

ADVISER'S PERSPECTIVE QUARTERLY | Q4 2008  
**QUAKER® GLOBAL TACTICAL ALLOCATION FUND**  
 (formerly Quaker® Global Total Return Fund)

The decline in the global equity markets in the fourth quarter of 2008 continued the weakening trend that began in the third quarter of 2008. For the fourth quarter ended December 31, 2008, the MSCI World Index declined 22.18%. In comparison, the Quaker Global Tactical Allocation Fund's performance for the quarter was -23.55% (before sales charges, -27.76% after sales charges). Since its inception on May 1, 2008, the Fund posted a loss of 47.10% (before sales charges, -50.01% after sales charges) versus the loss of 39.30% for the MSCI World Index.

The strong fourth quarter sell-off in the world markets reflected the deepening global recession that began in December 2007 for the United States and in July of 2008 for the "Rest of the World". At this stage, economists believe that the current economic downturn is going to be long in duration and will be the deepest in the post World War II period. This is due mainly to the unwinding of the massive leverage that was built up in the developed world's financial system in the 1990's and whose trend accelerated with the sharp interest rate cuts the U.S. Federal Reserve Bank put into effect beginning in 2001. As a direct result of those cuts, consumers in the developed world let their savings rate drop to below zero and began to borrow and spend against the (seemingly endless) rise in real estate and other financial assets. In retrospect, it is now abundantly clear that this trend of rapidly rising asset prices burst in the middle of 2008 with the failure of Lehman Brothers and the bail-out of AIG in the US and the near-collapse of financial institutions in the UK and Europe. These events have exposed the huge leverage that had built up in the financial system in order to inflate asset prices. Now that these assets are worth a lot less (deflating), we believe the world economies will face massive write-offs. As a result, world economies will likely be facing an extended period of slower economic growth going forward until such time as global balance sheets slowly repair themselves.

As we enter 2009, the economic outlook remains uncertain. In response, we will try to remain nimble in the face of the constantly changing economic and regulatory landscape. Here are our current thoughts on a sector-by-sector basis:

**Energy:** We have reduced our exposure to this sector by selling out our oil-service stocks but continue to be overweight. We hold diversified energy names that have exposure to both the upstream and downstream business and have the ability to internally generate cash which can then be deployed to grow their reserves. In the near term, we do not see oil prices rising from current levels due to weakening demand patterns, but over the longer term, the postponement of new projects, OPEC production cutbacks and an economic recovery should ultimately lead to higher energy prices.

**Materials:** While still overweight, we have lowered our exposure to material stocks while continuing to hold names in the fertilizer space. The agricultural space has been hit hard by the global credit crisis (especially in Brazil and Russia), but we believe that demand will eventually recover as feed-stock inventories continue to be below historical norms. We also believe that the US is at

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Performance	For Calendar Quarter Ended 12/31/2008		
	Before Sales Charges	After Sales Charges	MSCI World Index
<b>Class A Inception 5/01/2008</b>			
3 Months	-23.55%	-27.76%	-22.18%
Year-to-Date	n/a	n/a	n/a
1 Year (Cumulative)	n/a	n/a	n/a
5 Years (Annualized)	n/a	n/a	n/a
10 Years (Annualized)	n/a	n/a	n/a
Life of Share Class (Annualized)	-47.10%	-50.01%	-39.30%

Maximum Expense Ratio: 1.99%

*Performance data shown before sales charges does not reflect the deduction of the sales load for period end. Performance data shown after sales charge reflects the Class A maximum sales charge of 5.50%.*

*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:** DG Capital Management, Inc.  
**Fund Assets:** \$33,266,431.00  
**Public Offering Price:** \$5.60

**Ticker Symbols**

Class A: QTRAX  
 Class C: QTRCX  
 Institutional Class: QTRIX

**Mutual Fund Exposures**

	<b>% Assets</b>
Long Positions	85.46%
Short Positions	-2.02%
Cash	13.84%

**Top Positions**

	<b>% Assets</b>
Phillip Morris International	4.06%
Biogen Idec, Inc.	3.67%
Celgene Corp.	3.57%
Genzyme Corp.	3.55%
Novartis AG Spon ADR	3.44%
Total SA ADR	3.40%
Bayer AG Sponsored ADR	3.03%
Potash Corp. Saskatchewan	3.00%
Syngenta AG ADR	2.97%
Southwestern Energy Co.	<u>2.94%</u>
Total	33.63%

The Fund's holdings and characteristics are as of 12/31/2008 and are subject to change. Current and future holdings are subject to risk.



Quaker® Global Tactical Allocation Fund invests in “special situation” securities and engages in short selling (selling securities not owned at time of sale), which involves special risks and requires special investment expertise.

The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods.

The Fund will also invest in U.S. and foreign small and medium-sized companies, which involve additional risks such as limited liquidity and greater volatility.

The Morgan Stanley Capital International (MSCI) World Index measures developed-market equity performance throughout the world. You cannot invest directly in an index.

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a comparative advantage in world agriculture vis-à-vis other countries and should continue to pick up market share as the global economic crisis unfolds.

**Healthcare:** We continue to build our weight in the healthcare sector as the economic environment continues to deteriorate. We find the valuations in this area to be attractive while, at the same time, growth in the sector appears to be quite visible. In healthcare, we like several biotechnology companies due to their balance sheet strength, new product cycles, and potential merger and acquisition activity.

**Consumer Staples:** We continue to regard this sector as defensive due to several positive themes. Input prices for consumer companies continue to decline due to lower commodity prices and we therefore forecast expanding gross margins for these companies. Also, consumers are eating more at home now due to the slower economy and rising unemployment which benefits companies that cater to the “prepare food at home” trend.

**Finance:** We have raised our financial weighting in the portfolio for the first time since late 2006. Here, we are investing in companies that should benefit from government policies to stabilize housing prices and increase liquidity in the capital markets. We continue to avoid companies that are adversely impacted from the difficult credit environment, will face higher loan losses and will have issues raising capital.

Finally, we are underweight the technology and consumer discretionary sectors due to their lack of visibility and overall valuations.

As always, we appreciate your continued confidence and welcome comments or questions.

*Provided by DG Capital Management, Inc.*

**Fund Mandate:** Our Investment Process is designed to create a flexible strategy that allows us to opportunistically react to market changes. The Fund can hold up to 25% in short positions or go to 100% cash if deemed necessary.



**The Sub-Adviser:** DG Capital Management, Inc., based in downtown Boston, MA, was founded in 1996 and currently has approximately \$1.735 billion 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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