FRIENDS FIDUCIARY℠

Financial Services for Quaker Organizations since 1898

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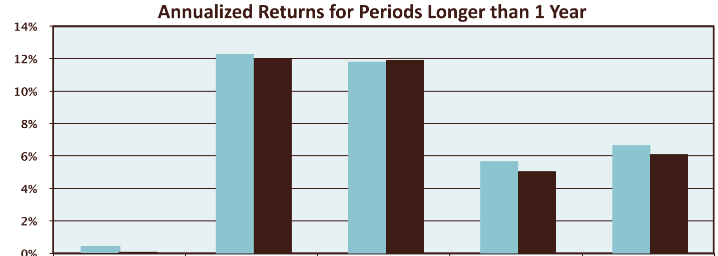
Consolidated Fund Update

June 30, 2013 Snapshot

Consolidated Fund Unit Value	6/30/13	$43.13
Next Per Unit Cash Distribution	12/20/13	$0.92
Asset Allocation		**6/30/2013**
Equities		69%
Fixed Income		26%
REITs		5%

Consolidated Fund Performance vs. Benchmark
Annualized Returns for Periods Longer than 1 Year



	2nd Q	1-Year	3-Years	5-Years	10-Years
Consolidated Fund	0.39%	12.27%	11.81%	5.67%	6.67%
Blended Benchmark	0.03%	11.96%	11.89%	5.05%	6.09%

Despite turbulent activity in the stock and bond markets in late May and June, the domestic economy remains on a positive growth trajectory. As the second quarter came to a close nearly all equity markets enjoyed positive year-to-date returns despite increased volatility following Fed Chairman Ben Bernanke's May 22nd comments about the Fed tapering its treasury and mortgage-backed securities (MBS) purchases. The Standard & Poor's 500 Index entered June riding a seven month string of positive returns, but fell -1.3% in the month on the weight of Bernanke's comments. The index did, however, post a positive return for the quarter (up +2.9%) as did other equity benchmarks in the small cap and mid-cap space (Russell 2000 +3.1%, and Russell Mid-Cap +2.2%, respectively). International markets are also feeling the pinch as investors grapple with stagnant economies in Europe and slowing growth in China and other emerging market countries. The MSCI EAFE Index, which measures investment returns in countries outside North America, declined -1.0% while emerging markets contracted -8.1%. Fixed income markets were particularly hard hit in the quarter and over the past six months given the prospects of higher interest rates. The Barclays Aggregate Bond Index finished the quarter down -2.3%, its worst quarterly showing since second quarter 2004. REIT benchmarks also suffered negative returns in the quarter (FTSE NAREIT Index; -1.6%).

As for the economy, the US has become an engine of world growth as job creation and income gains remain positive, consumer sentiment remains optimistic, and the all-important housing market continues to recover from the 2008-09 crisis. A few statistics - the number of employed has grown steadily since September 2012. Data supplied by the Bureau of Labor Statistics for June indicates thirty-four consecutive months of jobs gains and an unemployment rate of 7.6%, down from 8.2% one year ago. Consumer sentiment as measured by both the University of Michigan and the Conference Board surveys remain in uptrends, and home prices posted their eleventh consecutive month of price increases in June as reported by the Case-Shiller 20-city composite. Inflation remains in check as reflected by the June Consumer Price Index which showed that prices increased by a 1.7% rate over the past twelve months.

Following positive gains in April and May for the Consolidated Fund, investment returns turned negative in June leading to a scant +0.39% gain in the second quarter beating the blended benchmark return of +0.03%. Large cap domestic equities provided the biggest boost to outperformance in the quarter with value manger Great Lakes Advisors leading the way with a +4.30% gain, ahead of both its primary benchmark (Russell 1000 Value +3.20%) and the S&P 500 (+2.91%). Small cap manager Radnor Capital also delivered positive results posting a +3.90% gain compared to the Russell 2000 Index of +3.09%. Counteracting these positive gains, the late quarter surge in interest rates negatively impacted yield oriented managers. Both domestic and global bond managers posted negative results: Payden & Rygel -2.53% and Lazard -3.24%, respectively, while returns for REIT manager Urdang declined -0.65%. Investment returns for international equity manager Boston Common suffered as well (-1.66%) as both developed and emerging markets declined under the weight of weak European growth and a continued slowdown in China.

