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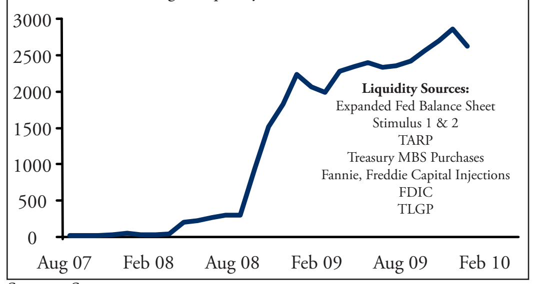
Stocks and Bonds Soar as the Economy Continues to Heal

"Give thanks to the Lord.. make known among the nations what he has done." 1 Chronicles 16:8 (NIV)

2009 was indisputably a great year for the financial markets even though it started in the worst possible way. Equities, bonds and commodities all bounced strongly off their lows, significantly rewarding those investors who maintained their composure during the global economy's darkest hours. Stock prices were the main beneficiary of the recovery with the S&P 500 advancing more than 70% from its March 2009 low and the MSCI World Index rising more than 75%. Bond prices also had dramatic price recoveries. The riskier the bond, the greater its recovery as investors celebrated the growing possibility they would actually get their money back. Likewise, low quality stocks achieved the best returns during 2009 as the ultimate fate of bankruptcy was avoided for many. Commodity prices also moved sharply higher as hopes of a global economic recovery began to be realized and as investors sought refuge in hard assets from spendthrift governments doing their best to debase their currencies. This profligacy, however, greatly supported inflation in financial asset prices even while the prices of goods and services remained under control. Chart 1 highlights the nearly $3 trillion in new liquidity injected into the financial markets from various recovery programs instituted by US policymakers since early 2008. Additional liquidity flowed into markets globally from other nations' efforts to combat the possibility of another depression. With such a towering tsunami of liquidity washing over the financial markets, it is easy to see how financial asset prices rose so relentlessly in the face of continuing economic concerns.

Chart 1

Massive Liquidity Injection Boosts Share Prices
Nearly $3 Trillion to Support Markets Since 2008
Strategas Liquidity Calculator, $ Billion



Source: Strategas

Table 1

4Q09 & 2009 Returns

US Indices	4Q09	2009
S&P 500	6.04%	26.46%
S&P 500 Citigroup Value	9.48%	50.85%
S&P 500 Citigroup Growth	3.21%	55.20%
NASDAQ* (price only)	6.91%	43.89%
S&P 400 (Mid Cap)	5.56%	37.38%
S&P 600 (Small Cap)	5.12%	25.57%
Treasury Bonds	-6.39%	-17.62%
High Grade Corp. Bonds	-1.87%	4.25%
Gold	9.21%	25.72%
Global & International Indices		
MSCI World	3.68%	26.98%
MSCI EAFE	1.80%	27.75%
MSCI Euro	0.98%	26.44%
MSCI Far East	-1.65%	10.43%
MSCI Japan	-2.82%	4.44%
US Economic Sectors		
Energy	5.58%	13.82%
Materials	7.36%	48.58%
Industrials	5.38%	20.93%
Consumer Discretionary	9.07%	41.30%
Consumer Staples	5.02%	14.89%
Health Care	9.09%	19.69%
Financials	-3.37%	17.22%
Information Technology	10.70%	61.72%
Telecom	7.43%	8.93%
Utilities	7.26%	11.91%

Source: Merrill Lynch, MSCI, NDR, Strategas

Fortunately, Stewardship Partners more than participated in the stunning rebound in the equity markets in 2009. Indeed, we had our best year ever in terms of both absolute and relative returns. At the height of the crisis, we made a conscious effort to focus our portfolios, even more so than usual, on those companies with strong long term growth prospects, high quality balance sheets and superior, defendable business models. Many such stocks had been favorites of the highly leveraged hedge funds prior to the crash. Share prices of such companies fell to shockingly low levels when many hedge funds were forced to liquidate their portfolios in late 2008. By taking advantage of this rare opportunity, we finished well ahead of the indices in all of our portfolio strategies in 2009. Our Global Concentrated BRI portfolio composite performed best due to its especially tight focus on our best picks. Our more diversified Global Equity BRI portfolio composite also had excellent returns. Our US, International, SMID Cap, Global Balanced and Global Rising Dividend composites, as well as the tactical versions of all our portfolios, all exceeded their respective indices in 2009 (please see our Investment Strategies Handbook that can be found at www.StewardshipPartners.com for actual performance information and required regulatory disclosures).

Despite its fearful start, 2009 turned out to be a year in which we were able to restore much of what clients lost during the "Great Recession". While there is still more work to do on this front, we are very, very thankful to have been able to make so much progress so quickly.

