STEWARDSHIP PARTNERS
MARKET COMMENTARY

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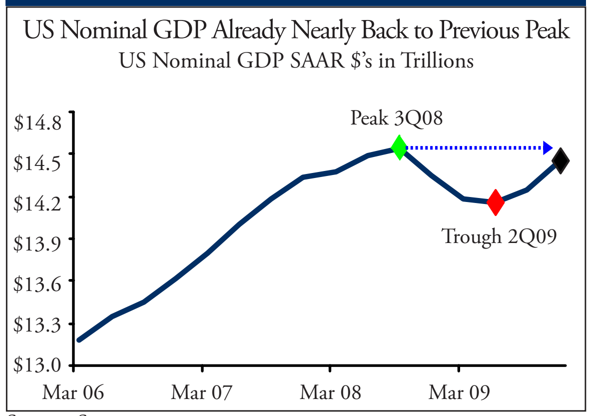
Strong Earnings Recovery Keep Share Prices Moving Higher

"Again I ask: Did they stumble so as to fall beyond recovery? Not at all!" Romans 11:11 (NIV)

We have often remarked that it is unwise to underestimate the recuperative powers inherent in a capitalistic economic system. Governmental authorities often pursue well-intentioned, but often misguided, efforts to ease the negative impact of economic cycles. Capitalism, however, typically overcomes such shackles and ultimately proves to be far more resilient than skeptics believe possible. While such skeptics of capitalism are currently more prominent than normal in Washington, DC, even they must be impressed by the rapid and steadfast recovery now occurring both in the United States and around the world. Indeed, US economic activity has already nearly recovered to its pre-crash level (Chart 1). Outside the US, many economies, particularly in the emerging markets, never were greatly impaired by the financial crisis in the first place and have continued to see economic output move to new highs. While many risks to continued global economic recovery remain, such risks are now rapidly receding and pessimists are increasingly having a difficult time justifying their gloomy stance. It is never smart to bet against capitalism.

Chart 1



Source: Strategas

Table 1

1Q10 Returns

US Indices	1Q10
S&P 500	5.38%
S&P 500 Citigroup Value	13.17%
S&P 500 Citigroup Growth	7.22%
NASDAQ* (price only)	5.68%
S&P 400 (Mid Cap)	9.09%
S&P 600 (Small Cap)	8.61%
Treasury Bonds	0.69%
High Grade Corp. Bonds	1.83%
Gold	2.57%
Global & International Indices	
MSCI World	3.35%
MSCI EAFE	0.94%
MSCI Euro	-5.79%
MSCI Far East	7.11%
MSCI Japan	8.25%
US Economic Sectors	
Energy	0.62%
Materials	2.87%
Industrials	13.07%
Consumer Discretionary	10.44%
Consumer Staples	5.82%
Health Care	3.40%
Financials	11.15%
Information Technology	1.91%
Telecom	-4.32%
Utilities	-3.53%

Source: Merrill Lynch, MSCI, NDR, Strategas

Financial assets generally, and equities in particular, tend to benefit greatly as fearful prognostications of imminent calamity prove to be wildly overstated. As fear retreats, investors slowly begin to return to the financial markets, thereby providing fuel for higher prices. Since the market lows of just over one year ago, equities, as measured by the S&P 500, have risen as much as 80% and bond prices have seen strong gains as well. During the first quarter of 2010, equity prices rose in almost all countries (Table 1). This reflects the fact that the global economy now appears to have regained its footing and has healed to the point where its growth has become self-sustaining. Moreover, the unrelenting advance in share prices itself is a strong predictor of continued global economic expansion. While many legitimate concerns remain about long term potential of the world economy, particularly in the debt-laden developed world nations, the financial markets are signaling the short term prospects have brightened considerably. While we are very grateful for the ever-improving economy, we recognize the need for the recovery to remain well-balanced if the economy is going to remain on a pathway toward renewed prosperity.

We are also thankful that Stewardship Partners' clients have continued to participate in the recovery in share prices. During the first quarter, almost all of our portfolios again exceeded their benchmarks. As in 2009, our Concentrated Equity BRI portfolios turned in the best performance while our standard US, Global and International Equity BRI portfolios also performed admirably. Good stock selection was key to Stewardship Partners' first quarter success. Our performance was also helped by our substantial underweight of European stocks but hurt by the fact that high quality stocks trailed lower quality shares. We encourage you to go to www.StewardshipPartners.com to download our Investment Strategies Handbook which contains all the details on our recent and longer-term performance along with the appropriate disclosures.

