STEWARDSHIP PARTNERS
MARKET COMMENTARY

QUARTERLY COMMENTARY | VOLUME 9 ISSUE 3 | OCTOBER 2009

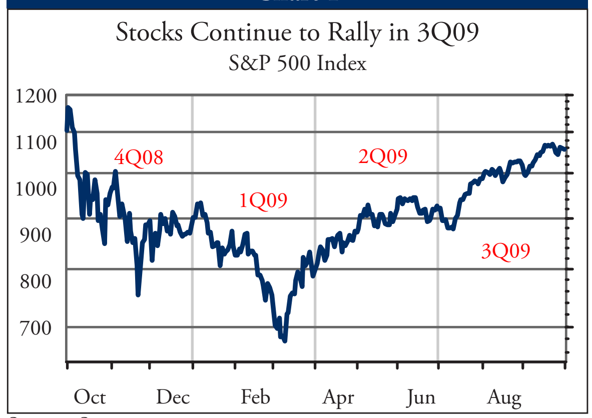
Authored by Howard J. "Rusty" Leonard, CFA
CEO and Chief Investment Officer, Stewardship Partners Investment Counsel, Inc.

Stocks Continue Rapid Advance as Fear Recedes

"Devote yourself to prayer, being watchful and thankful" Colossians 4:2 (NIV)

Share prices ended the third quarter as they began it – on a weaker note. In between these relatively short episodes of weakness, however, the market soared, leading to the second straight 15%+ quarterly gain in the S&P 500 (Chart 1). Foreign markets advanced even more, in part due to the US dollar's continued decline. Some European and Latin American markets turned in the quarter's best performance by rising more than 20%. This advance was powered by growing investor recognition of stabilization in the world's financial system. Also helping share prices was the recovery in the world's credit markets and the rising expectations for both better than expected economic growth and corporate earnings. Abundant liquidity may have been the most important factor by providing the fuel for the market's stunning 60%+ advance from the low in March. In view of the depths of despair investors suffered through over the past year, we are now very thankful for the rapid rebound. Calamity and financial ruin seem to have been averted, at least for now, and the global economy is clearly in a recovery mode.

Chart 1



Source: Strategas

Table 1

3Q09 Returns

US Indices	3Q09	YTD
S&P 500	15.61%	19.26%
S&P 500 Citigroup Value	17.94%	16.27%
S&P 500 Citigroup Growth	13.56%	22.10%
NASDAQ* (price only)	15.66%	34.58%
S&P 400 (Mid Cap)	19.98%	30.14%
S&P 600 (Small Cap)	18.66%	19.46%
Treasury Bonds	4.78%	-12.01%
High Grade Corp. Bonds	10.83%	6.23%
Gold	6.55%	15.12%
Global & International Indices		
MSCI World	10.22%	27.71%
MSCI EAFE	10.97%	31.31%
MSCI Euro	16.48%	34.36%
MSCI Far East	1.04%	13.29%
MSCI Japan	0.88%	8.01%
US Economic Sectors (Price Change Only)		
Energy	9.49%	5.94%
Utilities	4.96%	0.68%
Materials	21.00%	35.86%
Consumer Staples	10.50%	27.78%
Health Care	8.91%	7.87%
Industrials	21.24%	11.93%
Consumer Discretionary	18.85%	27.78%
Financials	25.14%	19.19%
Technology	16.70%	44.80%
Telecom	3.94%	-3.06%

Source: Merrill Lynch, MSCI, NDR, Strategas

Interestingly, the market rumbled ahead while President Obama's agenda and polls stumbled. The administration's healthcare and environmental focus seemed inappropriate for the situation. If a relapse into recession is avoided, there is little doubt Ben Bernanke, rather than Obama, will ultimately be viewed as the savior of the global economy. Bernanke highlighted the success of the Fed's aggressive and imaginative policies at a recent meeting. The Fed has also begun to phase out a number of the emergency programs it had put in place to battle the "Great Recession". While these programs were successful in hastening the healing of the credit markets and restoring confidence, the liquidity sent flooding through the financial system also boosted share prices. The Fed's timely siphoning off of this excess liquidity to avoid future inflation, while not imminent, will be yet another test of its skill.

2009 has been a great year for Stewardship Partners' portfolios with all of our styles running ahead of their relevant indices so far. Our good stock selection and courage to stay invested during the depths of the crisis helped us achieve these results. Our Global Concentrated Equity BRI and Global Equity BRI portfolios are up over 40% this year and well ahead of the MSCI World Index. Our US and SMID Cap portfolios also have large leads over the index. During the third quarter, however, our portfolios trailed the indices as we took a more conservative approach, primarily by holding higher than normal cash positions, but also by using inverse index ETFs in some of our tactical accounts. Still, our third quarter shortfall relative to the indices tended to be minor for most of our accounts as the stocks we held performed well. One of our Foundational Principles is Thankfulness. Considering how bad things were just one year ago, we are very thankful to have recovered so much in 2009. We serve a faithful and loving God!

