STEWARDSHIP PARTNERS

MARKET COMMENTARY

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# A Great Start to the Next Bull Market?

***"They replied, "Let us start rebuilding." So they began this good work" Nehemiah 2:18b (NIV)***

The rally that started at the end of the first quarter continued at a torrid pace into mid-June and ultimately took the S&P 500 almost 42% above its March lows. Outside the US, while many markets hit their lows in late November, the rebound from the "Great Recession" lows also started in early March and took the MSCI EAFE Index 49% higher. While a great start to what may prove to be the next bull market, Table 1 indicates this initial recovery may be just a small down payment on the returns that may be achieved in the years to come as past bull markets have averaged 165% gains over 57 months.

**Table 1**

The Magnitude and Duration of Past Bull Markets
S&P 500 Data

| Start Date | Start Price | End Date | End Price | Duration (Months) | Percent Change |
|---|---|---|---|---|---|
| 6/1/1932 | 4.40 | 3/6/1937 | 18.68 | **57** | **324.5%** |
| 4/28/1942 | 7.47 | 5/29/1946 | 19.25 | **49** | **157.7%** |
| 6/13/1949 | 13.55 | 8/2/1956 | 49.64 | **86** | **266.3%** |
| 10/22/1957 | 38.98 | 12/12/1961 | 72.64 | **50** | **86.4%** |
| 6/26/1962 | 52.32 | 2/9/1966 | 94.06 | **43** | **79.8%** |
| 10/7/1966 | 73.20 | 11/29/1968 | 108.37 | **26** | **48.0%** |
| 5/26/1970 | 69.29 | 1/11/1973 | 120.24 | **32** | **73.5%** |
| 10/3/1974 | 62.28 | 11/28/1980 | 140.52 | **74** | **125.6%** |
| 8/12/1982 | 102.42 | 8/25/1987 | 336.77 | **60** | **228.8%** |
| 12/4/1987 | 223.92 | 7/16/1990 | 368.95 | **31** | **64.8%** |
| 10/11/1990 | 295.46 | 3/24/2000 | 1527.46 | **113** | **417.0%** |
| 10/9/2002 | 776.76 | 10/9/2007 | 1565.12 | **60** | **101.5%** |
| 3/9/2009 | 676.53 | 6/30/2009 | 919.32 | **3** | **35.9%** |
| | | **Average** | | **57** | **164.5%** |

Source: Strategas

This rapid recovery in share prices around the globe occurred as the collapse in the global financial system was halted by massive government intervention. As investors increasingly recognized the credit markets were healing, the banking system had stabilized and the recession had decelerated significantly, share prices began to surge higher, forcing many previously fearful investors off the sidelines and back into the market. By mid-June, however, the market was looking for evidence of more substantive economic improvement. The focus soon shifted to the still uncertain longer-term outlook. In particular, concerns arose about the ability of the US to fund not only its massive fiscal stimulus efforts but also the Democrats' sizable political agenda in the area of health care and energy reform. With federal spending appearing to be spinning out of control, and with no plan in place to remedy this situation (indeed, government initiatives seemed bent on throwing gasoline on the fire), foreign US Treasury debt holders and equity investors alike are beginning to get restless. Through the end of the quarter and into early July, share prices consolidated the previous strong gains. Despite this more sober assessment of the outlook, share prices still enjoyed some of the best quarterly returns in years and achieved the third largest rally off a low since the 1930's.

**Table 2**

**2Q09 Returns**

| US Indices | 2Q09 | 1H09 |
|---|---|---|
| S&P 500 | 15.93% | 3.16% |
| S&P 500 Citigroup Value | 17.51% | -1.41% |
| S&P 500 Citigroup Growth | 14.60% | 7.52% |
| NASDAQ* (price only) | 20.05% | 16.36% |
| S&P 400 (Mid Cap) | 18.75% | 8.47% |
| S&P 600 (Small Cap) | 21.06% | 0.67% |
| Treasury Bonds | -8.44% | -16.02% |
| High Grade Corp. Bonds | 9.65% | -4.15% |
| Gold | 1.96% | 8.03% |
| **Global & International Indices** | | |
| MSCI World | 19.73% | 4.76% |
| MSCI EAFE | 23.76% | 5.64% |
| MSCI Euro | 22.61% | 0.22% |
| MSCI Far East | 24.68% | 4.86% |
| MSCI Japan | 22.94% | 1.58% |
| **US Economic Sectors (Price Change Only)** | | |
| Energy | 10.06% | -3.24% |
| Utilities | 8.83% | -4.08% |
| Materials | 15.53% | 12.28% |
| Consumer Staples | 8.87% | -3.44% |
| Health Care | 8.27% | -0.96% |
| Industrials | 18.01% | -7.68% |
| Consumer Discretionary | 17.65% | 7.52% |
| Financials | 35.08% | -4.76% |
| Technology | 19.35% | 24.08% |
| Telecom | 1.90% | -6.73% |

