FRIENDS FIDUCIARY℠

Financial Services for Quaker Organizations since 1898

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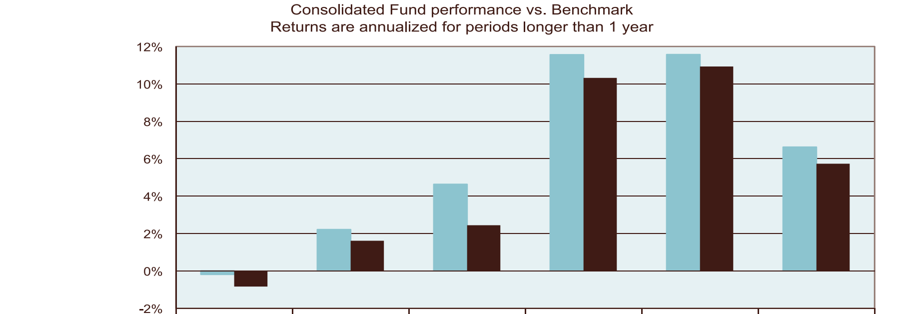
Consolidated Fund Update

June 30, 2015 Snapshot

Consolidated Fund Unit Value	6/30/15	$48.53
Next Per Unit Cash Distribution	12/20/15	$1.02
Asset Allocation		**6/30/2015**
Equities		72%
Fixed Income		24%
REITs		4%



	2Q 2015	YTD	1-Year	3-Years	5-Years	10-Years
Consolidated Fund	-0.19%	2.21%	4.63%	11.56%	11.57%	6.62%
Blended Benchmark	-0.84%	1.61%	2.44%	10.32%	10.93%	5.73%

As we go to print with our mid-year 2015 report we're seeing a slightly better tone to the economy and markets than earlier in the year. In the first few weeks of July mediocre U.S. economic data and fears of Greece defaulting on its debt were replaced by a third Eurozone bailout of their southern neighbor and improving U.S. economic statistics. Economic activity in the manufacturing sector expanded in June for the 30th consecutive month, and the overall economy grew for the 73rd consecutive month. All twelve Federal Reserve Districts indicated that economic activity expanded from mid-May through June. Unemployment declined to 5.3%, and importantly, the number of long-term unemployed (those jobless for 27 weeks or more) had declined by 955,000 over the past 12 months; other broad measures of employment trends remained positive in June. Recent housing sector data is showing strength in new homes with building permits up +7% month-over-month in June and +30% compared to June 2014; the pace of existing home sales in May was reported at a 5.44 million unit seasonally adjusted annual rate (SAAR), the highest level since November 2009. One very encouraging sign of housing activity is the return of first-time buyers to the market which indicates strong job gains among young adults and improving household formation trends.

Through the first six months of 2015 the S&P 500 Index increased a modest +1.2%. The best performing domestic sector in the first half was small cap with the Russell 2000 surging ahead +4.8% powered by gains in healthcare and technology stocks. Supported by better economic conditions and improving corporate profits in Europe and Japan and the perception that the crisis in Greece is unlikely to spread to other countries, developed foreign stock markets posted a positive +5.5% return in the first half as measured by the MSCI EAFE Index. In comparison, stocks of emerging markets lagged with only a +3.0% gain as China's slowing growth rate and weakness in Latin America impacted performance. Anticipating the Federal Reserve's impending move to raise interest rates, the yield on 10-year bonds increased from 2.17% to 2.34% in the first half. The interest rate sensitive bond market and REIT sector reflected this anticipation by posting declines of -0.1% (Barclays Aggregate Bond Index) and -5.7% (North American REIT Index), respectively.

The Consolidated Fund (6/30 assets $299.6MM) posted strong first half results with nine of twelve managers outperforming their respective benchmarks. The fund posted a gain of +2.2% compared to +1.6% for the blended benchmark. The fund's relative sector weights had only a small effect on performance – the bulk of the gains came from individual manager performance. Domestic large cap managers, Brown Advisory and Chicago Equity Partners, and international equity manager, Boston Common Asset Management, were the biggest contributors to the strong gains. Great Lakes Advisors, Walden Asset Management and the fund's allocation to the Quaker Index Fund all added positively to performance as well. The fund's small cap and global bond allocations were negative contributors while exposures to domestic bonds (Payden & Rygel) and the FFC Short Term Investment Fund (STIF) combined for a modest contribution of +0.10%.