In 2012 the FFC Investment Committee completed a detailed strategic review and analysis of the Consolidated Fund's asset mix. Through this work it was determined that opportunities exist to improve the long-term returns without a material increase in risk. The overall allocation to equities is targeted to increase from 62% to 70% with a reduction in large cap domestic stocks and an increase in international stocks. These changes will occur gradually over time. The fund's bond exposure is being reduced and we have begun the process of adding two new asset classes to the fund – large cap growth and mid-cap.

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Friends Fiduciary delivers competitive investment returns, professional investment management, a disciplined Quaker SRI approach and excellent customer service...at cost.

Update *continued from page 1*

Another result of the Investment Committee's 2012 strategic review was to add an indexed component to the large cap segment of the Consolidated Fund. The purpose of this move it to lower the return volatility of the total fund relative to its benchmark while keeping the expense ratio of the fund low.

On April 30, 2013, we celebrated the one-year anniversary of the Short Term Investment Fund (STIF). STIF is a short-term diversified fixed income investment fund designed to provide returns in excess of those available in money market funds. It is constructed for consistent, low volatility performance with an emphasis on high credit quality, low risk and liquidity, and it is invested in a manner consistent with Quaker values. Even with its short maturity profile, the unit price and yield of the fund will vary with changes in interest rates and fixed income market conditions. If interest rates rise significantly from current levels, STIF investment returns may decline and may turn negative in the short term. Since inception in April 2012, STIF has returned +0.43% net of fees compared to the Lipper Money Market universe return of +0.01%.

The next income distribution from the Consolidated Fund will occur on December 20, 2013. The planned distribution of $0.92 per unit was calculated using a 4.5% payout rate which represents a one quarter point decline from the 4.75% payout in 2012. We remind investors that our intention is to keep the payout rate steady at 4.5% into the foreseeable future following successive quarter point declines over the past three years.

As we enter the third quarter, the S&P 500 is making new highs, all but ignoring the recent run up in interest rates. We expect the bond market to remain volatile through the balance of the year as investors anticipate the end of Fed stimulus, but we are upbeat about the state of the US economy and the prospects for corporate earnings. Even though the economy is still below pre-recession levels on various measures (e.g. total employment, housing prices) it should be acknowledged that corporations have made progress on right-sizing their operations and improving profitability, banks have largely repaired their crisis period balance sheets and increased lending activities, and consumers who have realized a growing wealth effect are ramping up their spending. We thank you for your support and look forward to serving your future investment needs.

Friends Fiduciary Corporation Consolidated Fund

Total Return for the Period Ending June 30, 2013

			Annualized Returns		
	2nd Q	**1-Yr**	**3-Yrs**	**5-Yrs**	**10-Yrs**
Total Fund (gross)	0.4	12.3	11.8	5.7	6.7
Blended Benchmark[1]	0.0	12.0	11.9	5.1	6.1
Large Cap Domestic Equity	2.9	22.3	18.0	6.8	7.7
Large Cap Domestic Equity Benchmark[2]	2.9	20.6	18.5	6.5	7.4
Small Cap Domestic Equity	3.9	16.7	13.6	6.8	
Russell 2000	3.1	24.2	18.7	8.8	
International Equity	-1.7	14.1	7.7	-0.8	
International Equity Benchmark[3]	-3.1	15.2	9.0	-1.2	
REITs	-0.7	9.3	19.9	10.8	
FTSE NAREIT Index	-1.6	9.4	18.2	7.6	
Fixed Income	-2.6	-0.6	4.1	5.0	4.6
Barclays Capital Aggregate Bond Index	-2.3	-0.7	3.5	5.2	4.5

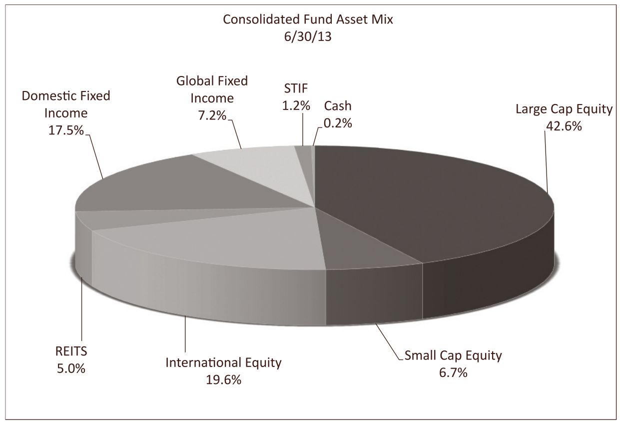
All returns are in percent. Returns for periods exceeding one year are annualized.