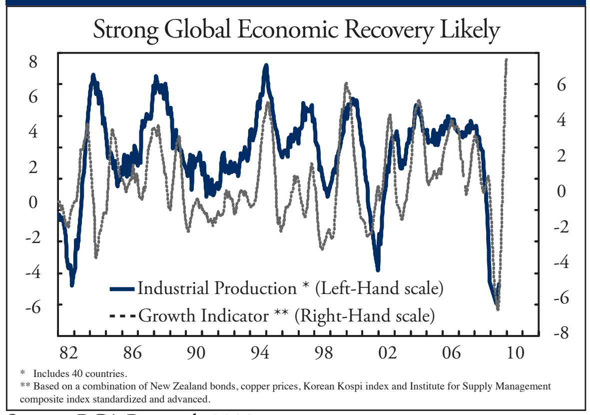
Table of Contents:

Sticking the Landing and Dodging a Dollar Crisis

"Let no debt remain outstanding, except the continuing debt to love one another" Romans 13:8 (NIV)

The "Great Recession", which we believe ended this past summer, was the deepest and longest global economic decline since the 1930s. The world came perilously close to another lengthy depression as our financial system teetered near complete collapse in late 2008. Now, as a global economic recovery is starting, it will be vitally important for the world's governmental leaders and central bankers to craft wise policies to sustain the upturn. Critically, policymakers must restore investor and consumer confidence. Confidence in the strength of our capitalistic system, our financial institutions, our currencies and the ability of our governments to establish credible economic policies to ensure long term growth is the foundation of our way of life. Without this confidence, the economic and societal systems we rely upon can quickly break down. Gratefully, the substantial recovery in share prices indicates this confidence is indeed being quickly restored. Still, many challenges to ultimate success remain. Like an Olympic gymnast who performs amazing twists and spins in the air, but stumbles at the end of the program, if the world's economic leaders are unable to "stick the landing", their remarkable efforts to quickly reverse the economy's deep slide will be soon forgotten.

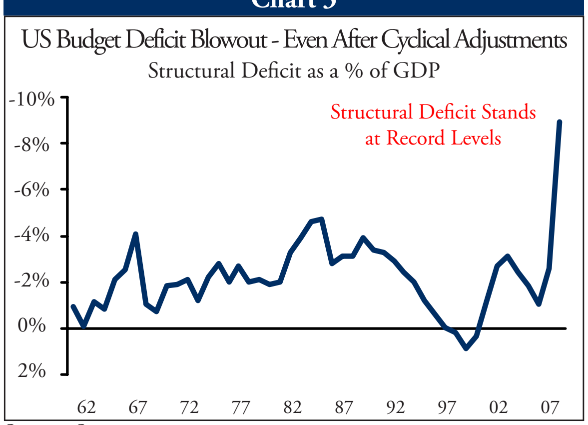
Chart 2



Source: BCA Research 2009

Fortunately, all signs currently indicate a strong economic recovery is developing in the short term. The dramatic recovery in share prices over the last seven months would not have been possible without the realistic prospect of improved economic performance around the globe. A still fragile banking system in the US and Europe may slow the pace of recovery in these two regions, but the outlook for global economic growth is good. Chart 2 highlights an indicator of global industrial production that has historically had a good track record of predicting the level of future economic activity. It implies a strong global economic recovery is inevitable in the months ahead. Given the immensity of the stimulus already applied to the global economy, as well as the sizable additional amount that will be forthcoming in the months ahead, a short term rebound of a significant magnitude seems nearly assured. Accordingly, the process of restoring investor and consumer confidence should continue into 2010. This could provide a favorable environment for continued healing in the world's financial markets, although the pace of improvement may slow and get a bit bumpier.

Chart 3



Source: Strategas

One factor that could undercut this hopeful scenario, however, is the Obama administration's misguided fiscal policy that could lead to a dollar crisis. Enamored with their once-in-a-lifetime dominance of the legislative branch of government - and recognizing that it is not likely to last - the administration has pursued an ideological agenda of expanding governmental influence in our economy. This ill-advised approach overlooks the issues that are more pressing in the US, notably unsustainable government overspending and debt accumulation. Chart 3 reveals even after eliminating understandably negative and short term cyclical influences on the US budget deficit, the structural deficit is disconcerting and growing. While the Federal Reserve has judiciously begun to unwind portions of the massive policy accommodation it provided the economy in its darkest hour, the Obama administration and Congress have pursued legislation initiatives that almost certainly will make a bad fiscal situation worse.

