

FRIENDS FIDUCIARYSM

Financial Services for Quaker Organizations since 1898

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Consolidated Fund Update

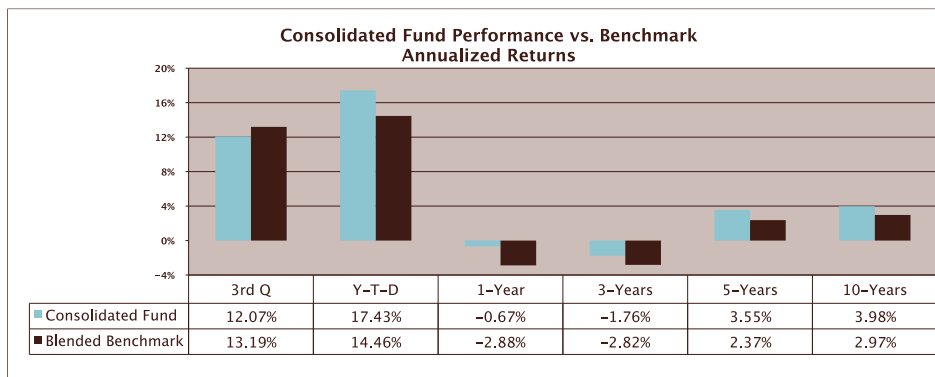
September 30 Snapshot

Consolidated Fund Unit Value	9/30/09	\$37.90
Next Cash Distribution	12/20/09	\$1.21
Asset Allocation	9/30/09	
Equities		58%
Fixed Income		38%
REITs		4%

The Consolidated Fund returned 12.07% for the third quarter and 17.43% for the first nine months of 2009. "Investors perceived that the most severe part of the global recession is past," our international bond manager, Lazard, wrote about the quarter, "but skepticism remained regarding the timing and magnitude of a bounce back in real global economic growth, the sustainability of stimulus, and the sustainability of growth in China."

Lazard thinks commodity-based countries, such as Australia, Canada, Norway, Brazil and Chile, will see economic recovery ahead of the United States and Europe. Investors seemed to agree. Through September, the Consolidated Fund's portfolio of international stocks enjoyed an almost 40% return; small-cap stocks followed at 32.4%; REITs at 24%; and large-cap domestic stocks at 19.66%. Global bonds outperformed domestic bonds.

With continued gains for stocks, the Fund's asset allocation moved closer to its long-term goal of 62% Equities, 33% Bonds and 5% REITs. Strong equity markets did most of the rebalancing work. We also reallocated funds from bonds into stocks at several points in the quarter.



Responding to constituent requests for more Consolidated Fund information, we began reporting monthly performance on the website in July. Monthly returns and unit value are posted as they become available in the middle of each month.

An additional comparison for the Consolidated Fund, a Blended 65/35 Index now appears on Page 2, right under the Blended Benchmark. The Blended Benchmark includes international, small-cap and REIT indexes in proportion to the Fund's target asset allocation; it highlights the benefits – and sometimes the risks – of a fairly diversified asset allocation. The Investment Committee also follows the 65/35, which consists of 65% S&P 500 and 35% Barclays Capital Aggregate Bond Index. Strictly a domestic, large-cap index, the 65/35 Index is a typical benchmark for a balanced mutual fund.

An income projection for the June 2010 distribution appears on Page 3. We estimate a June payment of \$1.11 per unit. The decline from the \$1.21 payable in December stems from two factors: 1) a quarter-point drop in next year's payout rate to 5.25% from 5.5% this year, and 2) lower unit values in 2009 compared with the 2006 values they have replaced in our three-year rolling average. In early January, once we have a unit value for December 2009, we'll report the actual amount of June's distribution. Please visit the Friends Fiduciary website for more on the Consolidated Fund's payout policy.

In October, a group of institutional investors, including Executive Director Connie Brookes and our international equity manager, Boston Common, met with Toyota Motor. Boston Common leads an effort to engage Toyota about its supply chain policies and practices. Among its corporate social responsibility guidelines, Toyota tries to ensure that its network of global suppliers adheres to fair labor and employment practices. The group discussed Toyota's implementation of its guidelines and its monitoring and verification standards. The dialogue will continue in February at Toyota's New York offices, as an adjunct to the winter meeting of the Interfaith Center on Corporate Responsibility. FFC coordinates much of its shareholder advocacy through ICCR, where Connie serves on the board.

Our new Planned Giving newsletter has just debuted as an e-newsletter. If you haven't received your copy, please send your email address to the FFC office.

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

Consolidated Fund

Total Return for the Period Ending September 30, 2009

Fund Results	3rd Qtr	YTD	Annualized Returns				
			1-Year	3-Years	5-Years	7-Years	10-Years
Total Fund	12.07	17.43	-0.67	-1.76	3.35	6.51	3.98
Blended Benchmark	13.19	14.46	-2.88	-2.82	2.37	5.81	2.97
Blended 65/35 Index	11.30	14.32	-1.17	-1.46	2.43	5.54	2.06
Large Cap Domestic Stocks	15.65	19.66	-6.22	-5.54	2.21	7.27	1.87
Large Cap Benchmark	15.60	15.33	-10.12	-7.12	0.66	6.02	1.06
Fixed Income	4.67	8.92	8.30	6.32	4.81	4.87	6.37
Barclays Capital Aggregate Bond Index	3.74	5.72	10.56	6.41	5.13	4.96	6.30

