STEWARDSHIP PARTNERS
MARKET COMMENTARY

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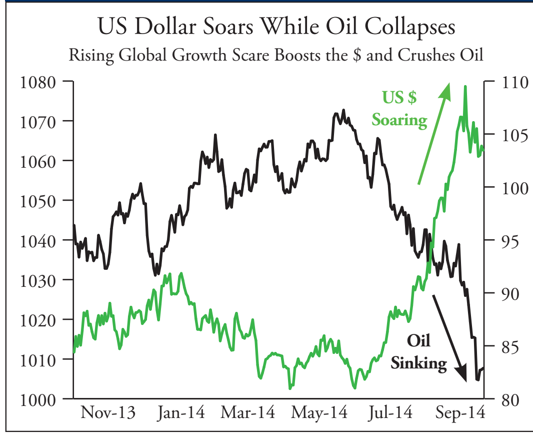
Despite Strengthening US Economy, Financial Markets Become Volatile

"When you hear of wars and uprisings, do not be frightened … the end will not come right away." Luke 21:9

Helped by a continually improving US economy, the S&P 500 Index produced a small 1.1% return and the NASDAQ Index rose by 2.2% in the normally dangerous third quarter for equities. These positive returns, however, masked what turned out to be a much more difficult quarter for small cap stocks, foreign stocks, foreign currencies and commodities, all of which suffered sharp declines. Chart 1 highlights the strength of the US dollar (and thus the weakness of foreign currencies) and the dramatic decline in the price of oil during the quarter. Even most bond indices tallied losses during the quarter with riskier bonds getting hurt the most. As the quarter came to an end, US large cap stocks also started to falter with the selling accelerating in early October. Fortunately, most Stewardship Partners portfolios beat their indices during the quarter, and for the nine months ending September 30th, virtually all Stewardship Partners portfolios produced positive returns and most are exceeding their relevant indices. Good stock selection and our decision to maintain a low weighting to European shares and avoid the Japanese market entirely aided our results. We also helped our returns by raising our cash positions somewhat in September, prior to the market's short but sharp decline. While Stewardship Partners was blessed to be able to evade the steep declines seen by many asset classes during the the quarter, many investors around the world were less fortunate.

Chart 1



Source: JP Morgan, Bloomberg

Table 1

3Q14 Total Returns

US Indices	3Q14	YTD
S&P 500	1.1%	8.3%
S&P 500 Value	0.3%	7.2%
S&P 500 Growth	1.9%	9.4%
NASDAQ	2.2%	8.6%
S&P 400 (Mid Cap)	-4.0%	3.2%
S&P 600 (Small Cap)	-6.7%	-3.7%
Treasury Bonds	0.4%	3.7%
High Grade Corp. Bonds	0.0%	6.0%
Gold	-9.0%	0.2%
Global & International Indices		
MSCI World	-2.2%	3.9%
MSCI EAFE	-5.9%	-1.4%
MSCI Euro	-7.9%	-3.4%
MSCI Far East	-2.3%	-0.9%
MSCI Japan	-2.3%	-1.6%
MSCI Emerging Markets	-3.5%	2.4%
US Economic Sectors		
Energy	-8.6%	3.2%
Materials	0.2%	8.9%
Industrials	-1.1%	2.9%
Consumer Discretionary	0.3%	0.9%
Consumer Staples	2.0%	7.2%
Health Care	5.5%	16.6%
Financials	2.3%	7.4%
Information Technology	4.8%	14.1%
Telecom	3.1%	7.5%
Utilities	-4.0%	13.9%

Source: Bloomberg

While the US economy continued to improve during the quarter, foreign economies became weaker. China has long been our biggest concern and its economic slowdown seemed to accelerate as the government tries to engineer what they hope will be a "soft landing" from the economic bubble they created. Meanwhile in Europe, policymakers generally dithered while Germany's economy finally followed the rest of Europe into a slide. Germany's export oriented economy was hit by both the Chinese slowdown and US sanctions on Russia. Expectations of slower global economic growth and potential deflation, heightened by the risk posed by the Ebola scare, led investors to rush into the US dollar for safety while crushing commodities. The resulting wild swings in many asset prices as well as record margin debt caused concerns about possible hedge fund collapses or other possible financial institution disruptions in Europe and/or China. In China, the CEO of a large property developer disappeared as the company sought to raise new capital to avoid collapse while rumors of European banks failing the ECB's upcoming stress test circulated. Concerns about the Russia/Ukraine conflict and the rise of ISIS also posed risks. Given the backdrop of a potential global Ebola pandemic on top of these concerns, investors panicked from late September into mid-October. While these risks are real, it is an odd situation to see the markets in such turmoil when the US economy is actually growing stronger by the day and its banking system is well capitalized.

Because the US economy is growing nicely, third quarter corporate earnings reports are expected to be strong as well. So far in October, this has been the case. Guidance about future earnings from corporate CEOs is bound to be more cautious, however, as economic forecasts factor in lower growth expectations for Europe, Japan and China in 2015. Roughly 40% of the revenues of the S&P 500 companies come from outside the US, so weakness overseas could impact many companies' future earnings prospects. Still, if a financial system meltdown is avoided and global economic growth stabilizes, corporate earnings should still expand in 2015. Accordingly, it would be very unusual if stocks did not recover in the months ahead. As we write this Commentary, overseas policymakers are beginning to take steps to bolster financial institutions and promote economic growth. Sensing the worst of the correction had passed, last week, we took the opportunity to re-invest the cash we had raised earlier. We believe there is a good chance the rest of the year could produce favorable returns for equities.

