

Report from the Finance Sub- Committee for 2021.

The value of NYQM assets on December 31, 2020 was \$31.68 million up from \$28.74 million at December 31, 2019. This represented a 10.2% rate of return on our total assets. The stock and bond markets staged a strong recovery after dropping precipitously in the first quarter of 2020. For the Friends Fiduciary Growth and Income Fund, the one-year total return as of December 31, 2020 was 15.53% while its benchmark returned 11.72% for the same period. The Quaker Green Fund returned 16.48% while its benchmark returned 11.62%.

The investment committee decreased NYQM investments in the stock and bond markets in the belief that both were at risk for a significant decline prior to the first quarter 2021 drop in the face of the pandemic. The investment committee kept a higher than normal amount of NYQM's assets in short term fixed income investments for the remainder of the year. Thus our return for the year lagged most balanced funds. Our assets are now invested with the following asset allocation:

66% in Friends Fiduciary Funds (stocks and bonds)

25% in a Vanguard GNMA fund (FHA/VA mortgage backed securities)

4% money markets/cash equivalent

5% in notes to community development financial institutions and non-profits

During 2020, Friends Fiduciary announced a decrease in pay outs, due to expected lower returns as interest rates may rise going forward returns will likely be lower and therefore payouts should decline.

Guided by the minutes in favor of fossil fuel divestment from monthly meetings in the quarter and NYYM, your committee determined it was prudent to request that Friends Fiduciary divest its largest fund, the Growth and Income Fund and all its other funds, from fossil fuels enabling all constituent investors to benefit from the wide diversification and lower costs associated with the flagship Growth and Income Fund rather than divesting only a portion through the Quaker Green Fund which had previously been set up as a compromise. In January, 2020, NYQM investment committee sent a letter to Friends Fiduciary, the investment firm that manages the majority of NYQM's assets to request full divestment from fossil fuels. An excerpt from that letter is below:

New York Quarterly Meeting requests that Friends Fiduciary Corporation divest the Quaker Growth and Income Fund with good speed from all companies on the Carbon Underground 200 ([www.fossilfreefunds.org](http://www.fossilfreefunds.org)) list, compiled and maintained by Fossil Free Indexes ([www.fossilfreeindexes.com](http://www.fossilfreeindexes.com)), and that they also divest all holdings from companies involved in fossil fuel development and production. We also ask Friends Fiduciary Corporation to redirect at least an amount equal to that divested from fossil fuels to be re-invested into green technologies and solutions in alignment with the United Nations Sustainable Development Goals ([www.sustainabledevelopment.un.org](http://www.sustainabledevelopment.un.org)). This requires investing with asset managers who have expertise in climate-responsive investing in all seven sectors of solutions promoted by Project Drawdown ([www.drawdown.org](http://www.drawdown.org)). We hope that Friends Fiduciary Corporation will join us in expanding our efforts regarding a concern of vital importance to Quakers and indeed all people

and living beings on Earth. “

We are happy to report that by year end 2020, Friends Fiduciary announced their intention to divest the Quaker Growth and Income Fund from fossil fuels and to introduce a new Impact Fund which will enable constituent meetings to invest more of their assets in climate -responsive asset managers (The new impact fund will have 3 green asset managers instead of the 1 green asset manager in the prior Quaker Green Fund). As a result of the Friends Fiduciary divestment decision the Quaker Green Fund (which had \$5.1 million of NYQM assets) will be merged into the Growth and Income Fund unless a constituent meeting instructs otherwise. NYQM has chosen to invest the entire \$5.1 million into the new Quaker Impact Fund. We are pleased with the outcome of the friendly dialogue with Friends Fiduciary and are proud of the work that Friends Fiduciary does on our behalf with organizations like the Ceres Investor Network on Climate Risk, the UN Principles for Responsible Investment (UNPRI) and the Net Zero by 2050 initiative among others.

We have continued to renew our investments in Community Development Financial Institutions (CDFIs) for a total of \$2.15 million (6.7% of total assets) invested in Opportunity Finance Network (a national association of CDFIs), Low Income Investment Fund (another national CDFI), Shared Interest (a Southern African loan guarantee fund), Local Initiative Support Corporation (another national CDFI) and Leviticus Fund (a NY faith based CDFI). The committee believes that these investments are prudent because they help create stability and opportunity in low income communities and provide higher interest rates than those for fixed income investments in larger more financially strong borrowers. In addition, in July, 2020 NYQM purchased \$845,000 of the inaugural Green Bond Issue of the Connecticut Green Bank. This will provide additional funding for the state of Connecticut's Green Bank to increase the funds available for residential and small business solar and energy efficiency projects that come to fruition in that state.

In 2021, the committee will discern the appropriate cap, if any, for socially purposeful investments in relation to total assets under management. We will have the conversation as to whether we can find investment opportunities that both outperform the stock market (in a more normal year than 2020) and achieve a social purpose in concert with Friends' testimonies.

We will continue to meet at least quarterly to review investment performance and decide if any rebalancing of the portfolio is necessary. We will seek guidance from the body and from the Trustees in fulfilling our obligations. As of now our Investment Policy Statement requires we seek to meet the needs of NYQM to retain the purchasing power of its assets, to earn a return above the rate of inflation and to outperform in the various asset categories we select. We will continue discussions about the need to prioritize outperforming in each asset category vs the need to use our assets to meet the needs of people and communities at this time of great need and stress in our nation and the world.