

# ADVISER'S PERSPECTIVE QUARTERLY | Q2 2009

## QUAKER CAPITAL OPPORTUNITIES FUND

After a dreadful six-month period ending in March, the stock market staged a remarkable rally; at its recent peak of 946, the S&P500 had moved up 42% from the 3/6/09 low. While modestly below this level as of quarter-end, the index had a 15.93% return in the second quarter, the best quarterly performance since the fourth quarter of 1998. Just as it was the case on the way down, a combination of factors has contributed to the renewed optimism:

- The "Credit Crisis," by almost any measure, has abated. The narrowing of the yield spread between high-and-low quality bonds is probably the best indicator here, but a simpler measure of the yield of the 10-year government bond is also instructive: when risk-aversion was at its peak early in 2009, this bond yielded 2.2%; it is now 3.5%.
- A host of key economic indicators has improved -- from employment to housing, to manufacturing, to consumer confidence. If you were to look at a graph of many of these data series, you might not be seeing the line moving up yet, but the steepness of the downturn is diminishing. The metaphor of 2009 was launched when Federal Reserve Chairman Ben Bernanke made reference to these "green shoots" in a 60 Minutes interview.
- Corporate profits seem to be close to bottoming. The bad news is that second-quarter earnings reports are likely to be the seventh consecutive quarter of negative year-over-year comparisons in aggregate, and we expect S&P500 operating earnings will trough at a point at least 50% below the peak levels of 2007. However, last quarter saw more positive surprises than negative ones, and analysts are now revising more forward earnings estimates up than down. The market is looking "over the valley" to a better earnings picture by the end of this year.
- Investors are willing to give the benefit of the doubt to the idea that the Administration and the Fed will do whatever it takes to get us out of this recession. Near-zero Fed-funds rates, massive fiscal-stimulus spending, mortgage-foreclosure forbearance, \$300 B of Treasury purchases, toxic-asset assistance to banks -- this is just the beginning of a long list of programs that some have dubbed "shock and awe" (borrowed from military terminology).
- An improved banking environment. Last quarter's earnings results from the banks were a vast improvement over several previous ones, especially for those banks with exposure to capital markets and mortgage origination. The much-anticipated stress-tests were more benign than was generally expected, and the ability for banks to raise new equity capital (\$65B in one

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Performance	For Calendar Quarter Ended 6/30/2009			
	Class A Inception 1/31/2002	Before Sales Charges	After Sales Charges	S&P 500® Index
3 Months		11.16%	5.05%	15.93%
Year-to-Date		2.79%	-2.86%	3.16%
1 Year (Cumulative)		-20.18%	-24.57%	-26.21%
3 Years (Annualized)		-5.51%	-7.27%	-8.22%
5 Years (Annualized)		-0.20%	-1.32%	-2.24%
Life of Share Class (Annualized)		1.85%	1.08%	-0.84%

Expense Ratio: 1.60%

*Class A Shares of the Fund have a maximum sales charge of 5.50%. Performance data shown before sales charge does not reflect the deduction of the sales load. Performance data shown after sales charges reflects the Class A maximum sales charge of 5.50%. For the performance of the other available share classes, please consult the website.*

*Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end is available by calling us toll free at 800-220-8888.*

**Additional disclosures about the Fund appear on the next page.**

**Sub-Adviser:** Knott Capital Management

**Fund Assets:** \$12.1 Million

**Public Offering Price:** \$7.80

### Ticker Symbols

Class A: QUKTX

Class C: QCOCX

Institutional Class: QCOIX

### Mutual Fund Exposures % Assets

Long Positions 95.35%

Cash & Cash Equivalents 13.56%

Options -8.91%

### Top Positions % Assets

IBM 6.45%

Google Inc. 5.21%

Life Technologies Corp. 5.15%

Thermo Fisher Scientific Inc. 5.04%

Oracle Corp. 4.85%

Gilead Sciences Inc. 4.63%

Range Resources Corp. 4.60%

Monsanto Co. 4.28%

AT&T Inc. 4.09%

Teva Pharmaceutical Industries 4.06%

Total 44.30%

The Fund's holdings and characteristics are as of 6/30/2009 and are subject to change. Current and future holdings are subject to risk.



QUAKER® FUNDS

The Fund invests in companies that appear to be “undervalued” in the marketplace (i.e. trading at prices below the company’s true worth). If the Fund’s perceptions of value are wrong, the securities purchased may not perform as expected, reducing the Fund’s return. A portion of the Fund is invested in companies with medium market capitalizations (generally from \$1.5 to \$6 billion). Their stock prices often react more strongly to changes in the marketplace and can be more volatile. The Fund also invests in smaller companies (less than \$1.5 billion market capitalization). Smaller companies can be riskier investments than larger companies.

The S&P Total Return 500 Index is a widely recognized, unmanaged index. It is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Index assumes reinvestment of all dividends and distributions and does not reflect any asset-based charges for investment management or other expenses. You cannot invest directly in an index.

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month) was viewed as a positive. And the recent steepening of the yield curve (higher long-term rates relative to short-term) is generally advantageous to banks.

For the quarter ended June 30, 2009, Class A shares of the Quaker Capital Opportunities Fund lagged the S&P 500 Index, returning 11.16% (before sales charges, 5.05% after sales charges). From a big-picture standpoint, this was largely explained by the types of stocks that outperformed: smaller stocks, lower-quality, high-beta (high volatility) stocks, and those with greater economic sensitivity. By way of example, some of the best-performing industry groups included auto-related, paper products, real estate services, and casinos & gaming. Given that we have a bias toward large-cap, high-quality, lower-volatility, and often, “defensive” (less economically-sensitive) stocks, we actually held our own pretty well.

*Provided by Knott Capital Management*

**Beta:** A statistic that measures the volatility of the fund, as compared to that of the overall market.



Knott Capital Management, based in Exton, PA, was founded in 1998 and currently has more than \$600 million under management.

**Mutual fund investing involves risk, including the possible loss of principal.**

*Consider investment objectives, risks, charges, and expenses carefully before investing. The Prospectus contains this and other information and is available for download at [www.quakerfunds.com](http://www.quakerfunds.com) or by calling 800-220-8888. Read the Prospectus carefully before investing.*



**QUAKER® FUNDS**

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