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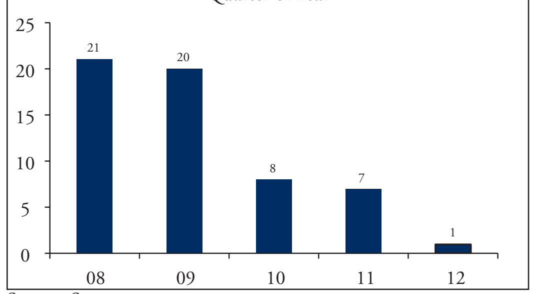
Another Government Funded, Liquidity-Fueled Relief Rally

"A feast is made for laughter… but money is the answer for everything." Ecclesiastes 10:19 (NIV)

Massive government intervention once again saved the financial markets from systemic collapse and propelled a huge rally in equity prices during 2012's first quarter (Table 1). In this case, the European Central Bank (ECB) injected over $1 trillion into the region's banking system in two separate operations thereby eliminating the threat, for the time being at least, of another "Lehman Brothers moment" for the financial system. With this extra trillion dollars sloshing around the financial markets in the first quarter, share prices produced first quarter returns which were the best in nearly two decades. The ECB's largesse also quickly brought at least temporary calm to the crucial government bond markets of debt laden Italy and Spain. These two countries are viewed as too large to bail out and their demise would potentially threaten the existence of both the Euro and the European banking system. Undoubtedly, any crisis of such proportions, should it be allowed to unfold, would have serious negative consequences well beyond Europe. With the ECB's first infusion of liquidity occurring in mid-December, the world's equity financial markets began a virtually uninterrupted march higher though the first quarter. Reflecting the enormous relief investors felt from the removal of an effective death sentence, volatility was virtually non-existent in the equity markets during the quarter (Chart 1). The market's advance was narrow, however, with financial stocks, not surprisingly, leading the way. The ECB had purchased a stay of execution for these stocks and this sector reacted as expected as speculators rushed to remove short positions. While financial stocks were the market's top performer, only three of the S&P 500's ten sectors actually outperformed the index. Additionally, high quality stocks were laggards since the lower quality shares exposed to greater risks from the possibility of another financial calamity also breathed a big sigh of relief.

Chart 1

Volatility Almost Non-Existent in 1Q12
No. of Days the Dow was Down at Least 100 pts. in 1st Quarter of Year



Source: Strategas

Table 1

1Q12 Total Returns

US Indices	1Q12
S&P 500	12.59%
S&P 500 Value	12.97%
S&P 500 Growth	12.27%
NASDAQ	18.96%
S&P 400 (Mid Cap)	13.50%
S&P 600 (Small Cap)	11.99%
Treasury Bonds	-1.29%
High Grade Corp. Bonds	2.44%
Gold	6.69%
Global & International Indices	
MSCI World	11.56%
MSCI EAFE	10.86%
MSCI Euro	11.88%
MSCI Far East	12.01%
MSCI Japan	11.26%
MSCI Emerging Markets	14.08%
US Economic Sectors	
Energy	3.88%
Materials	11.19%
Industrials	11.31%
Consumer Discretionary	15.96%
Consumer Staples	5.54%
Health Care	9.06%
Financials	22.05%
Information Technology	21.46%
Telecom	2.08%
Utilities	-1.62%

Source: Standard & Poors, MSCI, Bloomberg

The quarter's big relief rally also came in the face of a number of challenges that normally would have curtailed its enthusiasm, a clear reflection of the enormous power of a huge, government sponsored surge in financial market liquidity. During the first quarter, many US economic reports came in short of expectations, China's economy continued to weaken, oil and gasoline prices surged, the growing threat of an Iran/Israel war hung over the markets and 2012 earnings estimates for the S&P 500 were falling rather than rising. This is not the typical backdrop for a substantial increase in share prices. Additionally, during the middle of the quarter interest rates began to jump higher leading to the return on the US 10 year Treasury bond to fall during the quarter. While rates have since subsided again as the above mentioned factors have caused investor concerns to begin to rise and equities to stumble early in the second quarter, this spike should serve as an early warning sign of what the future might hold for bond investors – losses. We remain hopeful a renewed bout of intense angst regarding the possibility of financial calamity will be held at bay in the months to come. Still, we recognize the ECB's trillion dollar gambit simply bought the markets time and did not actually permanently fix the long term structural faults in the European banking system. Hopefully, this time will be well used by both the European banks and governments to get their houses in order. We suspect it will, but execution risks remain. Therefore, we are cautiously optimistic that 2012 will be a good year for investors.

Given the magnitude of the threat posed by the potential failure of the European banking system, Stewardship Partners opted to not fully remove its cautious portfolio approach until late January. This decision, combined with the underperformance of quality stocks we typically invest in, contributed to our portfolios trailing the indices during the first quarter.