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Widening the Pathway Toward Renewed Economic Prosperity

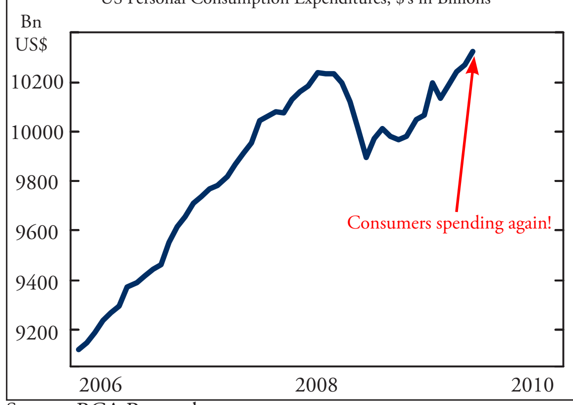
"You broaden the path beneath me, so that my ankles do not turn." 2 Sam 22:37 (NIV)

Ever since the global economy began its ascent last summer, we have been concerned about its trajectory. Recognizing that too fast growth might lead to an unexpectedly early return of inflationary pressures and a slow expansion could result in a double-dip recession, we worried the recovery could all too get easily get knocked off the pathway towards renewed economic prosperity it had just embarked upon. Knowing just how narrow that path was as the global economy began to heal made the early part of this journey quite susceptible to trouble. Given the still blustery winds of pessimism and slick surfaces of doubt, the chances of slipping and ending up in a high interest rate or deflationary ditch were still very elevated. As the current economic expansion moves forward, however, the pathway is widening, the winds are dying down and the clouds are beginning to dissipate. Accordingly, the economy is less susceptible to falling off the pathway and has a little more room for maneuver on it should new challenges appear. As the probability of an ugly impending fate for investors has been greatly reduced, more are returning to the financial markets, a development which helps further widen the pathway to renewed prosperity. While global economic healing is far from complete, it has passed a critical juncture. Assuming new shocks to the system can be averted, there is every reason to believe new peaks in prosperity will be achieved in the year ahead.

Chart 2

Consumer Spending Has Already Surpassed the Previous Peak

US Personal Consumption Expenditures, $'s in Billions

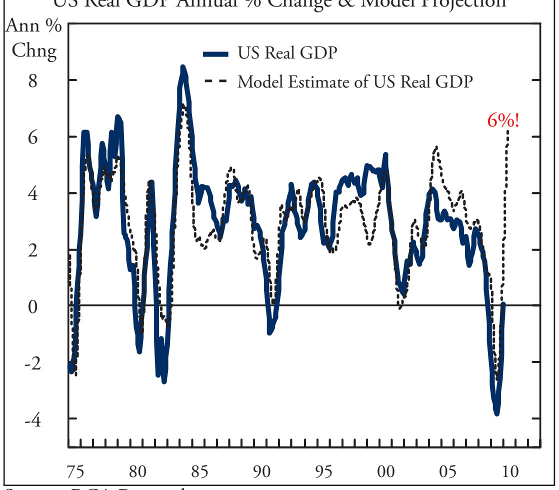


Source: BCA Research

Chart 3

US Economy May Be Recovering Faster Than Expected

US Real GDP Annual % Change & Model Projection



Source: BCA Research

The foundation of the economic expansion has clearly strengthened recently. While the housing market, one of the key factors triggering the Great Recession, remains weak, it has stabilized. Employment trends have also turned positive and almost all indicators of future employment are positive. While housing and employment are still well below desirable levels, that has not stopped US consumers from spending. Chart 2 highlights that US Personal Consumption Expenditures have already surpassed the highs achieved prior to the Crash. This no doubt reflects, in part, inflation and population growth as average real spending per consumer likely remains below pre-crash levels. Still, this recovery in total consumer spending reflects the dynamic and recuperative nature of the US economy. At this point, consumers are clearly less fearful of losing their jobs and are therefore opening their pocketbooks again. Coupled with improving exports and soon to be rising inventories, modest economic growth is the minimum expectation in the months to come. As a result, we are now far less concerned about the economy stumbling into a double-dip recessionary ditch. This greatly reduces the chances of a very bad outcome for investors.

Of greater concern is the possibility that the economy may begin to grow too rapidly. Speeding down the pathway to prosperity has dangers of its own. Economic forecasters are in general agreement that the economy will continue to grow at a moderate rate in the months to come. They may be ignoring the signal the strong stock market is sending them that the future may be brighter than expected. Longer term interest rates have also begun to edge higher indicating economic growth may be rebounding faster than the economy can easily handle. Moreover, economic growth in the emerging markets remains strong providing a lift to global growth. Chart 3 portrays an economic model which has proven accurate in the past which suggests US Real GDP growth could accelerate to the 6% level soon. Given the massive fiscal and monetary stimulus poured into the economy in the past eighteen months (Table 2, see next page), we would not be surprised if the Fed and other policymakers are confronted with the need to moderate the economy's advance sooner than presently expected. Fortunately, consumer deleveraging and constrained bank balance sheets are still acting as a restraint on the economy. The Fed has also begun to remove some of its policy accommodation