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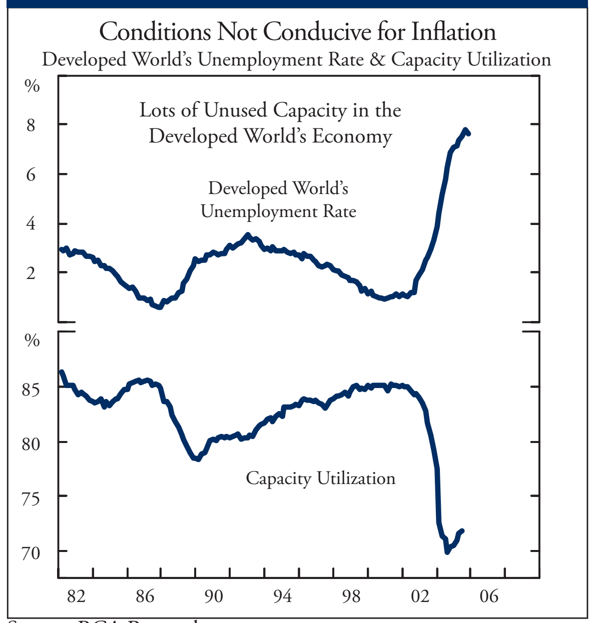
Searching for a "Goldilocks" Economic Recovery

"…look for it as for silver and search for it as for hidden treasure" Proverbs 2:4 (NIV)

The financial markets could easily tolerate massive monetary and fiscal stimulation in 2009. With the global economy at the precipice of another Great Depression, an enormous response was required. It also did not threaten to destabilize key economic variables, as it would have under normal economic circumstances. Indeed, it helped bring many of those key relationships back into balance just in the nick of time. While considerable damage has been inflicted on the global economy, the substantial recovery in the financial markets has helped set the stage for continued economic healing in 2010.

Chart 2

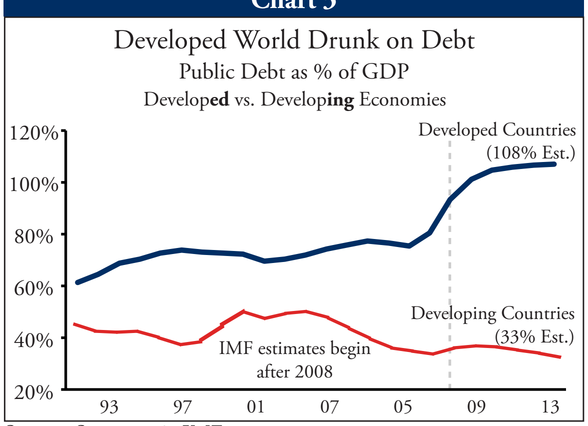


Source: BCA Research

Economic policymakers, however, are facing a much more challenging environment this year. While opening the monetary and fiscal floodgates had the desired impact last year, it remains unclear what the ramifications of these decisions will be in 2010 now that the global economy has begun the recovery process. The first concern we have is that the global economy could quickly transition into a period of too rapid growth as government officials, fearful of a quick return to recession conditions or of political repercussions, are too slow to remove the vast array of accommodative policies they deployed. To be sure, there remains considerable slack in global economic activity, as seen in persistently high unemployment and low factory utilization rates (Chart 2). This suggests rapid growth would not necessarily instigate either renewed inflationary pressures or sharply higher interest rates. This theory may soon be tested since indicators of future economic growth are strong almost everywhere. In the developed world, leading indicators point to a rapid recovery, but lingering doubts hang over the expected strength of the upturn as a result of a still impaired banking system and questions about the willingness of elected officials to make difficult choices required to reverse enormous fiscal deficits. Moreover, no matter which choices are made: tax increases, spending cuts, some combination of both or letting the deficits continue to rise, all will in some way act as a constraint on economic performance.

What remains unknown is just how responsive the developed world economies will be to the combined forces of the lagged effect of massive stimulus in 2009, a still weak banking sector and fiscal and monetary stimulus exit strategies that have yet to be implemented. Investors need to watch developments very closely to determine the trends as they develop since guidelines that have helped shape their investment decisions in the past may not be helpful in the current unique situation. As in 2009, liquidity trends may dictate the outcome in the financial markets in 2010. Moreover, investors should not overlook the many economic vulnerabilities in developed world economies, due in large measure to their weak national balance sheets. In view of these risks, the consequences for investors of economic developments are higher than normal even while our ability to make a high confidence forecast of the likely outcomes is greatly diminished. There could well be many false signals in the economic data in the coming months which could increase market volatility. Ideally, policymakers will hit just the right blend of actions to produce a "Goldilocks" economy – one that is neither too hot nor too cold. Miscalculations could have serious consequences for investors and it would be remarkable if such slip-ups can be totally avoided as the economic healing continues.