Source: Merrill Lynch, MSCI, NDR, Strategas

Fortunately for Stewardship Partners' clients, all of our BRI portfolios outperformed this strongly rising market. Better yet, for each of our styles, it was the best absolute quarterly performance we have ever had in the history of Stewardship Partners. While there admittedly remains a long way to go to make up what was lost during the crash, we did make significant progress towards this goal during the second quarter. Our performance was aided largely by the strong performance of the high quality stocks in our portfolios (even in the face of high quality stocks underperforming). Our exposure to the technology sector as well as to equities benefitting from a return to economic expansion also boosted our returns. In relative terms, our US, Global, Global Concentrated and SMID Cap portfolios were the stand out performers, both in the second quarter and year to date. We are grateful to have been able to achieve these returns and give thanks to the Lord for the grace He has shown us so far this year.

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# Overcoming Doubts About Economic Growth

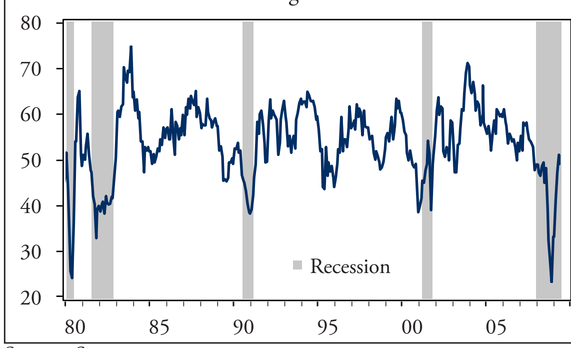
*"Why are you troubled, and why do doubts rise in your minds? " Luke 24:38 (NIV)*

Despite the global financial market recovery during the second quarter, many investors remain skeptical a durable economic recovery will come to pass. The damage done to the global banking system, the near eradication of the asset backed security market and the virtual disappearance of the shadow banking system all undermine the global economy's ability to finance a strong recovery. Moreover, many also believe the US consumer's efforts to save more while emerging market consumer's move toward a higher spending rate will not be a smooth transition. There are other worries as well, including serious budget shortfalls in many state and local governments and another round of real estate troubles, this time emanating from the commercial real estate sector. An expected continued rise in unemployment also highlights the risk of further stress in the mortgage market.

Chart 1

Surging New Orders Signal End of Recession?

ISM Manufacturing New Orders Index




Source: Strategas

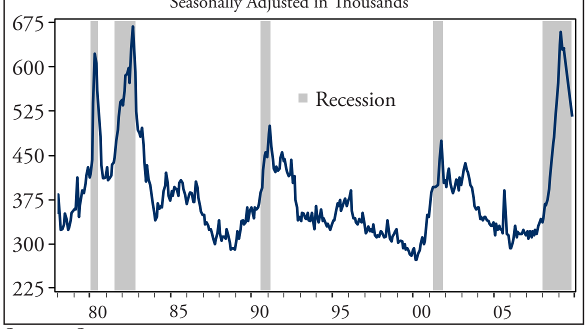
While many challenges clearly remain for the US economy in particular, it is clear a global recovery has begun. Because of the unique nature and long length of the recession, however, this upturn could be a bit bumpier than normal and thus be subject to potentially more frequent and significant setbacks. Still, data from around the world indicates economic trends have started to improve. Economic data from outside the US is generally more encouraging but even in the US there are many signs of recovery. Chart 1 highlights the sharp bounce in US new manufacturing orders, to a degree that is comparable to advances that occurred at the end of previous recessions.

Chart 2

Falling Unemployment Claims Signal End of Recession?

Weekly Average of Initial Unemployment Claims

Seasonally Adjusted in Thousands



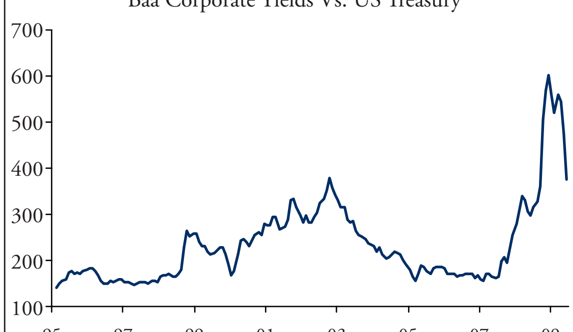

Source: Strategas

This sharp pick up in manufacturing orders is indicative of an inventory restocking which should propel economic growth in the second half of 2009. During the crash, manufacturers rapidly depleted inventories in an effort to cut costs dramatically and improve cash flow in a capital constrained world. As economic activity stops falling manufacturers are expected to ramp up production in order to fulfill the rising orders and refill depleted inventories. The most dramatic example of this development is the US auto industry where an extraordinary inventory drawdown took place following the bankruptcy of GM and Chrysler. Since both companies have already emerged from bankruptcy, they are beginning the third quarter with production plans about one-third higher than in the second quarter. As a result, many workers are being re-hired as plants once again begin producing vehicles. Furthermore, auto sales have already moved almost 10% above the lows reached in February and a new "cash for clunkers" law should further boost sales starting in August. As a result, we would expect the trend in unemployment claims (Chart 2), already at levels that indicate the recession may be over, to continue to improve.

