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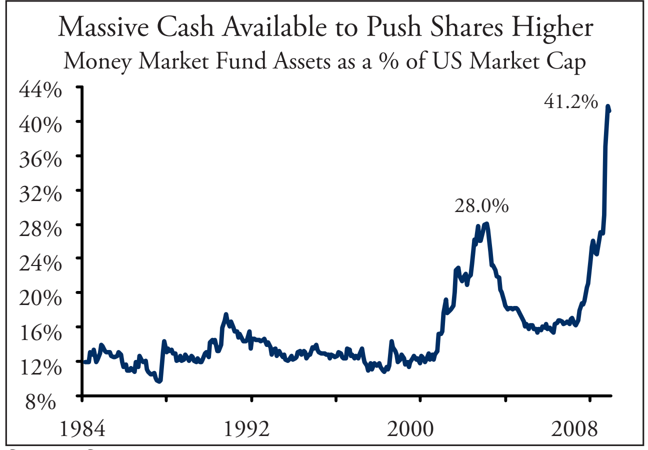
Are Happy Days Here Again?

"But one thing I do: Forgetting what is behind and straining toward what is ahead" Philippians 3:13 (NIV)

For investors, the year 2008 was bad from the very start. While there were numerous times when stock prices rallied, the S&P 500 never once actually broke out into positive territory. Share prices did rise in December, as they customarily do, but September through the low on November 21st was the most tumultuous and difficult period investors have endured in a very long time. As the repercussions of the shadow banking system's greed created what nearly became a systemic financial system failure, nearly every asset class was crushed. Hedge funds, in particular, were both victims and villains as the credit crisis forced these leveraged, unregulated funds, which controlled trillion's in assets, to furiously disgorge holdings as both redemptions and margin calls mounted with alarming speed. Government efforts to avoid systemic failure ultimately succeeded in halting the collapse of the financial system in late September, but the consequences of what occurred in that month lingered into October and November and will almost certainly be impacting the financial markets in the years to come as well. Many investors, understandably frightened by the turmoil, also vacated the financial markets for money market funds and US Treasury securities. Chart 1 highlights the fact that the assets in money funds now amount to over 41% of the US's stock market's capitalization, far greater than at any other time. This is simultaneously an excellent measure of the current high level of investor anxiety and the huge reservoir of money available to push equity prices higher in the future.

Chart 1



Source: Strategas

Table 1

4Q08 & 2008 Returns

US Indices	4Q08	YTD
S&P 500	-22.56%	-38.49%
S&P 500 Citigroup Value	-24.66%	-41.24%
S&P 500 Citigroup Growth	-20.64%	-35.88%
NASDAQ* (price only)	-24.61%	-40.54%
S&P 400 (Mid Cap)	-25.99%	-37.28%
S&P 600 (Small Cap)	-25.49%	-31.99%
Treasury Bonds	23.68%	29.79%
High Grade Corp. Bonds	18.46%	3.97%
Gold	-2.20%	3.41%
Global & International Indices		
MSCI World	-21.77%	-40.71%
MSCI EAFE	-19.95%	-43.38%
MSCI Euro	-21.32%	-46.84%
MSCI Far East	-10.60%	-32.37%
MSCI Japan	-9.01%	-29.21%
US Economic Sectors (Price Change Only)		
Energy	-21.05%	-35.93%
Utilities	-11.94%	-31.55%
Materials	-31.43%	-47.05%
Consumer Staples	-13.54%	-17.66%
Health Care	-12.72%	-24.48%
Industrials	-24.66%	-41.52%
Consumer Discretionary	-23.43%	-34.37%
Financials	-37.64%	-56.95%
Technology	-25.99%	-43.68%
Telecom	-2.86%	-33.62%

Source: Merrill Lynch, MSCI, NDR, Strategas

While we do not wish in any way to minimize the pain suffered in 2008, it is the future that is now most relevant. As we do our best to "forget what is behind and strain toward what is ahead", it seems to us we will one day look back and realize the financial calamity of 2008 offered investors an unusually attractive opportunity to purchase a variety of assets at prices that will ultimately prove to be compellingly low. From this perspective, the opportunity the sell-off has given us to position for future gains suggests wise investors will recognize that happy days are indeed here again. Great investors are usually happiest when others are completely distressed and selling at foolishly low prices.

While most Stewardship Partners' portfolios entered September with significant leads over the indices, by the end of the year, our portfolios, with the exception of our Global Rising Dividend Tactical BRI portfolio, trailed the indices. While we owned many stocks that had impressive balance sheets and strong business models, we soon found out that many of these stocks were also held by hedge funds, which were forced to sell them, thereby greatly depressing these stock's prices. In the end, many of our portfolios underperformed by roughly the amount they outperformed in 2007. We hope these stocks will recover in 2009 as hedge fund liquidations should cease.