Chart 3



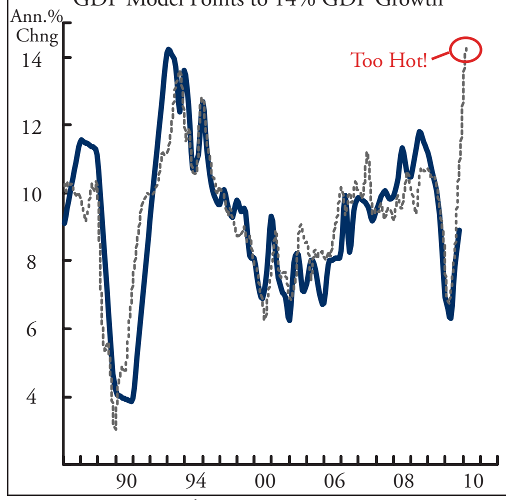
Source: Strategas & IMF

As difficult as it is to make a reliable economic forecast for the developed world, it is just as easy to make a high confidence projection that China will soon be overheating. The developing world's financial institutions were largely unscathed by the developed world's financial system meltdown as they were not encumbered by the toxic securities and derivatives most western banks possessed on their balance sheets. Furthermore, the national balance sheets of the developing economies are currently much stronger and improving while their developed world counterparts face weak and rapidly deteriorating finances (Chart 3). Considering the huge unfunded long term healthcare and retirement obligations in the developed world - programs emerging market nations do not have in place - the relative strength of the developing nation's long term financial position is even more evident. At the same time, China and other developed nations also responded to the threat of depression with significant stimulus of their own. With a sound banking system able to transmit this stimulus though to the real economy and with no need to raise taxes or cut government expenditures to avoid fiscal disaster, it can reasonably be expected that China in particular will soon be growing too fast for comfort. Chart 4 highlights an economic forecasting model which suggests economic growth will spurt to 13% in China. Additionally, there are indications of bubble-like conditions in China, including increasing speculation in real estate. Not surprisingly, China's policymakers have recently begun to target lower loan growth and can be expected to take other strong measures to cool its economy during 2010.

Chart 4

China on Fast Track to Overheating

GDP Model Points to 14% GDP Growth



Source: BCA Research

A "Goldilocks" economy may be hard to find in 2010 and beyond. This suggests greater volatility in the world's financial markets. For the moment, however, inflation remains contained, interest rates are not yet threatening economic harmony and liquidity continues to be abundant. Should these conditions somehow remain intact in the current riskier environment, investors could be rewarded with attractive returns. But we intend to be very watchful for signs of trouble as the consequences of a too hot economy could be severe.

"Goldilocks" Faces Many Dangers - The Risks to the Recovery

"The prudent see danger and take refuge" Proverbs 27:12 (NIV)

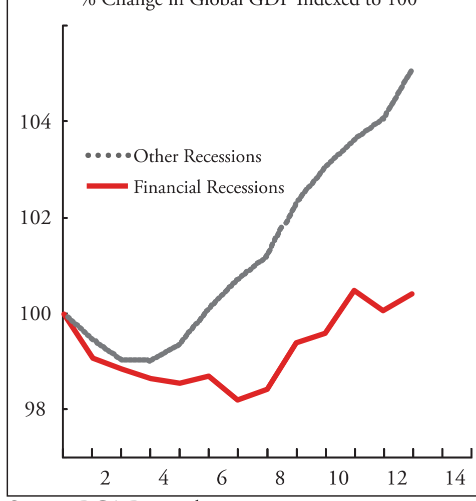
It is even more vital the global economy avoid a relapse into recession. While we do not view this to be a significant risk at this point, the economic situation is tenuous enough to give this possibility consideration. Moreover, if the world did get "too cold", the consequences would be more severe than it getting "too hot". Economic growth is a necessary condition for credible policies to be formulated which will allow developed world deficits to be brought under control. It is also needed to nurse the still fragile banking system back to health. A recovering economy will also do much to keep financial asset prices elevated, which supports growth prospects. The penalties a renewed weakness would bring are scary to consider. This is why the authorities are likely to be very slow to reverse programs aimed at promoting growth until it becomes evident a self-sustaining recovery has taken root. Given the historical precedent of banking related recessions resulting in significantly slower growth during the ensuing recovery, the risk of a relapse is materially greater in the current situation, especially in view of the seriousness of the banking debacle that caused the recent downturn (Chart 5).