No predictions are made for the future and past returns are no guarantee of future results.

[1]42% S&P 500, 5% Russell 2000, 15% MSCI EAFE (Europe, Australasia & Far East), 33% Barclays Aggregate Bond, 5% FTSE NAREIT

[2]100% S&P 500 as of April 1, 2009; formerly 50% S&P 500 and 50% Russell 1000 Value

[3]100% MSCI ACWI ex-US Index as of February 1, 2013; formerly 100% MSCI EAFE Index



Question and Answer

Welcome to our new Question and Answer Section. You can send your questions directly to Friends Fiduciary at info@friendsfiduciary.org; please use Q&A in the subject line. We will answer all questions via email or phone, and will publish those that are likely to be of interest to our broad constituent group.

Q. I've noticed that the unit price of the Consolidated Fund doesn't decrease after the semi-annual income distribution, why not?

A. The calculated unit price of the Consolidated Fund is net of the planned semi-annual income distribution. The income on investments is accumulated throughout the period and is paid out June 20 and December 20. To smooth out the impact on daily unit value, the accumulation is done by reducing the daily unit value by a pro-rated daily income distribution factor.

Friends Fiduciary strives to provide its constituents with excellent customer service. Help us (and make sure you're receiving the latest in SRI activities and news!) by sending updated contact information and any personnel changes to info@friendsfiduciary.org.

The Climate Change Challenge

From Jeff Perkins, Executive Director

As Quaker investors, with fiduciary responsibility for the funds entrusted to our care, Friends Fiduciary Corporation has the responsibility and challenge of balancing financial and values-based considerations in a changing global economy. I think it is fair to say that climate change with its broad implications presents unique, compelling and urgent challenges for all socially responsible investors.

At Friends Fiduciary we are called to new ways to respond to the threats posed by climate change – not only in screening the companies in which we invest, but also in our shareholder advocacy and policy work to further sustainable business practices and investment opportunities. Our challenge is to fulfill our fiduciary responsibility and generate a competitive investment return while faithfully reflecting the Quaker values of our constituents in our work.

The consequences of climate change are too important to limit strategies.

Bill McKibben and the organization he co-founded, 350.org, have called for investors to divest from 200 hydrocarbon producing (commonly called "fossil fuel") companies. While we applaud their work in bringing the urgency of climate change forward in a clear and compelling way, we disagree that this very limited, single strategy is the only or best option for investors.

While divestment may be an appropriate strategy for some investors - including many college endowments which are not doing any shareholder advocacy on these issues – Friends Fiduciary does not believe it is an effective strategy for us as investors who are already actively engaging with these issues. Many of our colleagues in the field of socially responsible investing agree. We have learned that selling a company is one of the least effective ways of working for change. There is always a ready buyer and most companies would prefer a non-SRI investor holding their stock.

Friends Fiduciary staff and board are hearing a full range of opinions on the divestment issue. Some Friends would prefer to have no investments in companies that produce fossil fuels. Some think it's important to exert shareholder influence and some believe it is pointless to dismiss or deny our current society's total dependence (including Friends themselves) on fossil fuels. Because we realize that Friends views may change over time, our listening and dialogue continues.

As Quaker investors we want to strategically work towards a carefully considered series of steps that have a high likelihood of bringing about true positive change, that is both just and sustainable, and that will permit us to measure progress along the way. The stakes are too high to settle for symbolic gestures, and we are concerned that such gestures can be self-defeating. We think it is critical to use our full "toolkit" to address climate change. This includes refined environmental screening, more strategic and coordinated shareholder advocacy work for greater impact, and policy advocacy. We have taken a number of specific steps to date which are explained below.

In our screening strategies we are now excluding coal mining and production companies. In addition, we are excluding utilities which use coal for a significant portion of their fuel mix, favoring those with a diversified fuel mix and declining coal use. Finally, in those sectors with high environmental risk, we seek to invest in those firms that perform better than the industry on environmental factors.

In our shareholder advocacy work, we have been and will continue engaging the limited number of oil and gas companies we do hold around environmentally sustainable business practices and governance and lobbying disclosures. Recent examples of this have been our co-filing of shareholder resolutions on greenhouse gas reduction goals, shale energy operations, and fugitive methane emissions. We have also joined efforts for greater disclosure and closer management of company memberships in associations that work contrary to the public interest on climate change.

