

NEYM Board of Managers of Investments & Permanent Funds

2010 Annual Report for fiscal year 4/1/2009 through 3/31/2010

The Board of Managers of Investment and Permanent Funds, is pleased to provide this 2010 Annual Report to New England Yearly Meeting.

In the fiscal year ended March 31, 2010, annual income distributed to constituents from the Pooled Funds after payment of expenses totaled \$7.41 per 100 units (*i.e.* \$0.0741 per unit). For the first time in the Board's memory, this distribution fell shy of the amount (\$0.078 per unit) that the Board had suggested budgeting for Fiscal Year 2010. The Board recommends that you budget \$0.072 per unit in distributions for the period April 1, 2010 through March 31, 2011. This represents a payout after expenses of 2.3% of the March 31, 2010 unit value. Yields on high quality bonds remain at their lowest levels in 20 years, and money market rates have never been lower. They are unlikely to rise substantially in FY 2011.

The Pooled Funds are a balanced fund, investing in both stocks and fixed income securities, and are managed primarily with the objectives of generating a predictable income stream for constituents and increasing the distribution over time through appreciation of the underlying units. The Board seeks to generate this income by investing in companies whose businesses are aligned with Quaker testimonies. The policies and procedures are described in the *Green Book*, which is available by request from the Board of Managers or online at www.neym.org.

For the period of April 1, 2009 through March 31, 2010, the NEYM Pooled Funds had a total return (income plus unit value appreciation) net of all expenses of 28.12%. This consists of a distribution of income per unit to beneficiaries of 3.20% and a 24.92% increase in the market value. The time-weighted total return for the Pooled Funds before the deduction of fees was 28.71%. A history of the performance of the Pooled Funds including income and capital appreciation is attached to this report.

The distribution this past year was less than we anticipated because of reduced yields on bonds and money market funds and because we maintained a very conservative stance, with a higher proportion than usual in high quality fixed income due to concerns about the economy. If constituents find that the income distribution is insufficient to meet their commitments, they may want to consider the option of cashing in a limited number of units to make up the difference.

As of March 31, 2010, the market value of the Pooled Funds was \$5.312 million with 32 participating organizations and a total of 39 accounts. One new constituent (and consequently one new account) joined the Pooled Funds. No constituents left. The market value of the fund increased by almost \$1 million during the year, while the total number of units decreased by 26,000, the net result of funds received and reinvested versus withdrawals.

The Board has continued to develop its proactive involvement on behalf of its constituents in community fund investments and vigilant proxy voting. In 2010, the Board increased its investment in community funds from 1% to 1.6% of the portfolio, with a combined investment of \$70,000 in the Cooperative Fund of New England and the Institute for Community Economics. In January, 2010, however, we redeemed the Institute for Community Economics loan because the organization had merged with a national organization and restructured its debt to a less secure instrument. Although this was a quiet year for shareholder resolutions, we expect activity to pick up as the economy recovers. We will continue to search for opportunities, discuss them within the committee, and determine how best to insure that these activities continue even as the composition of the Board changes over time.

Among our goals for the coming year are streamlining the process of distributing checks to constituents and improving communications. Starting in April, 2010, each treasurer of a constituent organization should be

receiving a copy of the Pooled Funds bank statement from the custodian (Bank of America) each quarter, listing all of the holdings in the Pooled Funds end and all transactions for the quarter. Please let me know if you did not receive a statement.

We invite you to attend our workshop, “Managing Quaker Money,” at the New England Yearly Meeting in Smithfield, Rhode Island, Wednesday afternoon, August 11, 2010. The workshop will be an open discussion about the financial challenges and concerns that NEYM organizations have faced during the year. Members of all participating organizations and any other interested members of New England Yearly Meeting are welcome. Treasurers are encouraged to invite members of their respective Finance Committees. More information about the workshop will be included in the enrollment packet sent by the NEYM Worcester office.

If you have any questions or comments, please email the Board of Managers at neympooledfunds@neym.org, or call Matt Hackman , Acting Clerk, at (401) 738-0755 or Brian Clark, Treasurer, at (978) 897-5646.

Yours in the Light,

Brian Clark, Treasurer, Board of Managers of Investments & Permanent Funds, NEYM

New England Yearly Meeting of Friends Pooled Funds

Comparative Figures for Fiscal Years Ending March 31

| Income (per unit) | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Projected Distribution | \$0.0800 | \$0.0810 | \$0.0810 | \$0.0720 | \$0.0750 | \$0.0780 | \$0.0780 | \$0.0800 | \$0.0800 | \$0.0780 | \$0.0720 |
| Actual Distribution | \$0.0835 | \$0.0902 | \$0.0812 | \$0.0766 | \$0.0797 | \$0.0791 | \$0.0869 | \$0.0985 | \$0.0986 | \$0.0741 | |
| Market Values | | | | | | | | | | | |
| Total Value (\$000) | \$4,447 | \$4,450 | \$4,000 | \$4,667 | \$4,756 | \$5,283 | \$5,663 | \$5,559 | \$4,313 | \$5,312 | |
| Total # of Units (000) | 1,738 | 1,751 | 1,737 | 1,746 | 1,800 | 1,807 | 1,864 | 1,873 | 1,864 | 1,837 | |
| Market Value Per Unit | \$2.5555 | \$2.5414 | \$2.3029 | \$2.6601 | \$2.6415 | \$2.9238 | \$3.0385 | \$2.9684 | \$2.3144 | \$2.8911 | |
| Returns | | | | | | | | | | | |
| Appreciation | -3.45% | -0.55% | -9.38% | 15.51% | -0.70% | 10.69% | 3.92% | -2.51% | -22.03% | 24.92% | |
| Income | <u>3.15%</u> | <u>3.53%</u> | <u>3.19%</u> | <u>3.32%</u> | <u>3.00%</u> | <u>2.99%</u> | <u>2.97%</u> | <u>3.23%</u> | <u>3.32%</u> | <u>3.20%</u> | |
| Total | -0.30% | 2.98% | -6.19% | 18.84% | 2.30% | 13.68% | 6.90% | 0.72% | -18.71% | 28.12% | |
| Lipper Balanced Fund Average | | | | | | | | | | | |
| | -6.26% | 1.46% | -13.29% | 23.58% | 4.28% | 9.43% | 8.8% | -1.7% | -26.8% | 35.6% | |

Notes:

1. Except for the Lipper returns, return figures are rounded to the nearest 0.01%.
2. NEYM returns are simple annual rates of return, calculated net of expenses. The appreciation return is calculated by dividing the change in the market value during the year by the beginning market value. The income return is calculated by dividing the income distributed per unit during the year by the beginning market value. The total return for FY 10 compounded quarterly is 28.39%.
3. On an annualized basis over the past five years, the NEYM Pooled Funds returned 4.97% per year after deducting management and administrative fees as compared to a return of 3.04% for the Lipper Balanced Fund Average. Over the past ten years, the Pooled Funds returned 4.09% per year net of fees as compared to a return of 2.13% per year for the Lipper Balanced Fund Index.
4. Please note that the NEYM Pooled Funds are subject to social and other constraints which are not applicable to the Lipper Balanced Fund Average.