Chart 5

Banking Led Recessions Hurt Most

Banking Led Recessions vs. Business Recessions

% Change in Global GDP Indexed to 100



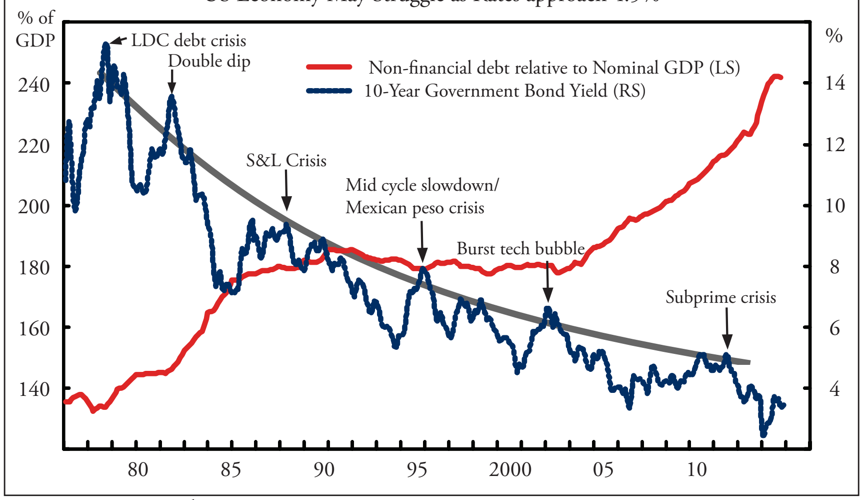
Source: BCA Research

Another concern is an early return of the bond market vigilantes. During December, interest rates on US Treasury securities rose noticeably after having traded in a narrow range for most of the latter half of 2009. If this represents rising concerns among bond buyers about the credibility of government policies and a growing unwillingness to buy US Treasuries at such low interest rates, trouble for bonds, stocks and the value of the dollar are sure to follow. While rates are still low by historical standards, the increasing debt levels in the US mean that economic recovery can be choked off at much lower levels of interest rates

Chart 6

Rising Debt Lowers Economic Choke Point

US Economy May Struggle as Rates approach 4.5%



Source: BCA Research

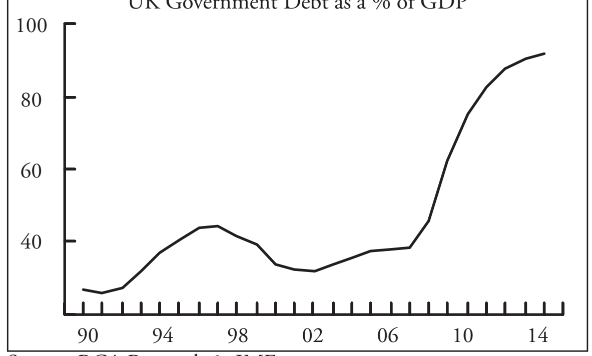
(Chart 6). We expect the economy, and particularly the housing sector, may suffer if rates on the ten year US Treasury bond approach 4.5%. With this interest rate currently at 3.8%, the risk is growing that further upside pressure on rates will quickly prove restrictive at a time when the Fed is seeking to remain largely accommodative. On the other hand, this situation means the risk of an overheating US economy is less likely as any move towards such a condition may be rapidly choked off by higher interest rates. If this works as a natural stabilizer, it could actually help ensure a "Goldilocks" economy is the most likely outcome.

Certainly, the US finds itself in a difficult place. While clearly recovering, the economy is still vulnerable on many fronts. Even so, continued progress in the US economy is not our greatest concern. Greater risks exist outside the US. Among the larger developed economies, Japan and the UK could both pose problems to investors well before any setback occurs in the US. Japan's government debt situation is far worse than that of the US, its current policy approach is ineffective and it has remained in a deflationary straightjacket for two decades. While Japan does not rely on foreigners to fund its deficits, our sense is that at any time, the world's second largest economy could suddenly find its problems getting significantly worse. Even more than the US, higher interest rates cannot be tolerated in Japan and could be a fatal blow to its already weakened economy. Likewise, the UK is in a more precarious situation than the US. Its banking system is fragile and its fiscal situation is also worse. It would not be surprising if an economic crisis of meaningful proportions erupted in the UK in 2010. The bond market vigilantes may target the UK Gilt market well before the US, given the explosion in UK government debt (Chart 7).

Chart 7

England's Debt Growing too Rapidly

UK Government Debt as a % of GDP



Source: BCA Research & IMF

Problems also continue around the periphery of Europe, including Eastern Europe. Greece's troubling governmental finances have that nation at the brink of requiring a rescue from its European Union partners and Spain is facing an unemployment rate of nearly 20%. Portugal, Ireland and Italy also are facing serious economic strains. It is not clear stresses in these nations can undermine the global economic recovery, but these situations must be monitored closely.

There are many other vulnerabilities facing the global economic recovery. A terrorist attack severe enough to impact economic activity could clearly undermine consumer and investor confidence and trigger an economic setback. Recent terrorist efforts have not been of such a scale, however, and suggest that the terrorists are not yet able to mount any effort that would destabilize the economy. Another risk is a geopolitical one. If Iran were subject to a military attack by Israel or allied western nations, it would have the capacity to respond, at least initially, with missiles. Should it attack oil targets in Saudi Arabia or elsewhere, leading to disruptions in the supply of oil, this too could cripple the global economy. Also on the geopolitical front is the ever-boiling cauldron of Muslim extremism in Pakistan. Given this nation possesses nuclear weapons, any overthrow of its government by terrorist forces or any force sympathetic to them would immediately be the world's most serious issue. While such issues may not be likely to occur, investors must be prepared to react quickly if they do. This would be true at any time, but is even more so now given the fragility of the ongoing economic recovery and the leveraged impact such developments would have on investor confidence.