Table 2 indicates the frightening scale of the liability portion of the US's balance sheet. US tax revenues are miniscule in relation to our growing debt and massive unfunded liabilities. The Obama administration risks losing credibility with investors and citizens alike if it fails to quickly address the issue of our growing deficits, rising debt and the startling large unfunded obligations for Social Security and Medicare. The all important confidence factor cannot be maintained over

Table 2

US Debt and Unfunded Liabilities Dwarf Income

	$ Amount
US Revenue for 12 Months ended August 31, 2009	$2,157,940,000,000
US Government Financial Obligations	
Total Outstanding US Debt (Aug 31,2009)	$11,812,870,150,873
Unfunded Social Security Trust Fund	$17,500,000,000,000
Unfunded Medicare Trust Funds	$89,300,000,000,000
Total Obligations	**$118,612,870,150,873**

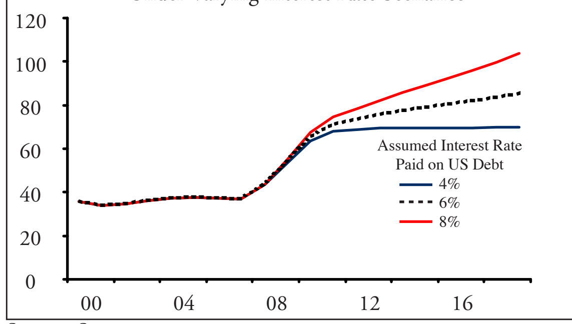
Unfunded obligationsare not adjusted to present value

Source: Sprott Asset Mgmt. & Nat. Center for Policy Research

the long term if these issues are ignored. A more rational approach, and one which would undoubtedly help Obama's sagging poll numbers, would be to first eliminate fraud and waste in Social Security, Medicare and Medicaid, provide a plan to fund these long term liabilities and substantially reduce government spending in 2011 and beyond so deficits will fall dramatically. Unfortunately, the chances of such a sensible policy prescription being followed are probably less than zero! Instead, we expect a somewhat watered down healthcare bill to be passed, thereby adding untold billions to an already egregiously unfunded healthcare liability. While this is fiscal insanity, the Democrats believe its impact will not be felt for many years. Therefore, they have no intention of wasting the historic opportunity they have through their complete control of the legislative process to place nearly 20% of the US economy under greater government control. Perhaps a few conservative Democratic senators will prevent the democratic vision for healthcare reform from becoming a reality, but it is more likely that they will only be able to minimize the impact on future unfunded liabilities.

Chart 4

Interest Rates a Big Threat to US Balance Sheet
US Debt as a % of GDP
Under Varying Interest Rate Scenarios



Source: Strategas

As we noted in last quarter's Commentary, Democrats may be underestimating the power of the so-called "bond market vigilantes". The global bond markets are the most powerful force in the world and will take charge of their future if the government fails to protect their interests. If debt holders grow so alarmed they begin to demand higher interest rates on the bonds they buy, the finances of the US government will swiftly deteriorate. Chart 4 demonstrates how quickly our national debt would explode when US government interest rates rise above 4%, simply due to the exploding financing costs on our sizable debt. Currently, the average rate on US government debt is just 3.4%. Should interest rates move above the 4% level for anything more than a short period of time, a crisis of confidence could rapidly erupt. The vigilantes may require a credible fiscal plan sooner than Obama expects.

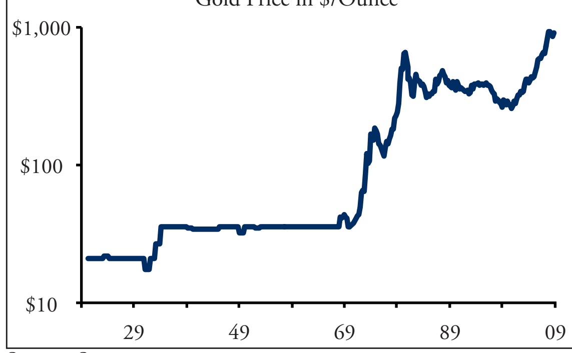
Should We Place Our Confidence in Gold?

"…do not make for yourselves gods of silver or gods of gold" Exodus 20:23b (NIV)

Another Stewardship Partners Foundational Principle is that we believe it wise to be optimistic about the future. While humanity is clearly prone to error, as 2008 so aptly demonstrated, it also has a deep-seated fear of complete annihilation such that catastrophe is typically avoided. Really bad trends are normally recognized soon enough to stave off calamity. And when disaster does occur, corrective action is quickly applied, as we have seen in 2009. More often than not, however, the inherent bias in humanity towards progress and innovation is sufficient to offset our foibles and cut off the worst case scenarios before it is too late. As a result, the price of gold, which often rises during periods of inflation, currency debasement or other calamities (Chart 5), has also gone through long periods of relative tranquility that yielded investors low or negative returns.

Chart 5

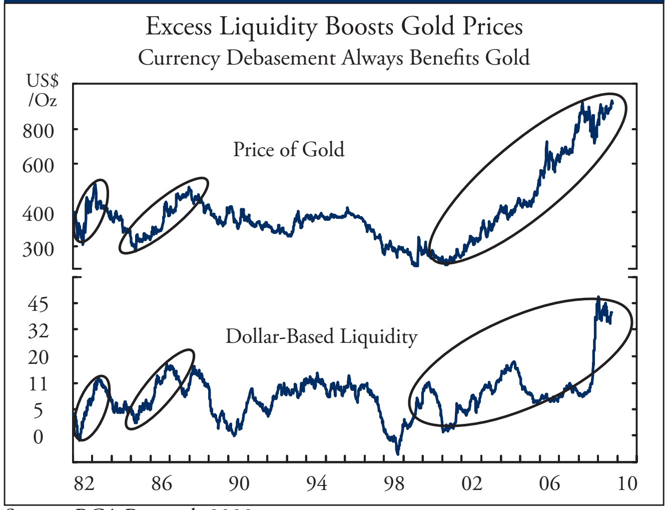
Investor Confidence in Gold Grows
Gold Price in $/Ounce