In our policy work, we are supporting increased development of the renewable energy sector by advocating the alignment of economic incentives with the environmental benefits of these clean energy sources. Recent examples of this have been FFC's support of the Wind Production Tax Credit, efforts to protect state renewable energy portfolio standards, and supporting the proposed Tier 3 Motor Vehicle Emission and Fuel Standards. All of these make good business sense and provide new business opportunities.

In the coming year, we will seek out more investment opportunities in the renewable energy and energy efficiency sector. We will support strategies that require companies, to internalize the true costs of carbon based energy generation and use. We will support the alignment of economic and tax incentives (long employed in favor of oil and gas companies) with the desire to build sustainable energy solutions.

At Friends Fiduciary we support and respect the efforts of all those working on the critical issue of climate change. The consequences of climate change are too important to limit strategies. We need individuals and organizations to work on all levels - financial, political, educational and societal - in order to tackle climate change. As Friends, we know experimentally that the Spirit calls us in different ways, to different tasks. Friends Fiduciary will continue our work to deliver competitive investment returns, professional investment management following our Quaker values and excellent customer service - at cost.

FFC Shareholder Advocacy on Bangladeshi Factory Tragedies

In April the Rana Plaza factory collapsed killing over 1,000 people, continuing a tragic and alarming history of worker safety neglect in Bangladesh. In June, the BBC reported that building inspections revealed that six out of every 10 factories in Bangladesh are unsafe. In the last year alone there have been deadly fires in a Tazreen garment factory and another in a sweater factory in Dhaka. These three catastrophes resulted in the death of over 1,500 garment workers with at least another 1,000 seriously injured. While the separate incidents had different causes, they collectively illustrate the failure of global retailers to ensure humane working conditions including basic worker safety in their supply chains. Most of the clothing produced in Bangladesh is sold in the U.S. and Europe.

The price/value calculus for all manufactured goods must begin with the fundamental human rights of workers.

Shortly after the April tragedy, FFC joined with Interfaith Center on Corporate Responsibility (ICCR) investors representing over $1.5 trillion in assets urging U.S. industry leaders, like Wal-Mart, Target, Sears and Gap, to implement the Accord on Fire and Building Safety in Bangladesh ("the Accord"), developed by the IndustriALL Global Union and the UNI Global union, in alliance with NGOs, such as the Clean Clothes Campaign and the Workers Rights Consortium. The Accord details systemic reforms to ensure worker safety and welfare. Further, we are asking companies to adopt zero tolerance policies on global supply chain abuses. The recent calamities in

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Advocacy *continued from page 3*

Bangladesh apparel manufacturing factories underscore the critical need for reform. Current business models between large corporate retailers and Bangladeshi garment companies incentivize lax worker safety and building regulations in order to readily supply North America and Europe with inexpensive goods. This can lead some garment factories to disregard fundamental human rights of workers, including health, safety, and the right to collective bargaining. As investors we are asking retailers to implement the internationally recognized labor standards of the International Labor Organization. Friends Fiduciary continues to be concerned about this issue and has continued to engage not only companies in our portfolio but also political leaders to publicly support the Accord.

Currently, the Accord has over fifty signatories, representing brands and retailers from a dozen countries, which purchase garments from more than 1,000 factories in Bangladesh - however only three are U.S. companies. A group of 17 major U.S. retailers, including Wal-Mart, Target, Sears and the Gap, announced their own plan to improve factory safety in Bangladesh, which drew immediate criticism from labor rights groups which claimed it was less stringent than the Accord and lacks legally binding commitments to pay for necessary reforms. Our Quaker values guide our belief that the price/value calculus for all manufactured goods must begin with the fundamental human rights of workers. This principle affirms it is the duty of governments to protect the human rights of their citizenry and it is the responsibility of companies to respect and uphold the human rights of their workers and to ensure compliance with safety standards regardless of where they do business and throughout their supply chains.

Ethical and sustainable sourcing is important for retailers seeking to differentiate their brands in today's competitive business environment with savvy, globally conscious consumers. We look for retailers that strive for best practices in building and maintaining the integrity and sustainability of their supply chains and Friends Fiduciary will continue its shareholder advocacy towards this goal.

Friends Fiduciary is pleased to welcome:

Albany Friends Meeting
Bolivian Quaker Education Fund
Cleveland Friends Meeting

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