

FRIENDS FIDUCIARYSM

Financial Services for Quaker Organizations since 1898

VOLUME 13, ISSUE 3

SUMMER 2011

www.friendsfiduciary.org

Consolidated Fund Update

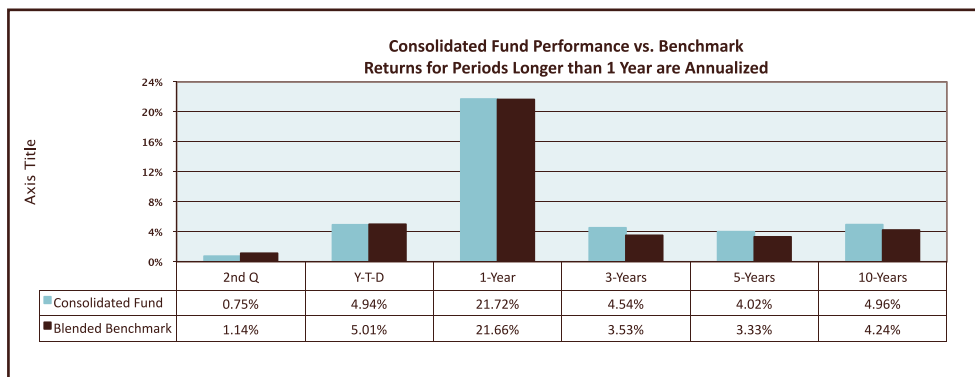
June 30 Snapshot

Consolidated Fund Unit Value	6/30/11	\$41.88
Next Cash Distribution	12/20/11	\$0.95

Asset Allocation	6/30/2011
Equities	62%
Fixed Income	32%
REITs	6%

The value of our diversified investment approach was again brought to the forefront as U.S. stock markets reacted to the unfolding of economic and geopolitical events in the second quarter. The quarter began with a great deal of optimism supported by solid first quarter employment trends, positive signals that business activity was picking up and improvements in consumer confidence and spending. The tone turned decidedly pessimistic in late April following a spike in corporate layoffs and a reversal in the unemployment trend back up to 9.0%. Combined with the escalating European sovereign debt crisis and clear indications that China's rapid growth rate was slowing, equity markets posted sharp declines in both May and June.

By quarter's end, domestic stocks, as measured by Standard and Poor's 500 Index, eked out a 0.1% gain while international stocks as measured by the EAFE Index (Europe, Australasia and Far East) posted a slightly better 1.6% return. Year-to-date returns remained in positive territory with the S&P 500 up 6.0% and EAFE gaining 5.0%. Trailing 12-month results showed an impressive 30.7% increase for the S&P 500 and an equally impressive 30.4% increase for the EAFE Index. Bonds posted a respectable 2.3%



gain in the second quarter with year-to-date and trailing 12-month returns remaining in low single digits.

The Consolidated Fund posted a modest gain of 0.75% (gross of fees) in the quarter which was slightly below its blended benchmark return of 1.14%. Of the eight managers represented in the fund, four outperformed their respective benchmarks and four underperformed. Positive relative results were delivered by domestic equity manager, Chicago Equity Partners, by international equity manager, Boston Common, by REIT manager, Urdang and by domestic bond manager, Payden & Rygel. For the year-to-date period, the Consolidated Fund posted a 4.94% return versus 5.01% for the benchmark, and for the trailing 12-month period the return was 21.72% versus a benchmark return of 21.66%.

In keeping with our socially responsible investment practices, the Investment Committee reviews all domestic equity purchase recommendations from our managers prior to allowing their purchase in the portfolio. In the second quarter we reviewed 54 new purchase recommendations. Of those reviewed, 52 were approved for purchase and 2 were rejected. The two companies rejected were Cabot Oil & Gas for its weak environmental record and Teradyne for its military contracts.

In June 2011, the Consolidated Fund distributed \$0.96 per unit representing a 5.00% distribution rate. With the calculation of our June 30 unit value of \$41.88, we are informing investors that the December 2011 distribution will be \$0.95 per unit. As previously communicated, the payout percentage in 2012 is set to decline another ¼ percent to 4.75%.

