Summary 2021| Volume 22, Issue 2

Financial Service for Quaker Organizations Since 1898

Friends Fiduciary

ADDING VALUES TO STRONG PERFORMANCE.

From Jeff Perkins, Executive Director

Friends,

In the US we have now been living with the pandemic for 18 months, and while it has disrupted much of society and the economy, at Friends Fiduciary we have continued to work to deliver our combination of excellent investment returns, a rigorous Quaker values investment process, and excellent customer service. It has challenged us organizationally, but I am proud of how hard and effectively our team has worked. Earlier this year we closed the Quaker Green Fund and launched the new Quaker Green Impact Fund. The new Green Impact Fund keeps Friends Fiduciary at the forefront of investors concerned about climate risk as it allocates capital to companies that are not only easier on the environment, but also are actively working to mitigate climate change and build a lower carbon future.

We were pleased to welcome Amy Carr to the Friends Fiduciary team as Shareholder Advocate in March. Replacing Kate Monahan, who took another opportunity within the field of socially responsible investing, Amy earned a bachelors at Duquesne University and her masters at the University of Michigan. She worked as a library reference assistant and is originally from Bethlehem, Pennsylvania. Amy has been working with me to close out the 2020-2021 proxy season, having final discussions with companies, preparing exempt solicitations (formal letter to other shareholders about our resolutions), and presenting our resolutions at company annual general meetings.

In meetings with current and prospective constituent investors, we are sometimes asked how we can have impact as an investor with $625 Million in assets under management. While impact can be measured in many ways – number of successful dialogues and resolution withdrawals because the company has agreed to change – we had one recent

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Investment Review

After starting 2021 with a respectable increase of +6.2% in the first quarter, large cap US stocks (as measured by the S&P 500 Index) accelerated in the second quarter, posting a three month return of +8.6%. The cumulative first half gain of +15.3% is one of the strongest over the past 20 years, surpassed only in 2019 when stocks rose in anticipation of the Federal Reserve Bank cutting interest rates in July of that year. The stock market surge has been powered by the widespread rollout of Covid-19 vaccinations and the resultant reawakening of the US economy. According to Johns Hopkins and Bloomberg, fully vaccinated US citizens stood at 5.8 million at the end of January and the number accelerated to 54.6 million by the end of March and 154.9 million by June 30. With roughly 49% of the population fully vaccinated, service industries like restaurants, brick and mortar retail, fitness centers, and movie theatres are experiencing a spike in consumer traffic which, among other effects, is driving the need for more workers. The US unemployment rate currently stands at 5.9%, down from a high of 13.0% in June 2020, and with this change, consumer confidence has risen 22% year to date. With retail sales increasing 13% in the first half of the year, industrial production rising for three consecutive months, and business capital spending now above pre-Covid levels, the outlook for US GDP (gross domestic product) growth and the capital markets appears strong for the balance of 2021.

June 30, 2021 Snapshot

		Quaker Growth & Income Fund	Quaker Green Impact Fund	Quaker Index Fund	Quaker Core Bond Fund	Short Term Investment Fund
Unit Value	6/30/2021	$67.65	$31.96	$68.30	$29.15	$11.04
Next Per Unit Distribution	Dec 2021	$1.10	N/A	N/A	N/A	N/A
Asset Allocation June 30, 2021						
Equities		72%	100%	100%	0%	0%
Fixed Income		23%	0%	0%	100%	100%
REITS		5%	0%	0%	0%	0%

Of concern to many investors is the recent spike in inflation caused, in part, by a surge in demand that has created bottlenecks in supply chains. Simply put, the suppliers of products and services have not kept pace with the wave of demand from the re-opening of the economy. Federal Reserve Chairman Jerome Powell contends the recent spike in prices is a temporary phenomenon that will self-correct once snarls in the supply chain work