On a more positive note, Scott Brown's senatorial victory could lead to falling risks in the US. The Obama administration's big government agenda will be limited by this development. The dollar, inflation, interest rates and investor confidence should benefit. The bond market vigilantes are less likely to cause a disturbance if deficit reduction now becomes the focus of Washington, DC.

If We Don't Lose "Goldilocks", Stocks May Have Another Good Year

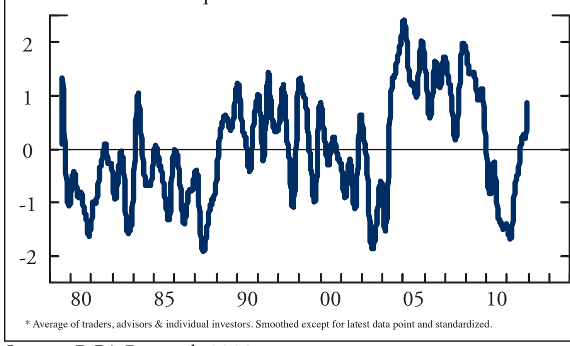
"Be careful, keep calm and don't be afraid. Do not lose heart…" Isaiah 7:4 (NIV)

While we are beginning to focus more on the risks facing the current "Goldilocks" economy, investors are increasingly getting too "hot" on the prospects for share prices. Chart 8 highlights that investor sentiment has been rapidly improving, signaling elevating short term risk in the market. While not yet near a point of maximum optimism, this increasingly hopeful sentiment suggests the average investor may be spending too much time looking in the rear view mirror at the stellar returns already achieved and not enough focusing on the obstacle course the market needs to navigate in 2010. Nevertheless, abundant liquidity combined with the current "not too hot, not too cold" economic trends could produce further gains for the market. If mutual fund flows give an accurate indication, investors have not yet begun chasing strong equity returns. Still psychologically bleeding from the equity market collapse in 2008, investors plowed $351 billion into bond funds in 2009 but only a miserly $6 billion into equity funds. Clearly, there is an opportunity for equities to benefit from additional sizable allocations as investors grow more comfortable the economic recovery can make the transition from government supported to self-sustaining.

Chart 8

Sentiment Moving Closer to the Danger Zone

US Equities Sentiment Indicator



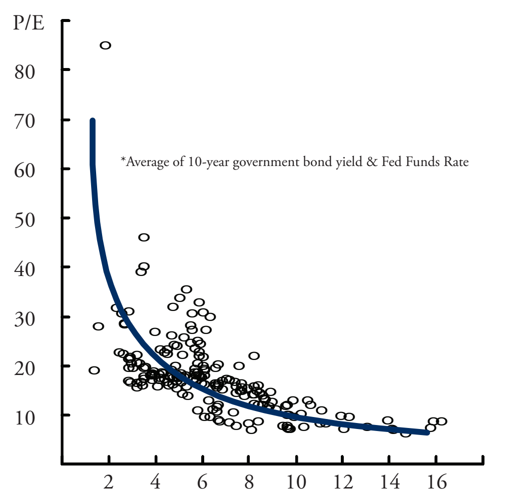
Source: BCA Research 2009

Strong earnings growth is also boosting share prices. Suspicious of the durability of this government sponsored recovery, CEO's have been careful to maintain costs at very low levels. The resulting very strong productivity gains are driving profits far above the extremely weak year ago levels. As a result, the upcoming earnings season should be a mostly happy affair. Likewise, future quarterly reports should also benefit if economic growth can be maintained at moderate levels. While many companies will report stellar earnings, investors will likely fixate on the guidance for 2010. Given the many economic uncertainties, we suspect managements may be even more cautious than normal in their prognostications. This may disappoint investors initially, but sets up the opportunity for expectations to be exceeded as the year unfolds. Already, many forecasters expect the S&P 500's earnings to rise between 30-35% in 2010. If this level of growth can be achieved, stocks should offer double digit returns for the year, even after factoring in a degree of price-earnings multiple erosion.

Chart 9

PE Ratios Could Rise if Rates Stay Low

The Relationship Between PE Ratios & Interest Rates



Source: BCA Research

Absent a substantial increase in interest rates, however, there may be no reason to expect price-earnings ratios to diminish. Based on current earnings forecasts for 2010, the PE ratio for the S&P 500 is in the 15-16x range. Chart 9, which portrays the historical relationship between interest rates and PE ratios, suggests PE ratios could actually expand if interest rates remain stable, or even if they rise somewhat. Currently, the average of the yields on the 10 year US Treasury bond and the Federal Funds rate is about 2%, suggesting that PE ratios could easily rise above 20 times and still be in line with historical norms. Accordingly, if policymakers are able to keep the economy from overheating or sinking back into recession, another favorable year for equity returns is clearly possible. Should inflation start to become a problem due to overheating or if the bond vigilantes balk at the low yields currently offered on the mountain of new supply of Treasury bonds, the resulting rise in interest rates would hurt both corporate earnings and PE ratios. Clearly, there is much riding on the ability of the authorities to keep the economy on an even keel as the recovery progresses. Even if this is the eventual outcome, we suspect investors will suffer a panic attack or two over the course of 2010 as various data reports suggest the current delicate balance may be at risk. Given the still large amount of money sitting on the sidelines, however, any such sell-offs could be seen by those left behind by the market's advance as opportunities to increase their allocation to equities. Policymakers, however, will be challenged as they try to maintain economic balance on the tightrope they are walking between a "too hot" and "too cold" economy.