Chart 3

Credit Markets Healing Repidly

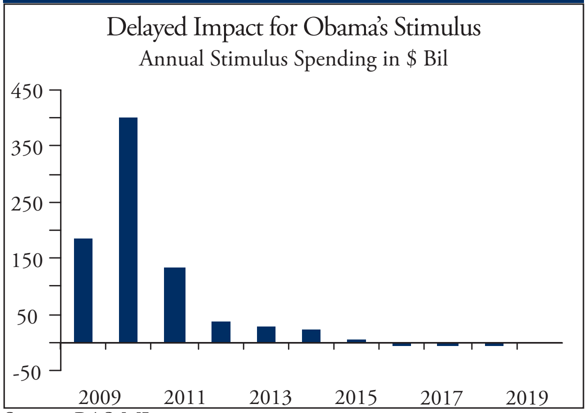
Baa Corporate Yields Vs. US Treasury




Source: Strategas

The stock market rebound, new manufacturing orders and unemployment claims are not the only signals the recession may be near its end. The bond market has also improved dramatically as seen by the falling credit spread in lower rated bonds in Chart 3. While still somewhat higher than normal, these spreads have fallen quickly as investor panic has subsided. Moreover, the number of bond issues by

Chart 4




Source: BAS-ML

corporate borrowers has been high in 2009 with no indication yet the extremely elevated US Treasury borrowing is crowding out corporations. While some in the Obama administration are fond of stating that the free market system does not work, the quick recovery in the credit markets suggests otherwise. Add to this the ease in which many banks were able to raise new equity capital during the second quarter, allowing many to surprisingly quickly pay off the TARP funds they had earlier received from the US Government, and it can be seen that traditional market-led capitalism appears to have quickly regained its vitality. Capital markets certainly needed a helping hand from government during the height of the crisis, but it would now be wise for government authorities around the world to begin exiting these interventions as quickly as practically feasible.

The most substantive policy interventions so far have been TARP payments to financial institutions, which quickly restored public confidence in the banking system (and is already being partially unwound, well before the many skeptics suggested could be possible), and the Federal Reserve Bank's many innovative programs to restore normality to the credit markets. In the end, many of the announced Fed plans were never fully implemented, but the mere promise these initiatives would be made operational seemed to be enough to restore confidence in the credit markets. On the other hand, the Obama administration's stimulus package was poorly crafted for the circumstances and has not really played a significant role in the recovery of the economy thus far. Its impact will likely be greatest in 2010, as seen in Chart 4.

This delayed impact may turn out to be a positive development. Most economists now forecast a return to economic growth in the second half of 2009 based on the inventory restocking cycle, but the outlook for 2010 is not as clear. Given the huge scale of the stimulus applied during the crash, economic growth may be too high in 2010, though few economists are willing to predict this. On the other hand, given the economic damage caused by the crash and the lingering effects of deleveraging, many worry the global economy could fall back into a recession in 2010. While future economic growth trends are usually difficult to predict, it is currently even more complicated than normal. Much will depend upon the ability of policymakers to quickly assess and accurately adapt to new economic information as it becomes available. For the increasingly indebted US Government, it will be particularly important to implement plans which give the financial markets confidence it is not spending its way into another financial crisis – one that could lead to high inflation and a collapse in the value of the US dollar.

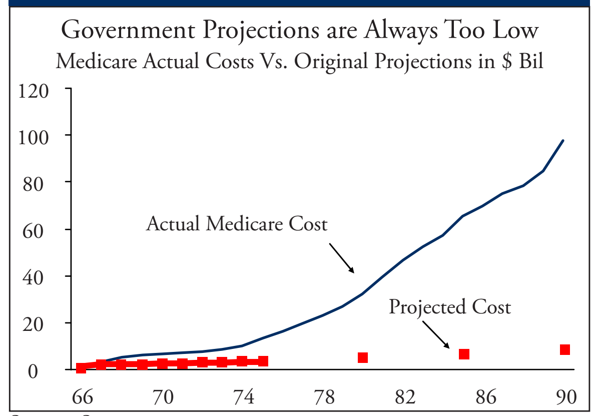
## Obamanomics - Show Us the Math!

