

ADVISER'S PERSPECTIVE QUARTERLY | Q4 2009

QUAKER CAPITAL OPPORTUNITIES FUND

The fourth quarter of 2009 put some extra "icing on the cake" with an additional 6% market gain, bringing the full-year total return of the S&P 500® Total Return Index (S&P 500) to 26.46%. From the March low of (\$666), the S&P has soared 67%. This market recovery has gone a long way toward salving the wounds that investors endured in 2008 and early 2009. In our view, the rally has had four underpinnings: 1) the recovery in the economy; 2) "liquidity" in the system; 3) low interest rates—which make cash and bonds less appealing; and 4) improvement in corporate earnings results—as well as expectations for 2010.

As we wrote last quarter, the economy has been the most critical factor, and the tangible evidence that we saw in the fourth quarter that the "Great Recession" had ended (when Q3 GDP grew 2.2%) was one of several positive data points – and what got Ben Bernanke on the cover of Time magazine as "Man of the Year!" Perhaps the biggest surprise in the quarter was on the labor front; after a very long stretch of months where job losses were hovering in the 200,000–600,000 range, November saw a loss of only 11,000 (and the prior 2 months were revised to lower losses). The data on initial jobless claims is also pointing to a better trajectory for employment trends. This, along with more availability of credit, will be necessary to "kick-start" the consumer, who so far has only opened his change-purse, not his full wallet (early indications are that holiday spending was "ok," but not great). After the debt binge of the last decade, de-leveraging could still be a powerful force for years to come. As we move into a new decade, the biggest question will be the level and sustainability of economic growth: as the tailwinds from the various stimulus packages start to trail off in the later part of 2010, what kind of growth can we expect?

A quick note on earnings: the last quarter's reports represented the third consecutive quarter of positive surprise (and overall, the change on a year-over-year basis was about flat, after several quarters of large losses). These surprises continue, however, to be driven by aggressive cost-cutting, not from significant improvement in revenues; we'll feel much more optimistic when we start to see that. Estimates for 2010 earnings growth (S&P 500 operating earnings) have been edging upward and are now about +25%. While 2009 provides an easy comparison, achievement of this growth will require a sustained improvement in the overall economy.

Class A shares of the Quaker Capital Opportunities Fund outperformed the S&P 500 before sales charges for the fourth quarter ended December 31, 2009, returning 8.61% compared to the S&P 500's total return of 6.04%. (Class A shares returned 2.63% after sales charges). Our positioning in two sectors—Technology and Financials—sourced most of the performance. In Technology, both our overweight and selection were additive. In the Financial sector, having a very small exposure helped us, as it was the only sector that was down for the quarter (-3.7%). In fact, despite a strong bounce off the March lows, it still paid to be light in the sector (as we were all year), given that the 2009 return for Financials fell short of the S&P 500 by about 10 percentage points. The sector that most detracted from our performance in the quarter was Healthcare; here, it was all in selection, as Gilead Sciences dropped 7%.

Looking back on the momentous year that was 2009, we were generally pleased with the results. When one considers that the

Continued on next page

Performance	For Calendar Quarter Ended 12/31/2009		
	Before Sales Charges	After Sales Charges	S&P 500® Index
Class A Inception 1/31/2002			
3 Months	8.61%	2.63%	6.04%
Year-to-Date	19.67%	13.08%	26.46%
1 Year (Cumulative)	19.67%	13.08%	26.46%
3 Years (Annualized)	-1.81%	-3.65%	-5.62%
5 Years (Annualized)	1.40%	0.26%	0.42%
Life of Share Class (Annualized)	3.70%	2.96%	1.80%

Expense Ratio: 1.88%

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: \$14.0 Million

Public Offering Price: \$9.08

Ticker Symbols

Class A: QUKTX

Class C: QCOCX

Institutional Class: QCOIX

Mutual Fund Exposures % Assets

Long Positions 100.09%

Cash & Cash Equivalents -0.09%

Top Positions % Assets

Mastercard Inc. 6.46%

Teva Pharmaceutical Industries Ltd. 6.07%

IBM 5.66%

AT&T Inc. 5.55%

Thermo Fisher Scientific Inc. 5.15%

Total S.A. 5.08%

Visa Inc. 5.04%

Monsanto Co. 5.01%

Gilead Sciences Inc. 4.99%

Life Technologies Corp. 4.89%

Total % 53.90%

The Fund's holdings and characteristics are as of 12/31/2009 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.

Continued from previous page

2009 rally was powered by lower-quality stocks, those with more financial and operating leverage, and those with historically high volatility, one would expect us to be challenged to outpace that type of market. Put another way, over full market cycles, Knott Capital strives to give you market-beating performance while taking less risk than our benchmark. In 2009, however, market-beating performance would have required a “high-risk” portfolio. With our conservative-growth and risk-averse approach, returns of 20%+ in 2009 seems a fair trade-off.

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



Knott Capital Management, based in Exton, PA, was founded in 1998 and currently has more than \$495 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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