STEWARDSHIP PARTNERS

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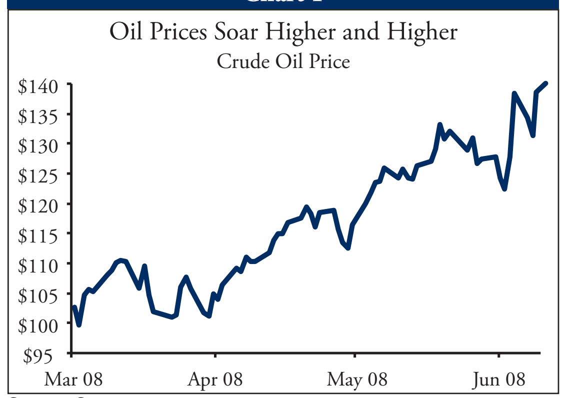
Stocks Soar, Then Falter in the Face of Skyrocketing Oil Prices

"We are hard pressed on every side, but not crushed; perplexed, but not in despair" 2 Corinthians 4:8 (NIV)

Stock prices, as measured by the S&P 500, have now declined in each of the last three quarters, but a sharp, dramatic drop in share prices in June was needed to push the S&P 500 into a 2.7% fall in the second quarter (Table 1). During the first half of the quarter, share prices had rallied strongly as investor sentiment recovered quickly following Bear Stearns' collapse. The S&P 500 had soared nearly 15% from its mid-March lows until its peak on May 19. But normal profit-taking from this strong rally soon turned into a rout as oil prices rapidly rebounded off an early June low of $122 per barrel and rose to $140 by the end of the quarter (Chart 1). Besides the alarming trend in oil prices, the European Central Bank (ECB) warned it would raise rates at its meeting in early July. Investors generally viewed this move as a mistake which would only add to global economic woes, further pressuring the value of the US dollar and, therefore, pushing oil prices higher. As a result of these concerns, the S&P 500 fell nearly 8.5% in June alone and over 11% from its mid-May highs, thereby nearly eradicating the earlier strong gains in share prices from the March lows.

Chart 1



Source: Strategas

Table 1

2Q08 & YTD Total Returns

US Indices	2Q08	YTD
S&P 500	-2.73%	-11.91%
S&P 500 Citigroup Value	-7.79%	-16.04%
S&P 500 Citigroup Growth	2.05%	-8.07%
NASDAQ* (price only)	0.61%	-13.55%
S&P 400 (Mid Cap)	5.07%	-4.57%
S&P 600 (Small Cap)	0.10%	-7.64%
Treasury Bonds	-2.34%	1.44%
High Grade Corp. Bonds	-2.15%	-3.99%
Gold	-0.35%	11.21%
Global & International Indices		
MSCI World	-2.45%	-11.75%
MSCI EAFE	-3.50%	-12.70%
MSCI Euro	-8.17%	-17.23%
MSCI Far East	1.43%	-8.37%
MSCI Japan	2.37%	-6.46%
US Economic Sectors (Price Change Only)		
Energy	16.92%	8.12%
Utilities	7.10%	-4.34%
Materials	3.88%	0.19%
Consumer Staples	-5.92%	-8.54%
Health Care	-1.73%	-13.47%
Industrials	-10.59%	-14.59%
Consumer Discretionary	-8.12%	-13.86%
Financials	-19.01%	-30.89%
Technology	2.29%	-13.43%
Telecom	-5.09%	-18.90%

Source: Merrill Lynch, MSCI, NDR, Strategas

What was left of those gains was soon washed away in the first week of the third quarter by the ever-rising tide of oil prices, the actual ECB rate increase and growing concerns about a global recession. As the third quarter begins, investors are clearly in panic mode and investor pessimism has fallen to levels that suggest a bottom in share prices could be near. Perhaps due to the emotional stress accompanying the recent sharp share price declines, investors may have overlooked some favorable economic reports in the US concerning consumer spending, manufacturing activity and core inflation. Indeed, it seems likely that the US economy may have grown at near a 2% rate in the second quarter, helped in large measure by tax rebate checks. But the markets are looking forward and are rightfully concerned about the impact of high oil prices on the global economy. If oil prices do not soon fall from their lofty levels, as we believe they will, a recession will be difficult to avoid.

Many Stewardship Partners portfolios not only outperformed their indices in the second quarter but also rose in value. Our standard US, Global and International portfolios, and the tactical versions of each, all outperformed and had positive returns for the quarter. These returns reflected strong performance from growth and higher quality shares. Additionally, these portfolios surpassed their indices for the year-to-date period as well, with the exception of our standard Global portfolio, which trailed the MSCI World Index by less than 1%. Our Concentrated portfolios did not perform as well due to the poor returns on many of our favorite holdings. We believe this to be a function more of the turbulent market conditions and are hopeful for better performance in the third quarter from our top holdings.