It Is a Big Challenge for Policymakers to Get Growth "Just Right"

"Can a man walk on hot coals without his feet being scorched?" Proverbs 6:28 (NIV)

Changes in Fed policy will be one of the most intently studied aspects of the markets in 2010. With the global economy showing more indications of strength recently, the Fed could choose to respond sooner rather than later in the year. While there may be significant fears surrounding the Fed starting to become less accommodative in its policy stance, the historical evidence (Table 2) suggests investors have little to be concerned about as the Fed moves to a tightening bias. Both immediately before and after the Fed's first rate hike, stocks – and cyclical stocks in particular – have typically performed well. Due to the perceived fragility of this recovery, however, fears of the Fed moving too quickly and throwing the economy into reverse may cause at least some short term disruption for equities. Additionally, if the Fed is raising rates to keep the economy from overheating, this would likely be received well by the markets. On the other hand, if rates rise in order to attract scarce bidders for US Treasury auctions, this will be perceived as a negative for the financial markets. We believe the former to be much more likely than the latter.

Table 2

No Need to Fear Fed Rate Increase

Avg. S&P 500 Sector Perf. Before & After First Fed Tightening

	Before		After	
	-6 Mos.*	-3 Mos.	+3 Mos.	+6 Mos.
Materials	19.5%	11.4%	2.8%	12.1%
Industrials	17.5%	11.0%	-0.2%	6.6%
Energy	16.7%	8.7%	6.5%	10.7%
Discretionary	12.4%	3.6%	0.5%	8.2%
S&P 500	**11.6%**	**6.1%**	**0.8%**	**8.0%**
Financials	9.4%	5.0%	-1.2%	2.6%
Telecom	6.2%	3.5%	-1.7%	5.1%
Staples	6.0%	3.1%	-3.3%	3.1%
Heath Care	5.9%	2.7%	0.4%	4.4%
Technology	5.2%	3.3%	-3.3%	6.7%
Utilities	-0.1%	1.7%	-4.4%	-2.6%

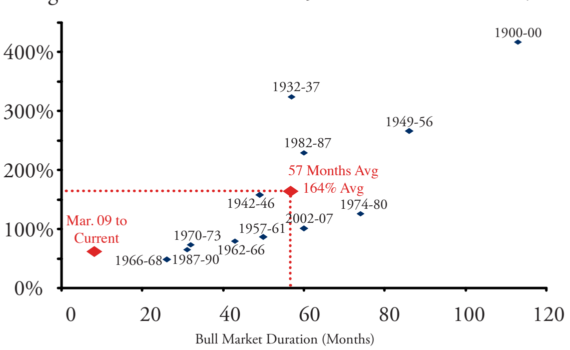
* Sorted: Aggregate of '83, '87, '94, '99 & '04

Source: Strategas

Chart 10

Current Bull Market is Very Young

Magnitude & Duration of S&P 500 Bull Markets since 1928



Source: Strategas

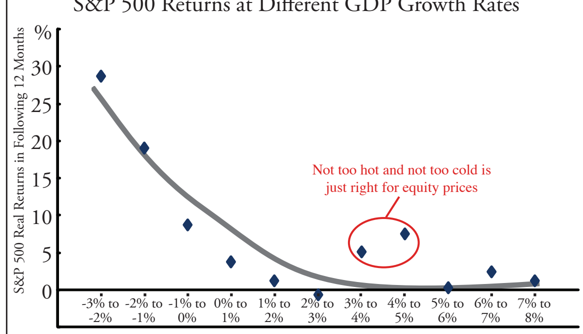
Given the more than 70% jump off the lows in March 2009, many investors are thinking that perhaps this is as good as it gets for equities. A historical review of the magnitude and duration of this bull market compared to others, however, shows just how early we may be in the current advance (Chart 10). This is not to say there will not be setbacks along the way, but history suggests the recovery in share prices so far is young rather than old. Moreover, it should not be surprising that one of the deepest and rapid declines in share prices in history would be followed by a steep and quick recovery. Even so, the S&P 500 would need to advance more than 35% just to regain the high it reached in October of 2007. At the moment, there is little reason to believe we are anywhere near a secular peak in the markets. If this were the case, we would expect to see much greater demand for equity mutual funds, lots of mergers at unusually impressive prices and many initial public offerings. If "Goldilocks" conditions can be maintained, or even something close to such a situation can be achieved, one could reasonably expect share prices to continue to advance more often than not in the years ahead. While this may be true, we acknowledge the risks to such a propitious outcome being achieved remain high.