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Unresolved Issues Creating Uncertainty for Global Economic Growth

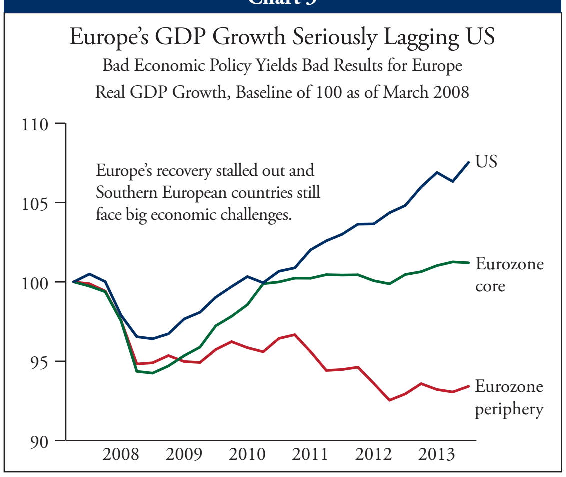
"Though I walk in the midst of trouble, you preserve my life." Psalm 138:7

Until recently, investors seemed content to focus mostly on the improving US economy and the restoration of its banking sector while largely overlooking problems overseas. Even though the Fed had been winding down its QE program for quite some time, and will likely bring it to an end this week, the markets believed this additional liquidity would limit downturns in the financial markets. As a result, the advance in equity prices in recent years has had only minimal volatility until recently. With QE coming to an end combined with German and Chinese economic growth suddenly slowing rapidly, investor insecurity rose quickly. Since both Europe and China have been slow to address their economic imbalances, the accumulated weight of these unresolved problems finally began to unnerve investors. Moreover, when it became apparent international health agencies had failed to contain Ebola, as they had been able to do successfully in the past, this became another potential threat to future economic growth. The Ebola crisis, in particular, is a big wild card for investors. It is unlikely to grow to a point where it has a meaningful negative impact on global economic growth, but there remains a chance it could. Until investors sense this epidemic has begun to be brought under control, they will remain wary as the consequences of a pandemic outside the borders of few small Western African states are disturbing, to say the least. On a human scale, rather than an economic one, the dire consequences for the African nations currently impacted by the crisis are even more distressing. May the Lord bring an end to this plague quickly!

Chart 2

Source: The Conference Board, Bloomberg

Chart 3

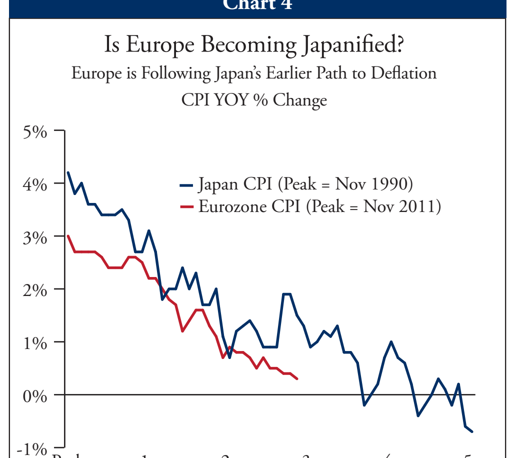


Source: JP Morgan, Bloomberg

Unless the Ebola virus mutates so that it can spread via the air, there is only a very small chance it ever breaks out on a large scale in developed countries. Despite a slow initial response in the US, we believe the needed changes to policy will be quickly implemented to prevent a broader problem. Moreover, we are confident scientific researchers will find multiple ways to address this threat relatively quickly. Accordingly, we believe there is a high probability the US economic expansion will continue. Chart 2 highlights the US Leading Economic Indicator Index, which suggests smooth sailing ahead for the US economy. Since the US economy is not very dependent on exports, the problems in Europe, Japan and China are unlikely to have a serious detrimental impact on US economic activity. Indeed, those problems overseas will likely keep inflation low, provide a hidden "tax break" to US consumers in the form of lower energy prices and result in a longer period of time before the Fed needs to increase interest rates. One Fed governor is already on record as being willing to consider a new round of QE. We will be watching closely to see if the US economy begins to falter but there is no sign of this yet.

Europe's unresolved economic problems are easy to identify on Chart 3. While US GDP advanced at a steady pace from 2009 onward, Europe's faltered during their crisis in 2011 and has never really gotten back on track, particularly in Southern Europe. This is largely the result of the ECB's much less helpful stance versus the Fed. While the ECB has lowered short term interest rates to effectively zero (even negative) and German 10 year government bond yields are below 1%, the central bank reduced the size of its balance sheet while the Fed continued to expand its QE program. Now, with inflation quickly threatening to turn into deflation (Chart 4) and Europe on the verge of entering a Japanese-style, deflationary, no growth spiral, the ECB is once again poised to expand its balance sheet. Chart 5 indicates just how much the ECB has let its balance sheet shrink. While the ECB's exact plans to stimulate European growth are not yet fully detailed, it has indicated its plans to expand its balance sheet towards the level it reached in early 2012. This should help stave off a deflationary disaster for the continent, but because of Europe's reluctance to assist its economy in the last two years, it may struggle to restore growth. Moreover, banking problems and Greek sovereign debt issues are threatening to resurface again. It may be some time before economic clarity is restored in Europe.

Chart 4



Source: RBS Credit Strategy, Bloomberg

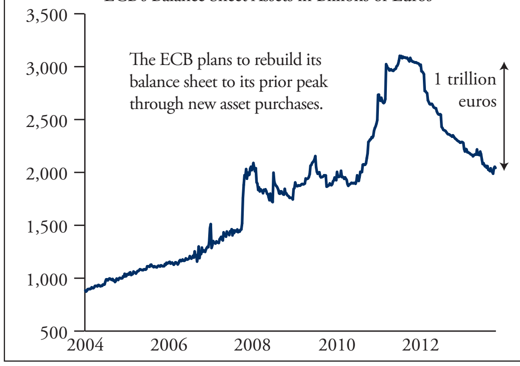
Meanwhile, on the other side of the world, China is increasingly struggling with keeping its bubble economy intact. On two occasions recently, China has injected capital into its banks in order to keep them solvent. These banks report a very low percentage of bad loans but most observers, if not all, agree these suspicious numbers must be significantly understated. As noted earlier, problems associated with heavily indebted property developers in China has bubbled to the surface with one company already going bankrupt and another hastily seeking new equity capital recently. Chart 6 highlights how volatile Chinese housing prices have been, including a recent very steep decline that may not yet have ended. Reports indicate there are 23 million empty homes in China and we suspect the number could actually be higher than this. Clearly, these dramatic price drops signal stress in the Chinese housing market which are no doubt indicative of wider problems throughout the Chinese economy. The country's massive infrastructure overbuilding in the last ten years could not be sustained and this spending coming back to more normal levels alone has slowed the Chinese economy. Chinese policymakers are clearly working diligently to let the air out of the Chinese economic bubble slowly. They have succeeded in doing so for many years now and they may continue to avert disaster. Nevertheless, it will take many years to accomplish this task and we should expect China's economic growth rates to remain under pressure for quite some time.

