

ADVISER'S PERSPECTIVE QUARTERLY | Q4 2009

QUAKER LONG-SHORT TACTICAL ALLOCATION FUND

Domestic equity markets marched higher each month of Q3 2009 shrugging off economic uncertainty and stretched valuations. The Domestic equity markets continued higher during the fourth quarter in the face of continued economic uncertainty and already stretched valuations. For the quarter ended December 31, 2009, the S&P 500® Total Return Index (S&P 500) finished the quarter up 6.04%, reflecting a year-to-date return of 26.46%.

Class A shares of the Quaker Long-Short Tactical Allocation Fund were down -9.62% before sales charges for the quarter ended December 31, 2009 reflecting a year-to-date return of -14.57%. (After sales charges the Fund returned -14.59% and -19.26% for the quarter and year-to-date, respectively). We continue to focus each day on assessing current market risk levels and on finding the best reward opportunities given the assessed level of risk. The primary cause for the underperformance of the Fund versus its benchmark was the bearish, net short allocation of the Fund that resulted in a beta of approximately -1.0 for almost the entire quarter.

The S&P 500 closed the year 65% higher than its March 5 closing low of 682.55. It has been a terrific run for stocks, to be sure—even more terrific when economic and investment environmental risks are taken into account. We will touch on some of those risks in the paragraphs that follow.

As each decade is closed, we often cannot help but ask “Where did that ten years go?” With respect to the economy and the stock market we ask the same question. The S&P 500 closed the 2009 year at 1115.10. On December 31, 1999 the S&P 500 closed at 1469.25. We effectively have a lost decade of investment returns. Yet, Japan has the United States beat by double after posting losses during the last two decades. Will we follow down the path Japan is blazing or will we learn and change course?

Unfortunately, the US has chosen to socialize private risks (residential mortgages, default swaps, GSEs) in an effort to avoid systemic collapse. The US government has written enormous checks, for which the bill will ultimately come due. The costs will ultimately be borne by US citizens in the form of higher implicit and explicit taxes and the debauchery of the currency; an eventuality that has already caused gold to rally nearly 70% since the beginning of the financial crisis.

But at least all of this spending has produced jobs to get us out of the recession and grow our economy, hasn't it? After all, trillions of dollars of government checks were written in 2009. The US public debt to GDP ratio rose from 62% in 2007 to 85%. Yet the US started the last decade with a national payroll of 130.8 million, and closed the decade at 130.9 million—generally the same number employed. The fly in the ointment is that now the labor pool has grown from 146 million to 159 million constituting a lost decade of both investment returns and employment, apparently. The U6 measure of joblessness, which accounts for those who work part-time as well as those who've given up looking for a job, ended the year at 17.3%.

Let's look at Japan whose debt to GDP ratios went from 50% in 1988 to 178% today. All that spending should boost employment and output, many argue. The reality is that Japan's GDP is no higher than it was 17 years ago (seventeen!) and employment is no higher than it was twenty years ago. It is clear that government spending is not the magical elixir. Yet the bills will come due.

But the US market rose 65% from its March bottom. As a leading indicator is this not evidence that the economy is out of the woods? Since 1989, the Japanese stock market has had four fifty-percent-plus rallies in the face of no sustained expansion. In fact, the Nikkei, in spite of those multiple rallies in excess of fifty percent each, after a tremendous double digit return last month, closed at 10,643.57, still miles away from the 32,000 level that it reached in March 1990, almost twenty years ago.

Continued on next page

Performance	For Calendar Quarter Ended 12/31/2009		
	Before Sales Charges	After Sales Charges	S&P 500 Total Return Index
Class A Inception 12/31/2002			
3 Months	-9.62%	-14.59%	6.04%
Year-to-Date	-14.57%	-19.26%	26.46%
1 Year (Cumulative)	-14.57%	-19.26%	26.46%
3 Years (Annualized)	-7.29%	-9.02%	-5.62%
5 Years (Annualized)	-5.06%	-6.13%	-0.42%
Life of Share Class (Annualized)	4.18%	3.34%	5.52%

Expense Ratio: 2.99%

As of June 15, 2009, Class A Shares of the Fund have a maximum sales charge of 5.50%. Performance information prior to June 15, 2009 represents that of the Top Flight Long-Short Fund (the “Top Flight Fund”), a series of the Rock Canyon Funds. On June 15, 2009, the Top Flight Fund was reorganized into the Quaker Long-Short Tactical Allocation Fund.