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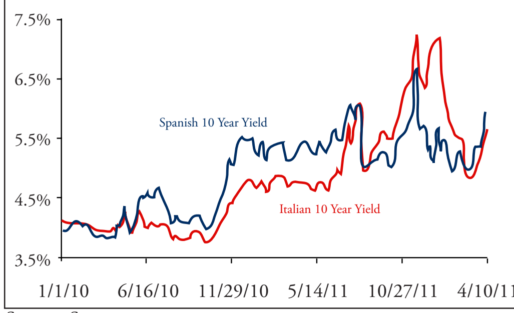
TROUBLE WHILE TRYING TO EXIT THE MINEFIELD

"Is any one of you in trouble? He should pray." James 5:13 (NIV)

Since the crash in 2008, investors have been wandering around a minefield of huge problems. Without the aid of a wide variety of government interventions during this time, there is little doubt the global economy would have gone through a depression or something very close to it. Recently, it began to appear these massive government intrusions on the free market system might actually have moved the economy towards a self-sustaining recovery. US economic growth has been well below normal levels during this period, but some forecasters believe it will return to a somewhat more normal 3% level in 2012's first quarter. General Motors, saved by government bailouts, is now raking in profits as car sales have recovered significantly. Recently, the government even released information indicating that taxpayers actually profited from TARP and other bailouts. And as already noted, the equity markets had a great first quarter due to the ECB saving investors with their infusion of liquidity into the banking system. As we wrote last quarter, the end of the minefield was in sight and the possibility existed we might actually get out without any more damage being done. As soon as such optimistic thoughts began to take hold, however, a fog started to roll in making it difficult to take the final steps needed to get out of the minefield. Fed Chairman Bernanke gave a speech highlighting his view that the economic recovery was not as strong as it appeared, thereby justifying the need for continuous highly accommodative monetary policy. More troubling, however, was the sudden return of European periphery debt concerns as highlighted in Chart 2. The high from the ECB's massive liquidity injection appears to have worn off fast for both Spain and Italy. While still not near the level of interest rates seen late last year at the height of the crisis, rapidly growing fear is evident in the chart. Many believe Italy and Spain are both too big to fail and too big to save. Still, we suspect further action will be taken by policymakers to alleviate investor concerns, but we acknowledge this remains a situation that could easily get out of control. We will be paying close attention as a European financial fiasco remains the biggest threat to global prosperity.

Chart 2

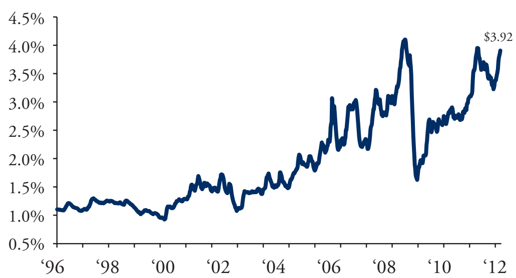
Are Spanish & Italian Yields Signaling More Trouble?
Spanish & Italian 10 Year Gov't Bond Yields Rising Rapidly Again



Source: Strategas

Chart 3

Rising Gas Prices Threaten Economic Recovery
U.S. Retail Gasoline Price
USD/gallon, Regular Unleaded



Source: Strategas

Another risk for the global economy is the persistently high oil prices, which feed through to most economic activity and certainly negatively impact the all-important US consumer (Chart 3). This, in turn, has been influenced by the risk of Israel taking military action against Iran's nuclear program. After reaching a peak during the first quarter, concerns about the imminence, if not the inevitability, of an Israeli attack have more recently diminished. Iran, suffering mightily from increased economic sanctions, has once again opened up nuclear discussions with the Western nations about its nuclear program. While diplomats described the initial discussions as helpful, most believe this is just another way for the Iranians to buy more time. At any moment, however, investors realize Israel could attack. Faced with the Iranian existential threat, Israel is not likely to be as patient with the Iranians as Western nations. Still, an attack on Iran's nuclear capability is quite risky for Israel, which means it has its own reasons to hope for a negotiated solution. Unfortunately, as long as there is uncertainty surrounding this issue, oil prices are likely to have a war premium in them, which will undermine economic recovery globally. Many believe the recent weakening employment reports in the US are tied to higher gas prices. We suspect oil prices may have peaked already and will not further harm the global economy, but recognize we might wake up one day to find Israel and Iran at war.

Table 2

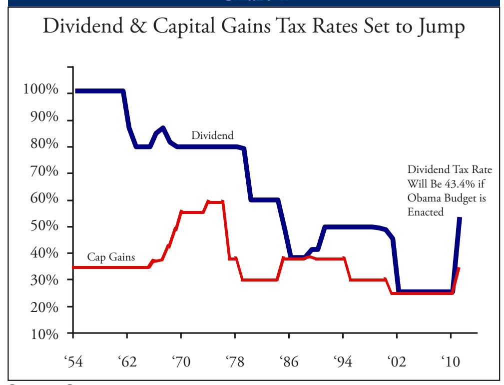
The Fiscal Cliff - $400 Billion Hit to the Economy

1. Expiration of the Bush Tax Cuts
2. Expiration of the AMT Patch
3. Expiration of the Payroll Tax Cut/UI
4. Obama Healthcare Tax Increases Begin
5. 2009 Stimulus Spending Rolling Over
6. Sequestered Spending Cuts Come Into Effect
7. Debt Ceiling Will Need to be Raised