Table 2

Monetary & Fiscal Policy Stimulus was Massive!
US Economy May Recover More than Expected

Downturn Start	Lengths (Months)	Decline in Real DGP	Stimulus as % of GDP: Monetary	Fiscal	Total
Aug '29	43	-27.0%	3.4%	4.9%	8.3%
May '37	13	-3.4%	0.0%	2.2%	2.2%
Nov '48	11	-1.7%	-2.2%	5.5%	3.3%
Jul '53	10	-2.7%	0.0%	-1.4%	-1.4%
Aug '57	8	-3.2%	0.0%	3.2%	3.2%
Apr '60	10	-1.0%	0.7%	1.0%	1.7%
Dec '69	11	-0.2%	0.3%	2.4%	2.7%
Nov '73	16	-3.1%	0.9%	3.1%	4.0%
Jan '80	6	-2.2%	0.4%	1.1%	1.5%
Jul '81	16	-2.6%	0.3%	3.5%	3.8%
Jul '90	8	-1.3%	1.0%	1.8%	2.8%
Mar '01	8	-0.2%	1.3%	5.9%	7.2%
Dec '07	**-**	**-2.7%**	**18.0%**	**11.9%**	**29.9%**

Source: Strategas, Grant's Interest Rate Observer 2009, Federal Reserve & CBO Est.

and money supply growth has slowed sharply from its previous elevated level. This may prove sufficient to keep the economy from careening off the pathway to renewed prosperity at high speed. But there is a risk of a short boom in economic activity which could push interest rates higher in a disorderly manner. Should this occur, equity and bond prices would suffer, if only temporarily, as the resulting slowdown in economic growth would ultimately bring the situation back into balance.

The positive economic trends, seen around the globe, virtually ensure continued progress in the short term. As economic growth becomes increasingly more sustainable, investor confidence in future corporate earnings growth also rises. Therefore, share prices should benefit over the next months not only from higher corporate earnings but also from an increasing belief that the higher level of profits are not at great a risk of suddenly eroding. Nevertheless, this more hopeful picture of the future is still far from perfect. The global economy has taken a great step forward in the last year but share prices will not be able to achieve their full potential until highly indebted governments put forward credible policies to bring their finances back into balance. For those on the pathway toward prosperity, the absence of an effective plan to correct this unstable situation represents a very high wall blocking their progress. And it is unlikely to be scaled or broken down without some costs to both investors and non-investors alike.

Prosperity in Peril – What to Do About Massive Government Debt?

"Stern discipline awaits him who leaves the path" Proverbs 15:10 (NIV)

While the global economy is clearly improving, there remain many risks that could undermine its continued progress. None of these risks, however, are as frightening as the unsustainable and irresponsible overspending more than a few governments around the world are currently engaged in. As demonstrated by the approval of the recent US healthcare legislation, it appears the US government is not even close to focusing on fixing this very serious problem which threatens the economic well-being of every citizen. Many investors have been mystified by the advance in global share prices in light of the monstrous government fiscal deficits and debt (Table 3) as well as the unfathomable unfunded future retirement and healthcare liabilities which haunt the balance sheets of many developed nations. Some investors wonder how it is that others can possibly even consider investing in anything besides gold, commodities or stocks that they believe will appreciate as currencies eventually begin to crumble under the enormous weight of this government debt burden. While a convincing case can be made that this will indeed be the unfortunate ultimate outcome, our belief is the worst case scenario can, and probably will, still be avoided. However, there is no time to spare if significant investor pain is to be avoided. If credible policy actions are not taken soon, we should expect the "bond market vigilantes" to force the government's hand. Already, Greece is being forced to confront its profligate ways by rebellious bond market investors and, before long, such problems could spread around the periphery of Europe. We would not be surprised if the bad mood of grumpy European bond investors soon thereafter jumped over the "pond" and infected the US financial markets as well.

