



ADDING VALUES TO STRONG PERFORMANCE.

January 6, 2017

**Dear Friends,**

We value our relationship with your organization and appreciate the opportunity to serve you. Thank you for your continued confidence in Friends Fiduciary! This is the 2016 fourth quarter update with important news and information about Friends Fiduciary and your account with us.

**2016 Fourth Quarter Summary:**

While it may be too soon to tell, the fourth quarter of 2016 is looking like the inflection point for the long-awaited rise in interest rates. Following months of commentary by Fed Chairwoman Yellen and Fed Governors hinting of a rate rise, the FOMC (Federal Open Market Committee) raised its benchmark fed funds rate in December from 0.50% to 0.75% and suggested additional increases in 2017 and beyond. Higher inflation expectations, tightening labor conditions and an improved GDP (gross domestic product) outlook contributed to the Fed's decision to tighten. Anticipating the Fed's move, bond yields rose throughout the quarter sending prices down across the yield spectrum. Our decision to maintain an underweight allocation to bonds proved to be a benefit to our unit holders. The picture was a bit brighter for equities as markets anticipated pro-business policies following Donald Trump's election. Broad market large cap indices performed well as Trump promised to loosen regulations on banking and oil & gas industries and increase spending on infrastructure projects. The promise of higher growth and profitability in these sectors propelled the S&P 500 Index up +3.8%. Also participating in the rally were small cap stocks which surged ahead +8.8% as Trump's rhetoric on trade and protectionism favors companies with little foreign exposure. Both developed and emerging international markets posted modest declines in the quarter with the MSCI EAFE (Europe, Australia, Far East Index) declining -0.7% and emerging market stocks slumping -4.2%. REITS (real estate investment trusts) continued their slide dropping -2.9%, as higher interest rates dampen the prospects for this group. We proactively reduced exposure to REITS earlier in 2016 anticipating the rise in rates. Economic statistics point to accelerating employment trends, improvement in industrial production and rising consumer sentiment – all signaling strength for the US economy as we move into 2017.

After declining in September and October the Consolidated Fund unit price marched higher in November and December closing the year at \$47.47. Following a similar pattern, the Quaker Green Fund unit value increased in November and December and closed at \$35.25. Reflecting the sharp move in interest rates at the short end of the yield curve, the Short Term Investment Fund (STIF) posted a modest -0.4% decline in October settling in at \$10.23 per unit.

	Unit Values		
	<u>Consolidated Fund</u>	<u>Quaker Green Fund</u>	<u>Short Term Fund</u>
October 31, 2016	\$46.66	\$34.30	\$10.27
November 30, 2016	\$47.04	\$34.87	\$10.23
December 31, 2016	\$47.47	\$35.25	\$10.23

[Continued on reverse]

Friends Fiduciary Corporation  
4th Quarter 2016 – Update  
January 9, 2017

**2017 Standard Distribution Rates:**

*The 2017 standard distribution rates are 4.0% and 3.5% for the Consolidated Fund and Quaker Green Fund, respectively. The June 2017 per-unit distributions will be \$0.94/unit and \$0.62/unit for the Consolidated Fund and Quaker Green Fund, respectively.* The distribution rate is intentionally conservative to preserve the purchasing power of principal. Constituents may, and some do, take more or less than the announced standard distribution rate. Each constituent group can decide the proper distribution levels for their meeting or organization. To request a distribution rate other than the standard rate, please contact Tim McElroy at [tmcelroy@friendsfiduciary.org](mailto:tmcelroy@friendsfiduciary.org) or 215-241-7272.

**\*REMINDER\* Tell Us When Your Officers Change:**

Please do tell us when you have a new treasurer or other authorized individual who will have authority over your account at Friends Fiduciary. Some meetings and organizations regularly change officers, including treasurers – others do not. Regardless, please notify Friends Fiduciary with each change in authorized persons at your organization so that we can make the appropriate changes to your account record. Time and headaches can be saved by notifying FFC proactively of changes in authorized individuals at your meeting or organization. To notify us of a change, please complete an account authorization form found on our website at: <http://www.friendsfiduciary.org/our-funds/constituent-forms>.

**Did you know that FFC has a constituent loan program?:**

As a service to our constituent investors, constituents may borrow funds at competitive rates using their investments in Consolidated Fund and/or Quaker Green Fund as collateral. Loans of up to 60% of the market value of invested funds may be made for up to a five year term. One monthly meeting used a loan to replace a boiler that suddenly stopped working in the heating season; they paid off the loan over five years as funds became available. There are some conditions and limitations in eligibility. For more information about the constituent loan program please contact Sandy Quinn at [squinn@friendsfiduciary.org](mailto:squinn@friendsfiduciary.org) or 215-241-7272.

**Annual Independent Audits:**

Copies of the Friends Fiduciary audits are available to all constituent investor organizations upon the request of the organizational representative in mid-May. Simply email us at [info@friendsfiduciary.org](mailto:info@friendsfiduciary.org) or call us at 215-241-7272. In addition, quarterly holdings lists are available to constituent investor organizations upon request.

If you have any questions about your statement, account, or Friends Fiduciary, please don't hesitate to contact us at [info@friendsfiduciary.org](mailto:info@friendsfiduciary.org) or 215-241-7272.

Sincerely,

*Jeff Perkins*

Executive Director