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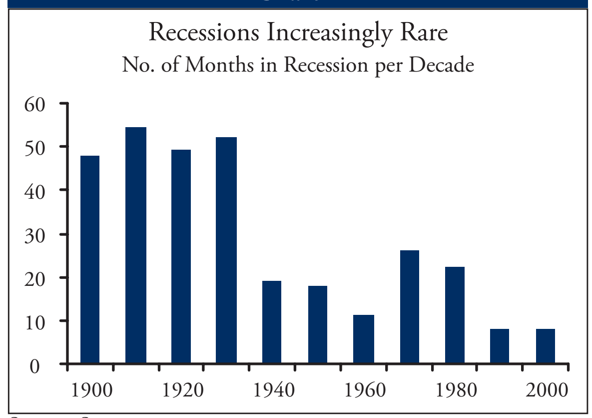
Oil Prices Are Forcing the Global Economy Closer to Recession

"One nation was being crushed by another " 2 Chronicles 15:6 (NIV)

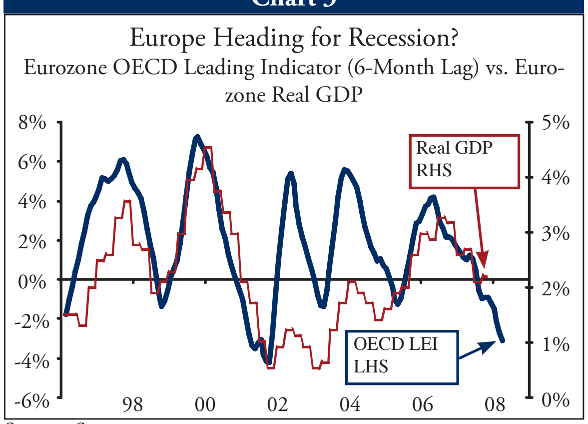
The US economy has been slowly weakening during the past year due to the impact of the housing collapse, the credit crisis and a unrelenting rise in the price of oil. Despite these very significant challenges, recession has thus far been averted. As the US economy has matured over the decades, it has become more broad-based and increasingly adaptable to the many shocks it inevitably sustained. The Federal Reserve has also become wiser in its handling of economic challenges over time, resulting in longer, less-volatile economic cycles. These strengths have led to a much lower incidence of recession in recent decades as seen in Chart 2. Despite this, the US economy now appears to wavering on the precipice of a recession with high oil prices threatening to push it over the ledge. It is our belief that the greatest threat to equity investors presently, however, is a significant recession, one which could ultimately encompass many nations around the world. Given the fragility of the global banking sector, any recession could turn out to be longer and more painful than many now expect. Until now, the banking crisis has hurt the economy. In a recession, the causality would be reversed and the impact greater, as the economy could inflict heavy additional losses on already weakened financial institutions. The consequences of such a turn of events could be quite severe.

Chart 2



Source: Strategas

Chart 3



Source: Strategas

Given what is at stake, it is more important than usual that the world's central bankers avoid policy mistakes at this critical time. Unfortunately, this may prove difficult. Due to differing mandates and local economic conditions, coordinated actions aimed at achieving an appropriately balanced policy response will likely prove elusive. Already, the ECB, whose sole mandate is to restrain inflation, is raising rates in the face of a weakening European economy (Chart 3) due to its concerns about rising inflationary trends. With the housing markets in much of Europe already in steep decline and important export industries struggling with an overvalued Euro, the ECB's action may send several countries there into a recession even before the US enters one. Denmark and Ireland have already suffered one quarter of negative economic growth and Italy, the UK, Norway and Spain are inching closer to recession as well. But the ECB's decision to raise rates in these circumstances also may have a deleterious global impact. With the US Federal Reserve maintaining low interest rates to assist its weakening economy while hoping that inflation naturally dissipates over time, the ECB's action could cause additional weakness in the US dollar. This, in turn, may lead to even higher oil prices which are currently strangling global economic growth.

Meanwhile, many emerging market nations, including China and India, are facing more serious inflation problems (Chart 4). For many years, these countries have been able to enjoy very high rates of growth with little inflationary consequences due to an oversupply of labor, material and capital. While labor supplies remain abundant, commodity markets have tightened and credit availability has suffered due to the credit crisis. In the US, there is little evidence skyrocketing commodity prices are creating a long term inflation threat. In Europe, with a greater prevalence of labor unions demanding higher wages to offset rising living costs, a wage-price spiral is a greater risk. Thus, the ECB has taken its tough stance against inflation. In the emerging markets, however, a wage-price spiral may already be reality. In

Chart 4

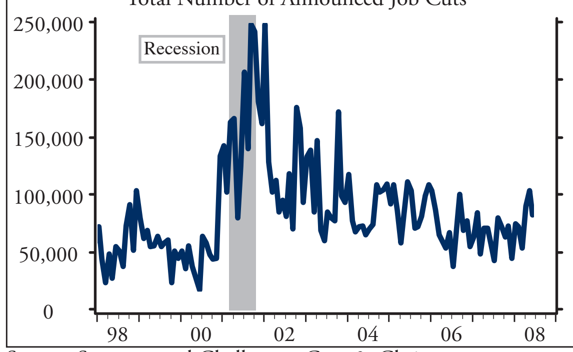
Source: ISI

their quest to maintain high economic growth rates, China, India and other emerging market countries appear to have made a policy error by ignoring rising inflation, which now could be hard to correct. Belatedly, many emerging market policymakers have taken actions to cool growth, but with their customers in Europe and the US on the verge of recession, the emerging markets could be in for a hard landing. At a minimum, an extended period of low growth, if not a global recession, may be necessary to allow the global economy time to adapt to a world where commodities are increasingly in demand by both users and investors alike.