Source: Strategas

In the case of the disturbingly large, long-term US financial obligations, it is difficult to project a solution which would be helpful to US bond holders or most any other dollar denominated asset besides gold and other "hard assets". Reducing Social Security or Medicare benefits may ultimately occur, but at the moment it would be political suicide. Likewise, few believe any US government, whether

Chart 6



Source: BCA Research 2009

Democrat or Republican led, would be prepared to willingly embrace a budget balancing initiative once the current crisis is behind us. The path of least resistance remains the slow eradication of debt in real terms through inflation and the debasement of our currency. While it is not certain this will come to pass, fears that are building do have legitimacy. Even without the need to reduce long term obligations through inflation, most other countries are also now pursuing currency debasement policies as they try to reduce their currency's value to obtain a competitive edge in a world where excess capacity is rampant. Chart 6 highlights the tendency for the price of gold to rise when the US government is creating excess liquidity, as it is currently. While gold is viewed primarily as an inflation hedge, it actually performs best when the US is creating excess liquidity, which does not always accompany inflation.

In view of these disturbingly large US financial obligations and excess liquidity creation, many investors are giving greater consideration to investing in gold. Stewardship Partners already owns a portion of our client's portfolios in shares of gold mining companies and also has investments in other equities we believe would likewise benefit from current conditions. Furthermore, our international equity holdings, as well as our positions in US–based multinational companies, would benefit from a weaker dollar that typically accompanies a higher gold price. While we may continue to add to these positions in the future, it is worth considering that gold has already experienced a nine year bull market. Inflation is also not a near-term risk. Indeed, deflation may be a greater risk at the moment. Moreover, gold recently hit a new record high price and advertisements for gold coins on the Internet and on television are plentiful. We have even noticed a rising number of "Cash for Gold" retail stores. These are more indications of a point of maximum optimism for gold than a point of maximum pessimism. While investment demand for gold is rising dramatically as a credible store of value, the higher prices are also likely to encourage a greater supply. We have noted companies announcing new gold mining investments. Jewelry being turned into cash is another source of supply as well. Furthermore, we believe the Fed will turn off the liquidity pump before too much longer.

Table 3

Gold Glitters During Inflationary Periods

Real Returns Across Asset Class (1975 - 1980)

	Gold	Large-Cap Stocks	Home Prices	T-Bills	Long-Termn Corp. Bonds	Long-Term Govt. Bonds
12/31/1974	$1	$1	**$1**	**$1**	**$1**	$1
12/31/1975	$0.67	$1.28	$1.01	$0.97	$1.06	$1.00
12/31/1976	$0.61	$1.51	$1.03	$0.96	$1.19	$1.11
12/31/1977	$0.70	$1.31	$1.09	$0.95	$1.13	$1.03
12/31/1978	$0.91	$1.29	$1.16	$0.94	$1.05	$0.94
12/31/1979	$1.96	$1.38	**$1.19**	$0.93	$0.89	$0.82
% Return	**96%**	**38%**	**19%**	**-7%**	**-11%**	**-18%**

Source: Strategas

Despite these concerns, the long term fundamentals are supportive of gold and other similar securities impacted by currency debasement and inflation fears. The principle factor supporting these concerns is a growing distrust of government official's ability to manage their finances responsibly. Indeed, many believe the US will be unable to fix its balance sheet issues without experiencing serious economic pain. These anxieties are shared by Chinese government officials who have periodically expressed doubts about the US dollar. China's national balance sheet is the world's strongest at the moment, but it contains roughly $1 trillion in US dollar denominated debt. Chinese officials have indicated they believe the US will seek to debase its currency and are actively looking to diversify away from these dollar holdings to the extent possible, including by purchasing gold. Further supporting demand for precious metals is the fact that China is encouraging its population to purchase precious metals. We would not be surprised if gold prices were temporarily weak in the near term, but it is hard to see gold falling dramatically until fiscal discipline restored, the Fed begins to drain excess liquidity and inflation fears dissipate. Table 3 shows gold's superior returns versus other asset classes during the inflationary period in the late 1970s.

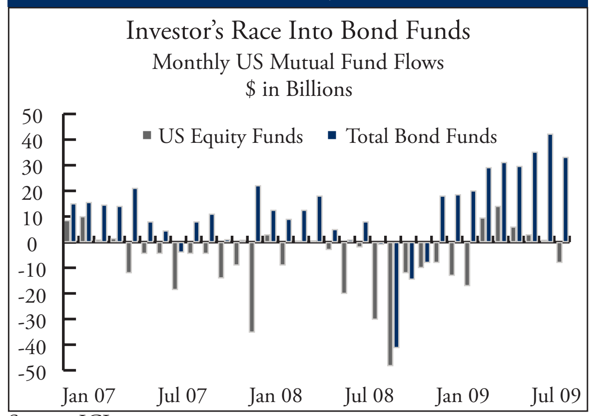
Gold also tends to rise when an extremely serious global crisis leads to deflation fears. The world remains on edge following the near collapse of the financial system and is susceptible to a destabilizing terrorist event or other geopolitical disturbances (such as an oil price spike following an Israeli attack in Iran). Gold and related holdings could provide a hedge should renewed fears of global economic calamity or deflation arise.

