From Jeff Perkins, Executive Director

To date, 2018 has been an eventful year at Friends Fiduciary. At our annual investor meeting in April we announced the Quaker Growth & Income Fund as the new name for the fund formerly known as Consolidated Fund; we believe the new name is more descriptive of the fund’s objectives. In June, our board engaged in the first step of an exciting strategic planning process to guide our organization’s future. While Friends Fiduciary has experienced great success the past five years, I believe now is exactly the right time to look ahead to ensure that we thrive into the future, and therefore are able to even better serve our constituent investors.

In July, we rolled out a new on-line access portal and as more folks have been able to use it we are getting positive feedback. In addition, we are sponsoring a QuakerSpeak video about our Quaker values investing - so keep an eye out this fall for our video. As Mimi describes in her portion of the newsletter, she has been working with the planning group to assemble a great lineup of speakers and presenters for the biennial 2018 Quaker Fundraisers Gathering, to be held September 30 – October 2, 2018. Kate’s article provides an update on our shareholder advocacy activities during this past proxy season which saw Friends Fiduciary take the lead shareholder role in 15 of our 41 company engagements.

In the meantime, we continue to deliver on rigorous Quaker values investing and excellent investment performance. Year to date, on a net basis, the Quaker Growth & Income Fund has returned 0.47% compared to its blended benchmark of 0.22%. Annualized net returns have exceeded the benchmark for the latest 1, 3, 5, and 10 years for the periods ending June 30, 2018. Rich Kent, our Chief Investment Officer provides more returns and analysis in his Investment Review.

One of the aspects of my job I have particularly enjoyed is the opportunity to meet with such a wide variety of Friends and Friends organizations. Staff met with over 140 constituents and prospective constituents last year and we will likely surpass that total this year. This interaction with Quakers throughout the country is essential in grounding our work to provide rigorous Quaker values investing while achieving excellent investment returns.

Follow us on social media!
www.friendsfiduciary.org

Investment Review

Market volatility picked up in the first half of 2018 as interest rates rose and near daily rhetoric about tariffs and trade prompted investors to reassess their investments in riskier asset classes. While choppy markets often cause heightened nervousness among investors, it is reassuring to know that the domestic economy is on sound footing and, by many measures, improving. Starting with the announcement of 30% tariffs on solar panels and 20% on washing machines in January, the United States next imposed 25% tariffs on imported steel and aluminum with the goal of bolstering domestic producers of these goods. China has taken the brunt of the Administration’s tariff policy with $50 billion enacted on July 6 and another $200 billion threatened if China retaliates. While the shear dollar amount of tariffs and retaliatory actions on the part of our trading partners appears daunting, most economists believe the $20 trillion US economy will easily absorb any potential reduction in GDP growth which has recently been estimated at a modest -0.06%. Indicators of domestic economic activity point to continuing growth with the Conference Board’s Index of Leading Economic Indicators showing a positive +5.8% year-over-year gain in June and the National Association of Purchasing Managers reporting a reading of 58.7 in June (readings above 50 are an indication that the economy is expanding). Labor force trends are positive with the Conference Board’s index of future employment trends up +5.2%, year-over-year. With unemployment hovering near 4.0%, measures of consumer confidence and sentiment are in a strong uptrend and consumption is growing.

Despite strong economic data, equity markets have been reacting to recent moves by the Federal Reserve Bank to increase interest rates and the headline risk associated with a potentially escalating trade war. Following a year of relative calm in the equity markets in 2017, the VIX Index, which reflects a future estimate of market volatility, jumped from an average of 11.1 last year to 16.3 in 2018, hitting levels not seen since the United Kingdom voted to leave the European Union in June 2016. However, strong economic trends noted above propelled the S&P 500 Index higher in the second quarter with a gain of +3.4% following a first quarter decline of -0.8%. Year-to-date through June, the index stands +2.7% higher. The Russell 2000, an index that measures stock prices of smaller companies, increased +7.7%, as the fortunes of smaller firms are less tied to international trade issues. Investor concern over global protectionism and slowing growth in China sent international stocks lower with both the MSCI EAFE stock price index of developed countries and the MSCI Emerging Markets Index dropping -2.7% and -6.7%, respectively. Intermediate and long-term bonds reacted negatively to a slight increase in inflation expectations, driving the Bloomberg Barclays Aggregate Bond Index down -1.6% in the first half. Bucking the rise in interest rates, real estate investment trusts (REITs) posted a strong second quarter sending the group into positive territory for the first half of 2018. As measured by the FTSE NAREIT Equity Index, REITs continued on page 2

