



ADDING VALUES TO STRONG PERFORMANCE.

April 8, 2016

Dear Friends,

This is the first quarter update with important news and information about Friends Fiduciary and your account with us.

2016 First Quarter Commentary and Performance Summary:

Being a long-term investor can sometimes require strong conviction. Such was the case in the first quarter of 2016 which saw fearful investors flee equity markets in the face of slowing economic growth in China, weak commodity prices and a strong dollar. The first six weeks of the quarter saw both the S&P 500 Index and the MSCI Emerging Markets Index drop -10.5% while the MSCI EAFE Index (Europe, Australia, Far East) plunged -12.5%. Believing that the Federal Reserve would push the pause button on any additional rate hikes, a ‘flight to quality’ ensued driving bond prices up and yields down with the bellwether 10-year US Treasury Note yield dropping from 2.25% to 1.77% over the same period. The tide turned in mid-February on upbeat reports that U.S. job growth and the economy remained buoyant and as commodity prices appeared to be bottoming out. By the end of March the S&P 500 had regained all losses ending the quarter up +1.4%, emerging markets spiked with a gain of +5.7% and the EAFE Index trimmed its loss ending down only -3.0%. In addition to positive job growth, the U.S. unemployment rate is hovering around 5.0%, which economists consider close to full employment. Other data show the U.S. manufacturing sector expanded in March for the first time since October 2015 and retail sales remain above year-ago levels by about 3%. Economic data continues to validate that the U.S. is expanding at a modest pace while our major global trading partners are challenged to find a sustainable growth path.

Unit value performance of FFC’s balanced funds, the Consolidated and Quaker Green Funds, followed the up and down pattern of the broad market indexes throughout the quarter - dropping in February but rebounding sharply to end the first quarter near their highs for the year. In line with the rally in interest rates, the unit value for the Short Term Investment Fund (STIF) also spiked up from \$10.15 on January 1 to \$10.24 on March 31.

	Unit Values		
	<u>Consolidated Fund</u>	<u>Quaker Green Fund</u>	<u>Short Term Fund</u>
January 31, 2016	\$44.27	\$33.05	\$10.19
February 29, 2016	\$44.07	\$32.72	\$10.21
March 31, 2016	\$46.40	\$34.14	\$10.24

[Continued on reverse]

Friends Fiduciary Corporation
1st Quarter 2016 – Update
April 8, 2016

2016 Standard Distribution Rates for the Consolidated and Quaker Green Funds:

The standard distribution rate for the Consolidated Fund in 2016 is 4.25%; it will decrease to 4.0% in 2017. The distribution rate is intentionally conservative to preserve the purchasing power of principal. In reaching the decision to adjust the distribution rate, FFC’s Board of Directors took into account concerns about future capital market returns and long-term inflation projections. Constituents may, and some do, take more or less than the announced standard distribution rate. Each constituent group must decide the proper distribution levels for their meeting or organization based on their unique financial situation and spending needs. The Quaker Green Fund standard distribution rate remains at 3.5% in 2016.

If you have questions or concerns about the standard distribution rate please contact our Chief Investment Officer, Rich Kent, or me at 215-241-7272.

New Withdrawal Procedures:

FFC has implemented new withdrawal procedures to further safeguard your assets. As communicated in mid-December all withdrawal requests now must be submitted on a “Withdrawal Request Form.” This can be emailed, faxed or mailed to FFC. In addition, Friends Fiduciary will now be verifying all requests with a second authorizer at your organization. We do this by either calling or emailing the individual designated by your organization on the “Account Authorization Form” if their signature does not appear on the withdrawal request. We believe these new procedures add extra security in today’s electronic business environment. The new forms are available on our website, under “Investing in the Consolidated Fund.”

New Logo and Website:

We are targeting the end of April for the launch of our new website (www.friendsfiduciary.org) featuring a new look, improved navigation and additional information about FFC and our funds. We hope the enhanced web presence will further our work with prospect organizations that are not yet investing with Friends Fiduciary. The third party site for your account access will remain the same at this time.

New Custody Agreement:

Thank you to the many constituents who have already signed and returned the new custody and investment agreement! The new agreement, mailed to all constituents in December 2015, includes language that further benefits FFC constituents and reflects the significant changes in FFC operations as well as our new investment fund options. We ask that you please sign and return the completed agreement. An authorizing minute is needed only if required by your organization. If you need another copy of the agreement, please contact us at info@friendsfiduciary.org.

If you have any questions about your statement, account or Friends Fiduciary, please don’t hesitate to contact us at info@friendsfiduciary.org or 215-241-7272.

Sincerely,

Jeff Perkins

Executive Director