Source: Strategas

Another serious threat to US and global economic growth is what has been termed the "fiscal cliff". This refers to the expiration of a wide variety of tax cuts and forced spending cuts (Table 2) which will occur staring on January 1, 2013 unless Congress acts before then to avert this situation. If these changes go into effect as currently legislated, the negative impact on the US economy may be greater than $500 billion dollars. If the US economy actually does tumble over such a "fiscal cliff", it would have a significantly unfavorable impact and might even trigger a recession. Chart 4 highlights the big increase in dividend and capital gains tax rates due to take place as part of the fiscal cliff. These will have a big influence on investors by reducing their after-tax returns. Dealing with this cliff in a preemptive fashion is complicated by the election season. As a result, attempts to make at least some changes to limit the negative impact are almost certainly going to be put off until the lame duck Congressional session in November and December of this year. This, in turn, will create uncertainty which may lead to slower economic growth as consumers and businesses brace for big tax hikes and reduced economic activity. Moreover, another debt ceiling fight could occur just prior to the election as it appears the ceiling will need to be raised again this Fall. We hope actions will be taken to cut these issues off at the pass, but this seems unlikely at this point. While we expect an eleventh hour solution will occur to keep the US economy from falling off this cliff, the process of getting there will no doubt be unsatisfactory.

Chart 4



Source: Strategas

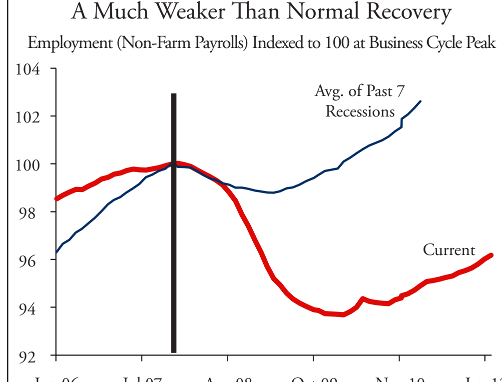
One person who is well aware of the risk these uncertainties pose for the economy is Fed Chairman Bernanke. His recent speech highlighting the weakness of the current recovery indicated to us he is still very interested in pursuing a further round of quantitative easing. While the improved economic trends in recent months have given the upper hand in the battle over the need for further easing to the hawks on the Federal Reserve, we suspect the "Bernanke Put" will soon be in play again. Not only has the recent weak unemployment report as well as faltering weekly unemployment claims data raised the prospect of a QE 3, but also both the fiscal cliff and renewed worries about Europe argue for investors to expect additional central bank injections of liquidity. Despite long term concerns about the inflationary impact of such highly accommodative monetary policy, we believe policymakers will once again choose to influence markets in a positive direction rather than stand aside while natural market forces take a more disconcerting course. It may be the financial markets will first have to deal with additional uncertainty around the timing of such actions. This may lead to an increase in volatility from the extremely low levels seen in the first quarter.

Are There Limits to Government Intervention?

"…the evil conceits of their minds know no limits." Psalms73:7b (NIV)

Regardless of our views on the advisability of government intervention in the financial markets and economy in general, we can rest assured there will always be some degree of government activity to influence economic outcomes. Normally in the US, these intrusions into the free markets have been limited and have been accompanied by substantial criticism. This has historically limited a significant role for government in private industry to such one-off issues like President Kennedy abusing the steel industry and the Chrysler bailout in the early 1980's. The market crash in 2008, however, triggered a systemic financial crisis requiring, at least from a political perspective, heavy government involvement in order to avoid a crushing economic depression. Even with the massive fiscal and monetary policy responses from virtually all major nations, the recovery in the US has been well below average (Chart 5) while Europe and Japan have fallen back into recession. Even China has seen its high economic growth rate slip recently despite its enormous policy response to the Great Recession. The US economy has shown the most positive trends in recent months leading some to hope that further monetary and fiscal stimulus are no longer needed. Conservative members of the Federal Reserve have recently spoken about reversing some of the extraordinary accommodation put in place to fight off a depression. And conservative politicians have long been calling for restraining out-of-control fiscal

Chart 5

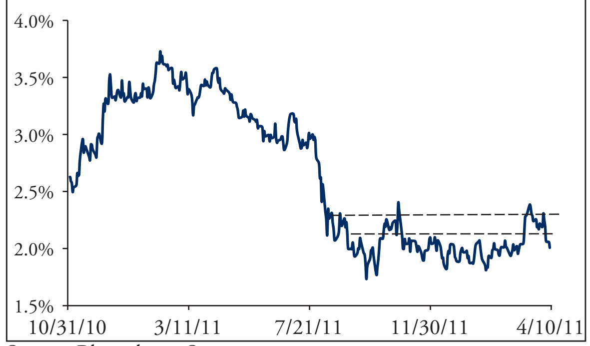


Source: Strategas

policy. On the other side of the fence, many liberal politicians seem to believe there is no consequence to massive deficit spending raising Federal debt. Fed Chairman Bernanke has also consistently indicated in his speeches his belief the economy continues to need imaginative new monetary policies to avoid renewed recessionary pressures.