Table 3

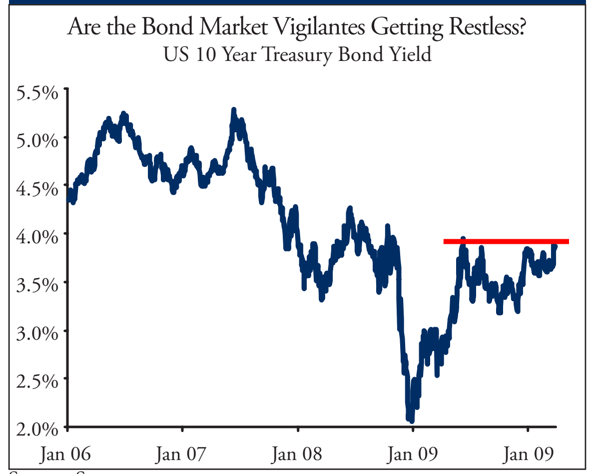
Scary Developed World Debt & Deficits
Total Gov't Deficit as % of GDP

	Fiscal Balance % of GDP	Total Deficit Less Interest Costs as % of GDP	Gross Gov't Debt as % of GDP
US	-11%	-7%	84%
UK	-13%	-7%	71%
Japan	-7%	-6%	189%
Greece	-13%	-6%	113%
Spain	-10%	-6%	59%

Source: Strategas

The main reason we believe governments will not rapidly slide over the nextseveral years into a fiscal black hole is because the bond market vigilantes will not allow it. And the impact of the bond market should not be underestimated. During the Clinton administration, presidential advisor James Carville reportedly claimed that, if he could be reincarnated, he would want to come back as the bond market because it, not the US president, was the most powerful entity in the world! And there is more than a grain of truth in that sentiment. Chart 4 shows rates have begun rising indicating the vigilantes may be getting restless. If bond investors begin to insist on much higher interest rates in order to be convinced to take the risk of future inflation and currency weakness implicit in buying a fiscally wayward country's debt, the targeted country will be forced to deal with its irrational overspending virtually immediately, as Greece is now discovering. While both the populace and the politicians are normally shocked in such circumstances to learn there is actually a limit to the stupid spending their government has engaged in, it is nevertheless the very harsh reality. While such behavior by the bond market vigilantes usually helps a nation avoid complete calamity by enforcing fiscal sanity, this solution also involves significant financial pain for everyone.

Chart 4

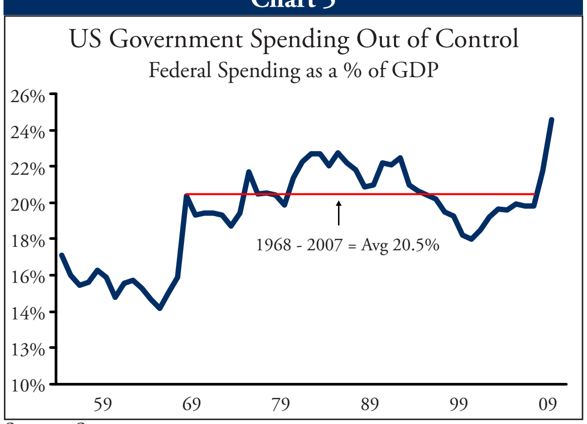


Source: Strategas

In the US, at least, we believe there is still a chance that the bond market vigilantes can be kept off the streets. Fortunately, a significant number of voters in the United States are fully aware the current government policies will result in financial ruin before too many more years pass (and please do not buy the oft-repeated line that we are hurting our children and grandchildren with these policies – the impact will hurt anyone who lives another 5-10 years). Polls of independent voters show they are very focused on this issue. Since independents determine the outcome of most elections, we fully expect most Democratic and Republican candidates to be spouting fiscally conservative rhetoric in the run-up to this November's elections. The president has already appointed a commission whose report on how to deal with the deficits and debt is due shortly after the elections. With the 2012 presidential election starting in earnest in early 2011, we believe the political landscape will quickly shift toward who can be the most fiscally sane candidate. Accordingly, the political impetus both at the presidential and congressional level, to create policies to at least forestall a fiscal implosion, will likely be great. In this environment, we anticipate legislation which will favorably alter the current alarmingly rising trajectory of the government debt can be implemented. If such actions are taken with uncharacteristic speed, the vigilantes may remain relatively peaceful. But we would also not be surprised if they did not have to get a little disruptive during the process to ensure the politicians make the difficult choices needed.

While we think the political will can be mustered to "kick the can down the road" a bit, we are under no illusions that a complete resolution to this issue is likely to be formulated in 2011. Even the actions we expect to be taken in 2011 are not pleasant as tax increases will surely be a more significant component of any temporary fix than reducing the size of government. Should fiscally conservative Democrats and Republicans win congressional seats in the 2010 election, the markets will almost assuredly have to wait until the 2013, when potentially a new president takes office, to have any fleeting hope that serious reductions in government spending would take place, including the potential repeal of the recently passed healthcare bill. Chart 5 highlights the recent rapid increase in government spending. While some of this increase is related to temporary efforts to help the economy recover from the crash, it is imperative to not just slow the rate of increase, but reverse it. That will come as a result of both the economy hopefully growing faster than government spending in the years to come and, more significantly if it can be accomplished, actions to actually significantly reduce the size of government. We are hopeful voters will be able to force such changes before the bond market vigilantes have to take charge of the situation as that would be the best scenario for the financial markets.