***"I tell you this so that no one may deceive you by fine sounding arguments" Col 2:4 (NIV)***

We believe there is a reasonable chance that the Obama presidency has already entered a "crash and burn" phase. His polls have begun to deteriorate, and this may just be the beginning. The time for inspirational speeches has come to a close and now he must deliver on his agenda. Unfortunately, campaign promises such as increased legislative transparency, no lobbyists in key positions and eliminating earmarks have all been broken. Even the press appears to be starting to function a little more normally when evaluating this administration. All of this, however, could be just a prelude to a more ignominious collapse as Obama confronts reality as he attempts to pass his two main legislative initiatives; energy reform through his cap and trade program and healthcare reform. While the House narrowly passed his cap and trade bill, what many refer to as his "cap and tax bill", there is only a small chance this legislation will make it past the Senate in its current form. It is politically unattractive because of the pain it would bring to so many in this country through significantly higher taxes. As a result, even in a Senate with sixty Democratic senators, the math simply does not work to get the needed votes for passage as too many of those Democratic senators would be committing political suicide if they voted in favor of a cap and trade bill that penalizes their state. While it may remain hung up in committee for a long time, thereby avoiding a painfully obvious defeat for the President, it appears that this cornerstone piece of Obama's agenda is already close to being a lost cause. Perhaps if the bill was emasculated, it may stand a chance of passage, but this too would be a defeat.

More relevant is the absolute centerpiece of Obama's legislative efforts – health care reform. With some delay, and also some very significant changes, this legislation has a better chance of being enacted. Even so, we suspect it may lead to the downfall of this presidency, no matter what happens. If Obama is successful in getting the bill through Congress near its current form, it would be extremely costly. Estimates of this cost have bounced around from $600 billion over ten years to $1.6 trillion based on varying assumptions. Historical experience, however, highlights the uncanny ability of government estimates of project costs to be wildly underestimated (see Chart 5 and Table 3). Even without cost overruns, the added expense is likely more than the financial markets can bear when the US deficit and debt are already skyrocketing. If this new spending was not covered by new taxes, it could lead to higher interest rates that would stymie economic growth and restrict job growth. Without job growth, Obama and Democratic colleagues will have difficulty getting re-elected. Unfortunately for the administration, if taxes are increased to pay for the legislation's costs, this too will hurt job growth and re-election prospects. Cost cuts to fund the bill seem highly unlikely as neither Republicans nor Democrats would endorse such an approach. Should the legislation fail to pass, this defeat would portray Obama as a good speaker but a poor legislator. A much reduced version of the bill that falls short of Obama's key objectives would be seen as a lesser defeat, but this may be its fate.

**Chart 5**




Source: Strategas

**Table 3**

Public Works & Wars - Cost & Duration

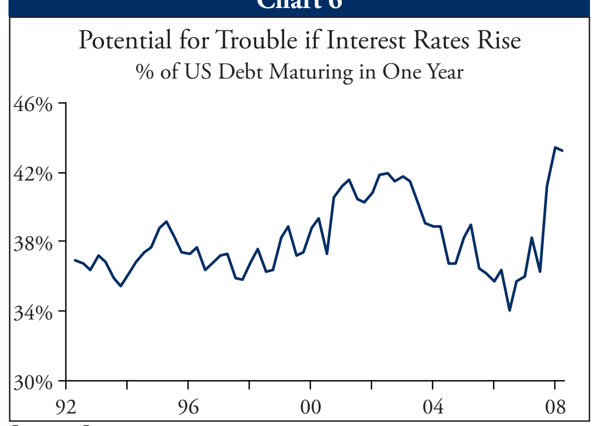
| Duration | Project | Projected Costs (2009$, MM) | Actual Cost (2009$, MM) | Pct. Increase | Time Overrun |
|---|---|---|---|---|---|
| 1817-1825 | Erie Canal (New York State) | **$77** | **$158** | **106%** | N/A |
| 1902-1913 | Panama Canal (Federal) | **$3,132** | **$6,437** | **106%** | Ahead of Schedule |
| 1931-1936 | Hoover Dam (Federal) | **$688** | **$842** | **22%** | 2 Years Ahead of Schedule Due to Delay Penalties |
| 1952-1953 | Interstate Highways (Federal & State) | **$202** | **$3,825** | **1796%** | N/A |
| 1965-1976 | Vietnam War (Federal) | **$81,469** | **$2,442,995** | **2899%** | 11 Years (8 weeks was the initial Estimate) |
| 1971-1975 | Yankee Stadium Ren. (New York City) | **$127** | **$398** | **214%** | N/A |
| 1991-2004 | Boston "Big Dig" (Federal & State) | **$4,396** | **$16,529** | **276%** | 5 Years |
| 2002-2009 | Iraq War (Federal) | **$470,745** | **$684,000** | **45%** | N/A |

Source: Strategas

It is hard to see a way out of these constraints in the current environment of extraordinarily bloated deficits and surging debt. While Obama may want to ignore the obvious, his Democratic Congressional colleagues will not. As Obama's Democratic presidential predecessor said "It's the economy stupid!" The sooner the Obama administration realizes that his presidency will go down in flames if he fails to create jobs and restore growth, the better. The borrow, tax and spend policies at the heart of Obamanomics are almost assuredly doomed to failure. Spending needs to be curtailed, debt reduced and capitalistic private risk-taking promoted. Since this is unlikely to happen, Obama's historic presidency is likely to falter. It may take some time to play out, but reality is a harsh taskmaster for everyone, especially for those determined to deny its existence. And the reality is that this country cannot afford Obama's agenda. It is a political agenda when an economic agenda is needed.