Chart 6

US 10 Yr Treasury Yield Falling Despite Overspending



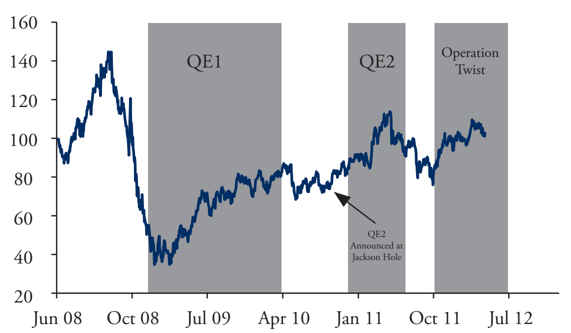
Source: Bloomberg, Strategas

Many, including ourselves, worry we may be too close for comfort to the limits of both fiscal and monetary policy. Should the markets begin to acknowledge either fiscal or monetary policy has gone beyond the bounds of reason, the prices of financial assets will quickly reflect this, likely catching many off guard. Just ask the policymakers in Greece, Portugal, Ireland, Spain or Italy. Before they knew it, their bond markets had reached the limit. Financial riots in a nation's bond market often precede actual rioting in the streets. Indeed, it is easier to identify the limits to fiscal policy than monetary policy. Once a nation's debt begins to exceed 100% of its GNP, as the US has recently done, you have entered a danger zone which often proves difficult to extricate the country from without severe economic hardship. The smaller the nation, the sooner the problems arise. Larger nations can often pursue foolish overspending policies longer without immediate consequences. Japan, for example, actually has debt that exceeds 200% of its GNP currently, far worse than Greece's 160%.

Despite the US's continued overspending, interest rates on the 10 year US Treasury bond still remain low (Chart 6), indicating bond market investors are not yet ready to punish the nation for its unsustainable fiscal policies. The US, as the world's largest economy, benefits greatly from the US Treasury bond's status as the world's safest investment. Many are now questioning this long held assumption. During the first quarter, we did see an ominous spike in US interest rates. Until the US government gets its finances under control, we should expect more such interest rate scares in the future which could lead to losses on bond investments many are unprepared for.

Chart 7

QE's Inflationary Consequences
Oil Prices Rise During QE



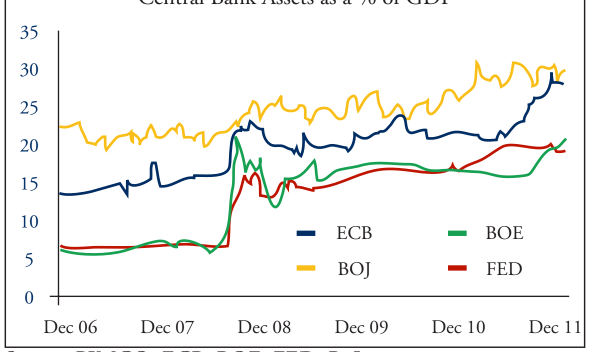
Source: Strategas

While investors have at least a general idea about the confines of fiscal policy, the limits to monetary policy are unknown. Certainly, the Fed and other central banks have found at least one limit to monetary policy – the inability to drive nominal interest rates below zero. But this boundary has spurred a search for creative new monetary policy tools. QE is a relatively new monetary policy tool whose long term impact is not fully known. Chart 7, however, indicates at least one consequence of these newer monetary actions. In each case where the Fed implemented previously untried methods, oil prices increased. Indeed, financial asset prices generally were inflated by these interventions, which was the goal of the operations. Policymakers hoped higher financial asset prices would spur the economy via a favorable wealth effect. They also were seeking to create inflationary forces via oil and other commodity prices to both stave off a dreaded deflationary spiral and produce negative real interest rates. This latter impact has been labeled "financial repression" due to its negative impact on savers and the elderly, and was meant to spur borrowing, thereby slowing the deleveraging process which is hurting economic growth.

With fiscal austerity either already in place (Europe) or likely soon to occur (US, Japan and perhaps China) and the ongoing deleveraging of the private sector, it seems central banks can continue to pursue innovative monetary policy initiatives to spur economic growth without causing inflation to jump to unpleasant levels. As central bank assets rise to never before seen levels throughout the world (Chart 8), however, we will be closely monitoring the markets for evidence of the limits to such monetary policies.

Chart 8

How Large Can Central Bank Assets Grow
Central Bank Assets as a % of GDP



Source: PIMCO, ECB, BOE, FED, BoJ

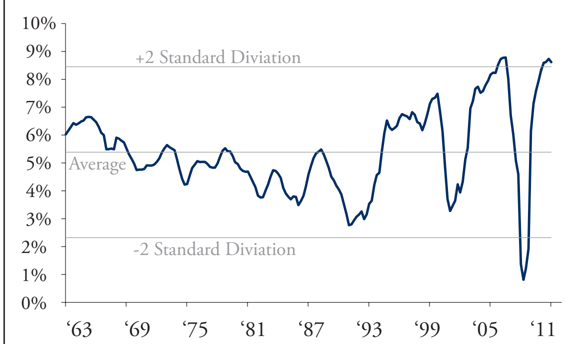
Intervention's Impact on Profits, Valuation and Asset Allocation?