Liquidity and Recovering Earnings Boost Equity Prospects

"So do not throw away your confidence, it will be richly rewarded" Hebrews 10:35 (NIV)

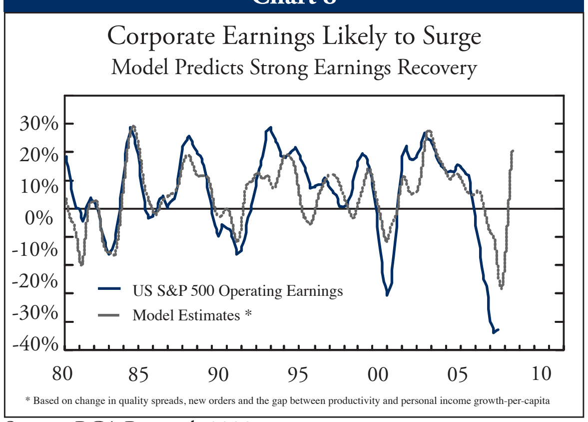
While gold normally provides good returns during inflationary periods, Table 3 also revealed stocks perform better than most asset classes when inflation is high. Bond returns, however, are poor. If inflation does make a surprise early return, many investors are going to be disappointed. Chart 7 portrays the rush into bond funds by investors over the last nine months, even while equities enjoyed a massive rally. This highlights both the continued high degree of skepticism about equities following the worst bear market since the Great Depression and the lack of investor concern about inflation in the short to intermediate term. Indeed, one of the big blessings in this nascent recovery has been how well-behaved inflation has been. It will be interesting to see if this trend can be maintained. We would not be surprised by a slight deflationary scare sometime over the next year if weak banks continue to be unable to process the massive economic stimulus, thereby hindering the speed of the economic recovery. On the other hand, a full blown dollar crisis would likely lead to an inflationary scare as well. We are living in very interesting times!

Chart 7



Source: ICI

Chart 8

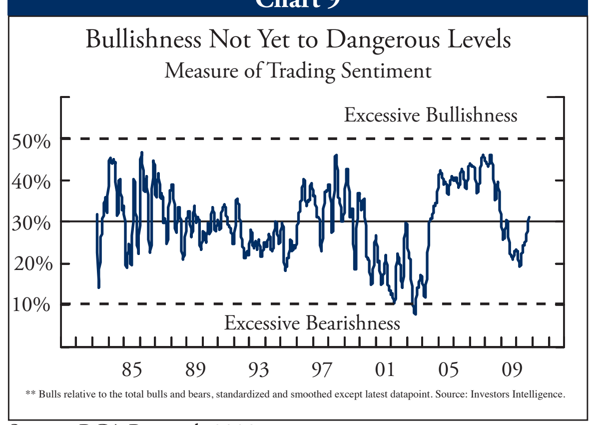


Source: BCA Research 2009

The inability of banks to properly process the excess liquidity in the market is causing inflation, but not in the prices of goods and services. The impact of the glut of funds is being seen via inflation in asset prices such as gold, oil, stocks and bonds. Some would argue we are seeing the beginnings of a bond bubble and it would not be surprising to see the prices of hard assets rally in a bubble-like manner if the liquidity is not removed soon. There is little reason to expect the Fed to raise rates or turn off the liquidity tap as long as excess economic capacity, unemployment and deflation are the dominant concerns. If rising concerns over the US government's financial situation do not cause an investor panic in the short term, it will likely be difficult for financial asset prices to fall significantly given the flood of monetary liquidity and low demand for it currently from the real economy.

Also supporting stock prices in the months ahead should be a strong recovery in earnings. At least some of the recent rally in shares likely reflects the high probability of rebounding corporate profitability. Chart 8 point to a trustworthy model of future earnings, which reveals earnings should rebound very sharply in the near term. This strong earnings recovery could be led by financial stocks, which are benefitting from an extremely low cost of funds and much higher yields on loans and other assets. Moreover, many of the marketable securities banks were forced to mark to market at low levels have since seen dramatic price advances. Depending on how banks choose to treat this, it could produce a surprise bounce in their earnings. Clearly, write-offs of bad loans will remain at high levels, but we may still see better than expected financial sector earnings in the next few quarters. Overall, corporate earnings are expected to benefit from extreme cost controls and a sooner than expected bounce in economic activity.

Chart 9



Source: BCA Research 2009

While some measures of investor sentiment have recently begun to move closer to excessive bullishness, many remain at levels that should not impede a further advance in share prices (Chart 9). If geopolitical, government finances or other extraneous factors do not disrupt the market; equities may continue to move up.