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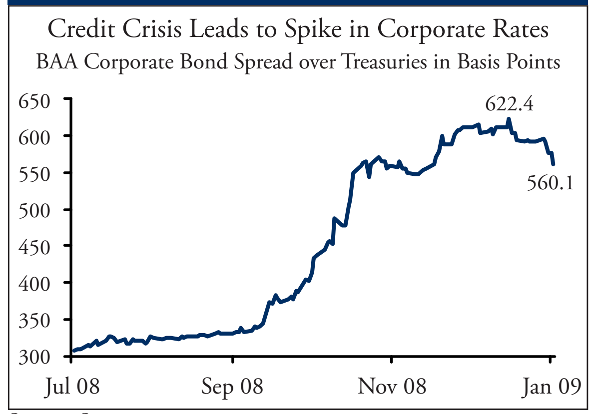
Recovering From a Global Economic "Heart Attack"

"I will heal my people and let them enjoy abundant peace and security" Jeremiah 33:6 (NIV)

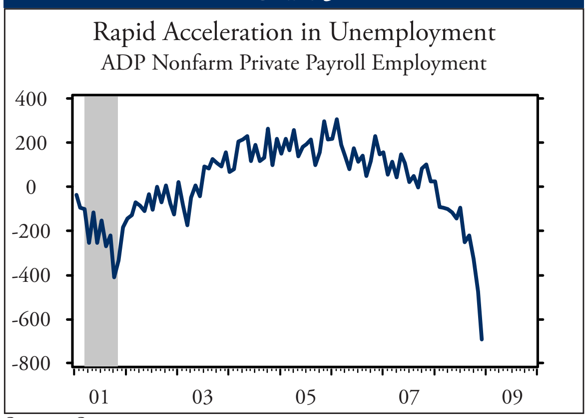
The credit crisis that exploded worldwide following the bankruptcy of Lehman Brothers had immediate and substantial negative consequences for the global economy, which has increasingly become reliant on the easy availability of credit to operate normally. As banks stopped lending, the global economy's arteries became instantly clogged, and financial mayhem quickly followed. Until the credit crisis hit, the global economy was only gradually slowing due to the impact of rising credit problems and burgeoning commodity prices. After suffering the crushing blow of the credit "heart attack", however, the global economy immediately began to plummet. Industries relying on credit for any aspect of business were hit the hardest but few sectors were not impacted in some significant manner. Auto and housing sales instantaneously collapsed to lows not seen in decades, interest rate spreads soared for all non-US Treasury debt and the number of unemployed workers spiked higher (see Chart 2 and Chart 3). It quickly became clear what had at first been a crisis largely contained in the financial sector of the economy had now morphed into the biggest economic crisis of our time. Immediately, policymakers worldwide swiftly acted to address this debacle with dramatic monetary and fiscal policy initiatives.

Chart 2



Source: Strategas

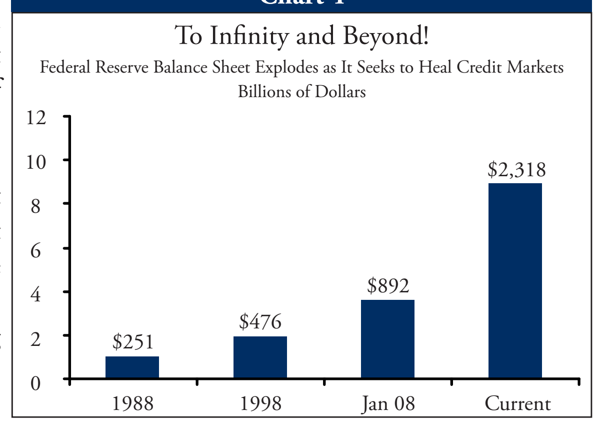
Chart 3



Source: Strategas

The US Federal Reserve has responded most aggressively thus far. It had already introduced several innovative new solutions earlier in 2008 when the problem was still contained largely to the financial sector. But like an EMT who is the first responder to a terrible accident scene, the Fed quickly recognized the severity of the situation and began to improvise on the fly to save the critically ill patient. Fed Chairman Bernanke, an expert in the causes of the Great Depression, promptly moved to put in place many of the programs he had theorized about as an academic before joining the Federal Reserve Board. The Fed lowered short term interest rates to effectively zero, instituted new programs to buy mortgage backed securities, commercial paper and other financial instruments in order to unclog the credit markets, and worked with the US Treasury to obtain funding from Congress needed to bolster the weakened capital of the banking system. These unprecedented interventions have clearly begun to work as credit spreads have narrowed significantly and there have been no major financial failures since late September. Nevertheless, it is apparent that there is much work left to be done and the Fed has made no secret that it intends to use every tool at its disposal to help restore the economy to a positive trajectory. Chart 4 highlights the tripling in the size of the Fed's balance sheet in a matter of months which is indicative of the aggressiveness of its approach and its estimation of the seriousness of the problem.