"I will turn the darkness into light before them and make the rough places smooth" Isaiah 42:16b (NIV)

With both monetary and fiscal policy actions now testing the limits of sustainability, it is hardly surprising to see the impact of these moves in the real economy and the financial markets. One of the most obvious effects in the real economy has been the rapid recovery in corporate profits to record levels (Chart 9). The sizable boost to demand from huge federal deficits coupled with the financial sector benefitting greatly from the ultra-low level of interest rates created an environment where corporate profits could be quickly restored. Clearly, wise cost control also contributed to management teams being able to rebuild their income statements. Still, returning profit margins so rapidly to previous highs would have been impossible had fiscal and monetary policy actions not been highly supportive. While the recovery in the economy has been significantly better than the still tepid rebound in employment as managements continue to run their affairs conservatively, the unemployment rate would have been far worse had these policies to stimulate economic activity not been in place. With profit margins already at a high point, the question now is whether these can be sustained. Our assumption is margins will recede somewhat from these extended levels as the positive impact of government intervention wanes and corporations begin to spend more in order to grow. If global economic growth begins to accelerate, companies are well prepared to take advantage given these already well above average profit margins and the very strong state of corporate balance sheets. Lower profit margins may not necessarily lead to lower corporate earnings as sales growth and financial engineering can offset the impact of lower margins.

Chart 9

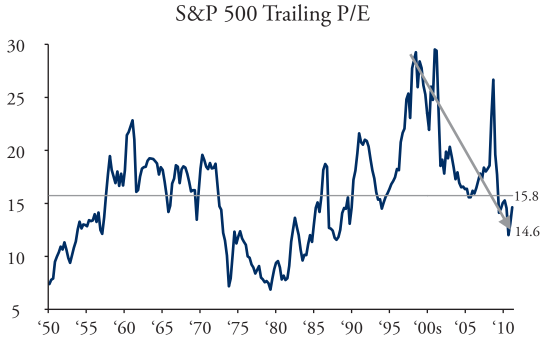
Government Interventions Boosts Profit Margins Quickly
S&P 500 Net Margin (4Qtr Average)



Source: Strategas

Chart 10

Valuations Both Help and Hurt by Interventions
S&P 500 Trailing P/E



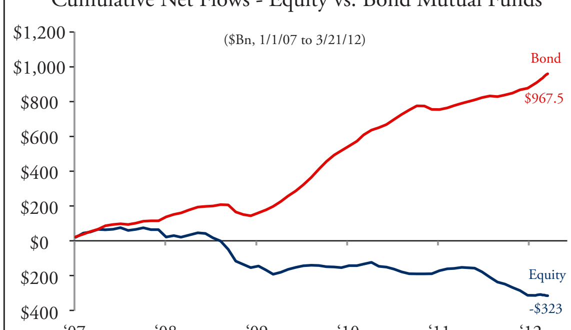
Source: Strategas

Government intervention in the economy and markets has also influenced how investors value securities, although the net effect is not clear. By cutting off the near certainty of a depression through aggressive intervention, policymakers certainly prevented a likely dramatic collapse in price-earnings (PE) ratios to single-digit levels last seen in the 1970's. PE's had already been in a long term decline (Chart 10) from the absurd levels seen during the tech bubble at the beginning of the decade. This declining trend would have no doubt accelerated if the crisis response had not been so forceful. On the other hand, given the low level of interest rates, valuations for stocks should be higher than the current level. We believe the reason PE's remain lower than expected is investors recognize interest rates are being held artificially low and are also unsettled by the excessive government meddling in the markets. As the economy is able to function more on its own without the need for government intervention to maintain a degree of stability, valuations should benefit. While we are not to this point yet, it may not be long before we are clearly moving in that direction if new problems in Europe can be avoided.

Investor concern about government intervention can be witnessed in their action. While equities have risen significantly since the lows reached in early 2009, equity investors have remained suspicious. The short term stability policy interventions produced has been offset by concern about the long term costs that accompanied this short term calm. Chart 11 highlights investors have clearly preferred bonds over equities during this era of hyper-activity from government policymakers. With the prospect for higher interest rates and given that these trends look overdue for a reversion to the mean, we expect equities to once again become a fashionable investment alternative.

Chart 11

Investors Rush After Bonds, Abandon Equities
Cumulative Net Flows - Equity vs. Bond Mutual Funds



Source: IMF

Anticipating New Interventions

"There is surely a future hope for you, and your hope will not be cut off." Proverbs 23:18 (NIV)

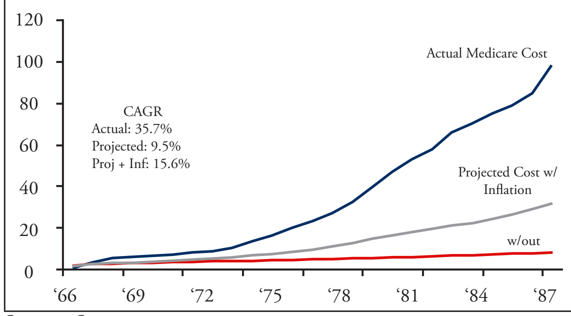
Government interventions in the markets are generally unwelcome. In times of great stress, however, they are unavoidable. One intervention many investors would welcome, however, could come from an unusual source – the US Supreme Court. During oral arguments over President Obama's health care legislation, the court seemed to hint that it would overturn the law. Regardless of what one might think about the merits of this law, it is clear the nation cannot really afford to embark on new massive spending programs at this time. We will have to wait until June to hear the final outcome of this potentially favorable intervention, but a full overthrow of the law would almost certainly be viewed as a significant positive for future US government finances. A look back at the original projected cost of Medicare and its monstrously higher actual cost (Chart 12) should have all fiscally sound US citizens hoping the Supreme Court holds Obama Care as unconstitutional.