Chart 5



Source: Strategas

Even if progress is made in reducing the deficit, we would not be surprised if interest rates rose as the economy continues its recovery in the months ahead. We are hopeful that such increases are orderly. But we are prepared to react to what could easily turn out to be a more volatile trend in the financial markets than has been the case over the last year. From this point forward, we expect things to get a bit more complicated for investors. There remains quite a bit of baggage from the crash that still needs to be sorted out, most notably the government debt and deficits.

The Pathway Towards Renewed Prosperity Contains Speed Traps

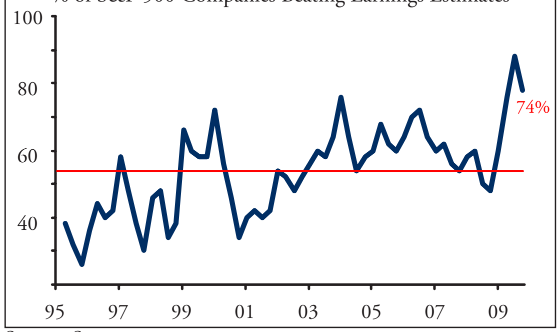
"A noose is hidden for him on the ground; a trap lies in his path." Job 18:10 (NIV)

With interest rates remaining tame and earnings surprisingly strong (Chart 6) over the last year or so, the financial markets have sped along the pathway towards renewed prosperity. Setbacks have been minor and progress has come quickly. We are thankful that Stewardship Partners' clients have more than participated in this rapid recovery. But we fully recognize that there still remains some work to be done to fully restore that which was lost during the crash. We suspect, however, that progress from this point may decelerate as the pathway gets a bit bumpier. Certainly, the stunningly swift earnings recovery will moderate and the percentage of companies reporting positive earnings surprises will falter from the current extended levels. Additionally, should the economy remain in recovery mode as we expect, the pressure on both short and long term interest rates can only be upward. As a result, the Fed will be looking to remove its still massive accommodation by reducing the size of its balance sheet and eventually increasing short term interest rates. Long term rates will be pushed higher by increasing demand from businesses and consumers for credit that will coincide with still massive government borrowing. With the demand for credit likely to bounce meaningfully, rates will likely be forced higher. The combination of slowing earnings momentum and higher interest rates will act to depress valuations, slowing the advance in share prices from what has been experienced since March 2009.

Chart 6

Surprisingly Strong Rebound in Corportate Earnings

% of S&P 500 Companies Beating Earnings Estimates

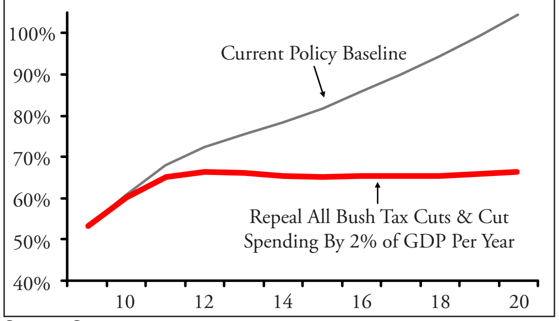


Source: Strategas

Chart 7

It's Not Going to be Easy to Fix

Debt as % of GDP Using Current Policy Vs. Tax Hikes & Spending Cuts



Source: Strategas

Interest rates and faltering earnings momentum will not be the only factors holding down valuations in the intermediate term. Increased taxation is also a certainty in the months ahead. Higher taxes historically have been a limiting influence on valuations since more of the wealth created by companies is transferred to the government than to shareholders. With US corporate taxes higher than most other nations, there has not been much of an emphasis, outside of the healthcare bill, placed on raising revenue directly from corporate sources thus far. Still, companies are facing rising and new fees and other increased regulatory costs from both federal and state governments as the desperate need for new revenues undoubtedly will lead to creative means of attaining it. Significant tax increases for investors, however, are virtually guaranteed. With the expiration of the Bush tax cuts coming at the end of 2010, capital gains taxes will rise by 33% to a still relatively low 20% rate. The risk here is that the need for new tax revenue is so great that an even higher capital gains tax rate could be instituted. Currently, the tax rate on dividends is scheduled to rise to from 15% to 39.6% for those in the highest tax bracket. Most observers believe this rate will also only rise to 20%, but no legislation is yet in place to accomplish this. In addition, the healthcare bill imposed an additional tax of 3.4% on households with income greater than $250,000 on unearned income, including dividends and interest. Income taxes on earned income will also be rising in 2011 for high earners. In the end, the government will have great difficulty stabilizing its fiscal situation without increasing taxes on all wage earners and cutting spending, as seen in Chart 7.