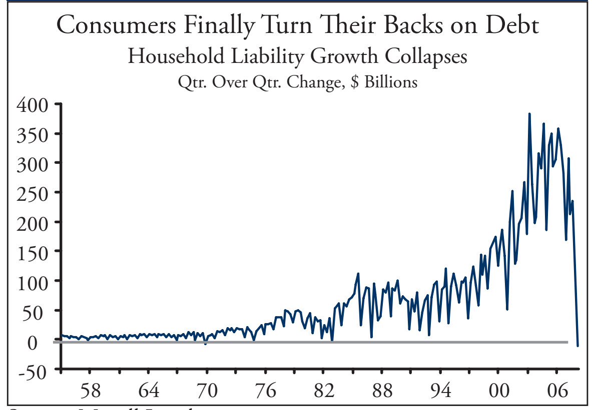
Chart 4



Source: Strategas

The Fed's herculean efforts have been a guide for many other countries, with the notable exception of the European Central Bank (ECB). For reasons that defy understanding, the ECB continues to react more slowly to the obvious threat of global deflation than the rest of the world and has more gradually reduced short-term interest rates. We suspect this approach will soon be abandoned, but we are concerned that Europe will needlessly endure a longer and deeper recession than elsewhere due to this policy error. Other countries, however, have been more active in their responses in both the monetary and fiscal policy arenas. In the US, newly elected President Obama and the Democrat-controlled Congress have also committed to spending at such high levels that the US fiscal deficit will easily exceed 10% of GNP in fiscal 2009 and perhaps beyond. With the considerable stimulus being unleashed around the world, it would be surprising if the economy did not react favorably before too long. Already there have been a few tentative signs that the pace of economic decline has begun to slow, and we would expect that the fourth quarter of 2008 will prove to be the worst quarter in economic growth in this downturn. But make no mistake—it will be one of the worst quarterly declines in economic growth in recent memory. A heart attack usually has big consequences for its victim and this will be no exception.

Chart 5



Source: Merrill Lynch

While the flow of horrible economic reports will continue in the first quarter, we are hopeful that the pace of economic decline will slow in reaction to the Fed placing economic "electric shock paddles" on the economy's chest and the Congress providing "artery-clearing drugs" of tax cuts and spending increases to its bloodstream. But these are not the only factors that will encourage stronger economic activity. The collapse in oil prices since July is estimated to add roughly $300 billion in stimulus to the US economy, not to mention even greater stimulus outside the US. Additionally, falling mortgage rates in the US are allowing many homeowners to lower their mortgage payments thereby pumping even more extra cash into the economy. But it is also clear that after years of being addicted to credit, US consumers are now doing their best to reduce the heavy debt load they foolishly acquired (see Chart 5). With consumer spending accounting for the bulk of US economic activity, the need for huge stimulus is clear. As the stimulus gains traction and consumers begin to feel more confident in their employment prospects, their efforts to shrink their debts may slow, thereby aiding economic growth prospects. But with 10% of US mortgages now in some stage of default and consumer net worth pummeled by falling home and financial asset prices, the desire to lower indebtedness remains strong.

Can All the King's Horses and All the King's Men...

"The people rejoiced at the willing response of their leaders" 1 Chronicles 29:9 (NIV)

…really put Humpty Dumpty back together again? It is too early to accurately answer that question but the initial evidence suggests a degree of success. The most important issue that needed to be addressed was the stabilization of the financial system. The much maligned TARP legislation has actually succeeded so far in halting the very dangerous trend towards systemic collapse that gripped the banking system in September. Similar efforts overseas have temporarily restored confidence in much of the global banking system. Still, the situation remains very risky and a renewed panic could easily occur. This is precisely why such massive efforts are being made to turn the economy around as quickly as possible. Policymakers are rightly concerned that if economic activity continues to fall at such a rapid pace, the recession may turn into a depression as new waves of bad debt cripple banks. The big question is if the world's governments have the ability and fortitude to turn the economy around before it is too late?

Table 2

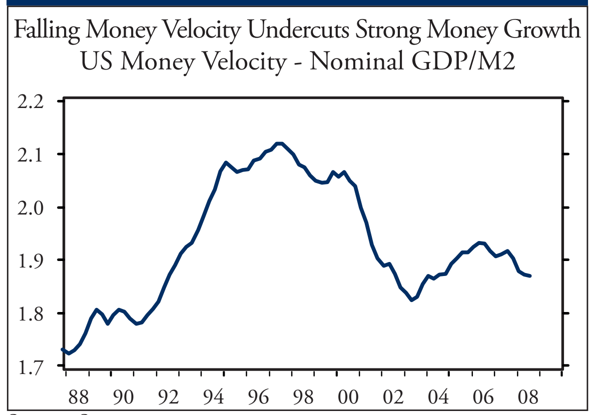
Partial List of Fed's Efforts to revive Economy

1) Acquires Bear Stearn's toxic assets to facilitate JP Morgan takeover
2) Loans billions to AIG to prevent its collapse
3) Purchases billions in commercial paper
4) Purchases billions of mortgage backed securities
5) Created the term auction facility (TAF) to provide liquidity to banks
6) Created the term asset-backed securities loan facility (TALF) to help promote loans to households and small businesses
7) Created the term securities lending facility to provide liquidity to investment banks
8) Created Primary Dealer Credit Facility to provide liquidity to investment banks

Source: Stewardship Partners

In our view, it is very likely that success will ultimately be achieved, but the road may be bumpy. In the Great Depression, policymakers unwittingly took actions that made things worse rather than better. In this case, the Fed in particular has made very forceful moves to provide liquidity to the credit markets and restore economic order as quickly as possible (Table 2). When the history books are written about this period, we suspect Ben Bernanke will receive many plaudits for saving the country from possible economic ruin. And the US is likely to lead the world out of this global recession. But it is still too early to be congratulating anyone as substantial risks remain.