If a global recession of some length and depth did develop in the months to come, economic concerns are likely to quickly shift from inflation to deflation. A weakened global economy would lead to potentially significant additional deleveraging of the financial system. A further sharp downward shift in asset prices could occur as supply would outstrip demand for everything but the safest assets as leveraged investors liquidated positions under stress. While such a frightful scenario is a risk that should not be ignored by wise investors, it probably can be avoided even if some policy errors are made. More likely is a period of slow growth perhaps punctuated by a more mild recession in some countries. The key to avoiding a deep recession in the US and elsewhere is avoiding a rise in unemployment. While unemployment claims have been rising slowly in the US, there is no indication of a recession in these results as yet. Chart 5 highlights that job cuts are elevated but not yet at recessionary levels. Given current trends, we would not be surprised to see additional weakness in jobs but we are hopeful that the US economy will only flirt with recession or experience only a minor downturn. Thus far, issues that usually trigger a recession, such as excess inventories or high interest rates, remain well contained thereby reducing the potential for a recession. If consumers can maintain their employment, they may have to rearrange their spending priorities, but at least they will have income to spend. While the doubling in oil prices have clearly made oil-consuming nations poorer over the last year, the ever adaptable US economy may yet adjust successfully to this latest challenge. And oil prices may be falling before long.

Chart 5

Job Losses Not Yet at Recession Levels
Total Number of Announced Job Cuts



Source: Strategas and Challenger, Gray & Christmas

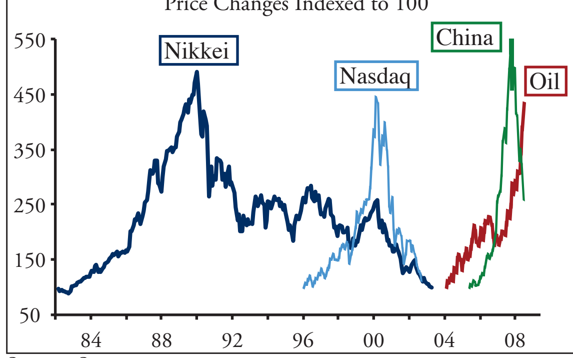
Is the Oil Price Bubble About to Pop?

"The end of a matter is better than its beginning" Ecclesiastes 7:8 (NIV)

A rapid decline in oil prices seems impossible to many scarred by its rapid ascent, but a sharp drop is likely before too much more time passes. Oil, after all, is a commodity, the prices of which are known to fluctuate wildly on relatively small changes in supply and demand. Oil's meteoric rise in recent years has actually laid the groundwork for its own demise, just as other bubbles that have preceded it have done (Chart 6). It would be quite shocking if the oil price was able to sustain its current lofty position for any period of time since at current levels it is undermining demand, encouraging new supply and raising up many powerful forces working fervently to crush it. While many believe that speculators are partly responsible for the surge in oil prices, they may soon find these same speculators to be a friendly force as they quickly reverse their bets and short oil as it declines. Global demand for oil may soon reach a temporary peak and only moderate growth in demand is now likely over the long term. Consumers are simply not willing to continue to turn over such large percentages of their income to oil-producing nations and are rapidly changing their habits. In the US, the growth in number of miles driven has been slowing over the last several years and has now turned negative (Chart 7). Additionally, consumers are using less gas for each mile they do drive as they turn their back on larger gas guzzling vehicles and increasingly buy hybrids and other more fuel efficient vehicles. Auto manufacturers are rushing to provide more hybrid alternatives and this trend is driven not only by higher fuel prices but also by a desire by a growing number of consumers to be a better steward of their environment. Outside the US,

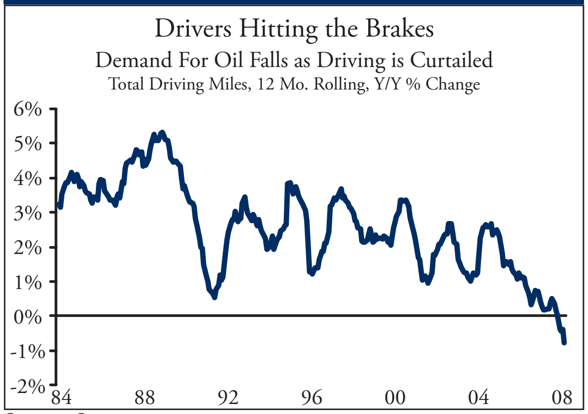
Chart 6

Oil Looks Like the Latest Bubble
Price Changes Indexed to 100



Source: Strategas

Chart 7



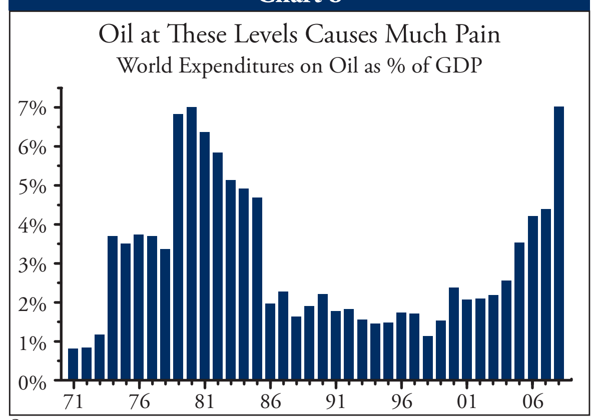
Source: Strategas

Asian nations providing subsidies to lower the cost of gasoline for their citizens have been forced to lower those subsidies in the face of budgetary pressure. China, India, Taiwan, Malaysia and Indonesia, as well as a number of smaller Asian nations, have recently taken actions that have raised gas and electricity prices significantly. Meaningful conservation efforts are sure to be the response to these changes in Asia as well, which has been the biggest contributor by far to incremental demand for energy. One study showed that China alone recently accounted for 80% of all new demand for oil.