Quaker Growth & Income Fund vs. Benchmark

<table>
<thead>
<tr>
<th>Period</th>
<th>Quaker Growth &amp; Income</th>
<th>Quaker Green</th>
<th>Quaker Index</th>
<th>Benchmark</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD</td>
<td>9.49%</td>
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<td>7.98%</td>
<td>7.85%</td>
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<td>1-Year</td>
<td>14.39%</td>
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<td>11.09%</td>
<td>10.96%</td>
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<tr>
<td>3-Years</td>
<td>7.98%</td>
<td>7.25%</td>
<td>7.09%</td>
<td>6.96%</td>
<td>6.64%</td>
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<tr>
<td>5-Years</td>
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<td>10-Years</td>
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<td>6.64%</td>
<td>6.24%</td>
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</table>
Investment Review  continued from page 1

posted a positive +1.0% return in the second quarter and +1.0% year-to-date. There is an expectation that a gradual rise in interest rates and inflation will not derail the commercial real estate market which is enjoying high occupancy rates and growing profitability.

The Friends Fiduciary (FFC) Quaker Growth & Income Fund (formerly the Consolidated Fund) posted a second quarter gain of +1.4% bringing the first half into positive territory with a gain of +0.9%. This compares favorably with the +0.2% increase in the fund’s benchmark in the first half (the benchmark is a blend of standard indices in the following proportions: 28% S&P 500, 9% Russell Mid Cap, 8% Russell 2000, 25% MSCI ACWI ex-US (All Country World Index ex-US), 25% Barclays Aggregate Bond Index and 5% FTSE NAREIT Index.) The fund’s allocations to large, mid, and small cap equities, contributed positively to the first half outperformance while the downward move in international equities and fixed income (both domestic and global bonds) negatively impacted performance. Investment returns for the fund over trailing three, five, and ten year periods remain strong and above benchmark.

Year-to-date investment returns for the Quaker Green Fund came in slightly below benchmark with the fund posting a return of +0.4% versus +0.6% for its blended benchmark. Large and mid-cap stocks and bonds were positive contributors, while small cap, international, and cleantech/clean energy stocks were a drag on performance. The fund’s cleantech/clean energy exposure performed well in May and June outperforming its primary benchmark, the MSCI World Index, +2.8% versus +0.6%.

FFC’s Quaker Index Fund outperformed the S&P 500 Index in the first half of 2018, posting an investment return of +3.4% versus +2.7%. The fund’s overweight to the technology sector and underweight to the industrial sector were the two biggest contributors to first half outperformance. In terms of individual stock selection, the fund’s energy and telecommunications names performed well. The worst performing sectors in the first half were REITS and Consumer Staples.

The Short Term Investment Fund (STIF) posted a positive return of +0.2% in the first half of 2018 despite a rise in short term (i.e. 2 year) interest rates from 1.9% to 2.5% over the period. The fund’s benchmark, which is composed of 80% 1-3 Year US Treasury-Agency Index/20% Lipper Money Market Fund, posted a +0.2% return as well. As expected, we saw a pick-up in bond price volatility on the short end of the yield curve as the Fed has continued to raise interest rates, but the fund’s short duration profile has helped to mitigate the negative impact of rising rates.

The Quaker Growth & Income (QGI) and the Quaker Green Funds (QGF) operate with semi-annual distributions that occur in June and December. Distribution rates are designed to balance competing objectives of providing current income while preserving the purchasing power of the account’s principal over the long term. Dollar payouts are calculated based on the trailing 12-quarter rolling average of the fund’s unit value. As a result of recent strong investment returns for QGI and QGF, constituents are seeing an increase in their per unit distributions. Payout rates are reviewed annually and are intended as a guideline. Constituents are free to take more or less than the announced rate, and withdrawals can occur at any time throughout the year. In December 2018, the Growth & Income Fund will distribute $0.97 per unit representing a 4.0% distribution rate, up from $0.96 in June 2018. The Quaker Green Fund will distribute $0.63 per unit in December 2018 representing a 3.5% rate and up from the $0.62 in June 2018.