As we go to print, markets are reeling from uncertainty and fear brought on by lack of resolution regarding our national debt crisis, by rating agency Standard and Poor's downgrade of US debt, by Euro-zone debt contagion, and by indications that global economies and corporate profits are slowing. The violent stock market swings in early August have reignited speculation that we may soon be entering another recession. We believe, however, that the financial system and business conditions are in much better shape than might be implied by the stock market. While there is still much room for improvement in employment and housing, there exists a slow and persistent base level of consumer demand that should keep the economy moving forward. In this environment of uncertainty and anemic growth, we remain committed to delivering a balanced investment approach grounded in the beliefs and values of the Religious Society of Friends.

The Consolidated Fund maintains a socially responsible witness in its investments in harmony with Friends Testimonies.

Friends Fiduciary Corporation Consolidated Fund

Total Return for the Period Ending June 30, 2011

Fund Results	2nd Q	Y-T-D	1-Year	3-Years	5-Years	7-Years	10-Years
Total Fund	0.75	4.94	21.72	4.54	4.02	5.56	4.96
Blended Benchmark	1.14	5.01	21.66	3.53	3.33	4.81	4.24
Blended 65/35 Index	0.87	4.87	20.64	4.41	4.18	4.66	3.77
Large Cap Domestic Stocks	-0.30	6.31	30.45	2.74	2.31	4.82	3.52
Large Cap Benchmark	0.09	6.02	30.69	2.55	1.89	4.21	3.27
Fixed Income	2.82	3.53	6.65	6.63	6.78	5.56	5.85
Barclays Aggregate Bond Index	2.30	2.74	3.94	6.47	6.53	5.49	5.75

Performance by Manager	2nd Q	Y-T-D	1-Year	3-Years	5-Years	7-Years	10-Years
Large Cap Domestic Stocks							
Chicago Equity Partners	1.59	8.85	32.78	2.67	2.50	5.15	3.29
S&P 500	0.09	6.02	30.69	3.33	2.94	4.21	2.71
Brandywine Global	-2.99	2.05	26.35	2.62	2.64	4.04	3.34
Russell 1000	0.12	6.37	31.95	3.68	3.30	4.76	3.21
Great Lakes Advisors	-0.34	6.97	28.22	3.93	2.08	5.53	
Russell 1000 Value	-0.51	5.91	28.94	2.28	1.15	4.42	
Small Cap Domestic Stocks							
Columbia Managemnet	-6.27	-1.25	33.92	8.33	4.19		
Russell 2000	-1.61	6.20	37.40	7.77	4.08		
International Stocks							
Boston Common	1.38	4.79	27.77	1.62	2.23		
MSCI EAFE	1.56	4.98	30.36	-1.77	1.48		
REITs							
Urdang	4.28	12.22	39.20	10.43	6.33		
DJ US Select RESI (float adj) Index	3.88	10.77	35.70	4.80	1.70		
Fixed Income							
Payden & Rygel*	2.90	3.66	5.18	6.23	6.52	5.40	5.70
Barclays Aggregate Bond Index	2.30	2.74	3.94	6.47	6.53	5.49	5.75
Lazard Asset Management	2.37	2.85	10.94				
Barclays Global Aggregate Index	3.10	4.38	10.52				

*Payden & Rygel's performance includes trailing performance for previous domestic fixed income portfolio manager.

All returns are in percent. Returns for periods exceeding one year are annualized.

No predictions are made for the future and past returns are no guarantee of future results.

Blended Benchmark

42% S&P 500, 5% Russell 2000, 15% MSCI EAFE (Europe, Australasia & Far East),
33% Barclays Aggregate Bond Index, 5% DJ US Select RESI

Blended 65/35 Index

65% S&P 500, 35% Barclays Aggregate Bond Index

Large Cap Domestic Blended Benchmark

100% S&P 500, as of April 1, 2009, formerly 50% S&P 500/50% Russell 1000 Value

From the Executive Director

Friends Fiduciary serves nearly 300 constituents - Friends meetings, schools and other Friends organizations - by providing cost effective, socially responsible investment of assets consistent with Quaker values. Many of our constituents are very familiar with the importance of socially responsible investing and how Friends Fiduciary carries out its work. However, it is increasingly clear to me that we need to continually inform and update our constituents on our work. I believe that this information may also be of value to those who would like to see their Friends meeting, school, camp or continuing care retirement community use Friends Fiduciary to align their investment of resources with Quaker values as well.