Oil prices will also suffer over the longer term from actions that have been set in motion by current high oil prices. In addition to a variety of oil exploration methods now economical to pursue which should yield substantial new reserves, future oil supplies will benefit from enormous new fields discovered off the coast of Brazil and potential new drilling in the Gulf of Mexico and offshore the two US coasts. Iraq also could significantly increase its oil production in the years to come as its sovereign government pushes forward with the nation's renewal. Moreover, the efforts to boost energy supplies from solar, wind and other alternative fuels is robust and energy from these sources is sure to grow extremely quickly in the years to come.

Beyond this, the oil price has probably picked a fight it will regret. As revealed in Chart 8, Oil spending is now as high as it was during the last oil shock which preceded a quarter century of low oil prices. Once oil costs rise this high, powerful forces are unleashed to stop the pain. The nations of the world are unlikely to sit idly by while oil prices hijack the destiny of their economies. The political pressure becomes so great to "fix" it that a variety of actions will be taken to lower oil prices. These will range from efforts to reduce investment in oil as an asset class to curbing speculation. Perhaps most importantly, Saudi Arabia has apparently decided to do its best to reduce oil prices. On two previous occasions, the world's largest oil producer made similar efforts and in both cases succeeded in sharply reducing oil prices. It would be unwise to bet against the Saudi's power to influence the oil market.

Chart 8



Source:

Table 2

Energy Companies Pay Most Taxes Already!

S&P Sector Effective Tax Rate

Sector	Tax rate
Financials	15.8%
Industrials	27.3%
Telecom	28.0%
Materials	28.2%
Healthcare	28.5%
S&P 500	28.6%
Technology	29.8%
Staples	30.8%
Utilities	33.9%
Discretionary	34.5%
Energy	**36.5%**

Source: Strategas

What is foolish, however, are some of the proposals put forth by our elected officials on both sides of the political spectrum. Liberal Democratic legislators naturally have a kneejerk reaction to impose a windfall profits tax on "evil" oil companies. They reflexively quote the extreme level of Exxon Mobil's latest profits but fail to notice that the company already pays more in taxes than it makes in profits. Furthermore, the energy sector is already the most heavily taxed sector (Table 2). It is also worth noting that the 1970's version of the windfall profits tax on oil companies reduced domestic oil production by nearly 800 million barrels and only collected 20% of the tax revenue it supporters thought it would. Hopefully, government leaders around the world will determine that it would be wiser for them to help oil and alternative energy companies find new supplies of energy rather than succumbing to political expediency and "biting the hand that feeds them". In the end, it is hard to see how government officials can avoid providing significant support for the wind, solar and nuclear industries as well as offshore drilling. It simply makes no sense to not focus their attention on these areas in order to deal effectively with the long term energy needs of our country. We cannot go on transferring such significant amounts of wealth to foreign countries when this is not necessary.

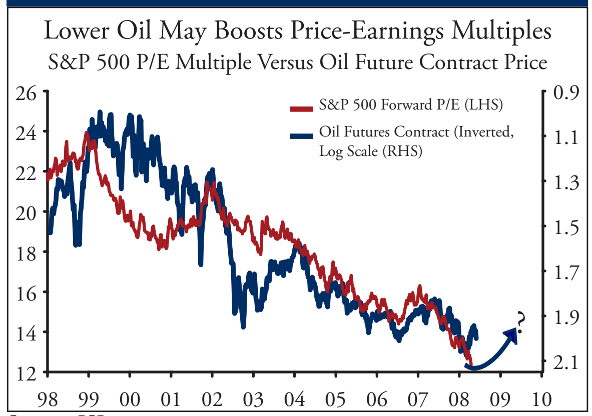
Think of the oil price as a suicide bomber. Its doom is certain. The only question is how much collateral damage will occur once it pulls the trigger on its bomb. The higher the price when it explodes, the greater the damage to the global economy. We are hopeful we have already seen oil's peak and damage will be minimal.

Global Healing Through Lower Oil Prices

"You restored me to health and let me live" Isaiah 38:16b (TNIV)

If we are correct that the oil price suicide bomber will soon trigger its explosives-laden vest, there are actually many favorable ramifications we can anticipate once the initial damage is dealt with. Lower oil prices will act like a tax break to consumers and help many countries avoid recession. Any recessions that do occur should be shorter and milder. A bias towards a stronger dollar would also occur as speculators removed and/or reversed their short bet on the currency. Inflation pressures would also dissipate allowing interest rates to remain low. As shown in Chart 9, stock prices would also benefit from lower oil prices as P/E multiples have historically moved higher when oil prices drop. Corporate earnings would be boosted as well due to lower input costs. The combination of higher P/Es and higher earnings would likely yield an immediate, significant and welcome positive effect on stock prices.