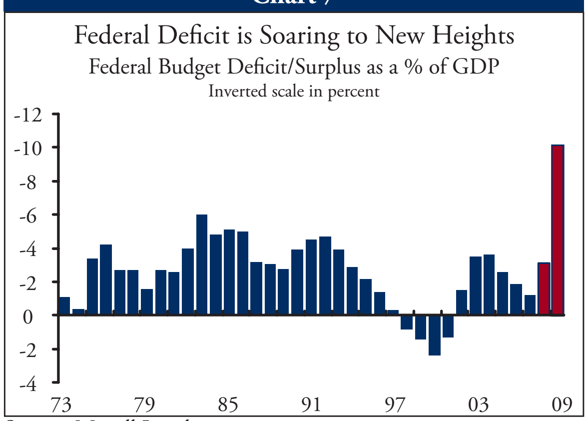
Chart 6



Source: Strategas

One of these risks is that no matter how hard the authorities try to stimulate economic activity, it will not work simply because Americans, after years of over-consuming, have way too much "stuff". If consumers have determined to shrink both the asset and liability sides of their balance sheets, then cheaper credit or greater availability of credit will not influence them to buy. In this scenario, as consumers ratchet down their purchases and increase their savings rates, economic activity fails to respond to the abundant liquidity the Fed is supplying until individuals feel that their financial situation is in better balance. In economic terms, this is because the velocity of money is declining, thereby offsetting the dramatic increase in the supply of money engineered by the Fed to jump-start economic activity (Chart 6). While this is a risk, it also has the benefit of establishing a firmer foundation for future economic growth. And if the process occurs slowly, rather than all at once, a depression can be avoided, although it may extend the length of the recession. While this needs to be monitored, we believe consumer spending behavior is more closely tied to security of employment than the state of an individual's balance sheet. Clearly, some consumers do need to downsize their lives to a sustainable level but we do not believe more than a manageable percentage of the population faces this predicament. Accordingly, the policymaker's efforts to reduce the cost and increase the availability of credit will likely succeed in helping the economy recover after those who need to reform their lifestyle have made appropriate adjustments. Should unemployment jump dramatically, however, the Fed's efforts to bolster economic activity will take longer to achieve success as more consumers would need to downsize over a longer period of time. This is certainly a risk that cannot be overlooked.

Chart 7



Source: Merrill Lynch

While the Fed's actions in this crisis have been helpful in contrast to their mistakes in the Great Depression, the circumstances also are significantly different now. In the 1930s. the indebtedness of the US government and consumers was nothing like what currently exists. In the Depression, the collapse of the banking system and the loss of savings crippled the economy. Going into a credit crunch in a highly indebted state is the issue in this case. For many debt-laden consumers, there will unfortunately be no escape from bankruptcy. As they lose their jobs in the recession, their ability to service their debt evaporates. Due to a lack of savings, their financial situation quickly collapses and there is no one, other than perhaps sympathetic relatives or friends, who will loan them money to bridge the gap until they can find a new job. Mortgage lenders record show the average person who has lost a job enters bankruptcy just three months later. Efforts have already been made to help such individuals by restructuring their mortgages, but a high percentage of these debt restructurings have also failed within months. For the US government, however, the situation is not as grim. While the nation's debt total is significant in absolute terms, it still remains manageable relative to the size of our economy. As a result, the US's debt rating is not likely to be lowered and the government should be able to access borrowed funds to finance its recession fighting deficit spending spree. Still, the huge spike in the federal budget deficit, as seen in Chart 7, will make lenders to the US government increasingly squeamish and a plan to reduce the deficit in the long term would be helpful. Given the Democratic Party dominance of our federal government, this will most certainly involve much higher taxes, particularly on investors, once the economy stabilizes. Additionally, the greater government intrusion into the private sector will assuredly be accompanied by other noteworthy economic costs. The growth potential of the economy is likely to be reduced and concerns will grow that the substantial increase in federal debt issues will crowd out and raise the cost of corporate financing. While economic order should be restored, it may come at a price to investors in terms of taxation, regulation and lower growth. Nevertheless, economic recovery should result in worthwhile gains for equities as the dreaded consequences of deflation will have been averted. If success can be achieved on this front, the accompanying rebound in investor confidence will contribute greatly to the possibility of a worthwhile recovery in share prices. When everything seems to be going wrong, it is usually helpful for investors to consider what might go right and beating back the threat of deflation is one thing that has a good chance of being achieved.

