



ADDING VALUES TO STRONG PERFORMANCE.

October 10, 2016

Dear Friends,

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

2016 Third Quarter Summary:

Most sectors and asset classes of the stock market posted positive third quarter investment returns, adding to an already positive performance picture through the second quarter. Both domestic and international equities showed improvement with the S&P 500 Index advancing +3.9% and the MSCI EAFE (Europe, Australia, Far East Index) rising +6.4%. Emerging market stocks contributed as well posting an increase of +9.0%, and bonds also pitched in, with the Barclays Aggregate Bond Index eking out a slight gain in the quarter of 0.5%. A couple of areas that did not fare as well – utility stocks (-5.9%) and REITS (-1.4%) – are being impacted by the possibility that the Federal Reserve Bank will nudge short term rates up in December. Both utilities and REITS are preferred by yield seeking investors during periods of low interest rates, but are found to be a less attractive alternative in a rising rate environment. The U. S. Economy continues to muddle along with third quarter job growth averaging 192,000 per month, slightly better than the average for the first half of 2016. The unemployment rate which has fluctuated between 4.7% and 5.0% this year stands at 5.0%, and wages have been growing above 3% the entire year. Housing prices have softened recently, but remain 5% above last year. Indices of manufacturing and non-manufacturing activity are both pointing to positive near-term growth and measures of consumer confidence are near highs reached just prior to the 2008-2009 financial crisis. Of some concern to the markets is the slowdown in growth of corporate profits. Starting in 2015 with the drop in oil, year-over-year quarterly profit growth has been negative for five quarters. With oil off its earlier lows and a stable US dollar, analysts are anticipating positive growth in the fourth quarter.

After closing out the second quarter at \$46.58, the Consolidated Fund unit price jumped to \$47.90 in July and remained in a tight range throughout the quarter. Helped by a sharp increase in cleantech stocks, the Quaker Green Fund posted good performance in July which continued through the quarter. In the face of rising 2-year note rates (from 0.58% to 0.76%), the Short Term Investment Fund (STIF) was remarkably stable, closing out the quarter at \$10.27 per unit.

	Unit Values		
	<u>Consolidated Fund</u>	<u>Quaker Green Fund</u>	<u>Short Term Fund</u>
July 31, 2016	\$47.90	\$35.10	\$10.28
August 31, 2016	\$48.00	\$35.30	\$10.27
September 30, 2016	\$47.89	\$35.21	\$10.27

[Continued on reverse]

***REMINDER* 2016 & 2017 Standard Distribution Rates:**

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.

***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.”

Stock Gift Processing:

Did you know that FFC 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.

It is important to notify Friends Fiduciary when you expect a stock gift from one of your donors. When stock is transferred into our account, the identifying information can vary and sometimes we are unable to match shares with a donor, if we have not been previously notified. If you have any questions or are expecting a stock gift please contact Tim McElroy at tmcelroy@friendsfiduciary.org or 215-241-7272.

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.

QVS Volunteer Fellow:

We are pleased to welcome Kate Monahan, an Alumni Fellow of Quaker Voluntary Service (“QVS”), to Friends Fiduciary. As Program Associate, Kate will expand our shareholder and policy advocacy work to advance Quaker values during her assignment at FFC.

Sincerely,

Jeff Perkins

Executive Director