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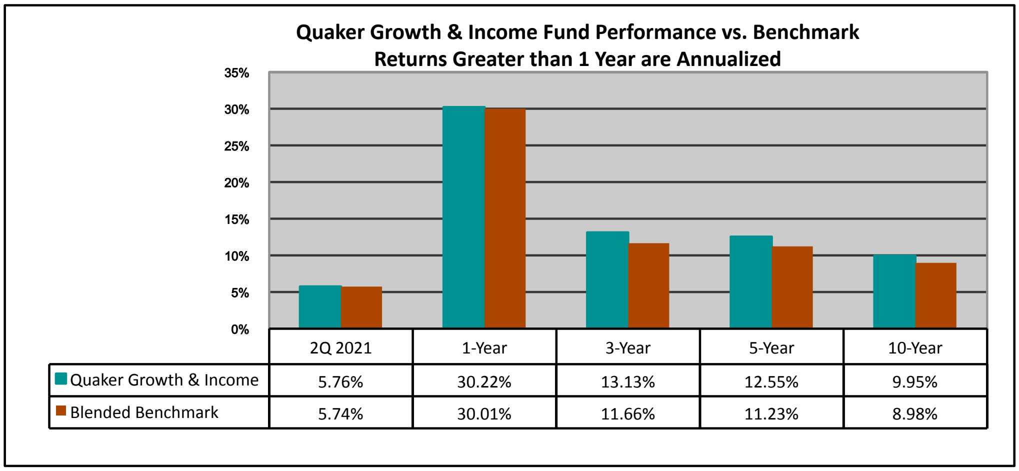


Investment Review *continued from page 1*

themselves out. To some degree, this is already occurring as prices for some essential products are leveling out, notably copper and lumber prices. One closely monitored inflation component is wage growth; but, while news headlines may reflect worrisome trends, the expectation is for wage inflation to moderate once pandemic-related fiscal stimulus ends this September.

Investment returns for FFC's Quaker Growth & Income Fund (QGI) trailed the benchmark slightly in the first half of the year, +9.0% versus +9.8%, respectively. Net of fees returns over the period were +8.6%. Over the past 12-months, gross-of-fee returns were up +30.2% versus +30.0% for the benchmark, respectively, while net-of-fee returns were slightly below benchmark with a +29.3% increase. Beneath the top and bottom line results, there has been significant changes in market leadership within the fund. Since the onset of the pandemic in March 2020, quarterly leadership has shifted from domestic fixed income (Payden & Rygel), to large cap growth (Brown Advisory), to international equity (Boston Common Asset Mgt.), to small cap (Aristotle), and back to large cap growth (Brown Advisory). The speed with which shifts are occurring reflects the changing economic landscape, shifts in market sentiment, and a pick-up in volatility.

This past January, we launched a new fund offering, the Quaker Green Impact Fund. The Green Impact Fund is a 100% equity co-mingled fund that invests in companies that take a proactive, solutions-focused approach to global environmental and sustainability issues. The fund is constructed with a high degree of diversification and includes allocations to both domestic and international stocks. It is composed of three active managers that invest in a broad array of thematic ESG (environmental-social-governance) areas like efficient transportation, renewable energy, and clean technology and efficiency. To help moderate the inherent volatility associated with thematic, impact investing and to reduce fees, the fund includes an allocation to a select portfolio of S&P 500 companies that is rigorously screened on science-based environmental criteria. Investment returns are measured against a broad-based global index, the MSCI World Index. Like all other FFC offerings, Green Impact investments follow FFC's rigorous Quaker values based investment guidelines and are included in shareholder engagement activities. Since performance tracking started on January 31, the fund is up +10.6%.

Year-to-date investment returns for the Quaker Index Fund trailed the S&P 500 Index slightly, the fund's primary benchmark, +15.0% versus +15.3%. The Short Term Investment Fund also trailed its primary benchmark, posting a negative -0.13% return versus -0.06%, and the Quaker Core Bond Fund posted a -1.20% year-to-date return, slightly ahead of the Barclays Aggregate Bond Index of -1.60%. Please refer to the following table for quarterly and trailing period returns for all funds.

The Quaker Growth & Income will pay its next semi-annual distribution in December 2021 of $1.10 per unit representing a 4.0% distribution rate. This is up from $1.07 in June 2021. The distribution rate is determined nine months in advance of payment and is based on the trailing twelve quarter average of the fund's unit value. The payout rate is reviewed and approved annually by the FFC Investment Committee and Board of Directors and is set at a level deemed to be sustainable while preserving the purchasing power of the fund's principal over the long term. Constituents may take more or less than the semi-annual amount, and withdrawals can occur at any time throughout the year.