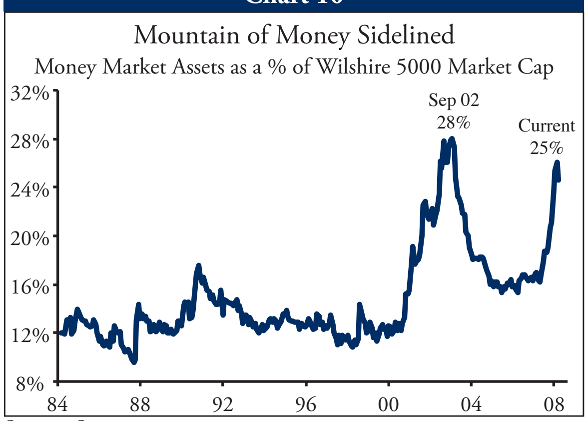
Chart 9



Source: ISI

Lower oil prices would also do much to assuage investor's fears. As these fears recede, the money mountain that built up as investors moved to the sidelines, (Chart 10) will be freed up to once again invest in riskier assets. The current amount in money market funds relative to the market cap of the Wilshire 5000 is nearly as large as at the last low in share prices in 2003. This is one reason why the rebound off the March lows through mid-May was so strong – there is substantial investing firepower parked on the sidelines currently. Much of this money ended up in money market funds initially because of the financial crisis. The banking crisis, while far from over, may have already past its most stressful moment with the collapse of Bear Stearns. Moreover, financial institutions have been able to refinance damaged balance sheets relatively easily. While this is costly to the shareholders of the financial institutions due to earnings dilution, it has helped avoid systemic risk to our financial system and should help coax this pool of money off the sidelines. So far financial institutions, mostly in Europe and North America, have taken just over $400 billion in losses but have been able to raise more than $320 billion in new equity, again highlighting the adaptability of our financial system.

Chart 10



Source: Strategas

These high levels of cash reserves reflect the very poor level of investor sentiment. Readings of investor sentiment have long been one of our most helpful indicators of excessive pessimism in the markets. Extreme pessimism almost always indicates the market is near a bottom. Usually a strong rebound in share prices is imminent as investors come to realize that their overwrought fears are not going to be realized. As their concerns retreat, stocks climb what is referred to as the "wall of worry". Accordingly, if oil prices soon begin to correct and recession anxiety dissipates, investors could anticipate the latter half of the year being more profitable than the first half. US equities might lead the world in this scenario due to a stronger dollar. Table 3 highlights the market sectors that have historically risen most aggressively after a market bottom. Stewardship Partners currently has an overweight position in the technology sector which has been the largest and most consistent winner as share prices rebound in the three months after a bear market low. We have also recently taken advantage of a point of maximum pessimism" to increase our weighting in financial stocks. Additionally, we are very underweight Europe in our Global and International accounts due to the overvaluation of the Euro and the threat of recession there.

Table 3

Tech Does Best After Market Bottoms
S&P Sector Leadership After Bear Market Bottoms
1974-2002

S&P 500 Sector	% Gain, 63 Trading Days Later	% of Cases Sector Outperformed
Information Technology	27.7%	80%
Consumer Discretionary	23.3%	70%
Financials	22.7%	70%
Industrials	22.4%	70%
Materials	20.3%	60%
Telecom Services	16.5%	40%
Consumer Staples	16.1%	40%
Health Care	16.3%	30%
Energy	11.6%	20%
Utilities	11.0%	20%
S&P 500	**18.4%**	

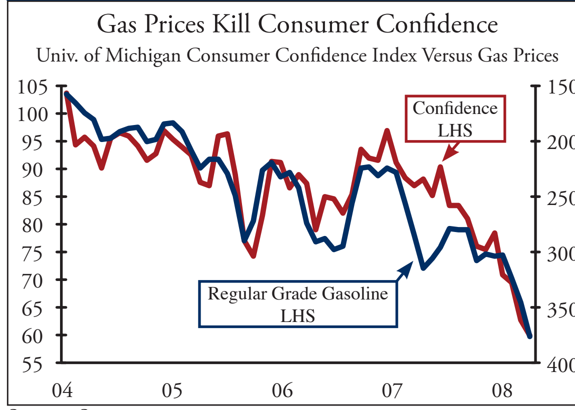
Source: Ned David Research

Looking for the Bottom

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

Many investors may be looking for good news on oil prices or the economy to signal that equity prices have reached a low point. More typically, however, shares hit a low point in the midst of bad news. Bull markets, on the other hand, tend to end while good news abounds. Accordingly, investors should expect stocks to turn higher before the evidence seems to justify it.

Chart 11



Source: Strategas

One piece of continued bad news that might unnecessarily rattle investors is consumer confidence, which recently hit all-time lows. Chart 11 highlights how US consumer sentiment and gas prices are, not surprisingly, tied closely together. It is possible pessimistic consumers, buffeted as they are by falling home and stock prices, higher oil prices and tightening credit markets, will greatly reduce spending even if they keep their jobs, thereby sending the economy into a recession. Perhaps the circumstances of this cycle are sufficiently different to justify such concerns. History, however, suggests a low level of consumer sentiment is actually quite a bullish indicator for future stock prices (Table 4), just as poor investor sentiment has historically predicted improved stock prices. Again, if we are correct that oil prices begin to fall soon, consumer confidence should rise as crude prices drop. Lower oil prices are the balm for most of the world's economic problems but a substantial drop is needed to initiate a full restoration of the economy's health.

