Dear Friends,

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

2018 Third Quarter Commentary and Performance Summary:
Generational lows in unemployment, strong corporate profits, and accelerating GDP growth have been reflected in higher stock prices in the third quarter with an all-time record being hit in late September. For the third quarter 2018, the S&P 500 appreciated +7.7% (total return, i.e. with dividends reinvested); ahead of mid-cap and small cap stocks, which increased +5.0% and +3.6%, respectively. With higher stock prices comes higher valuations as the trailing twelve month P/E (price—to—earnings) ratio now stands at 20.9x, above the 10-year average of 17.7x. Developed market equities continued to lag the U.S. with modest gains of +1.4%, while emerging markets declined -1.0%. Even as the Trump administration continues to beat the drum of protectionist policies, the index of consumer confidence is soaring, approaching levels last seen in September 2000. However, the air of jubilation is being tempered by rising long-term interest rates as the yield on the 10-year Treasury note recently made a convincing move through the psychologically important 3% level. While higher yields may reflect investor confidence in the strength of the economy, a commensurate increase in borrowing costs and the long-term impact of a trade war with China will likely act as headwinds as we move through the fourth quarter. Recognizing the multi-year appreciation in equities and higher valuations, we trimmed positions in large cap and mid cap stocks in August, moving the proceeds into fixed income with a tilt towards high quality short-term bonds.

The unit price of the Quaker Growth & Income Fund (formerly the Consolidated Fund) closed out the third quarter at $54.39, $1.31 per unit higher than the value on June 30. The Quaker Green Fund also posted a solid gain of $1.25 per unit, closing at $39.88. Mirroring gains seen in the S&P 500 Index, the Quaker Index Fund posted a higher unit value of $2.87, while the unit value for Short Term Investment Fund increased $0.04 even as short-term (i.e. 2-year) bond yields rose from 2.5% to 2.8% during the quarter.

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<th>Unit Values*</th>
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<td>June 30, 2018</td>
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<td>$53.08</td>
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<td>July 31, 2018</td>
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<td>August 31, 2018</td>
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<td>September 30, 2018</td>
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* Unit values are for the last business day of the month and are presented net of fees. Quaker Growth & Income and Quaker Green Fund unit values are also net of a daily accrual factor for the semi-annual distributions.
Friends Fiduciary Corporation
3rd Quarter 2018 Update
October 9, 2018

**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.

**QuakerSpeak:**
Friends Fiduciary was pleased to sponsor a QuakerSpeak video called “Investing the Quaker Way.” The video features several Friends from constituent investors as well as FFC staff. We encourage you to share the video with your monthly meeting. We are proud of the work we do on behalf of Friends and we think Friends will be pleased to learn more about the stewardship of financial resources in the Quaker way. The video is at www.FriendsFiduciary.org and also at www.QuakerSpeak.org.

**Friends Journal Article:**
The October issue of Friends Journal on Meetings and Money includes an article from me about the importance of investing consistent with Quaker values. While many Quaker institutions – particularly meetings and churches – are doing so, many are not. The article recognizes and explores the tension that can live where values intersect with money.

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