Year to date performance of the Quaker Green Fund (6/30 assets $15.8 MM) was +4.6% versus +3.4% for its blended benchmark. The fund's clean tech allocation led all categories with a +9.7% gain versus +2.6% for the MSCI World Index. Cleantech manager, Essex Asset Management, attributed the strong performance, in part, to investments in SunEdison which will benefit from India's move to boost solar capacity over the next decade; from Waison Group, a Chinese electricity metering firm; from solar production equipment producer Meyer Burger; from Kingspan, a manufacturer of efficient building materials; and from Hannon Armstrong, a REIT company providing financing to the energy efficiency and renewables market. Large cap domestic stocks (Chicago Equity Partners) and the fund's bond exposure (Payden & Rygel) also added to the outperformance.

The Short Term Investment Fund (6/30 assets of $11.2 MM) posted slightly higher results for the first half with a +0.7% return, ahead of the blended benchmark return of +0.5% and well ahead of the Lipper Money Market Index +0.01%. The fund's low duration (1.9 years) and 1.2% yield to maturity should offer stability during a period of generally rising interest rates.

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Update *continued from page 1*

The second half of the year has started with the S&P 500 gaining +2.1% in the month of July. While this is a very encouraging sign we do not expect the double digit gains seen in 2013 and 2014. For the balance of 2015, the U.S economy should stay on its moderate growth trajectory, but we will likely have above average market volatility as we move closer to an eventual rise in interest rates.

The next income distribution from the Consolidated Fund will occur in December 2015 with a distribution of $1.02 per unit representing a 4.5% standard distribution rate. The Quaker Green Fund will be distributing $0.63 per unit representing a 3.5% rate. The distribution rates are reviewed annually by the FFC Board of Directors and are designed to balance dual objectives of providing stable, current income while preserving principal over time. The distribution rate is intended as a guideline - constituents may take more or less than the announced standard distribution rates depending on individual needs. We thank you for your confidence in Friends Fiduciary and look forward to serving your investment needs.

Friends Fiduciary Corporation Consolidated Fund

Total Return for the Period Ending June 30, 2015

			Annualized Returns			
	2nd Q	**YTD**	**1-Yr**	**3-Yr**	**5-Yr**	**10-Yr**
Total Fund (gross)	-0.2	2.2	4.6	11.6	11.6	6.6
Blended Benchmark[1]	-0.8	1.6	2.4	10.3	10.9	5.7
Large Cap Domestic Equity	0.8	3.7	11.8	19.1	17.8	8.4
Large Cap Domestic Equity Benchmark[2]	0.3	1.2	7.4	17.3	17.4	7.5
Mid Cap Domestic Equity	0.4	3.4	10.3			
Russell Midcap	-1.5	2.4	6.6			
Small Cap Domestic Equity	0.1	0.3	2.0	15.4	14.1	8.2
Russell 2000	0.4	4.8	6.5	17.8	17.1	8.4
International Equity	1.0	4.9	-2.3	10.3	8.3	
International Equity Benchmark[3]	0.5	4.0	-5.3	9.9	8.3	
REITs	-9.7	-4.9	6.1	10.5	16.3	9.8
FTSE NAREIT Index	-10.0	-5.7	4.3	8.9	14.3	7.0
Fixed Income	-1.1	-0.8	-0.2	1.8	3.7	4.2
Barclays Capital Aggregate Bond Index	-1.7	-0.1	1.9	1.8	3.4	4.4