One reason substantial additional spending could be very dangerous for the US economy is the term structure of the mammoth government debt outstanding. As seen in Chart 6, close to half of the debt comes due in one year or less. Should the financial market lose confidence in the administration's economic plans, there can be little doubt that interest rates will rise and the value of the dollar will fall. With so much debt coming due so soon, higher and higher interest rates would be required to sell it. Before long, the interest rate burden on the deficit would yield a crushing blow to our economy. This is why our biggest lender, China, has reportedly asked to be shown the math for how the US will avoid such a disaster. China has been shortening the maturities of its US debt so that it can more easily exit if needed. Obamanomics needs a rapid re-think and we all need to see the math!

**Chart 6**



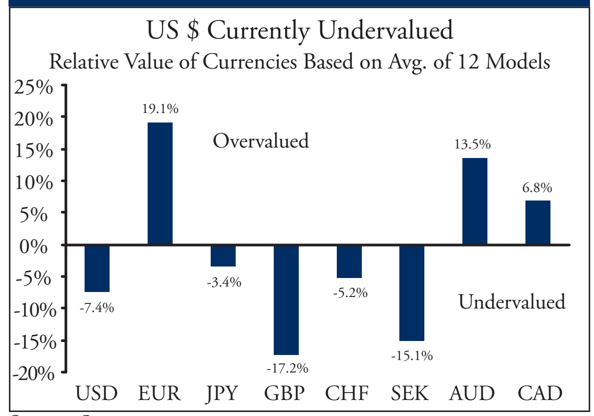

Source: Strategas

# Credible Plan Needed to Keep Markets Stable and Boost Profits

***"Those who plan what is good find love and faithfulness" Proverbs 14:22b (NIV)***

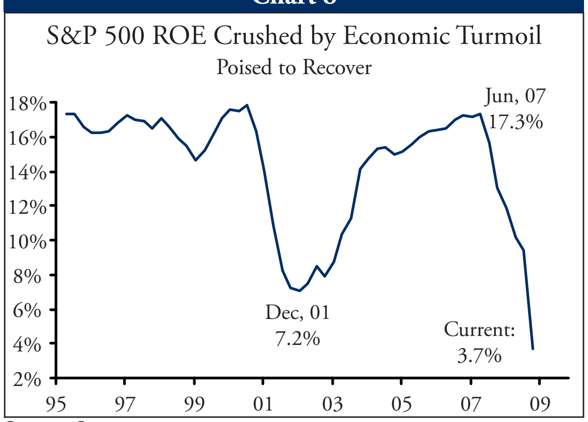
So far, the Obama administration has not shown anyone the math. That is because it would be an ugly exercise. The most we have seen is a weak commitment to bring the deficit down to more normal levels as a percentage of GNP by 2012. Unfortunately, ignoring a problem seldom leads to its resolution. The Obama administration, however, can count on the fact that the financial markets will not continuously ignore this issue. Administration officials may soon know all too well that the bond market actually runs the world, not themselves. The so-called "bond market vigilantes" are normally content to remain quiet when economic policies promote stability, but will assert themselves when necessary to protect their interests. Obama needs to quickly and convincingly explain to the markets just how he plans to reduce the current huge fiscal deficits even while pursuing his aggressive legislative ambitions. We are convinced this is not actually possible and circumstances are likely to force the President to significantly adjust his priorities. We are concerned that as this process moves forward, the markets could be unsettled.

**Chart 7**




Source: Strategas

**Chart 8**

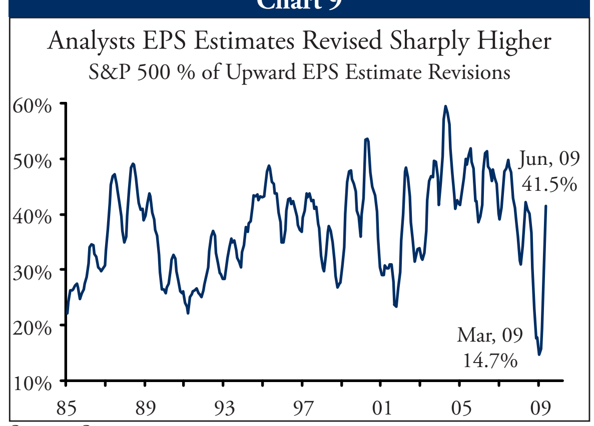



Source: Strategas

Among the markets that could be hardest hit are the currency markets. Chart 7 highlights that the US Dollar is currently undervalued, but that will not prevent it moving to a more deeply undervalued condition if investors perceive the US has no intention of abandoning its current unsustainable economic policies. Treasury Secretary Geithner has kept a low profile recently – perhaps he is spending his time behind closed doors trying to produce a plan that clearly shows how the US will return to deficits in the 3% of GNP range within a reasonable time period. Should he produce a credible plan, the US is likely to receive considerable foreign support for it, as its success is critical to the well-being of not only our creditors but literally the entire world.