Navigating Through the Carnage Towards Higher Share Prices

"Direct my footsteps according to your word" Psalm 119:133 (NIV)

A key aspect to a recovery in share prices will be the ability for the policymakers to break the grip of deflationary tendencies without stoking uncontrolled inflationary forces. To be sure, the authorities are doing their best to create inflation at the moment, but such efforts will need to be curtailed with a precision that could prove difficult to master. In the short run, however, there is a chance the only inflationary consequences seen will be in financial assets. With consumers in a retrenchment mode and excess capacity evident in almost every sector, inflation does not seem to be a grave near-term threat in the real economy. Accordingly, the massive amounts of liquidity now sloshing around the financial system might find the path of least resistance is to flow into financial assets, in particular stocks, commodities and non-government bonds. If this happens, a very significant rebound in prices could occur in the short term, regardless of the continued flow of bad economic and corporate earnings news being announced in the months to come.

In light of the overwhelming stimulus occurring worldwide, however, it would not surprise us if the US and global economy recover more rapidly than anyone now has the courage to forecast. The historical tendency is for economic activity to snap back quickly from severe declines, and we believe fourth quarter GDP will drop very close to the 6.0% average seen in Table 3. While we do not expect first quarter GNP to be positive, it could potentially be less negative than many now expect. The current crisis is unprecedented and the response has been as well, so economic prognosticators have little to guide their predictions. It is human nature to remain conservative in these circumstances and wait for greater clarity before forecasting a recovery. Even if the economy begins to recover faster than now expected, however, it will still remain weak in the months to come. Still share prices would benefit from the realization that new depths of economic misery will not be plumbed and growth will be seen sooner rather than later.

Table 3

Weakest GDP Quarters Often Followed by Better Quarters

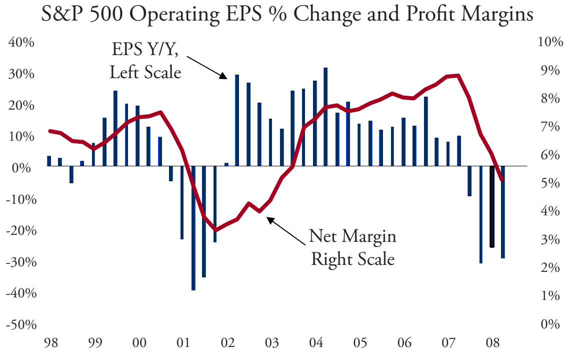
	Initial Qtr.	Following Qtr.
1958 - Q1	-10.4%	2.4%
1980 - Q1	-7.8%	-0.7%
1982 - Q1	-6.4%	2.2%
1953 - Q4	-6.2%	-2.0%
1949 - Q1	-5.9%	-1.2%
1960 - Q4	-5.1%	2.5%
1981 - Q4	-4.9%	-6.4%
1975 - Q1	-4.7%	3.0%
1970 - Q4	-4.2%	11.6%
1957 - Q4	-4.2%	10.4%
Average	-6.0%	0.1%

Source: Strategas

Chart 8

Corporate Earnings Remain Under Pressure

S&P 500 Operating EPS % Change and Profit Margins



Source: Strategas

Many investors are concerned weakness in corporate earnings will hold stock prices down in the months ahead. To be sure, earnings will continue to retreat in early 2009 but, in our view, the very sharp decline in share prices in 2008 already has taken that fact into consideration. If economic performance does begin to recover sooner than currently anticipated, earnings expectations will move higher as well. Moreover, stocks almost always begin to rebound prior to earnings beginning to move higher so continued earnings weakness is not necessarily a hindrance to better stock performance in early 2009. Chart 8 highlights the fact that earnings have been falling for the last four quarters and profit margins for longer. Therefore, while additional earnings weakness is certain in the months to come, the decline in corporate profitability is already extended and may turn sooner than many expect. If economic recovery comes sooner than expected, the financial sector in particular might contribute to a surprisingly fast rebound in earnings performance as this sector moves from major losses to even low levels of profitability.

While we are hopeful a more positive scenario unfolds for investors in early 2009, there is no room for complacency. Volatility remains very elevated across all asset classes and the possibility of new destabilizing events occurring remains high. Indicators such as the Volatility Index (VIX) show that investors are indeed becoming less frazzled, and there are many favorable indications that the healing process has begun in the global credit markets. Even a few economic indicators have turned slightly better. Nevertheless, the progress so far is still very tentative and could easily be reversed should some new development undermine investor confidence. While we are hopeful for a recovery in share prices, we have no doubt that the road ahead will most likely have a few potholes in it. We are increasingly concerned that banking system problems in Europe, and in England in particular, could lead to renewed investor concerns about the global financial system.

BACKING AWAY FROM THE ABYSS

"He will have no fear of bad news, his heart is steadfast, trusting in the Lord" Psalm 112:7 (NIV)

The markets came very close to completely melting down early in the fourth quarter, and the hedge fund industry's swift unraveling contributed greatly to the calamity that ensued. Due to the influence of hedge fund leverage, and the credit crisis generally, this bear market, while one of the worst ever, has also been relatively short, as seen in Table 4. Thus far, the intraday low point was on November 21 and the S&P 500 is currently 12% above that level. In many ways, however, the low seen on October 10 seemed like the point of greatest investor anxiety, and the market is currently about even with that level. We are hopeful that November 21st will prove to be the lowest point in the current bear market. Even if new lows are eventually reached, however, it is clear that many high-quality stocks currently offer attractive value to investors who are able to take a long-term perspective. Therefore, legendary investors like Warren Buffet have been happily deploying their available capital into investments with huge possible returns.