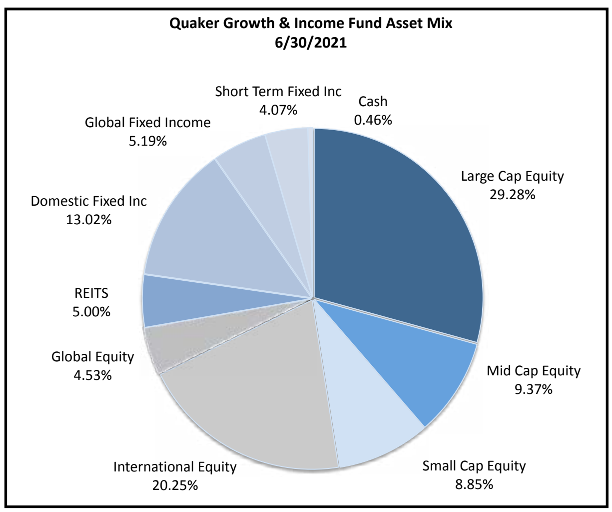
As we go to print with our summer edition, investors are digesting an abundance of cross-currents in the flow of information and news related to the re-opening of the economy, Covid-19 vaccination levels, and new variants of the coronavirus. Compared to lock-down conditions of a year ago, the US economy is looking relatively healthy, but the timing of the shift to normalcy is far from certain as we see strict guidelines installed at the Tokyo Olympics and the return of mask mandates in Los Angeles. While many argue the Federal Reserve Bank's accommodative policy is unnecessary and fueling excesses in the markets, it is likely that tightening monetary conditions could do more harm than good – at least until we have more clarity on the path of the pandemic. In this environment, there will continue to be sudden and unexpected rotational shifts in the markets which supports our long-held conviction that appropriate portfolio diversification will provide the best opportunities to participate in upward market moves while dampening the effects of inevitable market declines. Thank you for investing with Friends Fiduciary and supporting our work!

Richard Kent, CFA, Chief Investment Officer

Friends Fiduciary Funds

Investment Returns for the Period Ending June 30, 2021

		Annualized Returns			
	2nd Q	**1 Yr**	**3 Yr**	**5 Yr**	**10 Yr**
Quaker Growth & Income Fund	5.8	30.2	13.1	12.6	10.0
Blended Benchmark[1]	5.7	30.0	11.7	11.2	9.0
Quaker Green Impact Fund	6.8	-	-	-	-
Blended Benchmark[2]	8.0	-	-	-	-
Quaker Index Fund	8.4	41.1	19.8	18.5	-
S&P 500 Index	8.6	40.8	18.7	17.7	-
Quaker Core Bond Fund	2.3	0.6	5.7	3.7	4.0
Barclay's Aggregate Bond Index	1.8	-0.3	5.3	3.0	3.4
Short Term Investment Fund	0.1	0.3	2.6	1.8	-
Blended Benchmark[3]	0.0	0.1	2.4	1.5	-



All returns are in percent, gross of fees, and reflect the reinvestment of dividends. No predictions are made for the future. Past returns are no guarantee of future results.

[1]Blended Benchmark: 30% S&P 500, 9% Russell Mid-Cap, 8% Russell 2000, 20% MSCI ACWI ex-US, 3% MSCI World, 5% FTSE NAREIT, 18% Barclays Aggregate Bond, 7% Barclays Global Aggregate Bond as of 1/31/21; formerly, 28% S&P 500, 9% Russel Mid-Cap, 8% Russel 200, 25% MSCI ACWI ex-US, 5% FTSE NAREIT, 18% Barclays Aggregate Bond, and 7% Barclys Global Aggregate Bond.

[2]Blended Benchmark: 35% S&P500, 65% MSCI World Index

[3]Blended Benchmark: 80% ICE 1-3 Year US Treasury & Agency Index, 20% Lipper Money Market Index.

2021 Season Overview

The 2021 shareholder engagement season marked another successful year of bringing Quaker values to Wall Street. We engaged with 47 companies in over 20 different issue areas. Of those 47 engagements, 20 were resolutions and 27 were dialogues. We were able to withdraw seven of the 20 resolutions following substantive company commitments, for an overall withdrawal rate of 35%. Our success rate was 50% for the eight engagements where we served as lead. Although we engage with a wide variety of companies in a wide range of issue areas, we tend to take leadership in areas where we have built a level of expertise. Serving as "lead" with a company means we are the investor with the primary company relationship, responsible for gathering other interested investors, setting the dialogue agenda, and deciding whether to withdraw a resolution.

Impact:

We were lead investor on 13 engagements. Eight of those engagements were resolutions, and five were dialogues. Of the eight resolutions that we filed, we were able to withdraw four following substantive company commitments. Of particular note, was the withdrawal of our lobbying transparency resolution with Comcast. After having begun our engagement with the company in 2015, we were able to come to an agreement with Comcast committing to substantially increased lobbying disclosure. As Quaker investors, we value integrity, transparency, and accountability in corporate lobbying. 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. If a company's public statements don't align with their private actions, the company can be exposed to significant reputational risk with potential impact on the bottom line over the long term. Comcast's agreement to increase lobbying transparency will help the company and its shareholders better assess potential risks.

