there was an explosion in leveraged finance over the last ten years. For example, a lightly regulated market in derivative securities has quickly grown to over $500 trillion in size, dwarfing all other markets combined (see Table 2). Such unbridled capitalism was doomed to failure leading Warren Buffet to refer to derivative securities as weapons of mass financial destruction. Some have argued that prior to the recent credit crisis, 40% of all profits in

Table 2

Derivatives Dwarf Every Other Market

- US annual gross domestic product is about $15 trillion.
- Current proposed US federal budget is $3 trillion.
- US government's maximum legal debt is $9 trillion.
- US mutual fund companies manage about $12 trillion.
- World's GDP for all nations is approximately $50 trillion.
- Total value of the world's real estate is estimated at about $75 trillion.
- Total value of world's stock and bond markets is more than $100 trillion.
- **BIS valuation of world's derivatives back in 2002 was about $100 trillion.**
- **BIS 2007 valuation of the world's derivatives is now a whopping $516 trillion.**

Source: David Galland, Casey Research - The Room the US were earned in the financial sector, a clearly unsustainable situation fueled by greed and built on a mountain of debt. The foolish lending that has taken place justified by the fees earned before the originator pawned the debt off on investors who failed to do any due diligence is of legendary proportions and reflects the ultimate inability of at least some markets to properly govern their behavior for the greater good as well as their own good.

The price for this folly could be high. Besides mass destruction of wealth and the temporary crippling of the financial sector, this financial recklessness may undermine the conservative ideals that have promoted so much prosperity since 1980 and thereby usher in a return to liberalism. Voters are tiring of the volatility brought about by a lightly regulated Wall Street engineering the financing of one bubble after another only to have the inevitable burst cause suffering for many. Frustratingly, such distress could have easily been avoided if even a slight amount of common sense had been employed to prevent excesses from occurring. The many stories of hedge fund managers earning billions annually at the same time failed corporate executives take home tens of millions or more after running their companies into the ground further fuel the cries for justice. It seems plainly obvious that Wall Street is unable to provide a moral governor to check its greed. It is also much smarter and better resourced than the few overmatched regulators meant to keep it from harming the financial system that is so vital to the proper functioning of the global economy. Accordingly, a trend toward tighter regulation based on a more liberal worldview has already been set in motion. We will be watching to see how far this trend may go, but it is not encouraging to think that most decisions about future regulations will likely occur under a Democrat-controlled House and Senate, if not the presidency as well. The possibility that legislators will overreach, as they did with the Sarbanes-Oxley bill after the technology bubble, is high. Given the inability of Wall Street to engage in meaningful self-regulation, a new regulatory framework will be imposed upon it. Unfortunately, the chances are high any new regulations will stifle innovation, progress and profitability. Moreover, the probability a greater regulatory burden is accompanied by a higher tax burden is great with Democrats controlling the reins of power and offering government-funded solutions to most problems the nation confronts, most notably housing.

Another casualty of the credit crisis has been the foundation on which US citizens' wealth is built—the US dollar. The Fed's need to lower interest rates to help banks recover from their bad debts, assist homeowners in refinancing their outsized mortgages and boost overall economic activity also has the negative side effect of further devaluing the US dollar (Chart 3). This in turn is leading to rising commodity prices including oil, metals and food as investors search for a better store of value. The inflationary consequences of these trends are becoming more evident. Once the Fed has successfully dealt with the first-order ramifications from the credit crisis, it can be expected to turn toward fighting inflation and providing support for the value of the US dollar. A stronger dollar would do much to drain liquidity from commodities and thereby reduce inflation. This will likely require higher interest rates, and the Fed can be expected to deliver them as soon as they believe the economy can handle it. As a result, the US economy may soon not only be shouldering a higher regulatory burden but also a drag from the impact of rising interest rates. Growth could be slower than normal, and there is always the chance that the economy will fall back into a recession if this transition is not handled delicately.

Chart 3

Credit Crunch Drives Dollar to Record Lows

Source: Haver, Bear Stearns & Co. Inc.