Chart 5

ECB's Big New Stimulus Effort

ECB Will Once Again Boost its Balance Sheet

ECB's Balance Sheet Assets in Billions of Euros

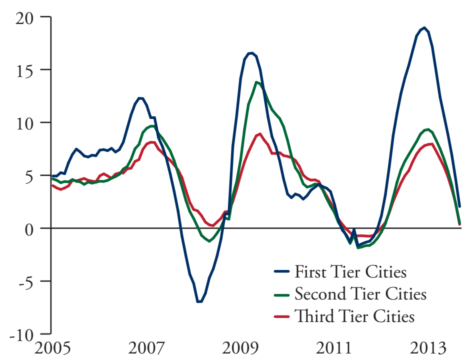


Source: Bloomberg

Chart 6

China's Home Prices Are Cooling Quickly

YOY Avg. Price Change for Homes in Tier 1, 2 and 3 Cities



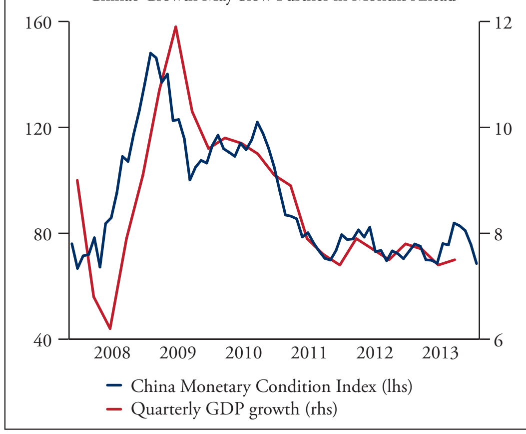
Source: Bloomberg

The biggest risk to global investors is that these policymakers somehow lose control of this process and China's bubble begins to pop in an uncontrolled manner. If the nation's financial system buckles under the stress, investors are likely to fear the worst for global growth and potential global deflation. One early sign of the world's exposure to China's problems is the collapse in commodity prices which can be tied pretty closely not only to slowing Chinese growth, but also to the Chinese government cracking down on a variety of illegal schemes utilizing commodities to distort financial transactions. Chart 7 highlights the long term deterioration in China's Monetary Condition Index and the more recent swoon in this measure. Given its tight correlation with China's GDP growth, we expect further economic weakness in the months ahead. Clearly, China's economic issues also remain unresolved and investors will likely remain wary until stability and transparency are evident. Nevertheless, while China faces big problems, it likely has the means to prevent a meltdown in its economy. Chinese growth will no doubt continue to decelerate, but it also seems unlikely to suddenly collapse.

Chart 7

Weak Monetary Conditions Pose Risk to China's GDP

China's Growth May Slow Further in Months Ahead



Source: Bloomberg

The Upside of Slower Global Growth

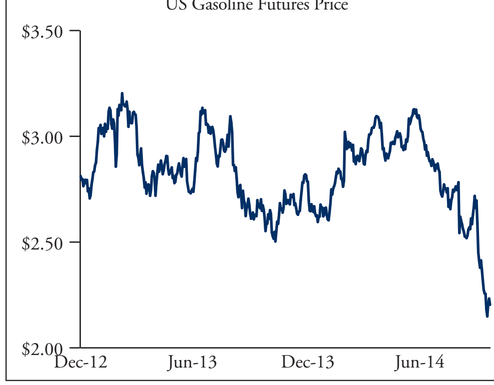
"I delight in weaknesses … in difficulties. For when I am weak, then I am strong." 2 Corinthians 12:10

Economic growth in both China and Europe may come up short of earlier expectations, but our base case remains one where global economic growth remains positive in the year ahead. The market has initially responded to this prospect by doing what it normally does – overreacting. As time passes, we suspect it will become apparent the global economy is not on the verge of collapse and the heightened uncertainty hovering over the markets will dissipate. Naturally, this expectation could be undermined if the Ebola outbreak spreads meaningfully outside of Western Africa or if a collapse in a financial institution sets off a chain reaction of failures that leads to a systemic financial crisis. Unfortunately, both of these potentially disruptive scenarios cannot be totally excluded. Over time, however, we believe the most likely path will be for these uncertainties to diminish. Meanwhile, the slower economic growth also brings with it self-correcting aspects which offer hope for a speedy resumption of normal growth rates. Chart 8 highlights the steep decline in gasoline prices which is putting extra money in US consumers' pocketbooks. Foreign consumers are not enjoying quite the same benefit since the strength of the US dollar is offsetting lower oil prices. Chart 9 depicts the fall in a variety of commodity prices, which are propping up the profit margins of those manufacturers utilizing those commodities. Lower energy prices are also helping bolster manufacturers' profitability. Higher profits typically translate into increased employment and increased capital formation. Accordingly, in the midst of slower economic growth, seeds for faster future economic growth are being sown as consumers have more money to spend, employment begins to expand and higher corporate profit margins translate into growth. All these factors should work to buffer the decline in economic growth and

Chart 8

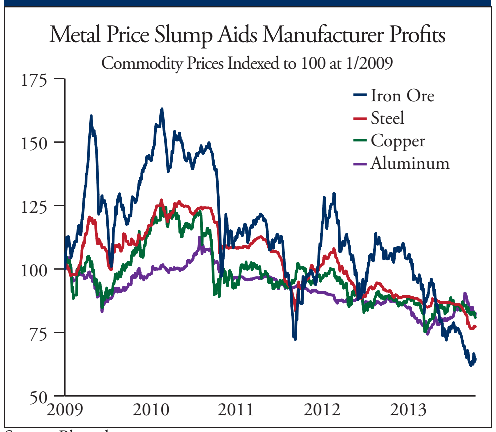
Gasoline Price Collapse = Stealth Tax Cut

US Gasoline Futures Price



Source: Bloomberg, JP Morgan

Chart 9

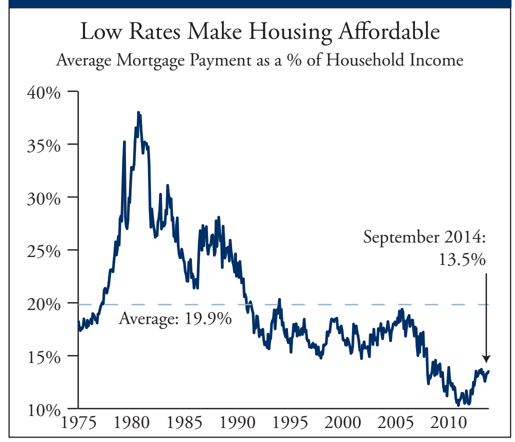


Source: Bloomberg

could spur a faster than expected recovery.