A credible economic plan for the US is also needed in order for corporations to be able to plan appropriately. Corporate chieftains are already facing historically low levels of profitability as a result of the crash (largely due to losses in the financial sector – see Chart 8). Much can and has already been done to restore profitability. Companies, however, may be hesitant to invest in new projects or otherwise take risks they would normally take due to the possibility of a significant increase in interest rates or the prospect of troubling volatility in the value of the world's reserve currency. Such uncertainty regarding key elements to any future projection is itself a significant stumbling block to a healthy economic recovery. While this is not yet a full blown problem, it could become one quickly and bears close monitoring.

**Chart 9**




Source: Strategas

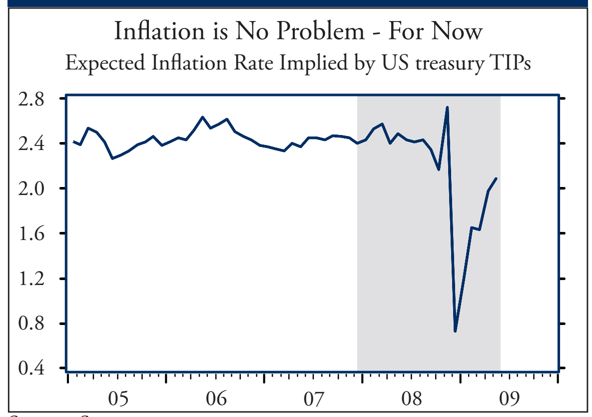
Still, we expect corporate profitability to increase in the quarters ahead. Cost reductions are already boosting profits. Productivity gains have been stellar, further aiding earnings. The financial sector has already written off $1.5 trillion in bad debts. As the pace of write-offs slows and banks benefit from the sharply positive yield curve, a significant recovery in profitability should follow. If the economy remains in a growth mode, we expect corporate profits to be a leveraged beneficiary. If the administration can articulate a sensible plan to reduce its deficits, share prices should benefit from the expected rebound in profitability that has already begun (Chart 9).

# Will the Rally Resume?

*"It may be then that your prosperity will continue" Dan 4:27 (NIV)*

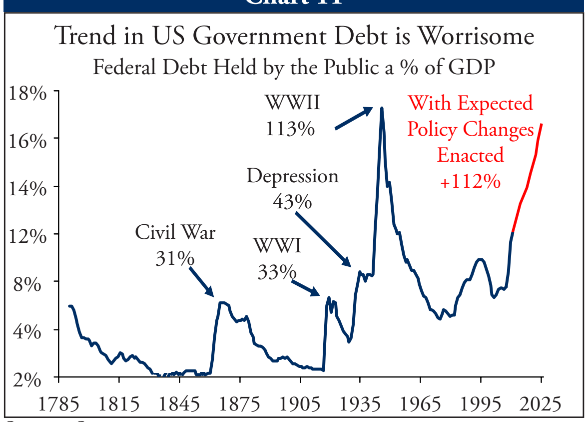
The sharp recovery in the financial markets, the likelihood of a return to economic growth in the second half of 2009 and the evolving improvement in corporate profitability all suggest share prices may have seen their lows. For now, at least, an uneasy and imperfect stability has returned to the equity, credit, commodity and currency markets. Likewise, inflation expectations have returned to normal and manageable levels after a short burst of deflationary concerns associated with the near collapse of the global financial system (Chart 10). Should inflation expectations remain in the 2% range, policymakers and investors alike will be blessed. The stock market's recent mild pullback is itself a typical pattern after such a strong advance in a short period of time. While perhaps hard for many investors to fathom so soon after a near global economic meltdown, the fact remains that evidence of a trend toward more normal times is building in most sectors of the global economy. These trends are even more noticeable outside the US and particularly in the emerging markets. Unlike in the US, where much work still needs to be done to clean up the housing and banking sectors, the emerging markets in Asia and Latin America were able to largely sidestep problems in these areas, thereby bolstering their economic resilience.

**Chart 10**



Source: Strategas

**Chart 11**

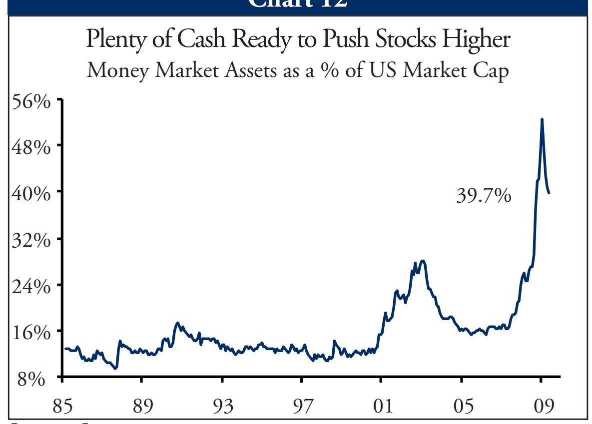


Source: Strategas

Moreover, these markets have stronger natural economic growth rates and, in many cases, sounder national balance sheets than the developed world economies. Accordingly, they are able to spend aggressively to stimulate their economies without the negative repercussions that could occur in the developed economies. Chart 11 highlights the problem the US faces. Already saddled with a high debt load, massive deficits in the next few years will drive the use of credit close to the highest levels ever, last seen during World War II. At that time, however, the debt was mostly owned by US citizens, which leads to greater stability. Now, borrowing from foreign nations has risen dramatically and exposes the US economy to greater risks. Fortunately, our lenders would be hurt badly if they abruptly ceased funding us, so they are incentivized to help us find a workable solution.

