Those who came before us at Homewood funded our endowment. The endowment is currently the source of almost two-thirds of the money we use to do the work of the Meeting as reflected in our annual budget. The Trustees Committee of the Meeting has the responsibility, among others, of overseeing the endowment.

The gifts that formed the endowment were made with the understanding that the money be invested so that it retains its value in the face of inflation and investment market down-turns. That way we can continue to use the money earned from investing to support the Meeting. With growth in the capital, we can also occasionally draw on the endowment for an out-of-the-ordinary expense such as replacement of the roof on the meetinghouse or the stove in the kitchen. The first goal of our investment policy is to preserve the endowment capital through investment. The second is to see the capital grow modestly, though not at the cost of other aims.

`Socially responsible` investments

One of those aims relates to the fact that investment instruments bring us into financial markets, where we may be able to have an effect on the way business operates and the direction that the U.S. and world economies take. Since money talks, we are part of a conversation about how money should be invested. So in the past three-plus decades we have emphasized “socially responsible” (now often called ESG or environment, social and governance) investing.

ESG investing takes into consideration social harm caused by company activities, products, or services. Further “screens” for investment include the way a company is structured and conducts itself (Does it treat its workers fairly? Is it mindful of the value of ethnic and racial diversity in its governance? What kind of stake do employees have in the business?) and whether the company is contributing to socially useful and environmentally sustainable economic activity. This kind of investment may or may not include active advocacy with companies to nudge them in the direction of better governance and employee policies. ESG investing has often been considered to expose investors to greater risk, but some advocates challenge that view. They say that in the long run and given careful selection of the investments, investments that pass ESG screens are at least as financially safe as unscreened investments.

Alternative investments

Another investment aim has been to directly support with loans local organizations doing social good or Quaker organizations. The idea has been to offer them lower interest rates than they could obtain elsewhere – or maybe they could not obtain a commercial loan at all. These “alternative” investments have largely wound down in the last 5 years – interest rates were much lower than they had been so the need for financing was not as great, and we came up against the limits of our ability to track the loans. Currently we have loans out to Midlothian (VA) Friends Meeting for its new meetinghouse and to Stadium Place, a seniors, mixed-income housing project of the Govans Ecumenical Development Corp.

Managing the investments

Right now except for those loans, our endowment is divided into three parts that we are moving to make roughly equal, each in the hands of a different manager. The three managers are Trillium Asset Management in Boston, Friends Fiduciary in Philadelphia, and Pax World Funds in Portsmouth, NH. All three investment managers were selected for their financial track records and their adherence to forms of ESG investment. All three engage in shareholder advocacy.

With Friends Fiduciary and Pax World we are invested in funds, where we are fund owners rather than owners of individual stocks or particular issued by companies. Our funds are “balanced” between stocks and bonds for greater financial stability.
**Pax World**
- Founded in 1971 by two men who had worked on peace, housing and employment issues for the United Methodist Church to make it possible for investors to align investments with their values. Wanted to challenge corporations to establish and live up to specific standards of social and environmental responsibility.
- First publicly available mutual fund in U.S. to use social as well as financial criteria for investment decision-making.
- Our money is in the Pax Balanced Fund (Institutional) with full environmental-social-governance screens.
- Their management costs 0.66% of our investment amount annually.
- We’ve been with them since the early 1980s.
- Pax World has $1.76 billion under management in the Balanced Fund (Institutional) alone.

**Trillium**
A few years ago we elected to have our portfolio guided by Trillium’s “sustainable opportunities“ strategy, which emphasizes climate solutions, healthy living, and economic empowerment. We expected and it has been somewhat the case that the returns would fluctuate more—there would be more risk—with this investment.
- Oldest investment advisor exclusively focused on socially responsible investment (founded by Joan Bavaria in 1982).
- Employee-owned with broad distribution of shares.
- Excludes companies that do not meet environmental, social or governance screens. They do not invest in companies with significant involvement in producing, marketing, or distributing firearms, tobacco, gaming, nuclear power, pornography, or military weapons systems.
- Strong shareholder advocacy program and works for public policy changes at the state and local level.
- Their management costs us 1% of investment annually.
- We’ve been with them since the 1980s.
- Trillium has $2.5 billion under management.

**Friends Fiduciary**
- Quaker non-profit, offering services consistent with Quaker values exclusively to Quaker meetings, churches, schools and organizations.
- Our money is split between two different funds:
  - 85% in the Quaker Growth and Income Fund, their original, and still largest fund. They use a stringent environmental-social-governance screening process. They do not invest in any weapons or weapons components; they exclude companies that obtain business from the production of alcohol, tobacco or firearms; that mine or produce coal; that operate gambling casinos or lotteries; that own, operate or manage for-profit prisons; or have histories of poor environmental, social or governance practices.
  - 15% in the Green Fund, which adheres to all the screening above, plus investment is entirely fossil fuel free and part is dedicated to “clean tech/alternative energy” companies.
- Strong shareholder advocacy program and joins with other institutional and faith-based investors in shareholder resolutions and company dialogues to encourage reform.
- Their management costs us 0.76% for the Growth and Income Fund and 0.9% for the Green Fund.
- We’ve been with them since 2013.
- Friends Fiduciary has $480 million under management.

Members of the Trustees Committee welcome your questions and suggestions about our investments and our investment policies.