Chart 12

Obama Care Costs Likely Greatly Underestimated

Medicare Costs, Projected vs. Actual

$ in billions



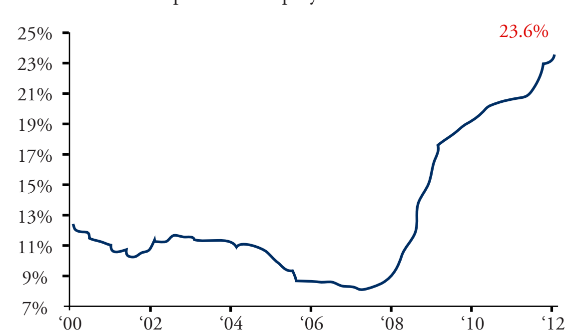
Source: Strategas

Another intervention looks increasingly likely for Spain. Its economy is effectively in a depression already as indicated by the unemployment rate (Chart 13). The unemployment rate in Spain for those under 25 years old is actually over 50%. Many were surprised last year when the markets bypassed Spain and made Italy the focus of concern in Europe. Inevitably, however, Spain's problems will come to the forefront and they appear to be doing so as we write this commentary. We have long suspected the economic situation in Spain may be even worse than the government has indicated thus far. While not yet a foregone conclusion, some form of bailout is increasingly looking likely. Calls for the ECB to restart its government bond buying program are growing louder in order to quell the growing riot in the Spanish bond market before it gets out of hand. Europe also has at its disposal bailout funds from the EFSF program. In the end, we do not believe the Europeans will allow Spain to crash. Still, the markets are likely to test this assertion and challenge policymakers to act. Like all such bailout scenarios since the crash in 2008, the odds are the authorities will act to avert the worst outcome, but the consequences of a failure to act are grave. We will be paying close attention to this situation and would not be surprised if markets continued to struggle with this before it gets at least temporarily resolved.

Chart 13

Shocking Unemployment in Spain Reflects Economic Stress

Spain's Unemployment Rate



Source: Strategas

The debate over the need for additional quantitative easing in the US has also picked up again following recent weaker than expected employment reports. We believe there is a reasonable chance the run of less than hoped for economic data will prove to be a short term phenomenon. Nevertheless, the looming fiscal cliff and potential for another debt ceiling debate could lead Bernanke to push for more monetary assistance for the economy.

Table 3

Bond Returns Normally Trail Stocks

Stocks vs. Bonds

Holding Period	% of Time Stocks Best Bonds
1 Year	60%
5 Years	71%
10 Years	83%
20 Years	94%
30 Years	98%

Based on annual data since 1926

Bonds = long-term Treasuries

Source: Strategas

With the US economy now closer to being able to generate self-sustaining growth, we think continued gains in equity prices are simply a matter of time. While significant risks remain in Europe, Japan and China that we are not going to ignore, our sense is that we may have a big year for stocks in 2012 as fear gives way to greed. Money reversing out of bond funds could fuel a big equity rally. And given the track record of bonds relative to stocks (Table 3), now may be a propitious time for investors to reallocate funds back to shares.

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 during his decade of service with the Templeton organization. He also had the privilege of working directly with world-renowned global mutual fund manager, Sir John Templeton. **By employing a BRI approach to investing, Stewardship Partners seeks to achieve long-term capital gains through ownership in securities of companies that are a blessing to mankind. Conversely, we seek to avoid profiting from owning companies engaged in sinful activities which 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 seek to avoid 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 seek to avoid 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 seek to avoid companies involved in:**
   - Alcohol, Gambling and Tobacco
   - Pornography
   - Homosexuality (those companies deemed to be the most active supporters)

4. **We desire to *protect marriage and the family* so we seek to avoid 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

We obtain information on both the objectionable practices and the exemplary attributes of corporations from our affiliate **The Biblically**

Responsible Investing Institute (www.BRIInstitute.com). We believe BRII gives Stewardship Partners the most comprehensive database of BRI information that currently exists and utilize much of it to realize our goal of investing in a manner that most honors our Lord. Equipped with this information, we are then prepared to make as strong an effort as possible to build investment portfolios which best reflect our client's biblically-based Christian worldview.

Like all people, all companies are sinners. Therefore, we attempt to use the BRI information at our disposal to eliminate the worst offenders from our portfolios. At times, this is easy. For example, a company involved in making drugs used in the abortion process will always be excluded from our portfolios. In many cases, however, we need to utilize judgment, such as when a company has operations in a country that is a known violator of human rights. The type and size of that exposure, among other considerations, are taken into account before eliminating the company from our portfolios. When judgments must be made we are guided by the principal of trying to do what we believe Jesus would do if He were making the decision.