Proceeding Carefully Despite Mostly Favorable Conditions

"This is what the Lord Almighty says: "Give careful thought to your ways"" Haggai 1:7 (NIV)

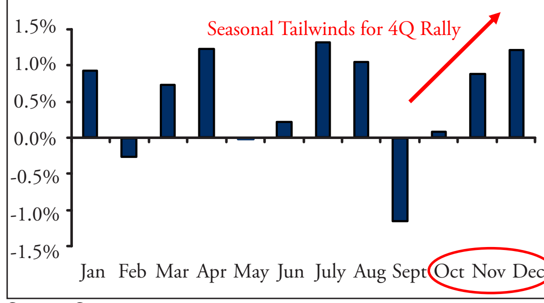
Stock prices also have a tailwind of favorable seasonality in the fourth quarter (Chart 10). When combined with the excess liquidity available, this could prove to be a potent force impacting the level of share prices in the short term. Of course, seasonal tendencies have been a very poor indicator so far in 2009 and may be overwhelmed by other forces in the current environment. One of those forces could well be a Fed that becomes much more aggressive in using "jawboning" tactics in an effort to limit the formation of an asset bubble, as its heavily accommodative policies have created in the past. Threats to remove the "punch bowl" from the liquidity party should be expected as some Fed officials have noted in recent speeches their failure to influence asset prices in the past was a mistake. Already there have been two such efforts and more are likely to be forthcoming if asset prices continue to sprint ahead. A dollar crisis could also spoil equities' liquidity-induced party.

Chart 10

Seasonal Trends Support Stocks in Q4

Dow Jones Monthly Price Returns

1900 to Present



Source: Strategas

Table 4

Large Corrections Unusual in First Year of Bull Market

-10% Corrections within First 12 Months?

Bull Market Start	Yes	No
6/1/1932	X	
4/28/1942		X
6/13/1949		X
10/22/1957		X
6/26/1962	X	
10/7/1966		X
5/26/1970		X
10/3/1974	X	
8/12/1982		X
12/4/1987		X
10/11/1990		X
10/9/2002	X	
3/9/2009		X

Source: Strategas

If a relatively strong global economic recovery develops, this will act to drain liquidity from the financial markets and could begin to pressure interest rates higher. If the ten year US Treasury bond approaches the 4% level, we would expect stocks to struggle, particularly given the strong advances already seen since the lows of the market. We believe, however, this is more likely to occur sometime in 2010. While a significant stock market correction is certainly not out of the question, it is not typical in the first year of a bull market, as seen in Table 4. Given the rapidity and scale of the advance in this bull market, however, a correction of that magnitude could be more likely as it would represent a relatively small percentage of the 60%-70% advances off the lows most major indices have seen. Even so, we believe any faltering in this market could prove temporary given low inflation, low interest rates, burgeoning liquidity and the possibility of surprisingly strong earnings in the third and fourth quarters. Equity prices do not normally trend lower for long in such circumstances.

As long as inflation remains in check and the bond vigilantes stay quiet, we also do not believe current equity valuations will constrain share prices from advancing further. Table 5 indicates that the S&P 500 is trading at its ten year average forward-looking price-earnings multiple and below its average price to book value ratio. Moreover, with inflation running between 0% and 2%, the S&P 500 P/E has historically averaged 18.3 times. In view of the ample liquidity ($3.4 trillion is held in money market funds with essentially no yield) and given the still underinvested positions of many investors, an even higher forward P/E would not be surprising.

Table 5

Valuation No Constraint on Stock Prices

S&P 500 Sector Valuation

	Forward P/E			Price to Book		
	Current	10Yr. Avg.	Ratio	Current	10Yr. Avg.	Ratio
Financials	18.2	12.7	1.4	1.2	2.1	0.6
Materials	22.6	16.1	1.4	2.7	2.5	1.1
Energy	14.5	14.3	1.0	2.0	2.8	0.7
S&P 500	**17.5**	**17.6**	**1.0**	**2.3**	**3.0**	**0.7**
Industrials	16.5	17.0	1.0	2.5	3.3	0.7
Discretionary	18.4	19.4	0.9	3.1	2.6	1.2
Utilities	12.0	13.5	0.9	1.5	1.9	0.8
Staples	14.0	17.3	0.8	3.5	5.2	0.7
Telecom	13.1	17.1	0.8	1.7	2.2	0.8
Technology	17.4	25.1	0.7	3.8	4.8	0.8
Health Care	11.8	18.7	0.6	2.9	5.1	0.6

Source: Strategas

Despite this generally positive environment, Stewardship Partners is positioned somewhat cautiously as many risks remain. This reflects both a desire to protect our already very strong performance from unforeseen market complications and because investors remain quite skittish. As a result, a variety of problems, real or imagined, could negatively impact equities. Moreover, the economic and earnings recovery is still fragile and may fail to develop as we expect. As a result, we stand ready to get even more defensive if the circumstances warrant it.