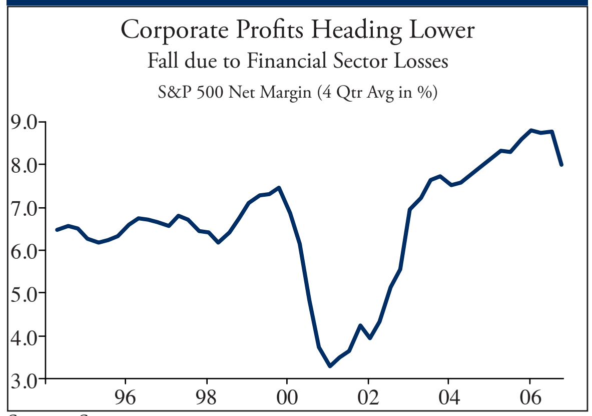
Fundamentally, most of the financial innovations of the last twenty years were good. They have created a much more dynamic and flexible financial system that has led to many blessings for our nation and the world. Excessive debt tied to these innovations has been the real problem in the current debacle and cleaning up the mess will take some time. Still, it is worth noting that many capital-impaired financial institutions have been able to quickly obtain the needed money to return their balance sheets to a position of normality and stave off bankruptcy. The existence of the shadow banking system of private equity and hedge funds, who are willing to take huge positions in banks needing new funding, (at a very attractive price, of course) has allowed the financial crisis to take significant steps towards resolution more quickly than would have been the case had they not existed. As a result, many believe that we are now likely closer to the end of the credit crisis than the beginning and the point of maximum pessimism in this cycle was Bear Stearns near failure.

The Impact of the Credit Crisis on Profits and Valuations

"They will bear the consequences of their sin" Numbers 9:13b (TNIV)

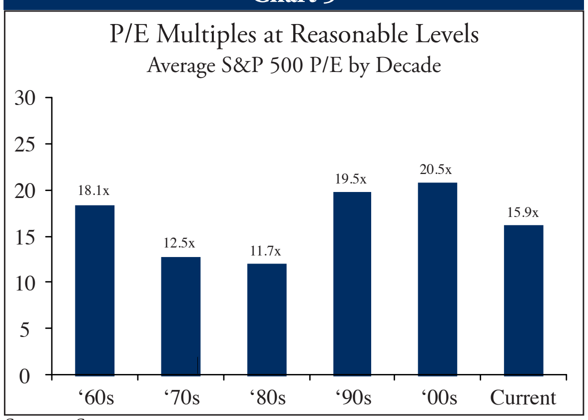
The substantial write-offs of bad debts in the financial sector have already taken a toll on the still-high level of corporate profits. This is a trend we expect will continue in 2008 as banks continue to recognize losses. Chart 4 highlights the negative turn in corporate profits but the important question is how companies outside the financial sector will be affected by the credit crisis. So far the impact has been relatively slight. As noted earlier, earnings for non-financial sector companies are expected to rise by 6-8% in the first quarter of 2008 as the problems associated with the credit crisis remain contained in the banking and brokerage industries.

Chart 4



Source: Strategas

Chart 5

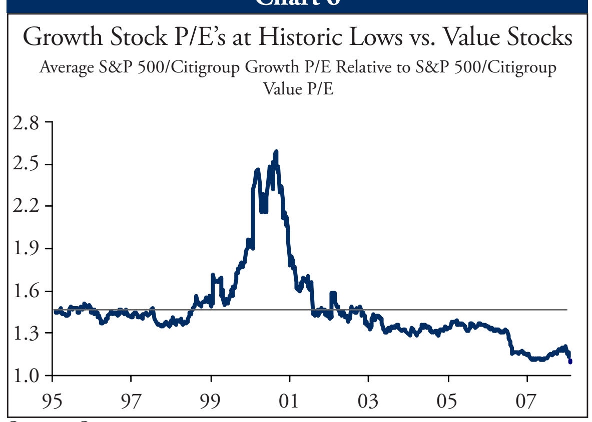


Source: Strategas

Some problems have leaked out of the financial sector, however, as several cash-rich technology companies that invested in the troubled auction rate securities market to pick up a little extra yield have suffered losses. These are minor issues—the big question for non-financial companies is whether the economic slowdown will develop into a full-fledged recession. If so, the profit picture for all stocks will turn decidedly negative. We are hopeful this can be avoided, but we are monitoring the situation very closely as a recession is possible. A key determinant to avoiding a more widespread recession will be the ability of the economy to keep people employed. If the unemployment rate rises significantly from here, a recession will be more likely. Recently, employment trends have been relatively stable indicating that the worst may be avoided.

