

# FRIENDS FIDUCIARY<sup>SM</sup>

Financial Services for Quaker Organizations since 1898

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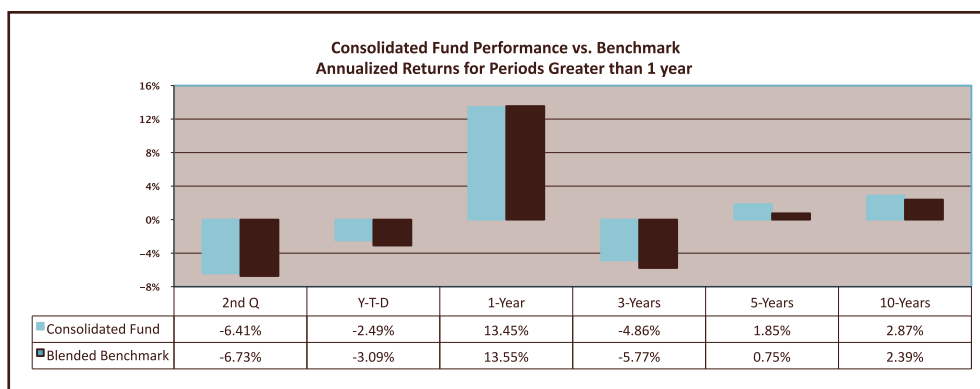
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## Consolidated Fund Update

### June 30 Snapshot

Consolidated Fund		
Unit Value	6/30/10	\$36.42
Next Cash		
Distribution	12/20/10	\$1.06
<b>Asset Allocation</b>	<b>6/30/2010</b>	
Equities		57%
Fixed Income		38%
REITs		5%

Riding a wave of positive momentum, U. S. capital markets entered the second quarter on a high note, but by late-April fears of an escalating financial crisis in Europe, signs that China's growth was slowing and a flow of uneven domestic economic data sent the markets into a skid. By quarter's end the equity market's string of four consecutive positive quarters was snapped with the S&P 500 posting a negative 11.4% return. Year-to-date returns also turned negative with the S&P 500 down 6.7%, however, returns for the trailing 12-month period remained in positive territory with a +14.4% return. The more mature international markets of Europe and Asia, as measured by the MSCI EAFE index (Europe, Australasia, Far East), underperformed U.S. markets in the quarter as global economic malaise dampened investor appetite. A flight to "safe-haven" pushed bond prices up and yields down to near record low levels, with the ten-year Treasury bond yielding below 3% and the 30-year below 4%. On the economic front, by June 30 the U.S. unemployment rate had drifted down to 9.5% from the 10.0% level seen at the beginning of the year, and total non-farm payrolls had increased 0.7%



year-to-date. While the housing sector remains challenging, with housing starts still running in negative territory and inventory levels of unsold homes at relatively high levels, sales of existing homes are up modestly when compared to year ago levels.

On the heels of a strong first quarter, the Consolidated Fund posted a decline of 6.4% for the quarter versus a 6.7% decline for the blended benchmark. Our mild outperformance relative to the benchmark is attributable to good results from domestic bond manager, Payden & Rygel, REIT manager, Urdang, large cap domestic equity manager, Great Lakes Advisors and international equity manager, Boston Common. With the weakness experienced by equities and the relative strength in fixed income, our total equity exposure dropped to 57% from 61% in the prior quarter. The fund's allocation to fixed income shifted to 36% from 34%, while our REIT exposure remained relatively flat at 5%.

As is our standard practice, the Small Investment Committee reviewed all domestic stock purchase recommendations for adherence to our social responsibility investment guidelines. During the quarter we received requests from our domestic equity managers to review 31 new purchase recommendations. Of the 31 received, 27 were approved and 4 were rejected for noncompliance with our guidelines. The four companies rejected were Eaton Corp., Oshkosh Corp., Linear Technologies Corp. and URS Corp.

In June 2010, the Consolidated Fund distributed \$1.11 per unit representing a 5.25% distribution rate. With the addition of our June 30 unit value of \$36.42, we can inform investors that the December 2010 distribution will be \$1.06 per unit. As previously communicated, the payout percentage in 2011 is set to decline ¼ percent to 5.0%

As our newsletter goes to print, the markets are enjoying a bounce off their recent lows driven largely by positive corporate earnings reports and improving sentiment regarding the European banking system. As we enter the second half of 2010, we are optimistic that our economy is improving, but also realistic that the recovery path may well be slow and uneven. In this environment, we gain comfort in our diversified investment approach that has served us well over the years.