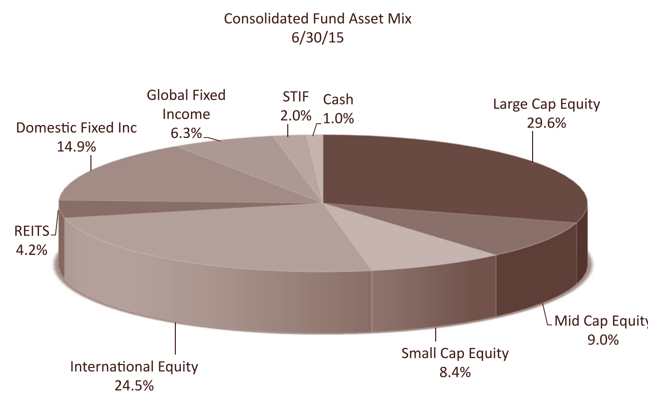
All returns are in percent. Returns for periods exceeding one year are annualized.

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

[1] 28% S&P 500, 9% Russell Mid-Cap, 8% Russell 2000, 25% MSCI ACWI ex-US, 5% FTSE NAREIT, 25% Barclays Agg. as of 2/1/14; formerly 42% S&P 500, 5% Russell 2000, 15% MSCI ACWI ex-US, 5% FTSE NAREIT, 33% Barclays Agg.

[2] 100% S&P 500 as of April 1, 2009; formerly 50% S&P 500 and 50% Russell 1000 Value

[3] 100% MSCI ACWI ex-US Index as of February 1, 2013; formerly 100% MSCI EAFE Index



Friends Fiduciary strives to provide its constituents with excellent customer service. Help us (and make sure you're receiving the latest in SRI activities and news!) by sending updated contact information and any personnel changes to info@friendsfiduciary.org.

From Jeff Perkins, Executive Director

We're well into summer here in Philadelphia! I am happy to report that all of the Friends Fiduciary funds continue to outperform their market benchmarks in markets that have seen some significant volatility. In addition to increasing the market value of our constituents' assets we continue to grow our assets under management with new and existing constituents. We received more than $15 Million in new investments in 2014 and we are on track towards the 2015 goal of an additional $25 Million.

Word is getting out! Our excellent investment returns with a rigorous Quaker investing process is a winning formula for more and more Friends organizations. This is important because the more our asset base grows from new assets invested, the less every constituent pays for our services which are provided at cost. In this way, all constituents benefit from economies of scale through their investments in our funds.

Further, each constituent investor is participating in a larger Quaker witness by investing in the commingled funds of Friends Fiduciary. Our rigorous screening and robust shareholder and policy advocacy advance Friends values on behalf of our constituent investors, and this work supports the values of the broader Religious Society of Friends – including those groups that are not yet investing with us. We encourage all Friends meetings, churches, schools and organizations to invest their financial resources consistent with Quaker values and to be part of our Quaker witness by investing with Friends Fiduciary Corporation!

Advocating Quaker Values To Add Shareholder Value

Friends Fiduciary is dedicated to reflecting Quaker values in our investment management, not only in choosing the sectors and companies in which to invest, but also through active ownership in the companies we hold. This is done through voting proxies in a manner that communicates our values on environmental, social and governance (ESG) issues, dialogues with company management, and filing shareholder resolutions as a more forceful way to voice our concerns and interests to corporate management and other shareholders.

During the recent proxy season, we voiced our concerns with a number of companies. While our dialogues' led to commitments for change from some of those companies, for others it was necessary to add our concerns as proposals to proxies for a shareholder vote. We presented our proposals at two corporate annual general meetings this year.

The first proposal was filed with Genworth Financial, a Fortune 500 insurance company providing life, long-term care, and mortgage insurance. Our proposal, co-filed by Calvert Investments, asked that the company provide comprehensive annual sustainability reporting. For shareholder advocacy, we have focused our primary resources on the banking and insurance industries. These industries serve other businesses and as a result of their financing and underwriting policies and requirements can potentially influence thousands of other businesses.

Why is Sustainability Reporting Important?

ESG issues can pose significant risks to a company's sustainability, and without proper disclosure, stakeholders and analysts cannot ascertain whether or how the company is managing this exposure. Collected data indicates there is a clear connection between understanding, managing and reporting corporate sustainability and creating company and shareholder value.