Another benefit to both consumers and corporations is the impact of slower growth on inflation and interest rates. With deflation increasingly a global concern, the world's central bankers have plenty of scope to keep interest rates at the current rock bottom levels for longer than investors had thought. In recent months, economists were debating the likely timing of the first Fed rate hike. Expectations of a mid-2015 first rate hike, or perhaps even earlier, are now being scaled back. At the current low level of interest rates, housing affordability remains attractive (Chart 10) which should translate into a continued recovery in both home sales and home prices.

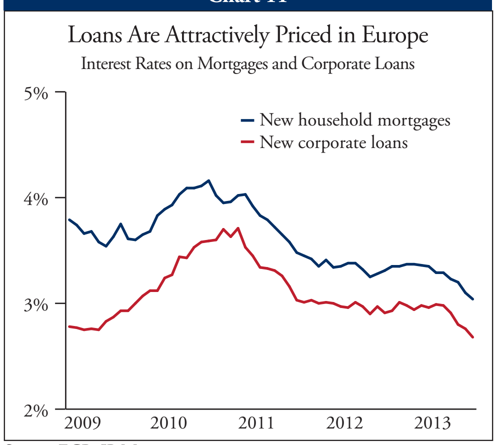
Chart 10



Source: Census Bureau, JP Morgan

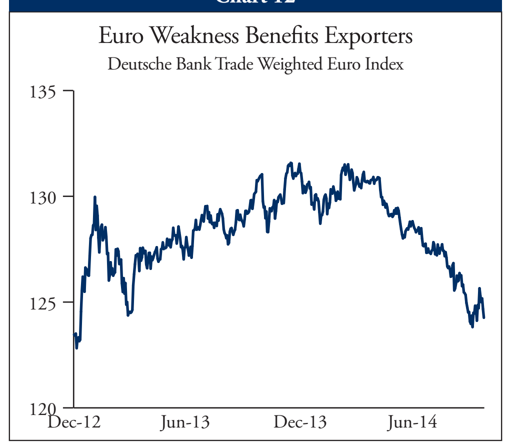
In Europe, interest rates are already at lower levels than in the US (Chart 11) due to the stronger threat of deflation and recession. Both consumers and businesses can borrow at extremely attractive rates. Moreover, neither consumers nor companies have too much debt already, so they have the capacity to borrow. If policymakers can restore hope for future economic expansion, both will have increased incentive to borrow to take advantage of these historically low levels of interest rates. Moreover, the ECB has the scope to proceed with its aggressive asset purchase plans and/or QE in order to spur economic growth. It may have taken the ECB too long to shed its inflation fighting mentality, but now that it can smell deflation at its door, we trust the central bank will make every effort to actually create a bit of inflation and the economic growth that typically accompanies it. If so, our expectation for Europe to ultimately avoid financial system breakdowns will have a better chance of being realized. It may take some time for these positive feedback loops to produce favorable results in Europe given the ground the ECB has to first make up after its initial reluctance to pursue such policies, but the probability of success is high.

Chart 11



Source: ECB, JP Morgan

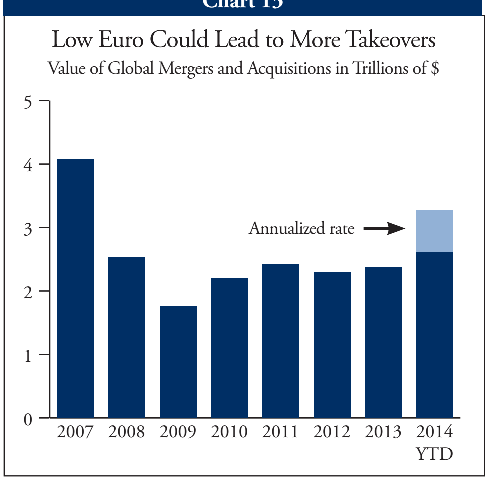
Chart 12



Source: Bloomberg

Helping the ECB generate both growth and a little inflation is the significant weakness in the value of the Euro (Chart 12). ECB policies have long been geared primarily to protecting the value of its currency, causing it to be often overvalued, thereby restraining economic growth. Given the recent sharp decline in the Euro, the continent's exports – a much more important component of its economic well-being than in the US – will now be available to global consumers at more attractive prices. This should produce greater demand for European products since imported wine, cheese and automobiles should become cheaper to foreigners. Alternatively, European companies could leave export prices where they were and earn higher profit margins. Either way, it is good for the European economy as long as the currency decline does not go too far.

Chart 13



Source: Bloomberg

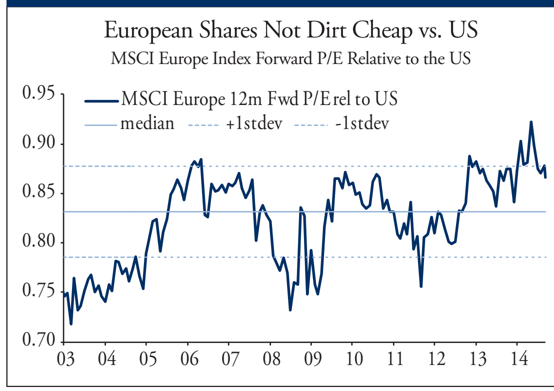
If you were thinking of a European vacation, it now is about 10% cheaper than previously because of the currency's fall. Likewise, European corporations are cheaper to US buyers in particular. This could lead to a further jump in merger and acquisition activity as US companies seek to take advantage of their own strong financial position, low interest rates at which such deals can be financed and attractive values on strategic European assets. Already, mergers and acquisitions around the world have been proceeding at the highest rate since 2007 (Chart 13) and this latest incentive to buy (strong US dollar/weak foreign currencies) could well lead to a boost in foreign acquisitions by US companies. It is a rare opportunity to have both interest rates and currency values both at points which make completing deals much easier to accomplish. Uncertainty about global economic growth may cool the urge to merge temporarily, but we would expect more deals to eventually be announced as these concerns ease. More deals boost share prices by reducing the supply of shares while the deal proceeds raises the demand for equities as these are reinvested.