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

STEWARDSHIP PARTNERS

Biblically Responsible Investing COMMENTARY

Biblically Responsible Investing (BRI)- Investing as Jesus Would

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

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

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

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

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

3. **We have *compassion for those addicted and/or engaged in sinful lifestyles* so we screen out companies involved in:**
   - Alcohol, Gambling and Tobacco
   - Pornography
   - Homosexuality (those companies deemed to be the most active supporters)

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

Additionally, we favor companies that clearly embrace:

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

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

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

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

BRI in Action – Comparing Good and Bad Corporate Behavior

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

Below you will find an example of both a company that exhibits exemplary attributes, Infosys, and one we avoid, Principal Financial Group. We own Infosys in some Stewardship Partners portfolios while we actively avoid ownership in Principal 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 – Infosys – Excellence, Integrity and Helping Those in Need

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

Infosys is a leading India-based global software development company founded in 1981 by seven colleagues who invested $250 total. From that humble beginning, the company has grown into a multinational operation with over 100,000 employees around the globe. The current value of the company's stock is over $27 billion and revenues are nearing $5 billion. Roughly 97% of its sales come from current clients, an indication of satisfied customers for this rapidly growing technology company. Infosys's mission statement also speaks clearly to the values this company considers most important: "To achieve our objectives in an environment of fairness, honesty and courtesy towards our clients, vendors, employees and society at large". As best we are able to discern, Infosys has lived up to this admirable goal.

Infosys believes that excellent corporate governance is about maximizing shareholder value legally, ethically and on a sustainable basis while ensuring fairness to all of its stakeholders. One of the company's principles is the board and management are trustees of the shareholder's capital, and not the owner. As part of Infosys's commitment to follow best corporate governance practices, the company complies with the Euroshareholders Corporate Governance Guidelines and the recommendations of the US Conference Board's Commission on Public Trusts and Private Enterprises. The company has undergone audits by two corporate governance agencies and has received the highest ratings from both. Committees of the Infosys board include: Nominating, Audit, Compensation, Risk Management and one we have not seen before but surely welcome, Investor Grievance. We are hopeful the agenda for meetings of this last committee are usually quite short! Infosys has been widely recognized for its excellence in many facets of its business via a variety of awards. While we cannot list all of these awards, we would like to highlight that Infosys was named one of the 50 most respected companies in the world by the Reputation Institute's Global Reputation Pulse 2009. The Wall Street Journal has voted the company as the "Most Admired Indian company" for each of the last ten years and has also been named as one of India's best companies to work for and has won an award for gender inclusivity. The company's efforts on operating in a sustainable manner are also impressive and well-documented.

Infosys also highlights five corporate values. The first is the uniquely phrased "Customer Delight". The company's goal is to consistently exceed customer expectations. The second is "Leadership by Example", the third is "Integrity and Transparency" and the fourth is "Fairness". The fifth is one that we at Stewardship Partners relate to – "The Pursuit of Excellence". Quoting the company's website, the company believes “the softest pillow is a clear conscience”. Quality is another hallmark of company. It is said it often heard around Infosys’s offices that “in God we trust, everyone else must come with data”.

While many may initially think a company based in an emerging market would not treat it employees as well as Western companies, this is not the case with Infosys. As a services company, its assets are literally its staff. Therefore, the company goes out of its way to attract, train and maintain the highest quality pool of talent it can. In addition to providing competitive salaries, Infosys values highly open and transparent communication with its staff. It performs an annual poll of its workforce to study and benchmark its satisfaction and concerns. It also has “town hall” type meetings, a dedicated intranet, a corporate TV station, and a blog. Employees can communicate directly with the CEO via a column on the company’s intranet site. A special program is in place to hear employee grievances and in the last year no grievances were filed having to do with age, ethnicity or gender discrimination. There is also a whistleblower policy in place. In the past year, no incidences of corrupt practices were recorded at any Infosys unit. Infosys also has a program to help and encourage employees with physical disabilities. Additionally, 14,000 employees have taken advantage of its Family Matter Network where assistance is given for those dealing with parenting and work/life balance issues. Around 15,000 employees have enrolled in the company’s health clubs which are made available to promote fitness and good health. Employee training also is a high priority for Infosys. Last year the company provided over 450,000 days of training to its employees through the Infosys Leadership Institute. New employees received nearly 1.4 million days of training in the past year with each new trainee required to undergo a three month training program.

The Infosys Foundation also has extensive charitable efforts in the areas of healthcare, rural development, education and the arts. The company has donated healthcare equipment to areas serving the poor, built orphanages, aided those with leprosy, assists destitute women and provides scholarships to poor children. Additionally, the foundation has set up more than 10,000 libraries in rural Indian schools.

Infosys’s good works are, of course, no guarantee of long-term investment success. As Biblically Responsible Investors, however, Infosys’s charitable efforts, its clear desire to operate ethically and its impressive treatment of its own employees and the environment allows us to know we are shareholders in a company seeking to be a blessing to all. While no company, like no person, is perfect, this is clearly a company that strives to be a good citizen and one we can be proud to own!

