



ADDING VALUES TO STRONG PERFORMANCE.

July 11, 2016

Dear Friends,

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

2016 Second Quarter Commentary and Performance Summary:

With fears of slowing growth in China, weak commodity prices and a strong dollar in the rear view mirror, US markets seemed ready to cruise into summer on an uptrend, ushered in with some of the lowest stock market volatility of the past twelve months. Supporting the trend is positive news on the unemployment rate (now at 4.7%), manufacturing and non-manufacturing indicators pointing towards continued expansion and rising income levels for US workers.

With the Fed appearing less anxious to raise short term rates, calmer markets prevailed; however, the decision by UK voters on June 22nd to exit the European Union (aka Brexit) offered a stark reminder to investors of the interconnectedness of global markets. Within two days of the vote, the S&P 500 Index dropped a surprising -5.3% and the Dow Jones Industrial Average shed 870 points, down -4.8%. Nearly as quickly, markets rallied over the next three days gaining nearly all of the lost market value and by the end of June the S&P 500 had posted a modest gain of +1.9% for the second quarter. Both foreign developed and emerging markets also reacted negatively to the Brexit news and ended the quarter down -2.3% (MSCI EAFE - Europe, Australia, Far East) and flat at +0.3% (MSCI Emerging Markets Index), respectively. US bond prices benefitted from a 'flight to quality' following the UK vote in a rally that sent the yield on the 10-year bond to a near record low of 1.49%.

The US economy continues to expand, albeit at a decelerating pace with retail sales declining in four of the first five months of 2016 and housing activity slowing with both prices and existing home sales decelerating year-to-date. It is uncertain how the UK's exit from the EU will ultimately shape global economic activity, but based on initial reactions it is likely that higher capital market volatility will persist over the next several months. During times of market uncertainty and volatility, we maintain that portfolios are best protected by holding a well-balanced and diversified allocation to global stocks and bonds.

As noted in the table below, the Consolidated Fund weathered the second quarter well with the fund's unit value increasing and the Quaker Green Fund posted a slight drop in unit value with most of the decline attributable to weakness in the fund's cleantech component. Benefitting from a general decline in interest rates, the Short Term Investment Fund (STIF) posted an increase in unit value for the quarter.

[Continued on reverse]

Friends Fiduciary Corporation
2nd Quarter 2016 – Update
July 11, 2016

	Unit Values		
	<u>Consolidated Fund</u>	<u>Quaker Green Fund</u>	<u>Short Term Fund</u>
April 30, 2016	\$46.62	\$34.29	\$10.25
May 31, 2016	\$46.74	\$34.39	\$10.24
June 30, 2016	\$46.58	\$33.93	\$10.28

***REMINDER* New Withdrawal Procedures:**

FFC implemented new withdrawal procedures at the end of 2015 to further safeguard your assets; all withdrawal requests must be submitted on a “Withdrawal Request Form.” This can be emailed, faxed or mailed to FFC. In addition, Friends Fiduciary will verify all requests with a call or email to the second authorizer designated by your organization on the “Account Authorization Form,” if they were not able to sign the withdrawal form. All of these new forms, and more, are available on our website, under “Our Funds/Constituent Forms.”

***Reminder* 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. If you haven’t yet done so, we ask that you please sign and return the completed agreement. If you need another copy of the agreement, please contact us at info@friendsfiduciary.org.

New Website:

Our new website (www.friendsfiduciary.org) was launched June 3 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 24/7 account access will remain the same at this time.

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 can decide the proper distribution levels for their meeting or organization. The Quaker Green Fund standard distribution rate is 3.5% in 2016 and is expected to remain at that level in 2017.

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