We are very skeptical of the ability of any government to consistently cut spending year after year. As a result, we fully expect a national sales tax, or VAT (for value added tax) to be imposed before too long. It is too early to know just how such a tax would be structured. It could turn out better than many now expect and could actually favorably impact the economy. While transferring wealth from companies and investors will depress valuations, if this coincides with a more credible and rational fiscal policy, the impact may not be great since the risk of systemic failure would simultaneously be greatly reduced.

Inflation is the other great threat to valuations of both bonds and stocks. At the moment there is no threat from this source. But if the fiscal imbalances are not soon dealt with, this too could impede future valuations and prosperity.

Staying Focused While Traversing the Pathway Toward Prosperity

"I gain understanding from your precepts; therefore I hate every wrong path." Psalm 119:104 (NIV)

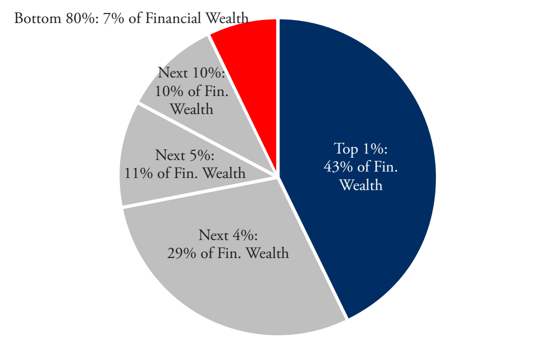
In 2008, the Achilles heel of capitalism - unrestrained greed - almost led to the demise of the best economic system the world has ever seen. Some corporate executives, banking chieftains and hedge fund managers, acting selfishly and foolishly, nearly created another Great Depression. Fortunately, policymakers around the world, notably the US Federal Reserve, creatively intervened in the markets to engineer a quick recovery from the brink of a catastrophe. Due to their ingenuity, the global economy is now at a point where intervention can be removed as the confidence in the economic system required for capitalism to function properly on its own has been largely restored. We can all be thankful for yet another demonstration of our Lord's unmerited favor being bestowed upon all nations once again.

While briefly enjoying the favorable end of the beginning of the global economic recovery, no one should fail to understand that sizable challenges remain to be overcome in order for the ultimate outcome to be a blessing for all. The biggest obstacle to success remains the unsustainable fiscal policies seen in many developed nations which need to be addressed with credible taxation and spending policies. While it is not necessary to put in place a complete fix for these problems in the next twelve months, meaningful efforts to alter the trajectory of government deficits is required as a down payment on a more substantial overhaul of government finances that is still essential if further economic debacles are to be avoided. Given the populist desire to avoid taxing those of lesser means, the minority that controls the majority of the wealth should expect to be targeted by politicians in the years ahead (Chart 8). Moreover, during this period of healing, it will be important for the global economy to avoid new shocks which could set its rapid progress back. While the trail has widened, there is still not much room for error on the pathway toward prosperity. As a result, we intend to remain focused on the facts in our effort to keep Stewardship Partners' clients on their own pathways to prosperity. As we have seen already, this requires the will to not take too seriously the hyperbolic economic analysis of both those on the right and the left of the political spectrum. Relying on either unwarranted fear or Pollyannish forecasts will usually lead to lower than hoped for investment returns.

Chart 8

Wealthy Will Continue to Bear Burden of Higher Taxation

Distribution of Financial Wealth in the US



Source: www.oftwominds.com/G. William Domhoff

In addition to appropriately curtailing the potentially destructive behavior of wayward corporate executives and hedge fund managers, another issue we are hopeful will start to get resolved in the months ahead is the undervalued Chinese yuan. The long-running imbalance caused by the yuan's artificially low value has destabilized the global economy, but the near death experience of 2008 may have had the desirable impact of convincing Chinese authorities that they have pushed this situation farther than they should have. Should the Chinese begin to allow their currency to appreciate towards fair value versus the dollar, US consumers would be less prone to overspend and Chinese consumers would be more likely to buy foreign goods. Should this occur, and rumors are swirling that it will, the US trade deficit should also shrink and fewer US dollars will be pumped into foreigners hands. If the yuan were to appreciate to a more sensible level, this would broaden the pathway to prosperity by eliminating a serious global imbalance. Global equity prices would likely react favorably to this and China selfishly needs to enact such a policy to help cool its own overheating economy. It is likely to happen.