If the US economy can sidestep a recession-led decline in corporate profits, a serious fall in share prices from current levels may be avoided. As shown in Chart 5, valuation levels are not high relative to history, thus downside risk to share prices from a possible decline in P/Es may not be too significant. Earnings, rather than valuation changes, are more likely to drive equity prices at this point. Still, P/Es could come under pressure if inflation fears continue to mount or if interest rates are eventually boosted to help fight inflation and support the value of the US dollar. With the Fed and the federal government in a very pro-growth policy mode, the market will be increasingly wary of a possible inflation threat. Additionally, the prospect for higher dividend and capital gains taxes in the longer term may also act to hold down P/Es in the years to come. A cyclical recovery in earnings may support higher P/Es if investors view it as sustainable.

Chart 6



Source: Strategas

While P/Es generally may not have much upside currently, the P/Es of growth stocks are currently very low and should offer upside to growth stock prices as valuations return to more normal levels. Growth stocks also tend to pay low or no dividends so the valuations of these stocks may not be as impacted as value stocks by the higher taxes on dividends that are likely in 2009 and beyond. Chart 6 indicates that growth stock P/E relative to value stock P/E is at its lowest level in years suggesting the possibility of growth stock outperformance going forward, a development that would aid Stewardship Partners' portfolios.

Forming the Foundations of the Next Bull Market

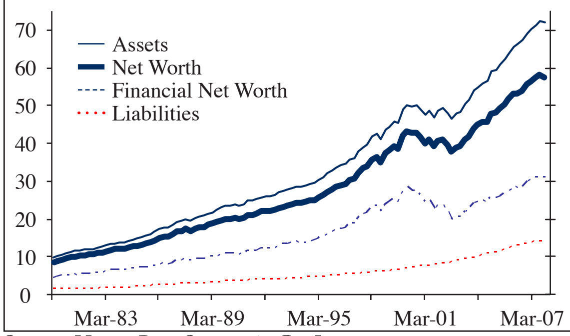
"He will be the sure foundation for your times" Isaiah 33:6a (NIV

It is very clear that there is a great deal of uncertainty for investors to contend with presently. While policy makers have finally reacted vigorously to the dual threat of the credit crisis and possible recession, it remains too early to determine if these actions will prove sufficient to reverse the negative economic momentum. The market's stronger tone at the start of the second quarter, particularly in the face of negative economic data, indicates investors are indeed beginning to be willing to assume additional risk. Given the vast amount of money held in money market funds, the high level of short interest and the still elevated levels of investor, consumer and business pessimism, many of the necessary conditions to achieve a market bottom are in place. As legendary global investor John Templeton once noted, "Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria." As we noted in our last commentary, a bear market bottom is usually marked by a climactic disturbing event. In our view, it is possible Bear Stearns' collapse will prove to be that event in this cycle. The Fed has unleashed powerful forces with its moves to dramatically boost liquidity and reduce interest rates to a very accommodative point. The federal government has also taken several surprisingly timely actions, including tax rebates and moves to free up capital dedicated to assisting the troubled mortgage market. Many concerns persist, but that is always the case at a market bottom.

Chart 7

US Consumers Remain Financially Strong

US Household Balance Sheet (in Trillions)



Source: Haver, Bear Stearns & Co. Inc.

