

ADVISER'S PERSPECTIVE QUARTERLY | Q3 2009

QUAKER CAPITAL OPPORTUNITIES FUND

The quarter ended September 30, 2009 was remarkably similar to the second — characterized by strong market returns and led by gains in Financial and Industrials stocks. Smaller stocks again bested their large-cap counterparts. Economically-sensitive industries outpaced “defensive” groups. The stock market has staged an extraordinary run since the lows of March; the S&P 500® Total Return Index was up 59% from that point, and it has notched positive returns in 20 of the last 29 weeks. For the third quarter, it gained 15.61%, and through three quarters it was up 19.26% for 2009.

The predominant underpinning of the rally has been the ongoing improvement in the economy. When we wrote this letter last quarter, most of the key economic data was merely “less bad” than it had been for the prior year or two. In the subsequent months, we have seen data that is now moving in the positive direction. Of these, the stabilization of home prices is the most important, given its high correlation (if not causation) to the economic downturn. The national pricing measures, such as the S&P/Case-Shiller® Home Price Indices which track changes in the value of the residential real estate market in 20 metropolitan regions across the United States, have not only stopped going down but now have seen the third consecutive month of rising home prices (latest was +1.2%, seasonally-adjusted). Additionally, we see that the overhang of supply of homes on the market is beginning to be worked down with improving sales numbers. The employment picture is more mixed; while the absolute number of job losses and continuing unemployment claims have shown improvement, the unemployment rate has continued to go higher (9.8% in Sept.) — though this is not atypical in the early stages of a recovery. Besides housing and jobs, the third critical “signpost” of the economy, for us, is consumer spending. That, too, has gotten better (retail sales up 0.6%, ex-autos, in August) but is still far from levels that would be indicative of a strong recovery. This wildcard could prove to be the most critical prerequisite for the economy to continue to gain momentum. If the consumer stays largely in the “new frugality” mode — paying down debt and saving disposable income — it will present a significant headwind. For this reason, in the months to come, we will be most closely monitoring economic data points that pertain to the health of the consumer.

Class A shares of Quaker Capital Opportunities Fund lagged the S&P, returning 7.19% (before sales charges, 1.30% after sales charges). We did not keep pace with the market's rise in the third quarter, owing to a couple of things. While we shifted the composition of the Fund's portfolio during the quarter (as outlined below), we were — and still are — more defensively positioned relative to the overall market. This means that most of our holdings are “steady growers,” with very consistent and predictable earnings growth, but they don't possess as much leverage to a recovering economy as stocks in the “cyclical” camp. Another way of describing this is that the most volatile stocks in the market (as measured by “beta”) have done the best; a basket of the 20 highest-beta stocks gained 53% in the third quarter and 141% year-to-date. Additionally, we have greater exposure to large-cap companies, and this rally has been significantly skewed toward smaller companies. We are very comfortable with the “biases” that we have in the Fund's portfolio, and we feel that these will serve your performance — and the inherent risk/reward profile — well over the long haul.

After digesting key information garnered from Q2's earnings reports, we recently made some shifts in the positioning of the

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Performance	For Calendar Quarter Ended 9/30/2009		
	Before Sales Charges	After Sales Charges	S&P 500® Index
Class A Inception 1/31/2002			
3 Months	7.19%	1.30%	15.61%
Year-to-Date	10.18%	4.12%	19.26%
1 Year (Cumulative)	-8.71%	-13.73%	-6.91%
3 Years (Annualized)	-3.79%	-5.58%	-5.43%
5 Years (Annualized)	0.85%	-0.28%	1.02%
Life of Share Class (Annualized)	2.71%	1.96%	1.08%

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: \$13.5 Million

Public Offering Price: \$ 8.35

Ticker Symbols

Class A: QUQTX

Class C: QCOCX

Institutional Class: QCQIX

Mutual Fund Exposures

Long Positions 101.43%

Cash & Cash Equivalents -0.05%

Options -1.38%

Top Positions

Google Inc. 7.35%

AT&T Inc. 5.51%

IBM 5.32%

Total S.A. 5.27%

Gilead Sciences Inc. 5.18%

Monsanto Co. 5.16%

Life Technologies Corp. 4.66%

Activision Blizzard Inc. 4.59%

Thermo Fisher Scientific Inc. 4.37%

Teva Pharmaceutical Industries 4.31%

Total 51.72%

The Fund's holdings and characteristics are as of 9/30/2009 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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Fund’s portfolio. From a top-level view, we would characterize the changes as incremental, though still significant. For almost two years, we have been positioned extremely defensively, owing to our view of heightened risk in the economy, which we saw as early as 2006. This bunker mentality served us well in terms of relative performance. Now that the credit crisis is behind us -- and we are likely to be out of the recession near-term, if not already -- we have reduced the exposure in the Fund to the type of names we believe that perform best in a contracting economy and, in turn, have added some exposure to what we consider to be “recovery plays.” In fact, for the first time in many quarters, our the Fund is only roughly market-weight in both Consumer Staples and Health Care -- two classically defensive sectors. In contrast, we are overweighed in Energy, Technology, and Materials.

This is what we have not done, however: we have not purchased stocks that are highly-valued or, in our view, are “discounting” a V-shaped recovery. We have not compromised any of our criteria around the quality of the companies that we have invested in. And we have not oriented the Fund toward a consumer rebound; we think there is a good probability that the consumer (especially in the U.S.) will be in a debt-reduction and constrained-spending mode for quite some time.

The positive earnings surprises of the last two quarters for the overall market -- while a welcome relief -- have been largely driven by cost-cutting. Corporate managements reacted swiftly and aggressively during the recession by controlling what they could control -- discretionary expenses (including labor, hence, the large job losses). This paring back of expenses has allowed many companies to meet, or beat, earnings expectations -- exactly what “the Street” likes to see. However, there is a limit to these cutbacks, and we believe that in the next quarter or two, earnings growth will need to come from “top-line” (revenue) gains in order for the sanguine view of earnings to continue.

We appreciate your ongoing confidence in allowing us to be stewards of your capital.

Provided by Charlie Knott and Peter Schofield, CFA, 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 \$477 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 or by calling 800-220-8888. Read the Prospectus carefully before investing.



QUAKER® FUNDS

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