FRIENDS FIDUCIARY℠

Financial Services for Quaker Organizations since 1898

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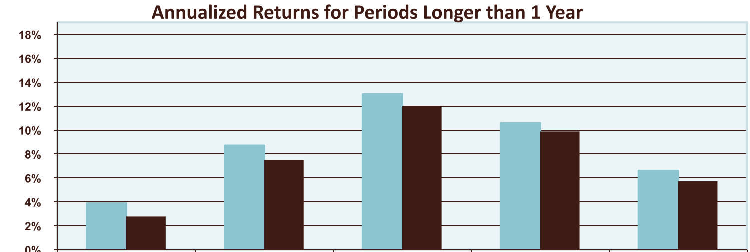
Consolidated Fund Update

December 31, 2014 Snapshot

Consolidated Fund Unit Value	12/31/14	$48.69
Next Per Unit Cash Distribution	6/20/15	$0.98
Asset Allocation		**12/31/2014**
Equities		71%
Fixed Income		24%
REITs		5%

Consolidated Fund Performance vs. Benchmark
Annualized Returns for Periods Longer than 1 Year



	4Q 2014	1-Year	3-Years	5-Years	10-Years
Consolidated Fund	3.87%	8.70%	13.00%	10.57%	6.59%
Blended Benchmark	2.77%	7.49%	11.99%	9.88%	5.72%

By mid-October it appeared that U.S. equities were headed for a rather uninspiring 2014 with the S&P 500 Index up a meager +0.8% year-to-date; but powered by a strong fourth quarter rally stocks ended the year up +11.4%, and with dividends included up +13.7%. There was no lack of troubling news to weigh on the market: Federal Reserve Chair Janet Yellen signaled the end of QE (quantitative easing) and indicated that a rise in interest rates could occur in the foreseeable future; crude oil plunged from $107 per barrel in July to $81 at the end of October (down 24%) leading many to posit that it was not just an oversupply issue but weakening demand was also at work; and the flow of international news painted a bleak picture of weak demand and declining prices with the potential for another round of contracting foreign economies. Faced with these headwinds, the market found its footing supported by continued domestic employment growth (52 consecutive weeks of gains), an unemployment rate dropping to 5.6%, a surprisingly strong 3rd quarter GDP report of +5.0% and recognition that lower energy prices were a net positive for the economy. The fourth quarter surge was lost on international markets as both the MSCI EAFE and MSCI Emerging Markets Indexes ended the year on a sour note, falling -4.9% and -2.2%, respectively. Central bank officials in both Eurozone countries and Japan have begun taking steps to kick start their economies through monetary stimulus while China is wrestling with decelerating GDP growth. Perhaps the biggest surprise of the year was the strength of the domestic fixed income market which posted a gain of +6.0% as measured by the Barclays Aggregate Bond Index. In a flight to quality, bond yields dropped from 3% early in the year to 2.2%, but most investors agree that the era of low bond yields will come to an end in 2015. The anticipation that the Fed will raise rates in 2015 will likely create a more volatile investing environment for all asset classes.

The Consolidated Fund posted a solid fourth quarter return of +3.9%, ahead of the blended benchmark return of +2.8%. An overweight to large cap domestic equities relative to the benchmark (33.5% vs. 28.0%) and an underweight to international equities (21.8% vs. 25.0%) were the key contributors to the outperformance. Underweights to mid and small cap stocks were mild negatives to performance. Investment results for the full year were also strong with the fund gaining +8.7% versus +7.5% for the benchmark. Outperformance was led by strong gains in REITS with our manager, CenterSquare, posting an impressive +32.6% gain versus the NAREIT Index +30.1%. In other equity sectors, large cap manager Chicago Equity Partners led the field with a +16.2% return, sharply higher than the S&P 500 gain of +13.7%. In a difficult environment for international stocks, Boston Common Asset Management posted a negative -1.7% return falling less than the benchmark return of –3.9%. As for the fund's fixed income exposure, both bond managers - Payden & Rygel, domestic bonds and Lazard, global bonds - beat their respective benchmarks for the year.

In its first full year of operation the Quaker Green Fund posted a return of +6.3% versus +5.4% for its blended benchmark. With a mandate to exclude all fossil-fuel companies, our domestic large cap, domestic small cap and international managers outperformed their respective benchmarks. The clean tech and fixed income components lagged their benchmarks. Specific to clean tech and alternative energy, the second half of the year was particularly challenging as solar stocks dropped in sympathy with declining oil prices even though economic and business fundamentals for solar power continue to improve.