Equity prices have come a long way, supported by a stabilizing global economy and a remarkably quick turnaround in corporate profits. Second quarter earnings should continue the strong trend seen over the last few quarters but the market may have now caught up with this improved performance. While there remains abundant cash on the sidelines to propel share prices higher, we believe the pathway to prosperity through the remainder of 2010 will be increasingly bumpy. Our expectation is that further modest advances in equities will occur if interest rates rise in an orderly fashion, new shocks can be avoided (sovereign credit defaults in Europe's periphery, terrorism, oil price spikes, Iran-Israeli conflict, etc.) and progress is made toward resolving the yuan's undervaluation and, most importantly, increasing the political will to deal with fiscal deficit and debt levels.

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.

STEWARDSHIP PARTNERS
Biblically Responsible Investing COMMENTARY

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, Cephalon, and one we avoid, Verizon. We own Cephalon in many Stewardship Partners portfolios while we actively avoid ownership in Verizon 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 – Cephalon – Integrity, Innovation and Charity

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

In 1987 Frank Baldino, Jr. and other research scientists founded Cephalon and began the long, arduous process of clinically testing its novel product and achieving FDA approval. Unfortunately, after five years of effort, the company was unable to obtain that crucial regulatory authorization to market its drug. While many early stage biotech companies would have given up and moved on to greener pastures at that stage, Cephalon realized it still had a team of researchers that could succeed in developing new products in the future. Management had the tenacity and agility to overcome this setback and soon uncovered a compound that promoted wakefulness. The company quickly licensed the drug, performed the needed tests and, in this case, achieved the needed FDA approval. Today, that drug – Provagil – remains one of the company's biggest success stories. In the ensuing years, however, the company has continued to bring many new products to market and has a pipeline of new drugs that should ensure significant growth in the future. Today, Cephalon is one of the top ten biopharmaceutical companies in the world with eight compounds on the market in the US and more than double that number around the world.

Cephalon, while recognizing the important role of creative science and wise business decisions in their long term success, believes individual and collective adherence to its core values of Integrity, Innovation, Respect and Patient Focus have driven the company to the heights it has reached in just the past two decades. Now with over 3,000 employees and annual revenues expected to surpass $2.5 billion, Cephalon believes it can continue to build on those core values and achieve even greater accomplishments in the years to come. Highlighting just one of these core values, the company's Chief Compliance Officer has stated, "Integrity must be the foundation of everything we do. If we are focused on integrity, both individually and collectively, we will fulfill our mission to patients, to health care professionals, and to the study of science and medicine." Cephalon's Standards of Global Business Practices provides as thorough a description of inappropriate behaviors that are to be avoided by its employees as any we have seen. Areas covered include equal and fair treatment of employees, marketing integrity, scientific integrity, patient safety, corruption, bribery, conflicts of interest, insider trading, gifts, and the environment, among other important issues. The company maintains a global confidential hotline where employees can easily report suspected or known problems. Cephalon also maintains strong corporate governance guidelines including maintaining appropriate committees of the board of directors and assuring a majority of independent board members.

Cephalon makes extensive efforts to maintain a favorable environment for its employees. It has been ranked among the top ten best places to work by Scientist magazine and offers extensive benefits to its employees. Among the many benefits the company offers it employees are industry leading salaries, medical, dental and prescription insurance coverage for the whole family for a nominal fee, free life insurance with the option to buy additional coverage for themselves and their family members, short and long-term disability insurance, flexible spending accounts which allow the employee to use pretax dollars to pay for unreimbursed healthcare costs and the costs of providing care for dependents and one of the most generous educational assistance programs in the industry. Additionally, the company offers employees the services of a health advocate to help navigate the maze of benefits to ensure that they are maximized, to assist with the selection of specialized physicians and to help the employee's parents or in-laws with Medicare issues. Further supporting the company's family friendly approach, Cephalon has been given an award in each of the last two years for their policies that encourage and assist with adoptions from the Dave Thomas Foundation. The company also offers a very generous matching and vesting program for its 401-k and has a charitable gift-matching plan.

Cephalon's charitable efforts reflect the character of the company. Cephalon has a variety of programs to promote scientific education including a partnership with the Franklin Institute in Philadelphia and a annual award to the leading graduate student in Organic Chemistry in the Philadelphia region (where the company is headquartered). Moreover, the company and its employees are regularly involved in fundraising efforts for a number of non-profit groups seeking cures for different diseases such as breast cancer, leukemia and multiple sclerosis. The company also supports a program that provides free healthcare to those who do not qualify for government assistance but who also cannot afford health insurance. Through its foundation, Cephalon also provides free access to medicines that some individuals would not otherwise be able to afford.

Cephalon has worked hard to reduce the company's impact on the environment. Waste sent to landfills has been greatly reduced through recycling, more efficient heating and cooling systems have been installed, hazardous wastes have been significantly reduced and the company has purchased a fleet hybrid vehicles for its sales force.