Indeed, the incentives are great for everyone, except terrorists, to restore global economic growth to a sustainable, positive path. As a result, such an outcome is likely, even while the process of achieving it may entail a few tense moments for investors. As progress toward the goal of more balanced economic growth is made over the longer term, equities should be a significant beneficiary. Chart 12 shows the enormous amount of liquidity available to push share prices higher as investor confidence grows. If Obama is forced to modify his tax, borrow and spend agenda as we suspect, the markets may initially be anxious, but ultimately will respond favorably to a spending approach that properly recognizes the limitations of the US's balance sheet. Share prices may also be buffeted by short term seasonal weakness, but an upward trend may soon resume.

**Chart 12**



Source: Strategas

**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, 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 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, 3M, and one we avoid, Nike. We own 3M in some Stewardship Partners portfolios while we actively avoid ownership in Nike 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 – 3M – Integrity, Creativity, Sustainability and Generosity

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

3M was founded in 1902 as a miner of abrasives for grinding wheels. It was not until 1925 that an engineer at the company invented Scotch masking tape that would set the company off in a whole new direction. The adhesives business has flourished over the decades since that time and now the company may be best known for its helpful and ubiquitous Post-it notes. Using its strong commitment to science and engineering to guide the growth of its business, 3M now is a global leader in a wide variety of businesses including healthcare, safety devices, graphics, communications and industrial products. The 3M brand is widely respected as a mark of innovation, creativity and quality, a reputation that is well-deserved. 3M now has $25 billion in sales with almost two-thirds of that coming from overseas. It has operations in sixty countries, sells its products in over 200 countries and employs 79,000 people. Its long history of success and consistency is not surprising considering its first core value is "to act with uncompromising honesty and integrity in everything we do."

3M's core values do not stop there. They also stress satisfying their customers' needs with innovative technology and value, providing their investors with an attractive return, respecting their social and physical environment, valuing their employees and developing their talents, and earning the admiration of all those associated with 3M around the world. While it may be easy to make such statements, there is abundant evidence that 3M works diligently to attain these lofty goals. On the ethics front, this very global company has and extensive business conduct policy that covers conflicts of interest, bribery, insider information and trading, anti-trust and anti-competitive activities, advertising honesty, harassment and lobbying, among other important ethical issues. Employees are able to report concerns anonymously via an outsourced ethics company, Ethics Point, which does not trace phone calls or other communications from concerned employees. Employees can reach Ethics Point via the web or by phone in 150 different languages 24 hours per day. Furthermore, 3M has strong corporate governance policies and has won numerous awards including being named one of Fortune Magazine's "Most Admired Companies", Businessweek's "Most Innovative Companies" and Chief Executive's Magazine's "Best at Developing Corporate Leaders". This last award is not surprising given the strong culture of encouraging employee initiative and encouraging the development of employee talents instilled by legendary 3M CEO William McKnight.

Today, 3M is regarded as a company that goes out of its way to treat its employees as well as possible. The company has a broad array of compensation plans including short term cash incentives, longer term equity incentives, medical, dental, prescription drug and vision insurance payable with pre-tax dollars through a flexible spending account, life insurance, short and long-term disability insurance, a 401k plan, a retirement income account and a retiree medical savings account. Employees also have the option of participating in an attractive stock purchase plan. In 2008, 3M provided over $4 million in tuition refunds to employees furthering their education. Every year, each employee creates a specialized development plan that includes specific steps designed to improve their skills. Associated with these plans are a wide variety of company sponsored efforts to support employees in achieving their goals. In 2008, 3M provided 7,200 hours of professional consultation with employees struggling with challenging life circumstances. Dependent care consultations and referrals are made by the company and job-sharing and telecommuting options are available to employees in need of greater flexibility. Moreover, the company covers 100% of the cost of nicotine replacement therapy for its employees and has smoke-free facilities worldwide.

3M has also demonstrated leadership in its aggressive efforts to promote environmental sustainability. It was active in this area in the 1970's – well before laws and public pressure caused many companies to step up their efforts to minimize environmental harm. The company set aggressive goals for the reduction of greenhouse gases and energy use and then exceeded them. Greenhouse gas emissions have been reduced by 69% while energy use has declined by 43%. Many other company environmental programs are also in force including efforts to reduce waste and water usage.