Full year results for the Short Term Investment Fund (STIF) were slightly ahead of benchmark, +0.71% vs. +0.50%, and well ahead of the Lipper Money Market Index +0.01%. Quality standards for the fund remain high with 100% of investments rated single A or better.

The next income distribution from the Consolidated Fund will occur in June 2015 with a planned distribution of $0.98 per unit representing a 4.5% standard distribution rate. The Quaker Green Fund also has a standard distribution planned for June of $0.62 per unit representing a 3.5% rate. The distribution rates are reviewed annually by the FFC Board of Directors and are designed to balance

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Did you know

Friends Fiduciary will receive and liquidate stock gifts from your members and donors for free when the proceeds are added to your fund at FFC? As a service to our constituents we offer free or low cost stock gift processing brokerage services that save you time and money. When stock gift proceeds are paid out FFC charges a nominal base fee of $25; for the current fee schedule visit the Charitable Services page of our website.

Friends Fiduciary offers donor advised funds to Quakers and those wishing to benefit Quaker organizations. A donor advised fund is an irrevocable gift to a fund at Friends Fiduciary for which the donor receives a tax deduction when the gift is made. The donor retains the ability to advise or make grant recommendations from the fund to qualified charities. Donors can begin recommending grants once their fund reaches $50,000. However, a donor can start up a fund with an initial contribution of $10,000 and then take a maximum of three years to build up the fund to the $50,000 minimum. For more information on donor advised funds please contact Jeff Perkins at jperkins@friendsfiduciary.org or 215-241-7272.

Friends Fiduciary Corporation Consolidated Fund

Total Return for the Period Ending December 31, 2014

			Annualized Returns		
	4th Q	**1-Yr**	**3-Yrs**	**5-Yrs**	**10-Yrs**
Total Fund (gross)	3.9	8.7	13.0	10.6	6.6
Blended Benchmark[1]	2.8	7.5	12.0	9.9	5.7
Large Cap Domestic Equity	6.7	14.7	20.7	15.3	8.1
Large Cap Domestic Equity Benchmark[2]	4.9	13.7	20.4	15.5	7.4
Mid Cap Domestic Equity	6.5				
Russell Midcap	5.9				
Small Cap Domestic Equity	9.0	9.7	17.3	13.7	
Russell 2000	9.7	4.9	19.2	15.5	
International Equity	-3.1	-1.7	10.1	4.2	
International Equity Benchmark[3]	-3.9	-3.9	9.6	4.5	
REITs	15.5	32.6	17.5	19.0	
FTSE NAREIT Index	14.2	30.1	16.3	16.9	
Fixed Income	1.8	5.0	3.1	4.9	4.7
Barclays Capital Aggregate Bond Index	1.8	6.0	2.7	4.5	4.7

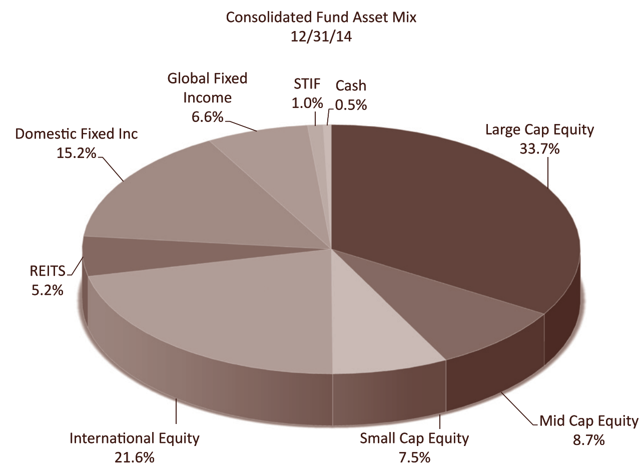
All returns are in percent. Returns for periods exceeding one year are annualized.

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.

Update *continued from page 1*

competing objectives of providing a stable, current income stream while preserving principal over time. The distribution rate is intended only as a guideline - constituents may take more or less than the announced standard distribution rates depending on individual needs.