Table 4

Stocks Are Attractive When Consumers Are Stressed
Consumer Confidence & Future Equity Returns (1967-2007)
Current Level of Consumer Confidence: 56.6

Consumer Confidence	Average Return	Max Return	Min Return	Positive Return Periods	Total Periods	Percent Positive
>140	-11%	4%	-28%	1	9	11%
140 > 110	7%	46%	-26%	65	100	65%
110 > 80	10%	49%	-32%	175	226	77%
80 > 60	10%	52%	-30%	50	59	85%
< 60	**19%**	**53%**	**-1%**	**26**	**27**	**96%**
LT Average	9%	53%	-32%	317	421	75%

Source: ISI

One factor that could undermine our falling oil price forecast is warfare in the Middle East. Recent trends, however, have offered some hope that warfare may be avoided. Syria and Israel have had advanced peace talks, Israel and Hezbollah have recently made a prisoner exchange, a cease fire has mostly held between Israel and Hamas on the Gaza Strip and, most importantly, Iran has indicated a willingness to consider incentives from the West aimed at preventing Iran from obtaining nuclear weapons. Should the tension with Iran ease, oil prices should have a downward bias. If this latest effort fails to reduce apprehensions in the oil and financial markets concerning the growing possibility of an Israeli attack on Iran's nuclear infrastructure, oil prices could remain higher than otherwise. Iran is the world's second largest exporter of oil and it may have the capacity to temporarily close the Straits of Hormuz through which a significant percentage of the world's oil supply travels through each day. Additionally, Saudi oil fields are within range of Iran's missiles should Iran seek to exact revenge on the west by destroying these facilities. Accordingly, we will continue to monitor very closely developments in the Middle East generally, and regarding Iran specifically.

Undoubtedly, there remain many concerns impacting investor sentiment. While we believe this may indicate we are very close to a bottom in share prices, and a high in oil prices, this could prove to be incorrect. Therefore, we stand ready to implement a more defensive posture, including the use of inverse index ETFs in our tactical accounts. For now, however, we believe investors may be rewarded with better returns in the second half of 2008, and in the years to come, as the many worries investors now face dissipate over time. We are confident that the inherent strengths of the capitalistic system and the resourcefulness of entrepreneurs will help guide the global financial markets to impressive wealth creation in the next ten to twenty years.

We at Stewardship Partners continue to be grateful for the opportunity to serve your investment needs. Please do not hesitate to contact us if you have any questions or if we can be of assistance.

Biblically Responsible Investing (BRI)- Investing as Jesus Would

"Blessed are they that maintain justice, who constantly do what is right." Psalm 106:3 (NIV)

Stewardship Partners, founded in 2000, is a leader in the field of investing with a Christian perspective, a form of Socially Responsible Investing (SRI) known as Biblically Responsible Investing (BRI). Rusty Leonard, CFA, Stewardship Partners' founder and CEO, practiced this investment philosophy while managing over $3 billion of assets as a portfolio manager from 1989 to 2000 with the Templeton organization. He also had the privilege of working directly with the world-renowned global mutual fund manager, John Templeton. By employing a BRI approach to investing, Stewardship Partners seeks to achieve long-term capital gains through ownership in securities of companies that are a blessing to mankind. Conversely, we seek to avoid profiting from owning companies engaged in sinful activities that bring physical and spiritual loss to our fellow man. Our heart's desire is to do no harm to our fellow man in the process of being the best possible guardians of the wealth the Lord has given us stewardship over. Simply put, a "what would Jesus do" approach to portfolio management is what we seek for our clients.

Below are just some of the issues of concern to Stewardship Partners and the specific sinful activities that fall into each category:

1. **We desire *justice and mercy for the defenseless* so we screen out companies involved in:**
   - Abortion
   - Life destroying or distorting scientific research
   - Human rights issues such as religious persecution, terrorism and political oppression

2. **We desire *justice and mercy for the poor* so we screen out companies involved in:**
   - Greed-based marketing techniques
   - Discrimination and unjust labor practices
   - Any abuses of the poor, children and/or the elderly

3. **We have *compassion for those addicted and/or engaged in sinful lifestyles* so we screen out companies involved in:**
   - Alcohol, Gambling and Tobacco
   - Pornography
   - Homosexuality

4. **We want to *protect marriage and the family* so we screen out companies involved in:**
   - Entertainment that seeks to destroy biblically-based attitudes
   - Efforts to promote lifestyles the Bible indicates are sinful

Additionally, we favor companies that clearly embrace:

- Honesty, Compassion, Diligence, Prudence and Creativity
- Support for quality products at fair prices and constructive stakeholder relations
- Support for a sustainable and healthy environment
- Support for charitable giving
- Support for the Jewish people and the state of Israel

Armed with this information, we are then prepared to make as strong an effort as possible to build investment portfolios that reflect our client's biblically-based Christian worldview. We obtain the information on both the objectionable practices and the exemplary attributes of corporations from our affiliate ***The Biblically Responsible Investing Institute*** (BRII, formerly ICWR) (www.BRIInstitute.com). We believe BRII gives Stewardship Partners the most comprehensive database of BRI information that currently exists.

It is our hope that, over time, we and other firms like ours may be able to gather enough assets under management to influence corporate behavior in a positive manner with biblical principles. As things presently stand, a biblically-based Christian message is not being heard as effectively in the corporate marketplace as it should be since the amount of money dedicated to BRI, while growing rapidly, still falls far short of that in the typically more liberally-biased SRI funds.