3M has historically been a very charitably minded company. In its US operations, gifts have amounted to 2% of its pre-tax profits and totaled nearly $50 million dollars. Recipients of the company's charitable efforts have been wide-ranging, but educational and health and human services have typically received the largest portion of the company's gifts. The company also has an award volunteer program that extends beyond current employees to retirees. Over 1,200 3M retirees contributed 25,000 hours of service.

3M's good works are, of course, no guarantee of long-term investment success. As Biblically Responsible Investors, however, 3M's charitable efforts, its clear desire to operate ethically 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 – Nike – 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)***

Nike, with its high profile endorsements from the most well-known professional athletes on the planet, has one of the most recognizable corporate symbols in the world. Its athletic shoes and other athletic gear are nearly omnipresent all over the world and the company has achieved stunning corporate success. While the company is a renowned leader in its field and has won many awards, we could not invest in this company. Unfortunately, it has chosen to direct significant shareholder resources into promoting sinful activities. Such actions separate our fellow men and women from the Lord that loves them so much He sent His Son to die for them.

Nike has also been a substantial donor to groups connected with abortion and abortion advocacy, including Planned Parenthood and the Population Council, the organization that has the US rights to RU-486 (more commonly known as the morning after pill). The company donated over $240,000 of shareholder money to these organizations in recent years. It is undeniable that these donations contributed to the deaths of many unborn children. Christian investors naturally would not want to have the wealth they have been given stewardship over invested in a company like Nike that is using its resources to support such a unfortunate activity.

Furthermore, Nike is one of the nation's most significant supporters of homosexuality. It has been a trailblazer in offering extensive benefits to homosexual employees and is also an active advertiser in homosexual magazines. Nike has a long track record of financially supporting a wide variety of homosexual organizations. It has also been an active political advocate for homosexual causes.

**Excluding Nike 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 in a manner which have a 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 thousands of 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.

## Featured Ministry – Christian Legal Society

*"But the word of God continued to increase and spread" Acts 12:24 (NIV)*

CHRISTIAN LEGAL SOCIETY

The Christian Legal Society's (CLS) mission is to inspire, encourage and equip lawyers and law students, both individually and in community, to proclaim, love and serve Jesus Christ through the study and practice of law, the provision of legal assistance to the poor, and the defense of religious freedom and the sanctity of human life. CLS has four separate ministry initiatives. CLS's Attorney Ministry holds conferences, produces publications and works through local chapters around the country to support the spiritual walk of member lawyers. Members are encouraged to minister through the law and to develop skills in Biblical dispute resolution. The ministry assists religious schools, healthcare professionals, faith-based social services and student religious organizations in legal cases that threaten their mission. Its Law Student's ministry seeks to mentor aspiring lawyers and remind them of the Christian foundations of law. The Institute for Christian Legal Studies is another facet of CLS's ministry to law students. This is a cooperative effort with the Regent University School of Law that seeks to train and encourage Christian law students. CLS's advocacy ministry assists in developing laws of importance to religious faith and seeks to diffuse potential legal conflicts with the proper application of the law. Its Legal Aid Ministries helps those in need of legal counsel who are unable to afford it. This ministry partners with churches, rescue ministries and social service agencies to help the least among us, believers and non-believers alike. It is clear that CLS hold's fast to biblical wisdom as it seeks to be a blessing in its field of work.

Christian Legal Society receives an "A" Transparency Grade from MinstryWatch.com indicating its good efforts to be financially transparent with donors. It also receives a 4-star Financial Efficiency Rating highlighting that it is managing its financial affairs in a better than average manner in the MinistryWatch.com database. This ministry won MinistryWatch.com's Shining Light Award in 2008. We believe this ministry 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)
- 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)

Online Donation Services:

- Network For Good (networkforgood.com)
- Strategic Resource Group (srginc.org)

# Featured Ministry Marketplace Participant - Maximum Generosity

***"It is more blessed to give than to receive". Acts 20:35b (NIV)***

Brian Kluth is a nationally recognized teacher and speaker on the subject of biblical generosity and what the bible has to say about finances. Brian's "day job" is senior pastor of the First Evangelical Free church of Colorado Springs, but he is also actively involved in many other facets of teaching others about the wonderful benefits of living a generous life. Brian's book "40 Day Spiritual Journey to a More Generous Life" has over 400,000 copies in print and is being translated into over 40 languages. His website, MaximumGenerosity.org contains hundreds of helpful giving and fund raising resources for pastors, church finance committee members and just about everybody else. Sermons, PowerPoint presentations, books, audio files, statistics and even generosity humor can be on this site.

Brian is available for seminars to churches and pastors and examples of some of his past seminars can be found on his website. He also is a guest commentator on Crown Financial Ministries "Money Matters" program, has appeared in a wide variety of TV, radio and print media and in the past served a five year term as President of the Christian Stewardship Association. His monthly Maximum Generosity newsletter reaches nearly 15,000 church leaders and stewardship professionals and we would recommend that you consider visiting his site and signing up as well.

## *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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