Observing Key Trends to Position Portfolios Optimally

"And this is my prayer: that your love may abound more and more in knowledge and depth of insight" Philippians 1:9

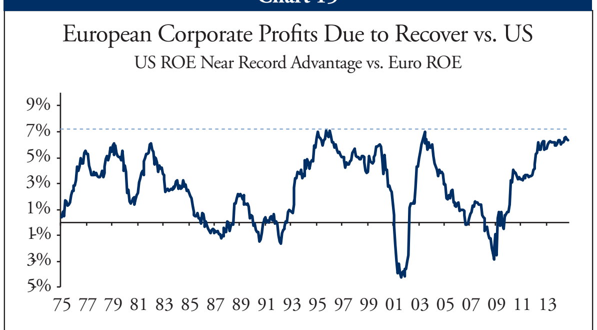
Much like US corporations might like to take advantage of current low interest rates and the strong US dollar to make strategic acquisitions of European companies, we are always searching for the best bargains to be included in our Stewardship Partners portfolios. Despair surrounding Europe's prospects is running quite thick at the moment and this always attracts us since the best investment values are often found at the point of maximum pessimism. Chart 14 indicates P/E ratios on European shares are only 86% of those in the US but this still leaves these shares more expensive versus the US than is typical. Accordingly, it is hard to argue European shares are at a point of extreme pessimism at the moment. Given Europe's greater risk on the Ebola front (due to much greater travel to and from Western Africa than in the US), wisdom suggests hesitation in acquiring larger European positions in our portfolios. Moreover, Europe is at much greater risk to consequences of the tensions/war between Russia and Ukraine. A significant portion of Germany's recent economic weakness can be traced to a collapse in trade with Russia since these hostilities broke out. With the Russian economy in recession due to US sanctions, capital flight, a collapsing currency and plummeting oil prices, the European economy may not yet have reached its nadir. With European sovereign debt and financial system concerns again rising, European equities may face additional challenges.

Chart 14



Source: JP Morgan

Chart 15

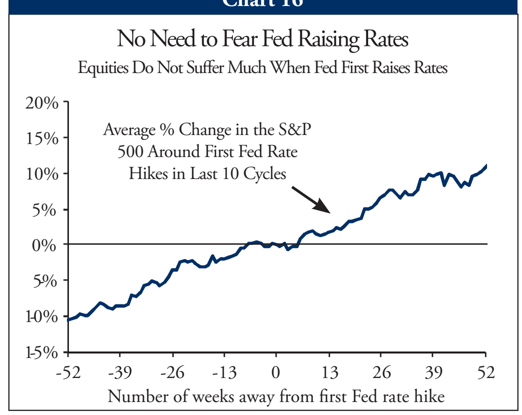


Source: JP Morgan, Datastream

Nevertheless, we will keep a close eye on the European situation as there is clearly opportunity for significant improvement in corporate performance. Chart 15 portrays US corporate profitability holding almost as large an advantage over European profitability as at any time since 1975. We would expect a reversion to the mean to occur before too much longer and positioning our portfolios with a larger exposure to European shares could yield attractive relative returns. We have maintained a heavily underweight position in European shares in the post 2008 period due to the risks we saw there, which manifested in 2011. In light of the poor policy responses by European leaders, its economy has significantly trailed the US and UK where more aggressive attempts to rebuild growth were undertaken. We may be close to a turning point now in Europe, however, as the ECB embarks on a more aggressive approach to monetary stimulus.

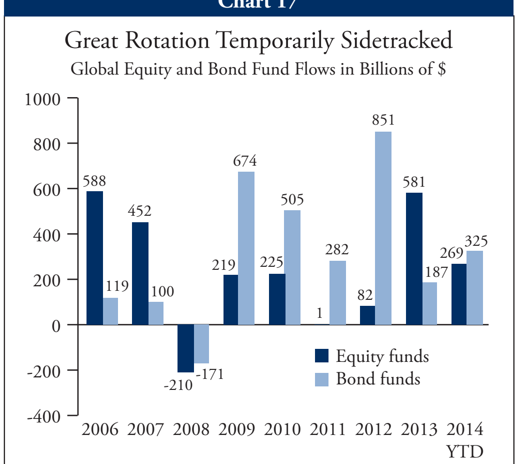
Given the success of the US efforts, its economy appears much closer to being able to function normally without extraordinary monetary accommodation. With QE soon ending, the market has begun focusing on how share prices might respond once the Fed begins to increase short term interest rates. Chart 16 shows how the S&P 500 behaved running up to and after the first Fed interest rate increase during the past 10 economic cycles. As can be seen, the market, on average, advanced until rates were raised, treaded water for a short period once the first rate increase took place and then resumed its advance thereafter. In this case, the first tightening move by the Fed may be viewed as the end of QE rather than the first rate increase. As a result, the current turbulence might be partly related to the market's temporary reaction to the Fed's removing a portion of its monetary accommodation. If so, we would not expect the current volatility to last for long before a new uptrend begins. This is one of the reasons we recently reinvested our cash reserves. Moreover, November corporate repurchases of their own stock typically peak in November and the last two months of the year are normally very strong for equities.

Chart 16



Source: JP Morgan

Chart 17



Source: Bloomberg, ICI, EFAMA, JP Morgan

The recent global growth scare has also contributed to at least temporarily undermining the Great Rotation from bonds to equities. As growth expectations fell and deflation worries rose, investors once again viewed bonds as a safe place to speculate, if not invest. As seen in Chart 17, inflows to bond funds have exceeded those into equities in 2014, reversing the pattern seen in 2013. Until global growth expectations recover, interest rates may well stay at current rock bottom levels. If so, it may take a while for the Great Rotation to reengage and push share prices higher. Eventually, however, rates will rise and bonds will suffer.

Fear is Likely to Recede, Helping Equities Finish the Year Strong

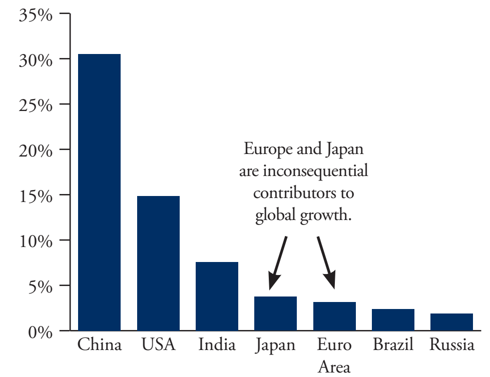
"So do not fear, for I am with you; do not be dismayed, for I am your God." Isaiah 41:10

It may take some time, however, before bonds begin to suffer severely. Yields are likely to recover from the mini-panic lows seen recently as speculators realign their trading positions to better reflect reality rather than fear. Ebola may be with us for a considerable period of time, but a worldwide outbreak seems highly unlikely unless the virus mutates so it can spread in an airborne manner. Europe may be entering a recession, but that recession is likely to be shallow and short as policymakers finally respond more aggressively. China's bubble in unlikely to burst in an uncontrolled manner given the government's control over the financial sector. The apparent failure of Abenomics in Japan is hardly encouraging, but Japan's continued economic demise is likely to play out in slow motion rather than in a sudden free-fall. While none of these potential threats are likely to become reality, all of the trends in these nations point towards lower growth and subdued inflation, if not deflation. As a result, high quality bonds yields may not spike higher until global economies adjust and more normal economic growth resumes. Lower quality bonds, such as junk bonds, may see values fall due to concerns over the weak companies issuing them being able to service and pay off their debts in a weaker economic environment. Speculative bonds have already been under pressure and that pressure could grow in the months to come.