For a more in depth study of the topic of Biblically Responsible Investing (BRI), please see our paper entitled ***"The Scriptural Basis for Biblically Responsible Investing."***

BRI in Action – Comparing Good and Bad Corporate Behavior

"Love must be sincere. Hate what is evil; cling to what is good." Romans 12:9 (NIV)

Below you will find an example of both a company that exhibits exemplary attributes, Caterpillar, and one we avoid, Anheuser-Busch. We own Caterpillar in many Stewardship Partners portfolios while we actively avoid ownership in Anheuser-Busch 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 – Caterpillar – Excellence, Integrity, Teamwork & Commitment

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

Founded by Benjamin Holt and Daniel Best in 1925, Caterpillar is the clear leader in the global industrial machinery market. The company has nearly 500 locations in 50 countries and employs over 100,000 people. Its extensive independent dealer network operates in over 200 countries and employs a further 120,000 people, extending the company's impact on our world. More than half of Caterpillar's sales now come from outside the US and the company is one of our country's most significant exporters. Caterpillar CEO Jim Owen has stated, "It is about being number one in every endeavor we pursue, affirming our leadership in technology and innovation and being a great place to work." The company's core values of Excellence, Integrity, Teamwork and Commitment are ones that resonate with Stewardship Partners and are evident throughout Caterpillar's expansive operations These values are key to the company maintaining and extending its position as one of the world's most impressive and admired corporations.

Achieving an exemplary record of corporate citizenship depends upon commitment from a company's board and executive leadership. Caterpillar has demonstrated leadership in many areas of its corporate governance. The company's extensive code of conduct has been in place since 1974 and highlights the company's commitment to ethical behavior. It covers a myriad of critical ethical issues a Caterpillar employee may face, including avoiding bribery, the need for fair, accurate financial reports and a prohibition of discrimination and harassment. Management has also established an Office of Business Practices which employees may contact when faced with questionable business situations or to report potential ethical problems. The board of directors also put in place rules long before these may have been required by legislation. For example, in 1993 Caterpillar provided written charters for its board committees, which the Sarbanes-Oxley legislation made mandatory about a decade later. Other than the Chairman, the company's board is comprised completely of independent directors, as are the compensation and audit committees of the board. Shareholders approve all equity-based compensation plans, no golden parachutes have ever been made available to corporate executives and option grants have never been re-priced. Caterpillar's corporate governance efforts are very strong and stand as a goal to which many other companies can aspire.

Caterpillar's core value of Teamwork is evident in the manner in which the company seeks to treat its employees. Employees have a vast array of employment opportunities working for a growing global company like Caterpillar. Those with an adventuresome spirit may find themselves posted to an exotic emerging market location while others more inclined to remain closer to home will also find worthwhile jobs offering numerous benefits. Caterpillar offers attractive compensation packages which include defined benefit and defined contribution retirement programs, incentive bonuses and gain-sharing plans. The company also offers employees opportunities to enhance their careers through education via both Caterpillar's own internal university and significant tuition assistance programs for those seeking to advance their learning at an accredited college or university. Health club membership discounts are available, efforts are made to encourage healthy eating and smoking cessation programs are offered. Recognizing the stress that many employees often face when balancing work and home life issues, Caterpillar provides a free, voluntary assistance plan where workers can obtain professional counsel on subjects ranging from drug abuse to marital problems and legal or financial problems. The company also makes available a flexible spending account whereby employees can save pretax dollars for use on a wide variety of health-related issues including orthodontic needs, child care or elder care. Interestingly, despite the size and importance of Caterpillar, it is one of the few large companies in the US that does not offer domestic partner benefits.

Caterpillar also excels in helping the world through its charitable and environmental efforts. The Caterpillar Foundation has made grants of more than $300 million since its founding and of nearly $30 million in just 2006. Grants were made to a wide variety of charitable groups including Christian ministry Opportunity International which seeks to help the poor through its microfinance ministry. Through the company's $1.2 million gift, 5,000 jobs in China and 4,000 more in Africa were created and more than 50,000 family members were positively impacted. Caterpillar also gave more than $4 million to environmental causes and seeks to limit its own impact on the economy via it operations as well. The company has teamed with the Nature Conservancy to preserve three great rivers of the world, has worked with China to capture, for the purpose of creating energy, the methane gas created during the coal mining process and remanufactured 2.7 billion pounds of old parts last year in order to reduce waste.

Caterpillar'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 - Anheuser-Busch - 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)

Anheuser-Busch, the US's largest brewer with a market share of 48%, has been in the news recently as it has agreed to be acquired by the Belgian brewer InBev. As a manufacturer of alcohol, Anheuser-Busch is a company that we exclude from our Stewardship Partners portfolios. While it is true that Jesus turned water into wine for a marriage feast and that responsible consumption of alcohol is not dangerous to others, it is also true that alcoholism is a scourge on many families and that tens of thousands of unnecessary deaths each year are caused by drunk drivers. As a result, we seek to distance ourselves from such companies.

Additionally, Anheuser-Busch aggressively promotes homosexuality via its human resource policies and through its considerable support of homosexual organizations. While Stewardship Partners desires the Lord's mercy on all sinners, including ourselves, we believe it is bad stewardship to actively encourage sin as this company does.

Unfortunately, Anheuser-Busch also advertises its products in pornographic magazines. By doing so, the company helps provide the funding needed for such magazines to remain in business. Wise Christian investors would clearly desire to not be found to be owners of a company that is contributing to the many problems cause for both those being exploited and those whose lives are diminished by exposing themselves to it.