In 2012, Deutsche Bank reviewed 100 academic studies, 56 research papers, two literature reviews, and four meta studies on sustainable investing and found 89% of studies demonstrated that stock prices of companies with high ESG ratings outperform the market, and 85% of the studies indicated that these companies experience improvements to their reported financial results. Further, a growing number of major corporations also recognize the value of sustainability reporting. As of December 2012, 53% of the S&P 500 and 57% of the Fortune 500 published corporate sustainability reports.

> We belive current ESG reporting is weakest where the risk is greatest: in the area of climate change.

Managing ESG business practices help companies compete in a global business environment characterized by finite resources, changing legislation, and heightened public expectations. Reporting allows companies to publicize and gain strategic value from existing sustainability efforts and identify emerging risks and opportunities. Further, this information allows investors to gauge the extent to which a corporation is contributing to food and water crises, income inequality, climate change, governance failures and other important issues affecting our world.

ESG and the Insurance Industry

In an October 2014 statement, the chairman of the National Association of Insurance Commissioners (NAIC) pointed out that 97% of scientists studying climate change agree that it is a reality and are focused on the timing and magnitude of changes and related damage we can expect. However, much of the insurance industry is still lagging on this important issue.

Ceres, a nonprofit organization advocating for sustainability leadership, analyzed the responses from insurance companies to a survey on climate change risks developed by the NAIC and reported, "climate change poses wide-ranging risks to the operating performance and financial stability of the insurance sector."

We believe current ESG reporting is weakest where the risk is greatest: in the area of climate change. Life and health insurers face a number of ESG risks, particularly related to climate change. These risks include losses due to extreme weather, stress-related health issues and fatalities from severe heat waves, and the aftermath of natural disasters such as injuries, fatalities, and water and soil contamination. The NAIC agrees stating, "Disclosure of climate risk is important because of the potential impact climate change can have on insurer solvency and the availability and affordability of insurance across all major categories."

Our Proposal to Genworth Financial

We believe that climate risk information is critical to assessing a company's long-term sustainability, and that long-term sustainability is an important component for long-term shareholder value. Therefore, our proposal for a comprehensive annual sustainability report recommended using the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. GRI is an international, not-for-profit organization promoting the use of sustainability reporting as a way for companies to become more sustainable and contribute to a sustainable global economy.

As a result of our dialogue with Genworth, they increased their disclosure of some ESG information on their website in a recently added section for Corporate Social Responsibility (CSR). However, the company is using an incomplete and non-standardized approach and did not commit to an annual sustainability reporting process. Therefore, issues of critical concern to investors remain undisclosed.

Investors require specific information on planning and actionable steps to measure and mitigate climate impacts. However, the company has no goals in place for future emissions reductions and no comprehensive annual sustainability reporting process. Therefore, it became apparent to Friends Fiduciary that without shareholder pressure the company's outlook for proactive management and improvement in the area of climate change and ESG reporting was limited.

At the Genworth Annual General Meeting of Shareholders

At Genworth's May 2015 Annual General Meeting in Richmond, Virginia, FFC Executive Director, Jeff Perkins, presented the reasoning behind this proposal and urged shareholders to vote for the proposal. There, he also pointed out that Genworth's 2014 score by the CDP (Carbon Disclosure Project) was an E on an A to F scale. The score is a measure of the positive actions, including those to promote climate change mitigation, adaptation and transparency, that the company has demonstrated through their CDP reporting. While the company has taken steps to reduce the carbon footprint of their facilities, their E score clearly indicates the company's climate-related disclosure is inadequate.

While our proposal did not receive a majority vote, it did receive over 40% of votes cast, a huge show of support for a shareholder proposal. Specifically, 107,873,561 votes were for the proposal, while 161,538,346 votes were against. With such a narrow voting margin and growing support for increased disclosure of ESG issues, it is hoped that Genworth management will be more responsive in future dialogues with Friends Fiduciary.