With the US economy in the ninth year of the current economic expansion and as interest rates begin to move higher, we expect the increased market volatility seen in the first half to persist through the balance of 2018. Our practice of active rebalancing and maintaining a significant level of diversification in our funds — by asset class, sectors, geography, investment approach, and styles — is designed to moderate volatility while protecting the long-term purchasing power of invested funds. Thank you for investing with Friends Fiduciary. We look forward to serving your future investment management needs.

Richard Kent, CFA, Chief Investment Officer

Friends Fiduciary Funds

Total Returns (gross) for the Period Ending June 30, 2018

<table>
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<tr>
<th></th>
<th>2nd Q</th>
<th>YTD</th>
<th>1-Yr</th>
<th>3-Yr</th>
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<td>9.5</td>
<td>8.0</td>
<td>9.3</td>
<td>7.5</td>
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<td>Quaker Growth Fund</td>
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<tr>
<td>Blended Benchmark²</td>
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<td>8.7</td>
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<td>3.4</td>
<td>15.0</td>
<td>11.9</td>
<td>13.7</td>
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<tr>
<td>S&amp;P 500 Index</td>
<td>3.4</td>
<td>2.7</td>
<td>14.4</td>
<td>11.9</td>
<td>13.4</td>
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<tr>
<td>Short Term Investment Fund</td>
<td>0.5</td>
<td>0.2</td>
<td>0.6</td>
<td>1.0</td>
<td>1.0</td>
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<tr>
<td>Blended Benchmark³</td>
<td>0.3</td>
<td>0.2</td>
<td>0.3</td>
<td>0.5</td>
<td>0.5</td>
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</table>

Quaker Growth & Income Fund Asset Mix 6/30/18

- Global Fixed Income: 1.9%
- Short Term Fixed Inc: 6.5%
- Large Cap Equity: 29.0%
- Domestic Fixed Inc: 13.1%
- REITS: 3.5%
- International Equity: 26.5%
- Mid Cap Equity: 9.8%
- Small Cap Equity: 8.7%

¹As of February 1, 2014: 28% S&P 500, 9% Russell Mid-Cap, 8% Russell 2000, 25% MSCI ACWI ex-US, 5% FTSE NAREIT, 25% Barclays-Aggs, formerly 42% S&P 500, 5% Russell 2000, 15% MSCI ACWI ex-US, 5% FTSE NAREIT, 33% Barclays-Aggs
²Blended Benchmark: 25% S&P 500, 10% Russell Mid-Cap, 9% Russell 2000, 21% MSCI EAFE Index, 10% MSCI World Index and 25% Bloomberg Barclays Aggregate Bond as of 6/30/17; formerly, 30% S&P 500, 10% Russell 2000, 22.5% MSCI EAFE Index, 12.5% MSCI World Index and 25% Bloomberg Barclays Aggregate Indices in the following proportions
³Blended Benchmark: 80% Bar-Merrill Lynch 1-3 Year Treasury & Agency Index, 20% Lipper Money Market Index

All returns are in percent. No predictions are made for the future. Past returns are no guarantee of future results.

Fees: The Quaker Growth & Income Fund budgeted expense ratio for 2018 is 0.75%. The Fund’s expense ratio for the past five years has averaged 0.76%. The Quaker Green Fund annual fee is 0.90%. The Quaker Index Fund operates with a tiered fee schedule of 0.30% on the first $5 million, 0.25% on the next $5 million, and 0.20% on balances above $10 million. The Short Term Investment Fund annual fee is 0.34%.
A Quaker Voice On Wall Street

We’ve had a very successful 2018 shareholder advocacy season, engaging 41 companies in 20 different issue areas. We engaged 15 companies in dialogue, filed resolutions with 26, and were able to effect change in nearly half of those resolutions. We see withdrawals as wins, because it means the company has moved forward enough that we have been able to reach agreement.