Performance by Manager	3rd Qtr	YTD	Annualized Returns				
			1-Year	3-Years	5-Years	7-Years	10-Years
Large Cap Domestic Stocks							
Chicago Equity Partners	14.22	15.05	-9.02	-6.35	1.89	6.02	0.15
S&P 500	15.60	19.25	-6.93	-5.44	1.01	5.86	-0.16
Brandywine Global	16.34	23.34	-0.38	-3.82	2.84	8.33	4.43
Russell 1000	16.07	21.07	-6.14	-5.10	1.49	6.31	0.41
Great Lakes Advisors	13.96	13.98	-12.12	-6.26	1.57	6.62	
Russell 1000 Value	18.24	14.84	-10.62	-7.88	0.89	6.63	
Small Cap Domestic Stocks							
Radnor Small Cap	22.00	32.41	-1.40	-3.92			
Russell 2000	19.28	22.44	-9.54	-4.57			
International Stocks							
Boston Common	18.56	39.89	6.06	-4.51			
MSCI EAFE	19.47	28.97	3.23	-3.60			
REITs							
Urdang	34.56	23.99	-22.07	-8.66	4.83		
DJ Wilshire Real Estate	35.92	18.59	-29.31	-13.83	1.11		
Fixed Income							
Payden & Rygel	4.31	7.84	7.23	5.96	4.64	4.72	6.23
Barclays Capital Aggregate Bond Index	3.74	5.72	10.56	6.41	5.13	4.96	6.30
Lazard Asset Management	5.90						
Barclays Capital Global Aggregate Index	6.23						

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 Value, 15% MSCI EAFE (Europe, Australasia & Far East), 33% Barclays Capital Aggregate Bond Index, 5% DJ Wilshire Real Estate Securities Index

Large Cap Domestic Stocks Benchmark

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

Blended 65/35 Index

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

2010 Income Distributions

Given the change in payout percentage next year, we've taken a look at income for 2010.

The distribution is based on a 12-quarter rolling average of unit value.

Remember the 2010 payout percentage will be 5.25%. As we work toward the final calculation for June 2010, we can now add September's unit value of \$37.90 to the list, which means that we are missing only one value, December 2009, for June's amount. To get a sense of the 5.25% payout and its effect on the distribution, we have assumed that December's unit value remains flat at the \$37.90 level.

Calculation

- Total the 12 most recent quarterly unit valuations – in this case March 2007 through December 2009 – and divide by 12 to get the average unit value
- Multiply the average by the distribution percentage for 2010 (5.25%)
- Then divide that number in half for the semi-annual distribution

12-Quarter Rolling Average

Valuation Date	\$ Unit Value
Dec 2009 (estimate)	37.90
Sept 2009	37.90
June 2009	34.29
March 2009	31.48
Dec 2008	33.98
Sept 2008	40.80
June 2008	44.38
March 2008	45.78
Dec 2007	48.96
Sept 2007	50.74
June 2007	50.22
March 2007	50.05
Total	506.48
Est. Average Unit Value (506.48/12)	42.21
Distribution at 5.25% (42.21 X .0525)	2.22
Est. June 2010 Distribution (2.22/2)	1.11

In terms of sensitivity to unit-value change, the amount of June's distribution remains at \$1.11 unless unit value rises or falls by 9% or more in the December quarter. If we continue to assume flat unit values for the next two quarters, March 2010 and June 2010, unit values of \$37.90 would replace the higher unit values of March 2007 and June 2007 in the rolling average. In that case, the December 2010 distribution would be \$1.05. This example may provide some guidance for your budgeting. It does not represent a forecast of actual market conditions or unit values. We will offer projections for December 2010 early next year when we have the December 2009 unit value in place. If you need additional information, please contact Connie Brookes, 241-7272, connie@friendsfiduciary.org.

Consolidated Fund Current Holdings

By Manager and including the Income & Deposit Account

As of September 30, 2009

Manager	Asset	Investment Style	% Assets	\$
Chicago Equity Partners	Stocks	Growth at a Reasonable Price	17.8%	38,800,000
Brandywine Global	Stocks	Relative Value	12.7%	27,700,000
Great Lakes Advisors	Stocks	Value	6.7%	14,500,000
Radnor Small Cap	Stocks	Small Cap Core	5.4%	11,850,000
Boston Common	Stocks	International	13.5%	29,400,000
Urdang	REITs	Real Estate Investment Trusts	4.4%	9,500,000
Payden & Rygel	Bonds	Domestic Core	29.8%	64,800,000
Lazard Asset Management	Bonds	Global	7.8%	17,000,000
Income & Deposit Acct	Cash	Cash	1.9%	4,100,000
Total Fund	Balanced	Total Return	100.0%	217,650,000

Consolidated Fund

Unit Value History

Previous Four Quarters Ending	Beginning Unit Value	Fund Value Before Distributions	One-half Distribution Accrued	Ending Unit Value	Semi-annual Distribution
Dec 2008	40.80	34.64	\$0.660	33.98	\$1.32
March 2009	33.98	32.12	\$0.640	31.48	—
June 2009	31.48	34.93	\$0.640	34.29	\$1.28
Sept 2009	34.29	38.51	\$0.605	37.90	—

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

The 2009 distribution is based on a 5.5% payout ratio and a 12-quarter rolling average of unit value.

December 2009 distribution = $(5.5\% \times \$44.06) / 2 = \1.21 .

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

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Responding to constituent comments, we are pleased to introduce...

Monthly investment performance can now be found in the Consolidated Fund section of our website, along with unit value, around the 15th of each month.

The Consolidated Fund newsletter is now available in PDF format by email. If you would like to receive it in this form and/or other Fund updates via email, please send a request and your email address to info@friendsfiduciary.org.

The Planned Giving e-newsletter debuted in October. Please send us your email address to join this list.

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