Table 3

Equities Perform Well after Reaching Recession Lows

S&P 500 Returns

S&P Low Date in Recession *	% Gain, Trading Days Later 63	126	1 89	252
06/13/49	14.5	19.2	26.6	33.7
09/14/53	9.9	17.7	27.5	38.5
10/22/57	6.1	9.8	19.0	31.5
10/25/60	15.9	25.2	27.6	30.9
05/26/70	16.9	20.8	38.7	44.5
10/03/74	13.5	29.9	51.5	34.6
03/27/80	18.3	31.1	39.1	37.1
8/12/82	37.8	41.6	61.1	57.7
10/11/90	6.7	28.8	28.7	28.8
9/21/01	18.0	17.2	2.8	-13.7
Mean	**15.8**	**24.1**	**32.2**	**32.4**
Median	**15.2**	**23.0**	**28.1**	**34.2**

* Low date for the S&P 500 during recession, as defined by the National Bureau of Economic Research (NBER).
Shaded = Lows within secular bear markets.

Source: Ned David Research

Moreover, given the great focus on the many fears impacting investors, it is also helpful to be reminded of the strong fundamental position of the US economy. For example, as seen in Chart 7, household net worth remains well above household liabilities and even just financial net worth exceeds liabilities by a factor of two to one. While certain segments of the US economy are clearly in a serious financial bind, substantially greater portions of society are not likely to be seriously impacted by the current stress, particularly if a recession can be avoided and job losses are minimal.

Nor should investors underestimate the capabilities of corporate management to adjust to whatever circumstances they confront and continue to produce wealth for their shareholders. With relatively brief setbacks throughout history, they have done this with admirable consistency. Corporate balance sheets outside the financial sector are quite strong, leaving executives with significant flexibility to manage their corporate affairs. Furthermore, the dollar's exceptional weakness means that many US companies could prove alluring acquisition candidates to foreign buyers. While there will no doubt be new setbacks for the market to deal with in the coming months and new long-term challenges such as higher tax rates and increased regulation, investors need to recognize that the point of maximum pessimism may have already past.

If this is true, investors could enjoy a period of strong returns. Table 3 highlights the performance of the S&P 500 following recession lows. Such lows occur right in the thick of the recession, when things still appear bleak. While it may yet prove to be too early to declare that such a low has been reached, investors should give considerable thought to the possibility that Bear Stearns may have marked the bottom.

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, 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

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. We obtain the information on both the objectionable practices and the exemplary attributes of corporations from our affiliate ***The Biblically Responsible Investing Institute*** (BRII, formerly ICWR) (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. 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, Nokia, and one we avoid, General Electric. We own Nokia in many Stewardship Partners portfolios while we actively avoid ownership in General Electric 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 – Stryker – Sharing Their Abundance with Others

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

Founded by orthopedic surgeon Dr. Homer Stryker in 1941, Stryker has grown to be one of the largest and most respected companies in the orthopedic device field. Known for its creativity, innovation and commitment to research and development, Stryker is a clear leader in the medical technology industry. The company produces implants used in joint and spine surgeries as well as a number of other products including equipment used for pain intervention, endoscopies, surgical navigation and digital imaging. With $6 billion in sales in 2007, Stryker is the largest company in the $26 billion global orthopedic industry. 60% of the company's sales are in the implant business while the remaining 40% are in the medical equipment sector. Its very capable management team has overseen the company's rapid and profitable growth for many years. Most importantly, Stryker has achieved its success while producing products that greatly enhance the lives of people who would otherwise face difficulties in functioning normally. One of the legacies Dr. Stryker left his company was the principle that the company should "never make anything for profit alone." It is heartening to know that companies like Stryker, in collaboration with many forward-thinking surgeons around the world, are working diligently to enable as many people as possible to fully enjoy their lives.

Achieving an admirable level of corporate citizenship requires a commitment from a company's board and executive leadership. Stryker's efforts in this regard are extensive. The company has formulated numerous policy documents that highlight its desire to oversee its business activities in a highly professional and ethical manner. Stryker has numerous comprehensive policy statements including a Code of Ethics, a Code of Conduct and policies regarding drugs in the workplace, sexual harassment, insider trading, regulatory compliance and improper payments, something the industry had been known for. Following a US Department of Justice probe into the industry's practices, Stryker's commitment to dealing ethically were rewarded with positive results. The company also maintains an ethics hotline in order to enable it to identify any developing ethical issues quickly while those reporting a possible problem can remain anonymous, if desired. Additionally, the company recently opened an extensive educational center devoted to providing an extraordinary teaching and learning experience for medical professionals so that patient outcomes can be improved.