Transparency Supports Corporate Integrity

Friends Fiduciary also filed a number of resolutions on lobby and political spending. One of these, put forward by the Benedictine Sisters of Mount St. Scholastica with Friends Fiduciary as co-filer, was filed with Comcast and pertains to their lobbying activities and related spending. Without transparency and accountability, corporate assets can be used to promote objectives that pose risks to the integrity and reputation of a company, and ultimately can adversely affect shareholder value.

Shareholder value can be difficult to build and maintain, but that value can quickly crumble as a result of corporate missteps. As shareholders, we rely on information from the company to evaluate whether its actions and spending are consistent with expressed goals and in the best interest of long-term value.

A Significant Disclosure Gap

While Comcast discloses its non-deductible political contributions, these do not include payments used for lobbying. Third-party sources may reveal expenditures for direct federal lobbying activities, but these do not include spending at the state level. Comcast spent $35.8 million in 2013 and 2014 on federal lobbying activities. The company is a member of the Business Roundtable, which spent $26.3 million lobbying in 2012 and 2013. Publicly available data simply does not provide a complete picture.

Further, Comcast does not disclose payments to organizations that write and endorse model legislation, like the American Legislative Exchange Council (ALEC). Friends Fiduciary is concerned by their support for ALEC following

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Advocating Quaker Values *continued from page 3*

the negative attention the organization attracted by promoting bills on Voter ID and Stand Your Ground, and for blocking EPA regulations. Highlighting the reputational risk of being associated with ALEC, more than 100 companies, including other Fortune 500 companies like Apple, Coca-Cola, Google, Merck, Microsoft and Sprint announced dropping their membership.

In this proposal, we requested the Comcast Board authorize the preparation of an annual report that discloses their lobbying policies and procedures, detail of lobbying payments, payments and memberships for organizations that write and endorse model legislation, and the decision-making process and oversight used by management and the Board regarding such payments.

The proposal covered both direct and indirect lobbying, as well as grassroots lobbying communications at the local, state and federal levels. The requested report was to be presented to the Audit Committee and posted on Comcast's website. Institutional Shareholder Services (ISS), a proxy advisor, supported our proposal, noting that Comcast "does not provide information on the company's direct or indirect lobbying expenditures, nor does it identify the company's trade associations."

At the Comcast Annual General Meeting of Shareholders

At Comcast's May 2015 Annual General Meeting in Philadelphia, Pennsylvania, FFC Chief Investment Officer, Richard Kent, presented the merits of this proposal and urged shareholders to vote for the proposal. He reminded attendees that the Board and shareholders need transparent and complete disclosure to assess the use of corporate assets for lobbying and any risks associated with this spending.

Although this proposal did not pass, it successfully reached the proxy, received the support of ISS, and gained nearly 30% of votes cast by non-Comcast-insiders.

Our Values-Based Advocacy is Ongoing

Friends Fiduciary is the most active Quaker organization engaging in shareholder and policy advocacy on important business issues. Our efforts are continuous and ongoing as we engage with companies whenever the potential for greater transparency, improved corporate citizenship, and added long-term shareholder value are identified.

Our process begins with identifying issues of concern, and moves to company engagement. We open a dialogue with management in hopes of finding an acceptable resolution. This proxy season alone, dialogue on various issues with six companies ended without the need to pursue proxy resolutions.

However, as the Quaker voice on important business issues – a role we take very seriously – we will pursue issues and advance our proposals onto the proxy where possible and when necessary. In addition to the two situations described, we co-filed nine proposals along with other socially responsible investors.

Our Value-Add

As long-term investors guided by Quaker values, we actively screen out companies that do not meet our investing criteria and we favor companies producing goods and services that are beneficial to society. This approach combined with our robust shareholder advocacy has made Friends Fiduciary a leader in socially responsible investing. We believe that our investment process builds long term shareholder value for our constituent investors and our results support this belief. Through our disciplined Quaker socially responsible investing approach, Friends Fiduciary has delivered better than market returns with excellent customer service over the past ten years. We are pleased with our results and the impact we are having in the corporate sector and in our society on behalf of our constituent investors. We can't do the work without you!

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