Chart 18

China, US Are Engines of Global Growth

Contribution to Real Global GDP Growth in PPP Adjusted Terms

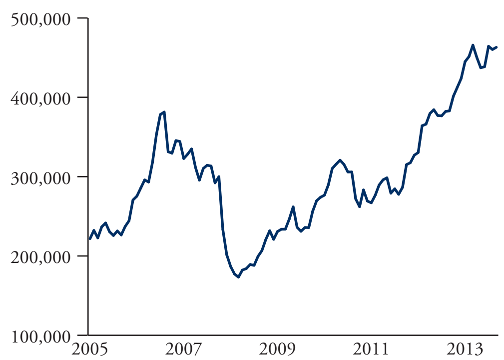


Source: Bloomberg

Chart 19

Margin Debt at an All-Time High

NYSE Margin Debt, $ in Millions



Source: Bloomberg

As the fear of an impending calamity recedes, equities should rebound. While China's growth is slowing, it is still expanding faster than the rest of the world. Meanwhile, the US's growth is accelerating. As seen in Chart 18, these two nations, along with India, account for a considerable portion of world economic growth. Japan and Europe combined typically provide less than 10% of global growth thus their economic struggles will not impede the global economy from continued expansion. As a result, corporate earnings should avoid anything more than a short term decline, if even that. With a reduced threat of higher inflation and interest rates coupled with highly accommodative monetary policies around the world, valuations on equities could experience upside. Therefore, we believe the outlook for equity investors remains constructive, but perhaps more volatile than in past years.

One reason for the mini-panic in the financial markets recently has been what we warned about in our last Quarterly Commentary. Hedge funds have been under fire for seriously poor performance during the long bull market and had allowed their portfolios to become less hedged. As the global growth and Ebola scares hit, they rushed to increase their hedges thereby putting extreme downward pressure on a variety of asset prices. Some clearly could not act quickly enough as market action indicated margin call selling. With margin debt at record highs (Chart 19), the risk of such forced selling episodes was greater than normal. This risk may have been reduced but still is an issue.

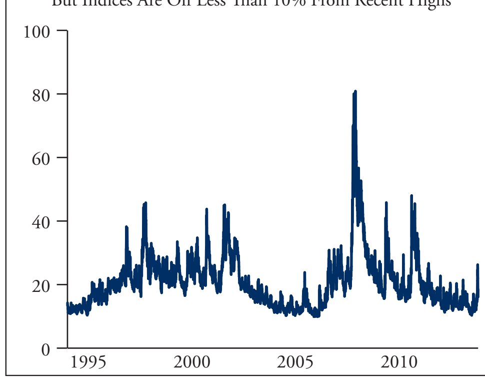
With investor fear once again at somewhat elevated levels (Chart 20), attractive investment opportunities for long term investors have appeared. Even so, the global indices are currently not that far from their recent highs, therefore, the number of investment bargains does not yet appear extreme. While the market seems to have recovered quickly from this sell-off, there is also a chance it suffers further deterioration before it hits a more permanent low. Moreover, we may prove wrong about our assumptions above that disaster will be avoided with Ebola, and in Europe, China and/or Japan. Geopolitical concerns that have been on the periphery from an economic perspective, such as the Russian/Ukraine hostilities and ISIS, could quickly morph into situations that do have more meaningful economic consequences. The Obama administration's weak leadership thus far in these crises raises the risk of a surprisingly negative outcome. Fortunately, most of the concerns noted above seem to be lessening rather than worsening. Still, we remain alert for the possibility of sudden reversals on all of these fronts. The most likely outcome is for equities to rise as fears dissipate in the days ahead. By the time you receive this Commentary, the market's bottom may already have been put in and a normal strong finish to the fourth quarter may be underway. Most of our portfolios have surpassed their indices so far this year and we hope to be able to build on that advantage as the year comes to a close.

Chart 20

Elevated Fear Levels Presents Opportunity

Volatility Index (VIX) Rises Sharply

But Indices Are Off Less Than 10% From Recent Highs



Source: Bloomberg

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

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

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

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

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

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

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

Additionally, we favor companies that clearly embrace:

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

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

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

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

BRI in Action – Comparing Good and Bad Corporate Behavior

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

Below you will find an example of both a company exhibiting exemplary attributes, Jazz Pharmaceuticals, and one we avoid, Pfizer. Jazz Pharmaceuticals is a holding in some of our Stewardship Partners portfolios while we actively avoid ownership in Pfizer 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 – Jazz Pharmaceuticals – Integrity, Innovation and Excellence

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

Headquartered in Dublin, Ireland, Jazz Pharmaceuticals is a dynamic specialty biopharmaceutical company that identifies, develops and commercializes innovative products to address unmet medical needs in several focused therapeutic areas. Its rather odd name, at least for a pharmaceutical company, is suggestive of the beautiful music a group of jazz musicians with very specific talents make when they work together in tight coordination. Jazz music, like Jazz Pharmaceuticals' drug research, reflects the benefits of both improvisation and structure. Jazz Pharmaceuticals desires to draw together the talents of its own staff and all who the company collaborates with around the world to produce new, innovative drugs which address previously unmet medical needs, thereby restoring lives hindered or even threatened by disease and other medical conditions. Jazz Pharmaceuticals' lead product, accounting for more than 60% of its sales is Xyrem, the only product approved by the US Food and Drug Administration (FDA) to treat narcolepsy (excessive daytime sleepiness). Jazz also has a product in the oncology area, Erwinaze which helps patients suffering from acute lymphoblastic leukemia and the company featured the successful treatment of a seven year old girl from Wisconsin in its annual report. Erwinaze contributes roughly 20% of Jazz Pharmaceuticals' total sales. Jazz also markets products in the pain management and psychiatric sectors which account for a much smaller percentage of the company's overall business. Moreover, it is currently developing new drugs in the narcolepsy and hematology/oncology sectors. The company has often targeted drugs needed for patient groups smaller than 200,000 in size, commonly referred to as "orphan drugs". Because of the small market size of such drugs, the FDA gives drug makers special privileges in order to provide economic incentive for research and development to be undertaken by firms like Jazz. Besides Dublin, Jazz has offices in Philadelphia, PA and Palo Alto, CA in the United States as well as numerous offices throughout Europe. Jazz employs over 800 staff around the world. It markets its products in the US, ten countries in Europe and 80 other countries around the world.