As we go to print with our winter 2015 edition, January is "in the books" with the S&P 500 Index starting the year down -3.1%. While investors can be prone to extrapolating January's performance to the rest of the year, we are cautious about oft used rules of thumb. Just last January 2014, the S&P 500 declined -3.5% but finished the year up over 13%, buoyed by a growing economy. As the domestic economy continues on a positive growth trajectory, we believe the ingredients are in place for another positive year in the equity markets but with increased volatility as we move closer to an eventual rise in interest rates. We thank you for your support and look forward to serving your investment needs in 2015.

From Jeff Perkins, Executive Director

Friends Fiduciary Corporation had an excellent year in 2014! Full year investment returns for the Consolidated Fund reached 8.7% beating the market benchmark by over 1%! The new Quaker Green Fund returned 6.26% beating its market benchmark by 0.8%. We welcomed twenty-two new constituents, six of which opened their accounts with investments in the Quaker Green Fund. During the year, new and existing constituents invested over $15 million and at December 31, 2014 our total assets under management, including planned giving assets, exceeded $326.2 million. We continue to work hard to earn the trust our investors place in us to earn an excellent return while investing consistently with Quaker values.

Past issues of the newsletter have featured our shareowner advocacy. This past year was our most active ever! We have co-filed fourteen shareowner proposals on issues ranging from setting greenhouse gas emissions goals to the separation of the CEO and board chair roles. And for the second year we are lead filer on a sustainability proposal with an insurance company. This work remains an important part of the value add that we bring to our implementation of Quaker values in the stewardship of resources under our care.

We continue to be an alternate business voice on important business issues. Through conversations with company management, op-ed letters, and discussions with policy makers we represent Quaker values in our work to the wider world. For a sample of these efforts check out the news and resources section our website at www.friendsfiduciary.org . A special thank you to all our constituent investors – and to those not yet investing with us, I encourage you to consider aligning your organization's financial resources with your Quaker values by investing with Friends Fiduciary!

FUNDING A GREENER FUTURE

Quakers have always known the importance of putting our money where our values are. At Friends Fiduciary, investing according to Quaker principles involves not only avoiding those companies, products and services that are inconsistent with our principles, but also seeking opportunities to actively support companies and initiatives that reflect our values. We begin our investment process by focusing on companies that are beneficial to society and have better environmental, social and governance (ESG) profiles in their respective sectors. We are enthusiastic about a fairly new, small but growing security class that offers the opportunity to invest affirmatively in projects designed to mitigate climate change.

When it comes to directly funding initiatives that further our values, 'green bonds' are one of the most effective and efficient options available. We are expanding our holdings of these securities and are excited to put them to work for our constituents. Chosen carefully, green bonds not only support global climate-change goals, they also provide attractive returns and portfolio diversification benefits.

What are green bonds?

The phrase 'green bonds' is gaining currency among institutional investors, but is still loosely defined. Bonds are fixed-income securities: debt, or an IOU, issued by a company or government with a promise to repay the capital with a defined amount of interest. 'Green,' however, has myriad definitions according to a specific investor's perspective. At Friends Fiduciary, we are focused on bonds that fund projects designed to provide climate change solutions.

Green bonds are an effective and efficient way to further our Quaker values.

Our interest in green bonds mirrors growing interest from the broader investor community. In early 2014, the investor-advocacy group Ceres, working with global investment banks, advanced a set of voluntary guidelines known as the Green Bond Principles. They were designed to increase transparency in the marketplace, and to support organizations that are interested in issuing green bonds. Also in 2014, Barclays MSCI, a well-regarded and broadly-followed provider of fixed income indices, began offering its Barclays MSCI Green Bond Index, further validating green bonds as a distinct investable asset class.

With initiatives like these and the interest of investors like Friends Fiduciary and our constituents, issuance of green bonds is increasing rapidly. The Climate Bonds Initiative estimates that organizations issued a total of $36 billion in green bonds in 2014, an increase of over 300% from $11 billion in 2013. They predict a similar pace of growth in 2015, estimating total global issuance of $100 billion this year. While that is a tiny percentage of the $80 trillion broad bond market, the size and growth of the market are encouraging public and private-sector participants to consider new issuances to fund green initiatives.

Why green bonds?

Despite the strong growth in green bond issuance, Ceres estimates that an additional $44 trillion of investment in clean energy will be necessary to limit global warming to a 2°C rise. While the temperature target is subject to some controversy, the core premise is not: the global community needs to commit dramatically more investment dollars to combating climate change. Green bonds are an excellent means to do so.