Stryker's commitment to its own employees is also admirable and fitting for a company that has maintained a high level of success. The company first makes an effort to understand an employee's strengths and talents. Then, Stryker focuses on matching these skills with the most suitable job as they believe employees are most fulfilled when working within their area of greatest competence. All efforts are made to encourage the employees' rapid growth. Stryker also provides access to medical, prescription, dental and vision insurance coverage, offers numerous financial benefits including a very generous 401(k) match, an employee stock purchase plan, life and disability insurance, and flexible spending accounts. The company also gives awards for perfect attendance and provides maternity leave, on site "Mothers rooms" and up to $10,000 in assistance to facilitate adoptions. Stryker also has on site fitness centers, wellness programs, tuition assistance and counseling services. Employee testimonials indicate the company maintains a healthy, growth-oriented, goal-focused employment culture where high achievers thrive. While offering these extensive benefits, Stryker does not make domestic partner benefits available nor does the company support in any other manner the sin of homosexuality.

Not surprisingly, Stryker also excels in charitable efforts. One effort the company supports through product gifts and employee time is Operation Walk, which seeks to perform joint replacement surgeries for underprivileged patients across the globe. Similarly, the company contributes products and employee time to Operation Smile, an organization that repairs childhood facial deformities. Other groups that benefit from Stryker's charitable efforts include the Red Cross, Junior Achievement, YWCA, the Arthritis Foundation, breast cancer organizations and Habitat for Humanity. Furthermore, the company supports mission surgeons working in clinics in poor nations, such as the Selian Lutheran Hospital, which is located in the impoverished African nation of Tanzania. As a result, some of the world's poorest people have access to the best medical procedures the world has to offer.

Stryker's good works are, of course, no guarantee of long-term investment success. As Biblically Responsible Investors, however, this company's charitable efforts, its clear desire to operate ethically and its impressive treatment of its own employees allows us to feel good about our ownership in its shares. It is clearly a company that we can be proud to own

The Bad – JP Morgan Chase – Abortion and Homosexuality

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

JP Morgan has been in the news recently for its role in saving Bear Stearns from collapse. While this may have been a blessing to investors, this gigantic global bank is unfortunately involved in other activities that are very disappointing to biblically responsible investors.

JP Morgan has been one of the leading corporate sponsors of Planned Parenthood in recent years. In the last two years, the bank has given $125,000 to Planned Parenthood in New York City. Planned Parenthood is the leading provider of abortions in the United States, and it grieves us that shareholder funds would be used to end the lives of unborn children.

The company is also one of the country's leading sponsors of the sin of homosexuality. It is one of more than thirty companies that have the "Most Active" designation from the Biblically Responsible Investing Institute in the area of support for homosexuality. It provides hundreds of thousands of dollars annually for homosexual groups and also has many employee-related initiatives to support this sin as well. The company has won numerous awards from homosexual groups due to its support for this activity.

Sadly, JP Morgan Chase has also been a large shareholder of companies doing business in Sudan, indirectly aiding the genocide there. Additionally, the company is involved in predatory lending to the poor.

Excluding JP Morgan Chase from our list of potential investments is not a difficult decision. There are many admirable aspects to this company but, 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 that uses shareholder resources to profit from businesses that have such a clear negative impact on individuals and society in general.

STEWARDSHIP PARTNERS — MINISTRY COMMENTARY

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 over 180,000 other monthly 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. Rod would also be happy to sign you up for our monthly e-mailed newsletter, MinistryDirect, which keeps you informed about important matters in the world of Christian ministries. You can also sign up yourself on our website. Additionally, Wall Watchers offers a monthly e-mail newsletter with updates from our stewardship education site www.theGoodSteward.com which is visited over 35,000 times each month by Christians seeking wise, biblically-based counsel on stewardship topics.