We continue to engage with Western Union on improving their human rights policy due diligence following our dialogue and their decision last year to end their partnership with the military owned Myawaddy Bank in Myanmar. Such engagements demonstrate the possible success with long-term engagement. The five dialogues where we didn't file resolutions are long-term relationships that may have begun with a resolution in prior years, but we have continued talking with the companies and they have continued forward progress.

We have also seen strong support this year for resolutions we both filed and co-filed, including a record breaking 76% vote on our lead filing at Norfolk Southern Corporation on aligning the company's lobbying activity with the Paris Climate Agreement. This was the highest vote to date on any climate lobbying resolution. As Quakers, we are concerned with alignment of corporate lobbying with the Paris Agreement goals from an integrity, transparency, and stewardship perspective. We believe companies that make public statements in support of climate goals but that also financially contribute to trade associations or other organizations that lobby against climate initiatives expose the company to reputational risk.

Environment	Social	Governance
GHG goals	COVID pricing	Lobbying transparency
HFC refrigerants	Surveillance and customer civil and human rights	Proxy voting on climate change
Climate action 100+	Just transition	Independent chair
Renewable energy, energy efficiency	Human rights in supply chains	Executive compensation and drug pricing
Climate change finance	Human rights due diligence	Political spending
Deforestation	Conflict zones	Climate lobbying
	Smoking in movies	Civil rights board expertise

We also saw an increase in the vote supporting our lobbying transparency proposal at Charles Schwab with a 44% yes vote, up 10% from last year's. We also received high votes at DaVita (34%) and Expedia (37%), both resolutions were on political spending disclosure.

Impact Highlights:

- Our climate lobbying resolution at Norfolk Southern Corporation passed with a vote of 76%. The resolution was one of 12 climate lobbying resolutions in the United States; five went to a vote, and four passed, meaning over 50% of shares voted for the proposal.
- Following our engagement, Steel Dynamics announced a goal to be carbon neutral by 2050 for its electric arc furnace (EAF) steel mill operations, along with interim goals for 2025 and for procuring renewable energy, this establishes the company as a leader in setting science-based greenhouse gas emission targets in its industry.
- Following several years of engagement, Comcast committed to significant lobbying transparency and disclosure.
- After years of resolutions and engagement on lobbying disclosures we negotiated a withdrawal agreement with Vertex Pharmaceuticals following their commitment to increased lobbying transparency and disclosure.

Looking Forward

As this season comes to a close, we have begun to identify priority areas for next year. One area where we will continue to be active — and have seen significant success with our strategy— is in corporate lobbying. We will also continue dialoguing with insurance companies about their criteria for covering municipal police forces and exploring ways that insurance companies could be active in setting standards for training to de-escalate and reduce police bias and violence. In this time of increased acceptance of climate initiatives, science-based greenhouse gas targets, and transitioning to renewable energy, we will also be focusing on just transition, a social justice issue focused on place-based social interventions needed to secure workers' rights and livelihoods as economies are shifting to sustainable production, combating climate change, and protecting biodiversity. We also intend to continue dialogues with companies whose operations may represent significant human rights concerns over forced detention and labor of the Uyghur population in the Xinjiang Uyghur Autonomous Region and throughout China. As we plan for this season, we will continue thinking about ways we can make both the business case and the Quaker values case for long-term sustainability. 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 seek as Friends.

Amy Carr, Shareholder Advocate

Supporting Friends Through Planned Giving

Planned Giving News

As was shared in last summer's newsletter, Friends Fiduciary was awarded a multi-year grant from the Thomas H. and Mary Williams Shoemaker Fund. The purpose of the grant is to support three important initiatives: a creation of a template webpage for meetings' and organizations' websites to encourage giving; a link for donations by credit card and ACH processed by FFC for the benefit of meetings and churches which can be linked to the meeting's website; and a recrafting of the "Ways to Give" section of the FFC website to serve as an additional resource that both organizations and donors can rely on for accurate information and gift planning tools.

These new services supported by the Shoemaker Fund are open to meetings, churches, and other Quaker organizations. You can choose to link to the giving page which is semi-customizable and highlights ways to give. Friends Fiduciary maintains and updates the page that is hosted by FFC at no cost to your organization. If your yearly meeting does not offer online giving support, FFC can also provide that service by creating a donation form and a secure, embedded online giving portal. If your yearly meeting is currently facilitating online giving for its member meetings, you can still take advantage of FFC's giving page template and the donation process will remain unchanged. It is easy to get started, simply fill out the intake form.