Reducing these risks by steering a course that is "just right" is the policymakers' challenge. And it will be no small challenge given the weak developed world banking systems, the legacy of the debt bubble, the potential for "riots" by the bond market vigilantes and the risk of currency calamities. Chart 11 highlights the relationship between GDP growth and equity returns. As can be seen, the best returns occur when economic growth is negative, which recent experience just confirmed. Under normal circumstances, however, the best returns are achieved when GDP growth is between 3% and 5%. Such growth rates are neither "too hot nor too cold" and are exactly what equity prices now need to thrive in 2010 and beyond.

Chart 11

If GDP Growth is Too Hot, Equity Suffers

S&P 500 Returns at Different GDP Growth Rates



Source: BCA Research

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

Biblically Responsible Investing (BRI)- Investing as Jesus Would

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

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

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

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

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

3. **We have *compassion for those addicted and/or engaged in sinful lifestyles* so we screen out companies involved in:**
   - Alcohol, Gambling and Tobacco
   - Pornography
   - Homosexuality (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, Qualcomm, and one we avoid, Time Warner. We own Qualcomm in many Stewardship Partners portfolios while we actively avoid ownership in Time Warner 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 – Qualcomm – Innovation, Charity and Sustainability

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

In 1985 seven communications industry veterans gathered together in the San Diego home of Irwin Jacobs and laid the groundwork for what would become one of the most successful business start-ups of its time - Qualcomm. While not as well known as Microsoft or Apple whose products are sold directly to consumers, Qualcomm – which stands for quality communications – has had a pivotal role in developing the infrastructure and technology needed to support the explosive growth in wireless communications. The company, true to its engineering roots, has thrived on creativity and innovations and has always seemed to be several steps ahead of its competitors. Qualcomm has received more than 11,000 wireless communications patents and over 190 telecommunications equipment manufacturers license their technologies for use in their mobile telephones and related hardware. Additionally, almost 600 wireless network operators worldwide rely on Qualcomm technology. Many of the impressive capabilities of the average cellular telephone are powered by Qualcomm microchips. It employs more than 15,000 employees in 24 countries and had revenues of more than $11 billion in 2008.

Strong corporate governance acts as a foundation to Qualcomm's success. The company's independent board is comprised of respected individuals from a variety of backgrounds and Qualcomm has a special Corporate Governance Committee to ensure the company is implementing the latest improvements in this arena. The company's Code of Ethics applies to every employee and the Board of Directors. The code covers a variety of subjects including conflict of interests, honest and ethical behavior in all company dealings, prompt disclosures of material events and the prohibition of retaliation on those reporting ethical issues to their superiors. Qualcomm's deep commitment to ethical behavior, the attractive work environment it offers its employees and its success have resulted in the company winning many prestigious awards. Since 2002, Qualcomm has been included on Fortune Magazine's 100 Most Admired Companies List. Within their industry classification they came in first place for both innovation and for the quality of their products. Since 2004, Qualcomm has been on Institutional Investor magazine's list of the most shareholder friendly companies, highlighting its commitment to transparency and accountability. It has also won awards in the US, Korea and India for being among the best companies to work for. The company has also been awarded numerous awards for its technological achievements, its environmental stewardship, its philanthropic efforts and has received the US Department of Labor "Opportunity Award". Clearly, this is a very accomplished company and its shareholders can be justifiably pleased with its many accomplishments.

The primary community Qualcomm seeks to bless is its employees. Its benefits package is exceptional. The company offers medical, dental and vision insurance as well as programs to help pay for dependent care costs. It provides adoption assistance and, not surprisingly, subsidies to acquire a wireless device. It offers both 401(k) and stock ownership plans. Employees get ten holidays each year plus they are able to select an additional holiday of their choice. Sick time is provided based on the honor system. Vacation time is generous and tuition assistance is also available. Internal training programs are abundant and Qualcomm also has instituted a variety of efforts to help employees balance work and family responsibilities. The company has maintained balance between male and female salaries and internal surveys report that 91% of employees are pleased with their jobs. Beyond the employees of Qualcomm, the company has demonstrated its commitment to operating in a more sustainable fashion. It embraced innovative, environment-friendly product designs many years before government regulations imposed requirements and has placed solar panels on the rooftops of its buildings to reduce emissions. It has even reduced by 97% the number of plastic containers sent to landfills by altering its office cleaning techniques.

Qualcomm has not hoarded its success. It has been very active in charitable endeavors, giving away over $125 million since 2000. In 2007-08 the company provided financial and other assistance to Chinese earthquake victims, to those impacted by California wildfires and to those struggling to recover from the Myanmar cyclone. The company also provides assistance for schools and adoption in India, to the blind in the United Kingdom and to a wide variety of food banks in the US. Qualcomm employees have donated over 65,000 hours of their time and initiated nearly 5,000 matching grants to almost 1,250 charities.

