



ADDING VALUES TO STRONG PERFORMANCE.

January 7, 2016

Dear Friends,

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

2015 Fourth Quarter Commentary and Performance Summary:

The stock market bounced back in impressive fashion from a weak third quarter with the S&P 500 Index surging ahead +7.1% in the fourth quarter, however a closer look at November (+0.3%) and December (-1.6%) shows a market still struggling under the weight of slowing global growth, weaker corporate profits and rising interest rates. Recent news from China, the world’s second largest economy, points to a continued slowdown in their GDP growth, while the value of US imports and exports declined in both October and November. US corporations reported third quarter profits in October posting an aggregate drop of approximately -1.1% and company managements offered pessimistic forecasts of future growth. As widely expected, the Federal Reserve Bank finally nudged interest rates higher in December following seven years at near-zero rates. The anticipation of the rate hike contributed to the lack of investor enthusiasm throughout the quarter. International equity markets also experienced a fourth quarter rebound with the MSCI EAFE Index (Europe, Australia, Far East) gaining 4.7%, while the bond market reacted to the rise in rates with -0.6% drop in value. Notwithstanding waning investor sentiment, we are optimistic about the underlying health of the economy. The Fed’s willingness to move on interest rates sends a positive message that the economy is strong enough to withstand higher borrowing costs. The unemployment rate hit an eight year low of 5.0%; sales of big ticket items like autos and housing continue to move higher and low price inflation suggests that consumer purchasing power remains intact.

In-line with the moves in the capital markets, the Consolidated Fund unit value increased from \$45.10 to \$47.43 in October and then retreated modestly over the next two months finishing the year at \$46.21 per unit. The Quaker Green Fund showed a similar pattern posting a unit value increase in October followed by a modest decline to \$34.53. As short-term interest rates increased throughout the quarter, the Short Term Investment Fund (STIF) also showed a modest decline in price ending the quarter at \$10.15 per unit.

	Unit Values		
	<u>Consolidated Fund</u>	<u>Quaker Green Fund</u>	<u>Short Term Fund</u>
October 31, 2015	\$47.43	\$35.36	\$10.17
November 30, 2015	\$47.16	\$35.17	\$10.16
December 31, 2015	\$46.21	\$34.53	\$10.15

[Continued on reverse]

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

As announced in April of 2014, the standard distribution rate for the Consolidated Fund will decrease to 4.25% in 2016. 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:

There are new withdrawal procedures in effect now 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 will do this by either calling or emailing the individual designated by your organization on the “Account Authorization Form.” We believe these new procedures add extra security in today’s electronic business environment. The new forms are available on our website.

New Custody Agreement:

In December, a new custody and investment agreement was mailed to all constituents for signature and return. The language in the new agreement further benefits FFC constituents and reflects the significant changes in FFC operations and our new investment fund options. We ask that you sign and return the completed agreement as soon as you’re able. An authorizing minute is needed only if required by your organization.

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