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 exhibiting exemplary attributes, Heartland Express, and one we avoid, Marriott. We own Heartland Express in some Stewardship Partners portfolios while we actively avoid ownership in Marriott 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 – Heartland Express – Excellence and Integrity

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

Heartland Express trucks are a common sight on America's highways. Unlike most of the trucks on the road, Heartland Express trucks are well known for their clean, modern look, which is indicative of the excellence the company maintains throughout its operations. Heartland Express brings together long industry experience, state of the art equipment and technology, and good people with a vision to be the best, to serve the truckload transportation needs of the top shippers in America. The company's services improve the daily lives of people by moving goods and supplies to where they are needed - to the super-market shelves, to the manufacturing production lines and to the home-improvement stores throughout the country. Heartland serves long haul markets anywhere east of the Rocky Mountains and regional shipping needs throughout the country via its many regional operating centers which support the short and medium range shipping needs of their clients. Companies choose Heartland Express for its award winning on-time pickup and delivery, fleet capacity to cover commitments scaled to their needs, leadership in providing information about their shipments, and its performance in moving beyond the transactional to the strategic relationship to solve problems.

Heartland Express has an impressive and comprehensive code of ethics that all employees, officers and directors must adhere to at all times. Among the general principles included in the code are: 1.) Always act with the highest standards of personal and professional integrity and do not tolerate others who attempt to deceive or evade responsibility for actions. 2.) Keep the company's stockholders' best interests in mind at all times and do nothing that you feel would compromise those best interests. 3.) Consider the legacy of your actions. The company's good name and reputation is a key asset and you must conduct yourself at all times to enhance the value of that asset. 4.) Do nothing, and tolerate nothing, that bothers your conscience, however trivial. 5.) Do not allow the pressure of others, or the pressure of meeting the expectations of others, to compromise your actions. The board of the company has clearly made a strong statement about its commitment to integrity via its code of ethics.

Heartland Express also takes giving back to its community seriously. The company has donated money to the University of Iowa's Children Hospital and has partnered with Habitat for Humanity to build homes for the underprivileged. Employees of the company also participate in Red Cross blood drives. Employees also spend time speaking to students about educational choices which will be valuable in their lives as well as developing leadership skills. Heartland Express has also received many awards for various aspects of its operations. The company has won the Logistics Management Quest for Quality Award in each of the last nine years. This award is voted on by the company's clients. Another industry magazine, Transportation Topics, gave more awards to Heartland Express than any other shipper in 2011. Forbes Magazine also has named the company as one of the best 200 small companies in the country. In eighteen of the last twenty-three years, Forbes has recognized Heartland for superior management and performance.

The company has also made significant efforts to limit the impact of its operations on the environment. Heartland Express has partnered with the Environmental Protection Agency to minimize fuel consumption and harmful emissions. The company's modern fleet is particularly helpful in this regard as are its efforts to manage and reduce idling time. An independent environmental monitoring group, SmartWay, has given the company the highest possible score for its environmental impact, indicating the company has taken a leadership position in this regard within the shipping industry.

Heartland Express also consistently demonstrates the high value it puts on its employees. Safety is the company's stated highest priority. The government calculates safety scores and Heartland Express has the highest score among its peers. The company's business model is also based on paying its drivers an above average rate. National surveys show the company pays its drivers $0.13 per mile more than the average driver and a full $0.06 per mile higher than its nearest competitor. The company has also arranged its operations so drivers will have more time at home than most drivers in the industry have. Furthermore, it offers a wide array of attractive benefits including company-matched 401-k contributions, health and dental insurance, free wireless internet and company discounts on a wide variety of products. It is clear Heartland is the class of the industry for drivers.

Heartland's good works are, of course, no guarantee of long-term investment success. As Biblically Responsible Investors, however, the company's commitment to excellence and its good treatment of its employees allows us to know we are shareholders in a company seeking to be a blessing to all. While no company, like no person, is perfect, this is clearly a company that we can be proud to own!

The Bad – Marriott – Gambling, Homosexuality and Porn

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

Marriott International is the well-known hotel company with a variety of brands ranging from luxury hotels like Ritz-Carlton, Bulgari and JW Marriott to upscale brands like Renaissance and Marriott and lower-end hotels such as Marriott Courtyard, Springhill Suites, Residence Inn, TownPlace Suites and Fairfield Inns and Suites. The company actually started in 1927 as an A&W root beer franchise, moved into fast food via its Hot Shoppes, Jr. restaurants and finally began a transition into hotels in the late 1950's. The founding Marriott family continues to run the company and is well-known for their Mormon faith. Republican presidential candidate Mitt Romney, also a Mormon, once served on the company's board of Directors. Marriott now has 3,700 hotels in 73 countries and expects to grow its brands by 58,000 rooms in the US and 52,000 rooms overseas in the years ahead. Marriott employs more than 120,000 employees around the world and its annual revenues exceed $12 billion.

While Marriott is viewed by most as one of the most successful hotel operators in the world, Christian investors may hesitate before becoming owners in this company. One of the biggest concerns about Marriott is its extensive gambling operations. Many of its hotels around the world contain casinos. Gambling is an activity which has many negative consequences for those engaged in betting as well as the communities in which casinos exist. Many families have been devastated by the impact of a gambling addiction and operating a gambling business certainly is not an activity that is intended as a blessing to customers.