Qualcomm's good works are, of course, no guarantee of long-term investment success. As Biblically Responsible Investors, however, Qualcomm's charitable efforts, its sound corporate governance 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 – Time Warner – Porn, Homosexuality and Anti-Family Activity

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

Time Warner is perhaps best known today for its disastrous acquisition of America Online, viewed by many as one of the worst decisions by a corporate management team in history. While this purchase of one of the Internet's early icons has severely hurt shareholders, we are more concerned by the moral pollution Time Warner is now spewing throughout our society as its negative societal impact goes well beyond just the company's shareholders. While this company certainly has some worthwhile attributes, these are easily offset by the sizable quantity of disturbing activities for which it is responsible.

In addition to advertising in porn magazines, Time Warner's AOL.com derives revenue from ad placements and/or links to porn websites. Clearly, as Christian investors we seek to avoid ownership of companies involved in activities that are harmful to those both producing and consuming the pornography.

Time Warner has also been identified by the Biblically Responsible Investing Institute as one of the foremost supporters of homosexuality. The Bible clearly indicates that homosexuality is a sinful behavior and using shareholder resources to promote homosexuality is at odds with Christian investors' beliefs.

Via Time Warner's Home Box Office unit, its movie production units and its broadcast TV unit, the company produces a massive quantity of programming which undermines healthy family values. Violence, drug use, sexual content and obscene language are frequently found in the company's programs.

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

STEWARDSHIP PARTNERS

MINISTRY COMMENTARY

Our Ultimate Goal - Funding the Lord's Work

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

It is our hope that Stewardship Partners' ability to create an abundance for you will help you to share with those who are in need and assist in fulfilling the Great Commission. Our non-profit ministry affiliate, Wall Watchers, provides a free service to help you educate yourself about the many wonderful Christian giving opportunities available to wise donors. We invite you to join the thousands of 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. Please be sure to check out our 2009 list of our thirty Shining Light Ministry Award winners as well as our companion list of thirty ministries that are subject to a Donor Alert from MinistryWatch.com.

Featured Ministry – Mercy Ships – Christian Response to Disasters

"Hear my cry for mercy as I call to you for help" Psalm 28:2 (NIV)

Mercy Ships is a global charity that has operated hospital ships in developing nations since 1978. Mercy Ships brings hope and healing to the forgotten poor by mobilizing people and resources worldwide, and serving all people without regard for race, gender, or religion. Following the model of Jesus, Mercy Ships believes the nature and character of a loving God must be demonstrated both visibly and verbally. The volunteer crew is dedicated to bringing hope and healing to the forgotten poor. The ministry was founded by Don and Deyon Stephens. The Stephens purchased the former passenger liner Victoria for $1 million in 1978. After four years of refit, the vessel sailed as the newly christened Anastasis, the first Mercy Ship. Long since retired, the Anastasis has been replaced by the African Mercy, the world's largest charity hospital ship with six state-of-the-art operating rooms. Mercy Ships has provided free surgeries, dental care, medical supplies, development training, clothing, construction materials, food and seeds and a message of hope to more than seventy port districts worldwide.

Mercy Ship's surgeons have performed more than 12,000 surgeries. These include: cleft lips and palates repairs, cataract removal and lens implants, straightening crossed eyes, removal of large tumors and reconstruction of facial features distorted by accidents and disease. In addition, over 220,000 people have been treated in village medical clinics and more than 110,000 dental treatments have been performed. Primary health care has been taught to village leaders who have in turn trained thousands of others. Crew members have built schools, hospitals, churches and homes. They have taught agricultural techniques and demonstrated construction and maintenance of latrines as well as installing and teaching maintenance of water wells to provide clean water to entire villages. Additionally, tens of millions of dollars of medical equipment, hospital supplies and medicines have been distributed to the poor and needy.

In view of the tragedy in Haiti, Mercy Ships is a timely charity for Christians to consider. It has a long track record of serving in such difficult situations and has already begun deploying resources to help. Additionally, Mercy Ships commitment to help Haitians impacted by the devastation of the earthquake will not be short term in nature. Donors can expect this ministry to have a long term positive impact as well as a crucial short term benefit to the people of Haiti. Mercy Ships is a MinistryWatch.com Shining Light Award winner.

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 - Kingdom Advisors

"Blessed is the man who does not walk in the counsel of the wicked." Psalm 1:1 (NIV)

Kingdom Advisors is a rapidly growing association of Christian financial professionals dedicated to communicating biblical wisdom to their clients, apply professional principles in their practices and live out their faith in the marketplace in order to have a kingdom impact. The organization was originally founded by Larry Burkett. 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 almost 4,000 members and is growing rapidly. Over 120 local branches of the group are either already formed or are in the process of forming. Additionally, members have begun to create affinity groups within Kingdom Advisors where financial advisors can join together with others who share their interests. The most popular group is the Biblically Responsible Investing Community Group.

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. Over 400 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!

STEWARDSHIP PARTNERS

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