

FRIENDS FIDUCIARY CORPORATION

TELEPHONE
215 /241 7272

1650 ARCH STREET / SUITE 1904
PHILADELPHIA, PA 19103

FACSIMILE
215 /241 7871

October 9, 2015

Dear Friends,

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

2015 Third Quarter Commentary and Performance Summary:

Concerns over global growth caused by the ripple effect of slowing growth in China weighed heavily on stock prices in the third quarter sending the S&P 500 Index down -6.4% in the quarter. The steep drop in commodity prices and export demand has been particularly harsh on emerging markets as reflected in a sharp -17.9% drop in the MSCI Emerging Markets Index. Developed foreign markets fared only marginally better with a -10.2% return for the MSCI EAFE Index (Europe, Australia, Far East). Underlying the drop in equity prices is a U.S. economy that continues to grow at a reasonable 2.5% pace. Other positive trends are firmly in place; unemployment is down to 5.1%, its lowest level since 2008, sales of large ticket items like autos and housing are moving higher, and the service sector, which represents over 80% of the U.S. economy, continues to expand. As we move into the fourth quarter, expectations are for heightened stock and bond market volatility as companies report what many anticipate to be weak third quarter earnings results and the Federal Reserve moves closer to its first rate hike in over eight years. During periods of large price swings and market uncertainty, we remain firm in our belief that our stable, diversified investment approach will deliver excellent long-term results.

Reflecting broad weakness in the equity markets, the Consolidated Fund unit value declined in the quarter to \$45.10. The Quaker Green Fund posted a unit value decline to \$33.83, which also reflected significant weakness in clean tech/ alternative energy stocks. On a positive note, the Short Term Investment Fund (STIF) displayed resilience with the unit value ending the quarter at \$10.17, up from \$10.14 at the end of June.

	Unit Values		
	<u>Consolidated Fund</u>	<u>Quaker Green Fund</u>	<u>Short Term Fund</u>
July 31, 2015	\$48.91	\$36.84	\$10.15
August 31, 2015	\$46.21	\$34.85	\$10.14
September 30, 2015	\$45.10	\$33.83	\$10.17

Reminder - 2016 Standard Distribution Rates for the Consolidated Fund:

As announced in April of 2014, the standard distribution rate of the Consolidated Fund will decrease to 4.25% in 2016. The standard rate is intentionally conservative to preserve the purchasing power of principal. In reaching the decision to adjust the standard rates, the FFC Board of Directors took into account concerns about inflation and projected expectations for capital market returns in the future. Constituents may, and some do, take more or less than the announced standard distribution rate. Each constituent group must decide the proper distribution

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levels for their meeting or organization based on their unique financial situation and spending needs. If you have questions or concerns about the standard distribution rate please contact Rich Kent or me at 215-241-7272.

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.

Customer Service Survey:

Friends Fiduciary strives to provide excellent customer service to all constituents. To measure our progress and solicit feedback from our constituents we have developed an on-line customer service survey. All fund representatives will receive this on line survey via email – we ask that you watch for this email and complete the short survey when it's received. The survey results will be used to gauge our progress and identify areas for further attention and investment so that we are able to provide even better service in the future.

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