Table 4

One of the Worst Bear Markets Ever

Start	End	Start Price	End Price	Months	S&P 500 Pct. Change
03/06/37	04/29/42	18.68	7.47	62	-60.0%
05/29/46	06/14/49	19.25	13.55	37	-29.6%
08/02/56	10/22/57	49.64	38.98	15	-21.5%
12/12/61	06/27/62	72.64	52.32	6	-28.0%
02/09/66	10/07/66	94.06	73.20	8	-22.2%
11/29/68	05/26/70	108.37	69.29	18	-36.1%
01/11/73	10/03/74	120.24	62.28	21	-48.2%
11/28/80	08/12/82	140.52	102.42	20	-27.1%
08/25/87	12/04/87	336.77	223.92	3	-33.5%
07/16/90	10/11/90	368.95	295.46	3	-19.9%
03/24/00	10/09/02	1527.46	776.76	31	-49.1%
			Average	20	-34.1%
10/09/07	11/20/08	1565.12	752.44	13	-51.9%

Source: Strategas

Table 5

S&P 500 Performance During & Following Weakest Real GDP Quarters

	Real GDP Q/Q % AR	During	+3 Months	+6 Months	+12 Months
1958 - Q1	-10.4%	5.3%	7.5%	18.9%	31.7%
1980 - Q2	-7.8%	11.9%	9.8%	18.8%	14.9%
1982 - Q1	-6.4%	-8.6%	-2.1%	7.6%	36.6%
1953 - Q4	-6.2%	6.3%	8.6%	17.7%	45.0%
1949 - Q1	-5.9%	-0.9%	-6.0%	3.5%	14.8%
1960 - Q4	-5.1%	8.6%	12.4%	11.2%	23.1%
1981 - Q4	-4.9%	5.5%	-8.6%	-10.6%	14.8%
1975 - Q1	-4.7%	21.6%	14.2%	0.6%	23.3%
1970 - Q4	-4.2%	9.4%	8.9%	8.2%	10.8%
1957 - Q4	-4.2%	-5.7%	5.3%	13.1%	38.1%
1949 - Q4	-4.0%	7.8%	3.0%	5.4%	21.7%
	Average	5.5%	4.8%	8.6%	25.0%

Source: Strategas

The US market actually performed better than many foreign markets in this downturn, partly due to strength of the US dollar as investors rushed to the safety of US Treasuries and hedge funds hurriedly covered their shorts on the currency. In 2008 alone, 24 foreign equity markets fell by 50% or more. For investors who are able to keep their emotions in check in the midst of the storm, such declines always produce interesting long-term investment opportunities, even if instant gratification is not achieved. Table 5 highlights that the S&P 500 has advanced by an average of 25% after a very bad quarterly fall in GDP. It is always during the worst times when rational long-term investors can truly say to themselves that "happy days are here again" because of their confidence that exceptional future returns are about to be realized. Claiming that attractive long-term investment profits will definitely be realized from current levels is not appropriate as no one knows the future. We can, however, take solace from the past and know that the probability of successful investing has risen following declines of such market magnitudes, particularly since, unlike 2000, stocks were not grossly overpriced before the bear market began. Furthermore, to be bearish in the face of nearly every policymaking official worldwide seeking to make you feel much, much better seems unwise. They have the tools to do so and most are using these aggressively.

There will come a time, however, where policymakers will have succeeded in restoring economic growth and their efforts will then turn towards minimizing the inflationary consequences of their current actions and reducing the deficits they have created. Markets are likely to struggle more during this phase. Political reality indicates that even though the wealthy pay the lion's share of income taxes already (Table 6), they will be facing higher income, dividend and capital gains taxes in the years to come. Such taxes will trim growth expectations for the economy and result in lower valuations being attributed to equities.

Table 6

Prepare to Carry an Even Heavier Tax Burden!
% Income Earned vs. % Income Taxes Paid
2006 data

	Top 1%	Top 5%	Top 10%	Top 25%	Top 50%	Bottom 50%
Income Earned	22.1	36.7	47.3	68.2	87.5	12.5
Income Taxes Paid	39.9	60.1	70.8	86.3	97.0	3.0

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.