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: Rock Canyon Advisory Group, Inc.

Fund Assets: \$10.0 Million

Public Offering Price: \$8.75

Ticker Symbols

Class A: QLSAX

Class C: QLSXC

Institutional Class: QLSIX

Mutual Fund Exposures % Assets

Cash & Cash Equivalents 142.66%

Exchange-Traded Fund 5.97%

Short Positions -48.63%

Top Positions % Assets

ProShares UltraShort Dow 30 2.54%

ProShares UltraShort QQQ 1.79%

Direxion Daily Large Capital Bear 3X Shares 1.64%

ARMOUR Residential REIT Inc. -0.66%

Ener1, Inc. -1.37%

LifePoint Hospitals Inc. -1.43%

Terex Corp. -1.43%

iShares Dow Jones US Healthcare Providers Index Fund -1.45%

St Joe Co. -1.45%

Entercom Communications Corp. -1.47%

Total % -3.29%

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

Diversification does not assure a profit or protect against loss in a declining market.

Quaker Long-Short Tactical Allocation Fund 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 small capitalization companies, which involve additional risks such as limited liquidity and greater volatility. As a non-diversified fund, which invests in a small number of issuers, changes to a single security held in the Fund will have a more pronounced negative effect on the Fund than if the investments were more widely distributed.

The S&P 500® Total Return Index is a widely recognized, unmanaged index of the approximately 500 largest companies in the United States as measured by market capitalization. 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

"The secular bull has begun!" some proclaim. Not so fast. The economic environment today is nowhere near where it needs to be to mark the beginning of a secular bull market. Economic opportunities and possibilities need to be expanding and improving, not contracting and worsening.

Note that in August of 1982 (when the last secular bull began) access to and cost of capital was improving (fed funds rate of 18% vs. 0%), inflation rate was improving (10% and falling vs. 0% and rising), savings rate was falling, unemployment was falling, the misery index was falling, tax rates were falling and baby boomer median age was 25 (entering peak spending years) vs. 52 with focus on conserving capital. In addition to the economic environment, one must take into consideration stock market metrics as well. In August of 1982 the S&P 500 price/earnings ratio (P/E) was 8x. Today it is 20x.. Investor sentiment in 1982 was 10% bullish. Investor sentiment today is 88% bullish. We believe the market has a few more turns to take before it turns the corner to secular bull.

Of course, further rallying is still possible. We were disappointed that the Fund did not participate in the rally in the second half of 2009. Our objective is to grow capital in every environment. However, we assessed risk along the way and deemed long exposure as more risky than short exposure. We continue to feel this way. In fact, we urge investors to proceed with great caution into the new decade, in spite of the stock market's recent propensity to saunter higher, as market corrections can be steep and abrupt.

From Adam Smith in one of our favorite books, "The Money Game:" "We are all at a wonderful party, and by the rules of the game we know that at some point in time the Black Horsemen will burst through the great terrace doors to cut down the revelers; those who leave early may be saved, but the music and wines are so seductive that we do not want to leave, but we do ask, 'What time is it? What time is it?' Only none of the clocks have any hands."

We remain committed to risk management and to our investment discipline and are confident that over the long run the Fund has the potential to reward investors with strong returns for our having remained true to our philosophy and discipline, and that the Fund will continue to be a strong diversifier to an investment portfolio.

As always, we appreciate your confidence in us.

Provided by Rock Canyon Advisory Group, Inc.

Beta is a statistic that measures the volatility of a fund, as compared to that of the overall market.

Price to Earnings (P/E) ratio reflects the multiple of earnings at which a stock sells.



The Sub-Adviser: Rock Canyon Advisory Group, Inc., based in Lehi, UT, was founded in 2002 and currently has more than \$10 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

Contact us:
Quaker Funds, Inc.
c/o U.S. Bancorp Fund Services, LLC
P.O. Box 701
Milwaukee, WI 53201-0701
800.220.8888
www.quakerfunds.com