One reason bonds are gaining appeal is that they are generally easier to issue than common stock. Many organizations that cannot issue stock, including cities and states, private companies and small start-ups, can issue debt offerings. The issuer needs to provide detailed financial information and appropriate reporting to investors, but does not bear as great an ongoing regulatory burden as it would with stock. Therefore, green bonds can be an efficient means of raising funds for climate-related projects for a wide variety of entities. As an example, one early green-bond initiative was a 2001 security offered by the city of San Francisco, raising $100 million to implement solar and wind-energy generation. Other cities and states, as well as global development banks, government agencies and corporations, have issued green bonds more recently, including the Commonwealth of Pennsylvania, the University of Akron, the World Bank, the African Development Bank, SolarCity and Unilever to name a few.

Green bonds enable investors to target their funding. While conventional fixed-income securities are often earmarked for "general corporate purposes" or other broadly-defined programs, green bonds have specific objectives in raising funds for environmentally beneficial projects, as in the San Francisco example above. While some projects are very general, at Friends Fiduciary we are seeking and purchasing bonds that generate funds specifically for climate-change mitigation.

Bonds as a class are a necessary part of a balanced portfolio, providing risk diversification and broad exposure to a range of corporate and government issuers. We often engage with stock issuers to advocate for the causes and values important to us and our constituents. We have fewer opportunities to do this with our fixed income investments, but with green bonds we have the opportunity to advocate directly, with dollars, for solutions to climate change challenges.

You Can Invest in Solving Climate Change Issues

Friends Fiduciary's investment in green bonds in the Consolidated Fund reached 11% of the total bond allocation in 2014, and we expect that figure to grow. We are excited about the potential for these securities

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Advocacy *continued from page 3*

to provide attractive returns, diversification and climate-change benefits. One example of a fund holding is a bond issued by the European Bank for Reconstruction and Development (EBRD) to fund its Green Project Portfolio. The EBRD was founded in 1991 to aid developing European democracies in the aftermath of the Cold War. Today it works to foster sustainable market economies in Europe, Asia and the Middle East. Its Green Project Portfolio finances endeavors focused on energy efficiency, clean energy, and other environmental benefits, including upgrading power plants to reduce total greenhouse gas emissions. The fund also holds bonds issued by Vornado Realty Trust, a publicly-traded real-estate investment trust, with proceeds of the bonds used to fund new LEED-certified buildings and upgrade existing structures to LEED standards.

At the beginning of 2014, we launched our Quaker Green Fund (QGF) to give our constituents the ability to target their assets specifically to environmentally-beneficial investments. Not only does the fund exclude fossil fuel companies, it also actively seeks opportunities to invest in the clean energy and clean technology sectors. As a new portfolio, with just over $13 million under management as of December 31, 2014, the Quaker Green Fund is currently less able to take significant positions like the much larger Consolidated Fund. Nonetheless, the QGF currently invests 2% of its bond allocation in green bonds and we anticipate that this will grow appreciably as the fund grows.

The Quaker Green Fund is an especially attractive investment opportunity if you are concerned about climate change. While all of our funds support environmental stewardship, the Quaker Green Fund is specifically directed to address climate change from a solutions-oriented perspective. The fund is balanced, diversified and 'fossil fuel free.' As with all of our offerings, it is specifically designed for Friends meetings, churches, and organizations and is open to both new and existing investors.

The fund adheres to FFC's Quaker values investment guidelines, and goes a step further by excluding fossil fuel companies. Our active shareholder advocacy work encompasses the companies in this fund as well. In addition to eschewing investment in fossil fuel companies, the Quaker Green Fund includes investments in a new 'cleantech' category. Those cleantech investments are in nine positive environmental areas, including advancements in sustainable use of agricultural resources, alternative energy, renewable energy, efficient transport, energy conservation, water conservation, water filtration, low carbon finance, and cutting-edge clean technologies. This approach provides exposure to the interconnected segments of clean energy and clean technology while providing diversification to manage the fund's overall risk profile and volatility.

Please visit our website or contact us directly for additional information about the Quaker Green Fund or green bonds. We are enthusiastic about the benefits this emerging fixed-income category offers and hope you will share that enthusiasm.

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