Featured Ministry – Compassion International

"If anyone gives even a cup of cold water to one of these little ones…he will certainly not lose his reward." Matthew 10:42 (NIV)

Founded in 1952 by Everett Swanson, Compassion International is an evangelical children's ministry dedicated to meeting the spiritual, economic and physical needs of the children they serve throughout the world. Compassion's programs provide tangible benefits including health monitoring, education, food and the presentation of the Gospel. Swanson was motivated to start the ministry by Jesus' words in Matthew 15:32, "I have compassion on the multitude. I will not send them away hungry." Compassion seeks to serve the world's poorest children and is interested in changing lives rather than changing circumstances in which the children live. Compassion, which serves all over the world, always seeks to establish its presence in a particular area by partnering with local churches and other Christian organizations. It now serves nearly 500,000 children in 24 countries.

Compassion is also distinguished by the fact that a donor's money for sponsorship of a child is used exclusively and specifically for the sponsored child. Most other child sponsorship ministries utilize the sponsors donations for community development where the gift may not necessarily go directly to the benefit of the child. Additionally, Compassion is also dedicated to bringing the Gospel to the children they serve where many other child sponsorship programs may not always do so. Compassion also encourages donors to communicate with their sponsored children on topics of faith and generosity rather than focusing on Western forms of materialism.

Compassion receives an "A" Transparency Grade from MinstryWatch.com indicating its good efforts to be financially transparent with donors. It also receives a 3-star Financial Efficiency Rating highlighting that it is managing its financial affairs in a manner on par with the average ministry in the MinistryWatch.com database. Due to Compassion's efforts to focus donor gifts on the specific sponsored child and the ministry's focus on bringing the gospel to the sponsored child, Compassion has been selected as one of MinistryWatch.com's 30 Shining Light ministries. We believe Compassion is worthy of your consideration as one of many excellent ministries to which you might donate from the abundance we hope Stewardship Partners will help you create over the long term.

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)
- TheGoodSteward.com (thegoodsteward.com)
- MaximumGenerosity.org (maximumgenerosity.org)

HOW
to give with a discerning mind?

Professional Advisors:

- CFPN (cfpn.org)
- Christian Community Foundation (thefoundations.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)
- Strategic Resource Group (srginc.org)

WHERE
to invest in kingdom ministries?

Ministry Research:

- ECFA (ecfa.org)
- Generous Giving (generousgiving.org)
- Geneva Global (genevaglobal.com)
- MinistryWatch.com (ministrywatch.com)
- Samaritan's Guide (acton.org/cec/guide/)

Ministry Mutual Funds:

- Nat'l Christian Fdn (nationalchristian.com)

Online Donation Services:

- Network For Good (networkforgood.com)

Notable Christian Ministry Marketplace Member – Calvin Edwards & Co.

"Each man should give what he has decided in his heart to give, not reluctantly or under compulsion, for God loves a cheerful giver" 2 Corinthians 9:7

Calvin Edwards & Company is a leading donor advisory consulting firm, which helps individuals, families and foundations maximize the good they achieve through strategic giving. Founded in 2001 by ministry and Christian financial services veteran Calvin Edwards, the firm seeks to assist thoughtful, high-capacity donors with customized services to help ensure their generosity is as effective as it can be. In this process, Calvin Edwards & Company provides information, perspective, and judgment that informs and guides their clients' decisions. Calvin and his staff regularly prepare very professional, in-depth research reports that help define the important issues a wise donor should consider when evaluating a potential ministry for a sizable gift. The company can also assist in formulating the appropriate accountability methods for how a gift is utilized and can aid donors in structuring gifts so that the intended effect can be optimized and common barriers to effectiveness minimized. Calvin Edwards & Company serves only the donor and they do so in a highly effective manner. There are no fundraising relationships with charities, and the company makes no attempt to serve non-profits. The company's sole purpose is to help their donor clients maximize the good they achieve through their giving. If you are a significant donor, we would highly recommend that you consider enhancing your giving with the assistance of Calvin Edwards & Company.

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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