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 *<u>justice and mercy for the defenseless</u>* 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 *<u>justice and mercy for the poor</u>* 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 *<u>compassion for those addicted and/or engaged in sinful lifestyles</u>* so we screen out companies involved in:**
   - Alcohol, Gambling and Tobacco
   - Pornography
   - Homosexuality

4. **We want to *<u>protect marriage and the family</u>* 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, Aflac, and ones we have avoided in the financial sector due their heavy support for homosexuality. We own Aflac in some Stewardship Partners portfolios while we actively avoid ownership in those companies heavily involved in supporting homosexuality 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 – Aflac – Blessing All Those It Touches

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

Over half a century ago in Columbus, Georgia, three brothers founded Aflac and their family has since helped successfully guide the company to a place where it has a positive impact on millions of clients, tens of thousands shareholders and thousands of employees. With operations principally in Japan and the US, the company offers insurance products that help those who have an unexpected medical need maintain stability in their financial affairs. Currently, the company serves over 40 million clients and has over $65 billion in assets. It has built a long track record of financial success and easily qualifies as a Stewardship Partners Leader in the insurance field. While perhaps best known for its corporate symbol, the continuously frustrated Aflac duck popularized in numerous creative television advertisements, the company is also well-known as an exemplary corporate citizen. It truly is a company that seeks to bless all those who are in some way connected with the company. Aflac's mission statement indicates its desire to offer high-quality insurance products at competitive prices through motivated and fulfilled employees in order that shareholders can earn attractive returns. Aflac has achieved these goals but has also been a blessing to its communities through its generosity.

Achieving an exemplary record of corporate citizenship depends upon commitment from a company's board and executive leadership. Aflac has demonstrated leadership in many areas of it corporate governance, most recently by being the first company to give shareholders the right to "say on pay" advisory vote on executive compensation. This is evidence of a comprehensive corporate governance approach that includes proper oversight committees made up of independent board members, a written code of conduct as well as other policy statements that clearly delineate the company's desire to serve all of its stakeholders with complete openness and integrity. The corporate governance, nominating and compensation committees are all made up of independent board members, who also represent a majority of the total board. By its actions to promote extensive disclosure of its affairs, it is clear that Aflac is committed to the highest degree of financial reporting integrity.

Aflac's excellent treatment of its employees is well known. The Amos brothers who founded the company were fond of saying "If you take care of the employees, they will take care of the business". It has long sought to assist its workers in achieving an appropriate balance between responsibilities at work and home. The company offers compressed work weeks, flexible hours and telecommuting in order to allow employees to find the best balance for their situation. Aflac also provides financial assistance to employees buying their first home, offers financial counseling and grants employees with unexpected bills an "employee care card" that helps workers keep their finances from being an undue burden. With 70% of the company's employees being women, Aflac has worked hard to meet their special needs including offering special classes on investing, retirement and post-partum depression. Aflac also provides special rooms where mothers can breastfeed their children. Not surprisingly, the company has been included on the "Working Mother" magazine list of top 100 companies for working mothers five times. Benefits also include educational scholarships to workers and their families. So far 190 workers or family members have graduated with college degrees as a result of this program. At least 13 college scholarships are offered each year to children or grandchildren of Aflac workers. Aflac also actively demonstrates its concern for its employees health with a variety of programs including a weight loss club, access to a company fitness center and walking trails, an annual health fair, a variety of health screenings at two on-site clinics, flu shots and six free heath counseling sessions at a local hospital. Aflac also emphasizes career development via its award winning training programs. Naturally, as a company that offers employee benefit products, the Aflac staff are blessed with excellent health insurance, access to a defined benefit pension plan, profit sharing, and a generous match on their 401(k) plan. Aflac also embraces the diversity of its staff, of which 40% are minorities. While encouraging in any way they can employees of varying ethnicities and religious faiths, they do not use shareholder money to support homosexuality.

Aflac is a prosperous company and it embraces its ability to be generous with those less fortunate in its community as well as those who are suffering a temporary setback among its staff. The company offers its employees paid time off to work building homes with Habitat for Humanity, it has made $1 million donations to the National Museum of African American History and Culture, the Martin Luther King, Jr. National Memorial and the National Infantry Museum. Over the years, the company and its associates have donated more than $44 million to the Aflac Cancer Center which treats 325 new pediatric cancer patients each year. It also assists 3,000 young patients afflicted with various blood disorders. Aflac also sponsors events that raise money for other cancer-related charities. Additional organizations that have been recipients of the company's generosity include: the Juvenile Diabetes Research Foundation, Easter Seals, Boys and Girls Clubs, House of Mercy, Valley Rescue Mission and the United Negro College Fund.

Aflac's good works are, of course, no guarantee of long-term investment success. As Biblically Responsible Investors, however, this company's charitable efforts, its clear desire to operate ethically and its impressive treatment of its own employees allows us to know we are shareholders in a company that is seeking to be a blessing to all it touches. It is clearly a company that we can be proud to own!

The Bad – Bankrupt Banks That Heavily Supported Homosexuality

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

As the financial crisis unfolded, we were struck by the fact that many of the institutions that failed in one form or another were supporters of the homosexual agenda and some were on our list of companies that are the most active supporters of homosexuality. Fortunately, that meant we would not invest in these companies and therefore helped us avoid potential losses. Among these companies were Fannie Mae, Freddie Mac, Lehman Brothers, Merrill Lynch, Wachovia, Washington Mutual and Bear Stearns. This likely reflects the fact that homosexual lobbyists have been very effective in gaining the support of large financial institutions over the years.