As a drug developer, Jazz Pharmaceuticals has the ability to directly and meaningfully impact lives in a way most other companies cannot. Moreover, with its focus on orphan drugs, it is seeking to help those patients that might never get the life altering or saving treatment Jazz provides had the company not taken the financial risk to pursue these smaller pharmaceutical markets. Many patients, like the seven year old girl from Wisconsin, are very grateful for the hard work Jazz's scientists have undertaken to provide solutions to their medical needs. Undergirding the company's success are its five core values, starting with integrity. Jazz insists on honesty and compliance with the law from not only its own staff but also from its consultants, business partners and service providers. Not surprisingly for a company named Jazz, collaboration is also one of the company's core values. The company recognizes that so much more can be achieved when the great minds it both employs and partners with are working from a place of mutual respect and a desire to produce results so significant that it would be impossible to achieve these alone. Jazz's passion to remain laser-focused on improving patient care is its third core value. Their desire is to be deeply dedicated to bringing innovative therapies to patients as soon as possible. Innovation is the fourth core value as the company understands novel and creative approaches will be necessary to produce results in areas where others were discouraged by the difficulty of solving the unmet medical need or the smallness of the market. The final core value for Jazz is its pursuit of excellence, a character trait which has been demonstrated throughout the company's history. As a marketer of drugs, which can be dangerous if misused, Jazz has committed to marketing its products in an ethical fashion. To ensure success, the company utilizes thorough compliance manuals, extensive employee training and an open door policy for reporting suspected violations.

Drug developers recognize more than most companies that their most important assets walk out the door every evening. Smaller drug companies like Jazz are even more dependent on their key staff to build their future than larger drug companies with multiple layers of staff. Therefore, Jazz seeks employees who share its core values and works hard to create an environment in which they can flourish, both personally and financially. Accordingly, Jazz, in keeping with its commitment to the pursuit of excellence, offers a top tier, comprehensive compensation and benefits package designed to meet the needs of a diverse staff. The company describes its base pay and bonus plans as "extremely competitive". Employees are also given the opportunity to share in the growth of the company via plans which allow them to acquire shares in the company's stock, programs which they describe as "generous". Jazz provides health and welfare insurance and its contribution to the cost of these plans exceeds the industry average. Group life insurance is part of the company's benefit package and employees have the ability to acquire additional health life insurance for themselves or family members. Short and long term disability insurance plans are also provided for employees suffering more extensive medical setbacks. Flexible spending accounts are available for use with child care or other related expenses. Eligible employees are also given adoption assistance other forms of employee aid when a worker finds themselves or their family in a difficult personal situation. Knowing how hard their employees typically work, the company strives to help their staff maintain a proper work/life balance so Jazz offers industry-leading vacation benefits a generous allotment of sick days and paid holidays. Retirement savings options consist of a sponsored 401(k) plan and the ability to contribute to an attractive employee stock purchase plan. Jazz expects a lot from its employees but it also gives them a lot back as well.

Jazz Pharmaceuticals recognizes that to be a truly excellent company, its efforts to be a blessing to its patients and employees must extend to the communities it serves and works in as well. As a result, it engages in a number of philanthropic efforts aimed at helping others while also fostering long term benefits for its mission to help meet unmet medical needs for suffering patients. While the company does not delineate just how much it spends on charitable efforts, it has several programs in place which is indicative of what is likely a meaningful level of giving. One of the programs involves gifts to medically related organizations such as charities, medical schools, hospitals and medical associations for educational activities including fellowships, educational meetings and lectures. Another program is a bit broader in focus and makes grants or charitable contributions to non-profits related to the fields in which Jazz does business, provides sponsorship or memberships for meetings or medical organizations as well as support for groups collaborating to help meet unmet medical needs of patients. The company also supports charitable efforts in the areas where it has facilities.

Jazz Pharmaceuticals' good works, while numerous, are, of course, no guarantee of long-term investment success. As Biblically Responsible Investors, however, the company's commitment to innovation, integrity and safety as well as its outstanding treatment of its employees allows us to know we are shareholders in a company seeking to be a blessing to all. While no company, like no person, is perfect, this is clearly a company which benefits those related to it and one we can be proud to own! The lives its technology and products have saved, and will save in the future, alone make it a worthy investment for those taking a BRI approach.

The Bad – Pfizer – Abortion, Stem Cells and Homosexuality

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

Like Jazz Pharmaceuticals, Pfizer is a drug company which seeks to produce compounds which can be used to help people through a variety of medical challenges. Sadly, Pfizer has utilized its expertise and talents to produce three drugs, each of which can be utilized to cause an abortion and two of which were designed specifically for that purpose. Prostin E2 is a suppository used to cause an abortion anywhere from the 12th to the 20th week of pregnancy. Hemabate is an injection also used to kill children in the womb anywhere between the 12th and 20th week of pregnancy. A third drug, Cytotec, is meant to assist with gastric ulcers but can also cause abortions. Moreover, the company has been a sponsor of industry organizations encouraging the use of embryonic stem cells and uses such stem cells in its own research. Clearly, this is a company which does not share our biblically-based worldview since it has no moral problem with producing products intended to take innocent lives while still in their mother's womb. We are not sure how many children's lives have been ended using Pfizer's drugs but we have little doubt it is a very large number. We very much doubt that most sincere Christians would want to be associated with this company as its profits and dividends are clearly morally tainted.