While there are no fees charged by FFC for these new services, online gifts will incur transaction costs. Donors may choose to cover those costs in addition to their gift, however there may be instances when the gift to an organization is reduced by the associated transaction fees.

The American Council on Gift Annuities (ACGA) is the organization that suggests maximum charitable gift annuity rates and FFC adheres to these rates when issuing annuity contracts. As part of its ongoing review process, the Rates Committee of the ACGA monitors certain interest rates that underlie the investment return assumptions used to create the rate schedules. Annuitant mortality and other assumptions are evaluated and updated as well on an annual basis. This methodology provides for the routine announcement of any modifications to the suggested rates. Many development professionals and donors to Quaker organizations speculated that the ACGA rates would increase based upon the economic upswing as we begin to emerge from the pandemic. However, rates have not changed since July 1, 2020. At its annual meeting on in April, the ACGA Board concluded that, "While interest rates have moved slightly higher so far this year, they have not moved enough to warrant an upward revision to the ACGA's return assumption (currently 3.75%), and therefore, the Board decided not to change the suggested maximum payout rates." The ACGA typically reviews its rates in the spring of every year, but in periods of rapidly changing interest rates, it has been known to change rate schedules more than once in the same year, as it did in 2020. If your Quaker organization includes ACGA rates in your planned giving materials, be sure that they have been updated to reflect current values. Rates can be found on the FFC website, under the *Ways to Give* heading, or by visiting www.acga-web.org.

If you are currently a participant in a Pooled Life Income Fund you may consider relinquishing your interest now. There are several benefits that are worth weighing. You may be entitled to an additional income tax deduction in the year the relinquishment is made and that may qualify you to itemize rather than taking the standard deduction. Your decision to relinquish your interest will also result in a larger gift going immediately to the non-profit instead of at a future time and you will be able to see the impact of your gift today. Lifetime beneficiaries of Charitable Gift Annuities also have the opportunity to relinquish their interest with the same potential benefits.

Last year at this time we were eagerly anticipating the post-pandemic, "New Normal." While many parts of the country have made that leap, others are still struggling to emerge from the lasting effects of COVID-19. The team at FFC worked diligently during the months of travel restrictions to stay connected and responsive to the needs of our constituents. We connected through every imaginable virtual platform and even those 20th Century ways of communicating known as snail mail and a telephone call. We hope to be "on the road again" soon. When visiting, we will comply with all local requirements for safety and peace of mind. And a silver lining of the last 16 months, if a virtual format is preferred, we are ready and able to set that up. For planned giving support that meets your unique needs as a donor or organization contact me, Mimi Blackwell, Planned Giving Program Manager, mblackwell@friendsfiduciary.org or 215.241.7272, to learn more.

Mimi Blackwell JD, Planned Giving Program Manager

From the Executive Director

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unique, illustrative example. As you'll read in Amy's shareholder engagement article, in May our climate lobbying proposal at Norfolk Southern Company (NSC) received the highest shareholder vote (76.4% of shares) of any climate lobbying proposal and certainly the highest for any of our previous proposals. In advance of the NSC annual meeting, one of NSC's largest institutional shareholders (~7.5% of total outstanding shares), which is also one the largest investment managers (~ $7 trillion) in the world, reached out to Friends Fiduciary. We had sent this investment manager our exempt solicitation making the business case for our proposal. Their shareholder engagement team wanted to discuss our proposal and our engagement with the company. We won't know for certain whether this manager supported our proposal until they disclose their proxy voting, but the very high vote count suggests they did. I note this as one example of our impact. I think this illustrates our standing within the field and is why more than one of our socially responsible investment (SRI) peers has said "Friends Fiduciary punches above its weight." While that expression may clang in Quaker ears, it does get across our outsized impact in the SRI space. You can read more about this in a recent article in Pensions & Investments, a trade publication for institutional money managers. For more information on the proposal and why we filed it, see Amy's article in this newsletter.

All of our work at Friends Fiduciary is on behalf of our constituent investors, and yet the reach of our impact includes not only the Religious Society of Friends but also extends to the wider world through our various NGO partners, SRI peers, companies we invest in, and other investment managers and asset owners who review and vote on our shareholder proposals. Thank you to all our constituent investors – you are active participants in this work of bringing Quaker values to Wall Street – we couldn't do it without you!