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

## Friends Fiduciary Consolidated Fund

### Total Return for the Period Ending June 30, 2010

Fund Results	2nd Q	Y-T-D	1-Year	3-Years	5-Years	7-Years	10-Years
Total Fund	-6.41	-2.49	13.45	-4.86	1.85	4.51	2.87
Blended Benchmark	-6.73	-3.09	13.55	-5.77	0.75	3.68	2.39
Blended 65/35 Index	-6.47	-2.63	12.66	-4.09	1.37	3.57	1.16
Large Cap Domestic Stocks	-11.96	-6.89	14.14	-10.39	-0.30	3.74	0.02
Large Cap Benchmark	-11.43	-6.65	14.42	-11.50	-1.50	2.96	0.23
Fixed Income	2.82	4.70	8.78	6.55	4.70	4.78	6.36
Barclays Aggregate Bond Index	3.49	5.33	9.50	7.55	5.54	4.96	6.47

Performance by Manager	2nd Q	Y-T-D	1-Year	3-Years	5-Years	7-Years	10-Years
<b>Large Cap Domestic Stocks</b>							
Chicago Equity Partners	-11.46	-7.05	12.74	-10.28	-0.67	3.33	-1.59
S&P 500	-11.43	-6.65	14.42	-9.82	-0.80	2.84	-1.59
Brandywine Global	-13.62	-8.28	12.75	-9.42	0.49	3.33	2.26
Russell 1000	-11.45	-6.41	15.22	-9.55	-0.56	3.28	-1.23
Great Lakes Advisors	-8.93	-3.25	18.04	-10.22	-0.14	5.11	
Russell 1000 Value	-11.14	-5.11	16.93	-12.33	-1.64	3.49	
<b>Small Cap Domestic Stocks</b>							
Radnor Small Cap	-10.05	-1.32	24.85	-8.76	2.64		
Russell 2000	-9.93	-1.96	21.48	-8.60	0.37		
<b>International Stocks</b>							
Boston Common	-12.06	-10.51	13.10	-10.97			
MSCI EAFE	-13.97	-13.24	5.91	-13.38			
<b>REITs</b>							
Urdang	-3.18	6.60	57.84	-4.63	3.62		
DJ Wilshire Real Estate	-4.42	5.40	56.06	-10.48	-0.47		
<b>Fixed Income</b>							
Payden & Rygel*	3.78	5.79	9.60	6.56	4.76	4.81	6.34
Barclays Aggregate Bond Index	3.49	5.33	9.50	7.55	5.54	4.96	6.47
Lazard Asset Management	-1.04	0.05	5.18				
Barclays Global Aggregate Index	4.93	4.63	10.22				

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.

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

#### Blended Benchmark

42% S&P 500, 5% Russell 2000, 15% MSCI EAFE (Europe, Australasia & Far East),  
33% Barclays Aggregate Bond Index, 5% DJ Wilshire Real Estate Securities Index

#### 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

## ICCR Annual Meeting

FFC Executive Director, Connie Brookes, attended the annual general meeting of the Interfaith Center for Corporate Responsibility (ICCR) in Detroit in June. FFC gathered with other faith-based investors from across the country to prioritize shareholder issues for the upcoming 12 months.

The week began with an environmental tour of Detroit where ICCR members were given a close-up view of several neighborhoods. A grim reality was on display with only one or two houses left standing on some blocks. While a few remaining factories provide scarce opportunities for employment, they also provide a source of toxins for the city's water, land and air. In striking contrast to the more down trodden areas, the tour group also witnessed some intact and vibrant neighborhoods complete with well-cared for and often substantial gardens. It is obvious that many of Detroit's citizens take pride in their environment as they try to reinvigorate their city. Proof is seen in the many Community Gardens that are popping up throughout the city, often being tended to by local youth groups.

Following the tour, the assembled got down to the business of choosing priorities. Thanks to the development of a new and very robust survey methodology, FFC and other ICCR members were able to rank those issues that should receive organizational support. Human rights is the principle that overarches ICCR and its members' shareholder activities as it seeks to develop a focused, cross-sectoral approach to systemic change in corporate behavior. While individual ICCR members may keep their own focuses of concern, as a group, there was unity that ICCR will devote corporate resources and unwavering support to these key areas of corporate engagement: human trafficking, access to healthcare and medicine, supply chain monitoring, environmental health and financial practices.

## Consolidated Fund Current Holdings

By Manager and including the Income & Deposit Account  
As of June 30, 2010

Manager	Asset	Investment Style	% Assets	\$
Chicago Equity Partners	Stocks	Growth at a Reasonable Price	18.1%	38,100,000
Brandywine Global	Stocks	Relative Value	12.7%	26,800,000
Great Lakes Advisors	Stocks	Value	7.0%	14,800,000
Radnor Small Cap	Stocks	Small Cap Core	5.7%	12,000,000
Boston Common	Stocks	International	13.3%	28,100,000
Urdang	REITs	Real Estate Investment Trusts	5.4%	11,300,000
Payden & Rygel	Bonds	Domestic Core	28.1%	59,100,000
Lazard Asset Mgmt.	Bonds	Global	8.0%	16,900,000
Income & Deposit Acct	Cash	Cash	1.7%	3,500,000
Total Fund	Balanced	Total Return	100.0%	210,600,000

## Consolidated Fund

### Unit Value History

	Previous Quarters Ending	Beginning Unit Value	Fund Value Before Distributions	One-half Distribution Accrued	Ending Unit Value	Semi-annual Distribution
Sept	2009	34.29	38.51	\$0.605	37.90	—
Dec	2009	37.90	39.11	\$0.605	38.50	\$1.21
Mar	2010	38.50	40.07	\$0.555	39.51	—
June	2010	39.51	36.98	\$0.555	36.42	\$1.11

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

The distribution for 2010 is based on a 5.25% payout ratio and a 12-quarter rolling average.

December 2010 distribution =  $(5.25\% \times \$40.23) / 2 = \$1.06$ .


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