Pfizer is also one of the most significant corporate supporters of homosexuality in the US. It has made charitable contributions to homosexual charities and sponsored homosexual gatherings. It offers domestic partners medical benefits and has also extended benefits to those employees seeking sex reassignment surgery. The company promotes a variety internal employee groups targeting its homosexual and transgendered staff members. It also has policies seeking to influence its corporate suppliers to promote homosexuality. As a result of its utilizing shareholder resources to offer extensive support of the sin of homosexuality, Pfizer is included on the BRI Institute's list of the companies who most actively promote the gay lifestyle. While we love all sinners, including homosexuals, our desire to invest in a manner that honors the Lord means we avoid companies like Pfizer.

Excluding Pfizer from our list of potential investments is not a difficult decision. As BRI investors seeking to please and honor our Lord, we naturally look elsewhere to achieve investment success as we do not want to be associated with a company using shareholder resources in a manner the Bible defines as sinful and which can 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

It is our hope that Stewardship Partners' ability to create an abundance for you will help you to share with those who are in need and assist in fulfilling the Great Commission. Our non-profit ministry affiliate, Wall Watchers, provides a free service to help you educate yourself about the many wonderful Christian giving opportunities available to wise donors. We invite you to join the thousands of visitors to our ministry's website at www.MinistryWatch.com, as best we can tell, the Internet's top site for donors to Christian ministries to gather critical information about the ministries they are considering supporting. The site contains a variety of helpful information about hundreds of the largest US-based Christian ministries including ministries statements of faith, the history of the ministry, program accomplishments, ministry financial statements and financial efficiency ratings. Please feel free to utilize this free resource as you seek to be a wise and effective donor to Christian ministries. We would be pleased to help you bless God's people who are in need, and clients of Stewardship Partners have access to further resources from MinistryWatch.com. It is our sincere desire to see Christians leading the way in giving generously, wisely and effectively so that the Lord's work on earth can be completed and many can be both blessed and saved.

Featured Ministry – Global Media Outreach

"It has always been my ambition to preach the gospel where Christ was not known." Romans 15:20

Global Media Outreach began its operations in just 2004, which is not all that surprising since the ministry's focus is reaching the lost through the internet. The ministry has reported truly amazing results in its first ten years of operations. The work of GMO begins when seekers find just one of GMO's more than 250 websites. Here, more than 1 million visits to Gospel presentations happen each day, and more than 100 thousand indicated decisions for Christ will occur—even today. In only 10 years, Global Media Outreach has presented the Gospel more than a billion times to people from 195 countries across the globe. GMO's staff of 44 and team of nearly 9,000 Online Missionaries have seen more than 100 million indicated decisions for Jesus Christ since 2004. As the leading pioneer in media-technology evangelism and discipleship, GMO aims to amplify efforts in order to give everyone on earth multiple opportunities to accept Jesus Christ— see hundreds of millions receive Him—build them in their faith and then connect them to Christian movements everywhere.

In 2013 alone, there were 326 million visits to GMO sites and 34 million indicated decisions for Jesus Christ. With partners like Greg Laurie/ Harvest America, GMO is able to take on-the-ground contacts online and disciple them after they have committed to Christ at a Harvest Crusade. GMO is even using innovative methods such as this all over the world to accelerate the Great Commission and connect online seekers to Christian communities on the ground. When seekers request follow-up, GMO is prepared with Online Missionaries in 127 countries. Combined, GMO's diverse team of Online Missionaries can respond in 26 different languages. Online Missionaries use a special system GMO has developed that provides safety and security to those communicating. With mobile traffic increasing, GMO developed a way to allow seekers to connect with an Online Missionaries through an SMS message. Those who aren't ready to connect are still able to grow their faith by downloading a mobile app GMO developed called the Next Steps app. Currently, the Next Steps app is available in English, Spanish and Arabic.

Global Media Outreach not only has produced astounding results but also has managed the ministry's affairs in a disciplined fashion. Global Media Outreach has a three star Financial Efficiency Rating from MinistryWatch.com, and has received accolades from other Charity evaluators. We believe Global Media Outreach is very worthy of your consideration for financial support. It appears to offer the lowest cost per conversion that we have ever seen.

The Christian Ministry Marketplace – Helping Donors Give Wisely

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

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)
- Global Generosity Movement (generositymovement.org)
- Sound Mind Investing (soundmindinvesting.com)
- The Gathering (thegathering.org)
- MaximumGenerosity.org (maximumgenerosity.org)
- Stewardship Ministries (stewardshipministries.org)

HOW to give with a discerning mind?

Professional Advisors:

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

Donor Advisors:

- Excellence in Giving (excellenceingiving.com)
- Calvin Edwards & Company (CalvinEdwardsCompany.com)
- Kardia (kardiaplanning.com)

WHERE to invest in kingdom ministries?

Ministry Research:

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

Ministry Mutual Funds:

- National Christian Foundation (nationalchristian.com)
- Strategic Resource Group (srginc.org)
- Sovereign's Wealth Fund (swfund.org)

Featured Ministry Marketplace Participant – Kingdom Advisors

"We carry the offering, which we administer in order to honor the Lord." 2 Corinthians 8:19b

Kingdom Advisors is a rapidly growing association of Christian financial professionals dedicated to communicating biblical wisdom to their clients, applying professional principles in their practices and living out their faith their marketplace in order to have a kingdom impact. The organization was originally founded by Larry Burkett as the Christian Financial Planning Institute. In 2003, however, Ron Blue took over leadership of this 16-member organization and laid plans to significantly increase its size and impact. Six years later, the now renamed Kingdom Advisors has 1,700 members and its impact continues to grow. Many local branches of the group are in operation across the country as well where members can minister to one another and work together to have an eternal impact on their communities. Additionally, members have begun to create affinity groups within Kingdom Advisors where financial advisors can join together with others who share their interests. The oldest such group is the Biblically Responsible Investing (BRI) Community Group which Stewardship Partners helped start. Other groups focus on charitable giving, attorneys and emerging advisors. Advisors from individual firms, such as Morgan Stanley and Merrill Lynch have also organized within Kingdom Advisors.

Members of the group are also encouraged to pursue the Qualified Kingdom Advisor designation which requires participation in a rigorous study program designed by Ron Blue, founder of the largest Christian financial planning firm in the world. Kingdom Advisors' professional training is designed to assist financial professionals in becoming disciples of Christ who are equipped and motivated to disciple others in comprehensive biblical financial stewardship. Hundreds of Kingdom Advisor members have already completed these studies, including some of the most respected financial advisors in the country. If you are a Christian financial advisor, you need to be a member of Kingdom Advisors!

Knowing Jesus Christ as Your Lord and Savior

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

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

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

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

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

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