Cephalon's good works are, of course, no guarantee of long-term investment success. As Biblically Responsible Investors, however, Cephalon's charitable efforts, its sound corporate governance and its impressive treatment of its own employees and the environment 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 citizen and one we can be proud to own!

The Bad – Verizon – Porn, Homosexuality and Anti-Family Activity

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

Verizon is a global leader in delivering wireless and wireline communications services. Formed by the 2000 merger of GTE and Bell Atlantic, the company serves 91 million customers via 223,000 employees thereby generating over $107 billion in revenues. Sadly, its operations contain a number of units that are involved in objectionable matters.

One such problem is the company's distribution of pornography on its Fios TV operation. A variety of dedicated porn channels are offered to customers. Clearly, as Christian investors we seek to avoid ownership of companies involved in activities that are harmful to those both producing and consuming the pornography.

Verizon has also been identified by the Biblically Responsible Investing Institute as one of the foremost supporters of homosexuality. The Bible clearly indicates that homosexuality is a sinful behavior and using shareholder resources to promote homosexuality is at odds with Christian investors' beliefs.

Verizon has been named by the Parents Television Council as one of the ten worst advertisers for its support of some of the worst shows on TV. Violence, drug use, sexual content and obscene language are frequently found in the programs which the company sponsors.

Excluding Verizon 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 2009 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 – EndPoverty.org – Helping the Poor Achieve Dignity

"The righteous care about justice for the poor" Psalm 29:7 (NIV)

In the 1970s, an American missionary in Sudan, Rev. Paris Reidhead, looked back on a quarter-century spent among the poor and resolved to find a way to match spiritual transformation with economic development. Wanting to avoid paternalism and mere handouts of aid, he envisioned poor entrepreneurs working their own way out of poverty, aided by neighbors who shared the same language and culture.

The founding of endPoverty in 1985 embodied that missionary's dream: a nonprofit, Christian organization that would enable poor entrepreneurs to start sustainable family businesses and pull themselves and their dependents out of poverty. Working through a network of local Christian organizations, endPoverty offers business training, mentors, and funds for small loans, regardless of race, gender, religion, or creed. By their own efforts, the poor are able to support their families, emerge from the cycle of poverty and contribute in many positive ways to the long-term development of their communities. Depending on the country, first time loans range in size from $50 to $2,000. EndPoverty works with a network of faith-based, locally registered microenterprise development organizations around the world to deliver these services. These local programs understand the culture of and have a heart for the communities where they work to give the poor the opportunity to free themselves from poverty through profitable business ownership.

EndPoverty.org is a small ministry with a big goal. While its small size currently limits the scope of its activities, there is little doubt that the ministry is having a positive impact with the limited resources at its disposal. Since its founding, it has helped the poor in fifty countries and much more could be achieved if the ministry had access to greater financial resources. EndPoverty.org is a 2009 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)
- Generous Giving (generousgiving.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 - Excellence in Giving

"Blessed is the man who does not walk in the counsel of the wicked." Psalm 1:1 (NIV)

One element that has long been missing from the Christian Ministry Marketplace has been the aid and counsel that qualified, experienced advisors can bring to a giving decision. Due to the absence of such guidance, many well-intentioned donors have made giving decisions that proved to be less than optimal. **Excellence in Giving (EIG) seeks to fill that gap and thereby bring forth more resources for the Lord's work.** Founded by Wall Street veteran Al Mueller, EIG is one of a group of new philanthropic advisors that seek to transform the burden of wealth into the joy of generosity for major donors. The goal of the firm is to maximize the value and satisfaction of their clients' charitable giving. This is accomplished through a four-step process:

1. ***Discovery*** - EIG explores the issues their clients care most about, the values that they want to pass on to their children and the legacy that they would like to be remembered for.
2. ***Evaluation*** - EIG reviews their clients' current giving and produces an impact and satisfaction assessment. Analysis of new opportunities combined with the establishment of giving guidelines and initiation of a due diligence process are part of a course of action that leads to a Giving Game Plan.
3. ***Participation*** – EIG works with its network of contacts to identify the best opportunities, manages every aspect of the giving process from project evaluation, negotiation of grant terms and outcome measurements and seeks to partner with others, where appropriate, to leverage the client's gift.
4. ***Celebration*** – EIG provides both a quantitative and qualitative review of the giving process and the positive results achieved are celebrated.

Investors regularly seek out the assistance of investment managers like Stewardship Partners in order to maximize their investment results without taking undue risks. High capacity donors would likewise do well to seek out the professional philanthropic counsel of Excellence in Giving if they desire to maximize the positive impact of their giving. Excellence in Giving's website can be found at www.ExcellenceinGiving.com and Al Mueller can be reached at 719-329-1515.

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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