Excluding Anheuser-Busch from our list of potential investments is not a difficult decision. There are many admirable aspects to this company but, as BRI investors seeking to please and honor our Lord, we naturally look elsewhere to achieve investment success as we do not want to be associated with a company that uses shareholder resources to profit from businesses that have such a clear negative impact on individuals and society in general.

STEWARDSHIP PARTNERS — MINISTRY COMMENTARY

Our Ultimate Goal - Funding the Lord's Work

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

It is our hope that Stewardship Partners' ability to create an abundance for you will help you to share with those who are in need and assist in fulfilling the Great Commission. Our non-profit ministry affiliate, Wall Watchers, provides a free service to help you educate yourself about the many wonderful Christian giving opportunities available to wise donors. We invite you to join the over 180,000 other monthly visitors to our ministry's website at www.MinistryWatch.com, the Internet's top site for donors to Christian ministries. Should you desire to have someone show you how to best use this site, please contact Rod Pitzer at 866-364-9980 or rpitzer@wallwatchers.org. We would be pleased to be able to help you bless God's people who are in need. Rod would also be happy to sign you up for our monthly e-mailed newsletter, MinistryDirect, which keeps you informed about important matters in the world of Christian ministries. You can also sign up yourself on our website. Additionally, Wall Watchers offers a monthly e-mail newsletter with updates from our stewardship education site www.theGoodSteward.com which is visited over 35,000 times each month by Christians seeking wise, biblically-based counsel on stewardship topics.

Featured Ministry – Joni and Friends

"Sir", the invalid replied, "I have no one to help me ." John 5:7 (NIV)

Joni Eareckson Tada's life was altered dramatically when a teenage diving accident left her a paraplegic in 1967. Her life, however, has been an inspiration to many and a testimony to how the Lord can use anyone to bless His kingdom. In 1979, Joni founded her ministry with a desire to spread the message of Christ's love to anyone impacted by a disability, including family members and friends of a disabled person. The ministry seeks to meet the physical, emotional and spiritual needs of these people in practical ways. The ministry hopes to raise up future church leaders from among those who suffer from disabilities and offers programs and training materials to churches to help those with disabilities in their midst. Joni's daily radio program also inspires many with hope, optimism and greater faith in God through her genuine, sincere and caring approach. Joni & Friends efforts to help those in need in a practical manner resulted in the ministry partnering with many groups to collect wheelchairs for those who could not afford them in developing nations. Over the years, more than 25,000 wheelchairs have been delivered free of charge to needy people with disabilities in 79 countries. Joni also runs many camps each year for those interested in learning more about caring for those with disabilities. In a recent year, fourteen such camps were held where over 550 families attended. Nearly 1,000 new volunteers for the ministry were recruited to help bring a message of hope and Christ's love to the disabled in their churches.

Joni and Friends 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 from 2005 through 2007. We believe Joni and Friends is worthy of your consideration as one of many excellent ministries to which you might donate from the abundance we hope Stewardship Partners will help you create over the long term.

The Christian Ministry Marketplace – Helping Donors Give Wisely

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

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

The Christian Ministry Marketplace
Resources for Christian Donors

WHY
to give to Christian ministries?

Teaching on Stewardship:

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

HOW
to give with a discerning mind?

Professional Advisors:

- CFPN (cfpn.org)
- Christian Community Foundation (thefoundations.org)
- National Association of Christian Financial Consultants (nacfc.org)
- National Christian Foundation (nationalchristian.com)

Donor Advisors:

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

WHERE
to invest in kingdom ministries?

Ministry Research:

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

Ministry Mutual Funds:

- Nat'l Christian Fdn (nationalchristian.com)

Online Donation Services:

- Network For Good (networkforgood.com)

Special Feature – Senate Finance Committee Investigation

"In their greed these teachers will exploit you with stories they have made up" 2 Peter 2:3

Troubled by apparent widespread abuse of well-intentioned donors and IRS regulations on the part of several large ministries, the ranking member of the Senate Finance Committee, Senator Charles Grassley (R –IA), started an investigation into the finances of six Christian ministries that are technically organized as churches. The purpose of the investigation is to determine if there are problems with the current rules and laws that clearly allow unscrupulous preachers to gain enormous wealth for themselves via a tax-free entity. Six churches (although some of the six do not actually operate like a normal congregational church) were asked to respond to detailed questions from the Senate Finance Committee regarding their financial activities. Only two have thus far offered the committee a satisfactory level of cooperation while the others seek to defend their lack of cooperation on constitutional grounds.

We have been saddened to hear some of our friends publicly defend those who Senator Grassley, himself an evangelical Christian, is justly investigating. This is surely a strange sight to see legitimate Christian ministries defending what appear to be apostate, greedy and perhaps criminal ministries that do much harm to the cause of Christ. Many have fears that this investigation will set a precedent for further government interference with Christian organizations in the future. While the investigation sets the precedent for possible future government investigation of church finances, Christian ministries should be more than ready to open their financial affairs to any that ask anyway. Unless the constitution is overturned, there is virtually no chance of this investigation leading to the government interfering with theological matters in churches now or in the future. We applaud Grassley's efforts on behalf of disenfranchised donors and are confident that the Church will ultimately be better off as a result of possible new rules concerning a more accurate definition of what a church is as well as improved financial transparency rules so that groups like MinistryWatch.com might be able to serve donors better.

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!

STEWARDSHIP PARTNERS

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