The number of company engagements matches last year’s activity—and we expanded the number of engagements where we serve as the lead investor. Serving as lead means that FFC is the investor with the primary company relationship and we are responsible for gathering a coalition of other interested investors, setting the agenda, and coordinating the dialogue. This year we have almost doubled the number of engagements where we serve as lead, from 8 companies last year to 15 this year. This places us as one of the most active faith-based investors in shareholder advocacy—and certainly the most active Quaker investor.

Emphasizing Integrity

One area where we’ve been particularly active—and have seen significant success with our strategy—is in corporate lobbying. As Quakers, we’re concerned with corporate lobbying from an integrity and transparency perspective. Companies whose public statements don’t align with their private actions risk damage to their reputations—which can negatively affect value over the long term, and as investors, we want to see the companies we hold succeed over the long term. Payments by companies used for lobbying are often significant—and typically shareholders don’t know how much a company is spending, or if those payments are being evaluated by the board.

This is the fourth year that we have filed a resolution with Comcast asking for increased lobbying transparency. Comcast is the largest federal lobbying spender in its sector, and its state and local expenditures are unknown. Comcast’s lack of transparency around its legislative priorities and spending poses reputational risks—it publicly supports net neutrality, but works against it privately.

Additionally, Comcast is a member of the American Legislative Exchange Council (ALEC), which works against rooftop solar at the state level—while Comcast has a partnership with a rooftop solar company, and stands to benefit from increased rooftop solar adoption. This disparity speaks to a lack of oversight and strategic vision. Companies and shareholders are increasingly recognizing the reputational risks of a lack of transparency—earlier this spring AT&T publicly acknowledged the reputational damage done by a lack of careful consideration and oversight of its lobbying spending. Likely due to increased investor awareness, our proposal received 19.1% of the vote at Comcast, an increase from 16.6% last year. The proposal received 32.5% of the external shareholder vote.

We also chose to reach out to utility companies that we hold as investment to talk about their lobbying efforts and how it might be affecting their long-term prospects. As we transition to a low-carbon economy, we think it’s imperative that companies are effectively managing risk and preparing to seize opportunities. Many utility companies, however, are members of trade associations and non-profit groups that actively work to inhibit clean energy, such as the aforementioned American Legislative Exchange Council (ALEC) and the Edison Electric Institute. We see payments to those organizations as potentially counter to market trends, and therefore, detrimental to long-term shareholder value.

The utilities we approached were Atmos Energy, a company based in Texas, and Consolidated Edison, a much larger company based in New York. As we approached them, we weren’t particularly optimistic. Lobbying has been one of the areas where we’ve had the least success with our shareholder advocacy in the past. Companies are very reluctant to disclose anything substantive about their spending or memberships. However, we were pleased to find that Atmos and ConEd were both very willing to listen to our concerns. Over a period of several months, we worked with the companies, reaching agreements with both companies to annually disclose their trade association memberships and payments and to formalize board oversight of lobbying expenses and activities. We also confirmed that neither company is an ALEC member. Part of the success of those engagements is due to our own value add. We’ve worked with dozens of companies on lobbying disclosure, and for smaller companies like Atmos in particular, we’re able to provide expertise and serve as a resource. We feel good about the relationships we built with both companies—and now are able to approach them about other issues in the future. We’re also able to point to Atmos and ConEd as examples of transparent disclosure when approaching other companies on lobbying transparency.

Looking Forward

As this season draws to a close, we’ve begun to identify priority areas for next year. One of those areas is racial justice, a concern for many of our constituents. We’ve already engaged companies on fair chance hiring, financing private prisons, and disclosing data on the racial and ethnic makeup of management and boards. We have an upcoming dialogue with an insurance company about their criteria for covering municipal police forces, exploring ways that insurance companies could be active in setting standards for training to de-escalate and reduce police bias and violence.

Through Friends Fiduciary, your meetings and organizations have a seat at the table, which is a key tool for making change. It’s essential that we use our leverage as company owners in service of the world we as Friends seek. Please contact us with any questions.

Kate Monahan, Shareholder Engagement Associate
kmonahan@friendsfiduciary.org

Supporting Friends Through Planned Giving

Looking back at my first year as the Planned Giving Program Manager at Friends Fiduciary, I return to the touchstone of my work which is to support the development efforts of Quaker organizations and in turn strengthening and growing The Religious Society of Friends. This year’s work had three distinct components: establishing relationships with Quaker organizations in meetings and presentations; working with individual donors to support Quaker entities through planned gifts, and coordinating the Quaker Fundraisers Gathering this fall.