While homosexuality has been supported most heavily by financial companies, support for this sinful lifestyle has also gained traction across a wide variety of our nation's largest companies. Christian groups have done little to offset the aggressive lobbying efforts of homosexual groups in Corporate America. Unfortunately, gaining corporate acceptance for homosexuality has been an important overlooked factor which has allowed this sin to gain widespread acceptance in our culture. Excluding financial companies supporting homosexuality from our list of potential investments is not a difficult decision. There are many admirable aspects of these companies but, as BRI investors seeking to please and honor our Lord, we naturally look elsewhere to achieve investment success as we do not want to be associated with a company that uses shareholder resources to activities that have a clear negative impact on individual's spiritual and physical condition as well as on 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 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 – Wycliffe Bible Translators

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

Wycliffe Bible Translators was the vision of missionary William Townsend who was challenged by an Indian he was witnessing to in Guatemala who said "If your God is so great, why doesn't he speak in my language?" Townsend resolved to make the Bible available in all languages and founded Wycliffe in 1942. Since that time, Wycliffe has become the leading force in Bible translation and has been able to produce the Bible or parts of it in over 600 new languages. But the task remains great.

Of the world's 6,912 languages, there are still 2,251 that still do not have a Bible in that language. This represents nearly 200 million people that still are without access to the Word of God in their own language. Bible translation has sped up over the years and, currently, there are projects underway to translate the Bible in 1,953 of the languages that still need a translation.

Wycliffe has over 5,000 workers from 46 different countries that are working on translations in 70 countries on six continents. Typically, the painstaking process of translating just the New Testament into a new language takes from ten to twenty years. Wycliffe has as its goal that all languages would have a translation in process by the year 2025. Wycliffe translators also seek to promote literacy among the people with whom they are working by helping to create alphabets and a system of writing. Translators, who are highly skilled, must complete graduate level training at sister organization the Summer Institute of Linguistics (SIL) before embarking on a translation project.

Wycliffe Bible Translators (not to be confused with Wycliffe Associates) receives an "A" Transparency Grade from MinstryWatch.com indicating its good efforts to be financially transparent with donors. It also receives a 3-star Financial Efficiency Rating highlighting that it is managing its financial affairs in a manner on par with the average ministry in the MinistryWatch.com database. This ministry was a winner of MinistryWatch.com's Shining Light Award in 2008 indicating it is among the top 30 ministries in the US. We believe Wycliffe is worthy of your consideration as one of many excellent ministries to which you might donate from the abundance we hope Stewardship Partners will help you create over the long term.

The Christian Ministry Marketplace – Helping Donors Give Wisely

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

Much like the stock market provides for a sensible and efficient allocation of capital in our economy, the rise of a Christian Ministry Marketplace is providing donors with a myriad of helpful resources to maximize the impact and joy of giving to the work of the Lord. As donors begin to take their giving as seriously as their investing, they will find the assistance offered by the groups listed below to be invaluable. By utilizing these resources, donors are not only likely to make better personal giving decisions, but are also contributing to the growth in the marketplace itself. By so doing, they are helping to lay a foundation for wiser giving for all who follow in their footsteps. Accordingly, we encourage donors to investigate how these groups might help you to give more wisely, achieve a greater impact and create increased joy for both yourself and receivers of your gifts.

The Christian Ministry Marketplace
Resources for Christian Donors

WHY
to give to Christian ministries?

Teaching on Stewardship:

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

HOW
to give with a discerning mind?

Professional Advisors:

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

Donor Advisors:

- Excellence in Giving (excellenceingiving.com)
- Calvin Edwards & Co. (CalvinEdwardsCompany.com)
- Strategic Resource Group (srginc.org)

WHERE
to invest in kingdom ministries?

Ministry Research:

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

Ministry Mutual Funds:

- Nat'l Christian Fdn (nationalchristian.com)

Online Donation Services:

- Network For Good (networkforgood.com)

Featured Ministry Marketplace Participant - Crown Financial Ministries

"The Lord answered, "Who then is the faithful and wise manager…?" Luke 12:42

Crown Financial Ministries is the result of the combination of Larry Burkett's Christian Financial Concepts ministry and Howard Dayton's Crown Ministries. Chuck Bentley now runs the combined entity admirably, propelling the ministry to new heights. Founded in 1976, Crown has taught Biblical financial principles to more than 50 million people in 80 nations and now has roughly 250 employees and more than 10,000 volunteers helping the ministry spread its message. Crown's primary objective is to help Christians become better stewards of their financial resources so that more money can be freed up to accomplish the Lord's work. Crown is well known for its comprehensive small group Bible Studies which encourages sound Biblical financial management and teaches attendees to pay off debt and utilize a budget to control spending. The benefits in terms of increased giving, debt repayment and increased savings by those who have completed the Crown course have been documented by the ministry. There are many, many Christians who fortunately took Crown's teaching seriously over the years and will therefore avoid the current financial disaster. Crown's goal is to reach 300 million people with these studies by September 2015. Crown's radio program, popularized by Burkett but now carried on by Bentley, reaches millions on a daily basis with sound Biblical counsel on financial matters. For excellent advice on financial matters including giving to the Lord's work, Crown's library of information on its website (www.crown.org) is an invaluable ressource. Additionally, Crown produces a variety of newsletters that offer helpful financial insights from a Biblical perspective.

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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