The Bad – Principal Financial Group – Abortion and Homosexuality

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

The Principal Financial Group is a leader in the area of retirement and investment services as well as life and health insurance. It currently has nearly $260 billion in assets under management, much of it through its leading position in assisting corporations with their 401k retirement plans. It serves almost 19 million clients in 12 countries and is a member of the Fortune 500. While the company is a leader in its field and has won many awards, we would not invest in its shares for Stewardship Partners clients. Unfortunately, it has chosen to direct meaningful shareholder resources into promoting sinful activities. Such actions separate our fellow men and women from the Lord that loves them so much He sent His Son to die for them.

Principal health insurance programs offer coverage for elective abortions. While not a standard feature, such coverage will be included if a company requests it. It is our desire to not use the Lord’s money that we have been given temporary stewardship over to become co-owners of companies involved in any manner with abortion.

Furthermore, Principal is a significant supporter of the sin of homosexuality. It has been a trailblazer in offering benefits to homosexual employees and is also using shareholder funds to support homosexual organizations. It has also been an active political advocate for homosexual causes to the extent that the governor of Iowa, Principal’s home state, signed a homosexual rights bill in the company’s headquarters in 2007.

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

Our Ultimate Goal - Funding the Lord's Work

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

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

Featured Ministry – The Abba Fund – Finding Orphans a Home

"Look after orphans and widows in their distress" James 1:27 (NIV)

With an estimated 145 million orphans worldwide, there is a great need for Christian families who feel the Lord leading them towards adoption to be able to access the often sizable funds needed to complete an adoption. The Abba Fund seeks to assist in raising this money for Christian parents who desire to adopt. The Abba Fund raises money that it then lends, at no interest, to adoptive families to help them complete their adoptions. This approach also enables a couple to take advantage of the $12,150 adoption tax credit offered by the US government. Reasonable payment plans are worked out that allow the loan to be repaid over time and the repayments can then be loaned out again to a new adoptive family. Donors to the Abba Fund help provide both for the ministry's very low overhead expenses and for its fund that is used to offer loans to those that qualify for its assistance.

The Abba Fund also has a program that assists local churches and other groups in setting up their own adoption fund. The Abba Fund provides a church with administration services and a loan approval process at no charge. While the Abba Fund can help any adoptive parents, churches have found it a blessing to be able to support adoptions in their own congregations on a continual basis by establishing an adoption fund managed by the Abba Fund. A number of churches have had success encouraging adoptions using this model.

The Abba Fund has assisted in the adoption of 165 children in its five years of existence. Thirty of the loans it has made have already been fully repaid and no loan losses have yet been realized. While the ministry has received 535 qualified applications, a lack of donations has meant it has not been able to fund all of these prospective adoptive parents.

The Abba Fund also offers a variety of online resources and holds conferences in order to encourage adoption.

The Abba Fund appears to have a successful model that can be easily leveraged into greater impact. The ministry (and it is a 501c-3 non-profit ministry, not some kind of for- profit fund as some might mistakenly assume due to its name) is in need of additional funding in order to build its infrastructure and its pool of funds. The greater the size of the fund, the more adoptions it can assist. Additionally, a gift to the Abba Fund will help multiple adoptions over the years as the loans are paid off and then re-loaned. More information can be found at *www.abbafund.org*

The Christian Ministry Marketplace – Helping Donors Give Wisely

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

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

The Christian Ministry Marketplace
Resources for Christian Donors

WHY to give to Christian ministries?

Teaching on Stewardship:

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

HOW to give with a discerning mind?

Professional Advisors:

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

Donor Advisors:

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

WHERE to invest in kingdom ministries?

Ministry Research:

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

Ministry Mutual Funds:

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

Online Donation Services:

- Network For Good (networkforgood.com)

Featured Ministry Marketplace Participant - Generous Giving

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

Generous Giving, a unit of the McClellan Foundation of Chattanooga, TN, which has itself given away hundreds of millions to Christian ministry over the years, is one of the most important service providers in the Christian Ministry Marketplace given its mission "to motivate followers of Jesus Christ towards greater biblical generosity". It is their desire to transform the hearts of Christians so that giving becomes a joy rather than a burden. As stated at www.GenerousGiving.org, "Jesus' own life is our ultimate example of extravagant generosity. He taught us that "it is more blessed to give than to receive" (Acts 20:35). And He lived it: by setting aside His heavenly wealth, choosing to live humbly among sinful men, and willfully giving up His life so that we in turn could have life. And just as He said "follow me" to his first disciples, He calls to us to do the same today. But following Christ applies to every dimension of our lives—not just to our hearts and heads, but to our relationships, our possessions and our money as well."

Generous Giving's website offers a host of tools that will encourage and empower donors. We urge you to visit their website and make a point to attend one of their inspiring conferences. Donors may also desire to take advantage of the McClellan Foundation's Giving Wisely program where the foundation makes available for free all of the work it produces in seeking to make wise giving decisions with its grants.

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

Stewardship Partners Investment Counsel, Inc.
PO Box 157 Matthews, NC 28106-0157
Phone: (800) 930-6949 Fax: (800) 930-6949

E-mail: cgoddard@stewardshippartners.com
Web-Site: www.stewardshippartners.com