Over the past twelve months, I have met with over fifty Quaker monthly meetings, yearly meetings, schools, retirement communities, and organizations. Every interaction was unique and driven by the organization’s specific needs and goals. Most meetings were in-person, which took me to North Carolina, Indiana, Maryland, Washington, DC, New Jersey, and Ohio. Phone and video conferences were also used when more convenient for an organization.

The level of support that each Quaker organization needs differs greatly. Larger development teams may only need support with certain gifts, for example, a Charitable Gift Annuity. Smaller schools and monthly meetings, with fewer staff or that rely on volunteers, may require more hands-on support. In smaller settings, FFC services may include customizing planned giving materials and sharing strategies for best practices. Groups of all sizes have taken advantage of in-person presentations that are designed to get their members or donors thinking about planned giving.

While Friends Fiduciary currently provides management services exclusively to Quaker organizations, Planned Giving is the one area where we work with individuals. We welcome inquiries from individuals who would like to support a Quaker organization, or perhaps more than one. We work with each donor to ensure that the type of gift they have chosen is appropriate for the goals they would like to achieve. We offer gifts that pay income to the donor during their lifetime like Charitable Gift Annuities and Charitable Remainder Trusts. A donor may want to consider a Donor Advised Fund to reach the threshold for continued on page 4
Supporting Friends Through Planned Giving continued from page 3

itemizing their charitable deductions in a particular tax year under the new tax code. Friends Fiduciary recently lowered its minimum gift amount for Donor Advised Funds to $25,000. Charitable Lead Trusts pay income to the Quaker charity during a donor’s lifetime, with the remainder going to the beneficiary designated by the donor. Friends Fiduciary can also support your outright gifts to Quaker organizations. Legacy or endowed funds can be established to ensure the perpetuity of an entity or program that the donor feels led to support. Friends Fiduciary also facilitates stock transfers as a method for making a gift to the Friends charity of your choice, which may minimize capital gain taxes.

Details on the 2018 Quaker Fundraisers Gathering, Center City Philadelphia/September 30–October 2, are now accessible on the FFC website under the Charitable Services tab. You can view the list of sessions and presenters, register online or using a downloadable form, and link directly to the reduced rate hotel booking at the Sheraton Philadelphia Downtown Hotel though your registration confirmation email. All sessions and speakers, hotel, and train transit from the airport and Philadelphia suburbs will be within a three block area in Center City Philadelphia. Discounted early bird registration ends on August 7, 2018.

Friends Fiduciary is most grateful to the Obadiah Brown’s Benevolent Fund for its vision and leadership role in recognizing the critical importance of fundraising in monthly meetings and for allocating scholarship funds for members of New England Monthly Meetings to attend the Quaker Fundraisers Gathering. If you are a member of a monthly meeting within New England Yearly Meeting and would like to receive a scholarship, details are available on the Charitable Services tab of the Friends Fiduciary website.

As I begin my second year at FFC, I look forward to continuing to connect with Friends across the country. When visiting a school, worshiping with meeting members, or having lunch at a retirement community, I gain insight into the way each lives its Quaker values which greatly informs the tenor of my work. Input from fundraisers and donors who wish to support Quaker organizations is integral in determining the type of support Friends Fiduciary provides including what donors value in gift-making options. Please reach out with a phone call, email, or schedule a visit to share your ideas.

Mimi Blackwell, Planned Giving Program Manager

New Higher Rates for Charitable Gift Annuities

In April of this year, the American Council on Gift Annuities approved an increase in suggested maximum rates for CGAs issued on or after July 1, 2018. This is exciting news as the last increase in rates was in January of 2012.

<table>
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<tr>
<th>Age</th>
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<tr>
<td>90</td>
<td>$1,900</td>
<td>9.5</td>
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These changes represent an across the board increase of approximately 0.5% and greater annual payment to the lifetime beneficiary(ies) of the gift annuity. If you are interested in learning more about Charitable Gift Annuities, call or email Mimi Blackwell, Planned Giving Program Manager, at 215.241.7272 or mblackwell@friendsfiduciary.org.