As unfortunate as it is that Marriott generates significant profits from gambling, it also is a distributor of pornography through its in-room television systems. This porn business also contributes significant profits to the company's bottom line. Additionally, the company has been a significant supporter of homosexuality.

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

Our Ultimate Goal - Funding the Lord's Work

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

It is our hope that Stewardship Partners' ability to create an abundance for you will help you to share with those who are in need and assist in fulfilling the Great Commission. Our non-profit ministry affiliate, Wall Watchers, provides a free service to help you educate yourself about the many wonderful Christian giving opportunities available to wise donors. We invite you to join the thousands of visitors to our ministry's website at www.MinistryWatch.com, the Internet's top site for donors to Christian ministries. Please feel free to utilize this free resource as you seek to be a wise and effective donor to Christian ministries. We would be pleased to be able to help you bless God's people who are in need. Please be sure to check out MinistryWatch.com's 2011 list of our thirty Shining Light Ministry Award winners as well as our companion list of thirty ministries that are subject to a Donor Alert from MinistryWatch.com.

Featured Ministry – Bridges for Peace

"Pray for the peace of Jerusalem: "May those who love you be secure.." Psalm 122:6 (NIV)

Bridges For Peace is a Jerusalem-based, multi-faceted, Christian organization dedicated to the building of sincere relationships between the Christian and Jewish communities, while encouraging greater concern for the land and people of Israel. It is BFP's desire to see Christians and Jews working side by side for better understanding and a more secure Israel. Founded in 1976, Bridges for Peace seeks to be a ministry of hope and reconciliation. Through programs both in Israel and worldwide, Bridges for Peace gives Christians the opportunity to actively express their biblical responsibility before God to be faithful to Israel and the Jewish community. Among its objectives, Bridges for Peace seeks to bless Israel and the Jewish people in Israel and worldwide, through practical assistance, volunteer service, and prayer. It also desires to communicate Christian perspectives to Israeli leaders and the Jewish community-at-large as well as counter Anti-Semitism worldwide and support Israel's divine God-given right to exist in her God-given land.

Bridges for Peace publishes a bi-monthly publication, Dispatch from Jerusalem, which contains pertinent information from Israel and informative insights into the hopes and aspirations of the Israeli people, all within a prophetic context. The ministry also publishes monthly in-depth studies as well as weekly e-mails that have a prayer focus. The ministry also sponsors prayer groups who pray for the peace of Jerusalem, provide financial and material assistance to the needy in Israel, helps Jews to migrate to Israel and organizes short term service trips for Christians to Israel. Bridges for Peace also offers Bible study tours to Israel.

Bridges for Peace is a very worthy ministry which helps Christians aid the nation of Israel and the Jewish people in a variety of meaningful ways. Additionally, the ministry effectively utilizes the financial resources donors entrust to it as reflected by the Three Star Financial Efficiency Rating earned from MinistryWatch.com. Bridges for Peace is also a 2011 MinistryWatch.com Shining Light Award winner and is worthy of consideration for your financial support.

The Christian Ministry Marketplace – Helping Donors Give Wisely

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

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

The Christian Ministry Marketplace
Resources for Christian Donors

WHY to give to Christian ministries?

Teaching on Stewardship:

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

HOW to give with a discerning mind?

Professional Advisors:

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

Donor Advisors:

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

WHERE to invest in kingdom ministries?

Ministry Research:

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

Ministry Mutual Funds:

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

Online Donation Services:

- Network For Good (networkforgood.com)

Featured Ministry Marketplace Participant – Calvin Edwards & Co.

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

Calvin Edwards & Company is a leading donor advisory consulting firm, which helps individuals, families and foundations maximize the good they achieve through strategic giving. Founded in 2001 by long-time ministry and Christian financial services veteran Calvin Edwards, the firm seeks to assist thoughtful, high-capacity donors with customized services to help ensure their generosity is as effective as it can be. Calvin and his team help guide a prospective donor through the creation of a donor profile which helps identify the donor's giving personality. A Giving Plan is then produced to help guide and manage the donors giving. In this process, Calvin Edwards & Company provides information, perspective, and judgment that informs and guides their clients' decisions about the charities that best match the client's giving goals. Calvin and his staff regularly prepare very professional, in-depth research reports which help define the important issues a wise donor should consider when evaluating a potential ministry for a sizable gift. The company can also assist in formulating the appropriate accountability methods for how a gift is utilized and can aid donors in structuring gifts so that the intended effect can be optimized and common barriers to effectiveness minimized.

Calvin Edwards and Co. also serves nonprofit organizations with products and services to improve its management and program effectiveness. It provides its analysis and insight in bound reports written in a style suitable for giving to a donor or prospective donors. Research on specific charities, charitable sectors and important issues facing charities are produced which are both comprehensive and enlightening. If you are a significant donor or ministry seeking to improve its operations, we would highly recommend that you consider enhancing your giving with the assistance of Calvin Edwards & Company.

Knowing Jesus Christ as Your Lord and Savior

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

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

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

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

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

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