FFC actively applies Quaker values as an integral part of our investment process on behalf of our constituents. We screen out those companies that produce weapons and weapons components. We screen out companies that engage in the production of alcohol, tobacco and firearms or that operate gambling casinos and lotteries. However, our work does not end there. We also consider a company's corporate track record on labor, the environment, sustainability and governance issues. Once a company has been added to the portfolio, our activity on behalf of our constituents continues. We vote shareholder proxies in line with Quaker values; we join with other institutional investors with similar values to initiate and co-sponsor shareholder resolutions; and we engage in dialogues with company management to clarify policies and positions and potentially influence them. Proxies are ballots issued by publicly traded companies that give stockholders an opportunity to vote on selected aspects of company operations and governance. While their practical influence can be debated, they are an all too frequently overlooked tool for expressing shareholder interests.

With an investment in Friends Fiduciary, our constituents are assured that Friends Fiduciary is actively working to align their investments with Quaker values and concerns. This work requires constant attention and consideration and evolves over time. As Executive Director, I am committed to continually seeking to fully reflect Friends' values and concerns in our investment processes and work.

Consolidated Fund Current Holdings

By Manager and including the Cash Reserve Account

As of June 30, 2011

Manager	Asset	Investment Style	% Assets	\$
Chicago Equity Partners	Stocks	Growth at a Reasonable Price	19.7%	51,200,000
Brandywine Global	Stocks	Relative Value	13.1%	34,000,000
Great Lakes Advisors	Stocks	Value	7.4%	19,200,000
Columbia Management	Stocks	Small Cap Core	6.4%	16,500,000
Boston Common	Stocks	International Core	14.7%	38,200,000
Urdang	REITs	Real Estate Investment Trusts	6.0%	15,600,000
Payden & Rygel	Bonds	Domestic Core	23.7%	61,400,000
Lazard Asset Mgmt.	Bonds	Global	7.2%	18,800,000
Cash Reserve Account	Cash	Cash	1.8%	4,700,000
Total Fund	Balanced	Total Return	100.0 %	259,600,000

Consolidated Fund

Unit Value History

	Previous Quarters Ending	Beginning Unit Value	Ending Fund Value Before Distributions	One-half Distribution Accrued	Ending Unit Value	Semi-annual Distribution
Sept	2010	36.42	39.72	\$0.530	39.19	—
Dec	2010	39.19	41.43	\$0.530	40.90	\$1.06
Mar	2011	40.90	42.58	\$0.480	42.10	—
June	2011	42.10	42.36	\$0.480	41.88	\$0.96

The Consolidated Fund pays out a total return distribution each June and December.

The distribution for 2011 is based on a 5.0% payout of the 12-quarter rolling average of the unit value.

December 2011 distribution = (5.0% X \$38.08)/2 = \$0.95.


In this issue...

Quarterly Summary.....1

Cons Fund Performance2

Executive Director3

Friends Fiduciary's sole mission is to assist Friends organizations in the stewardship of their financial resources.

 *Printed on 100% recycled paper.*

Friends Fiduciary is pleased to welcome

Butternuts Monthly Meeting (NY)
Poughkeepsie Monthly Meeting (NY)

And

West Richmond Friends Meeting (IN)
as a new constituents in the Consolidated Fund

Stock gift instructions have changed.
Please contact our office before initiating a gift of stock.

Friends Fiduciary Corporation

1650 Arch Street, Suite 1904
Philadelphia, PA 19103
(215) 241-7272

First Class Presort
U.S. Postage
PAID
Permit No. 1940
Bellmawr, NJ