

ADVISER'S PERSPECTIVE QUARTERLY | Q4 2008

QUAKER MID-CAP VALUE FUND

Last quarter we opined that the third quarter liquidity squeeze would produce a recession. Little did we know that the recession would come so quickly or that it would be so severe. Yet, in a quarter with an historic stock market decline, stock picking generated relative performance. In a quarter with historic volatility, risk control tempered the extremes. Before sales charges, our Mid Cap Value strategy outperformed the Russell MidCap® Value Index, -23.29% versus -27.19% consecutively, for the fourth quarter ended December 31, 2008, limiting losses through stock selection and risk management. (After sales charges, the Fund returned -27.51% versus the Index, -27.19%, for the fourth quarter).

Defensive sectors outperformed the overall market in the fourth quarter, with Utilities and Consumer Staples showing the best relative returns (though still negative). Our Consumer Staples analyst has been recommending food stocks for some time. He recognized that several food companies were achieving price increases which more than offset commodities inflation. Our internal cash flow estimates for a number of the food producers were above consensus, and the stocks were trading below fair value using those cash flow estimates. Acting on the analysis of our Consumer Staples analyst, we held a greater than market weight in the sector, a posture which we maintain at this writing. We have been selling our relative outperformers in the Utility sector, however. Our assessment of the impact of upcoming carbon regulation yields cash flow estimates below consensus for many utility stocks.

To replace these Utility holdings, we continue to search out companies we believe are gaining market share, generating cash, and reinvesting in their businesses. We have found a couple of new ideas in the defensive packaging industry. Beverage volumes have decreased at a slower rate than many other consumer goods, while both beverage makers and packagers have increased prices in recent months. The pricing power appears to be due to rational competition within in the industry and a near-term possibility of consolidation. Our distinctive cash flow estimates suggest upside for these stocks.

As you might guess from the fact that our new ideas have come from a defensive industry, we are not seeing a near-term end to the market weakness. The current discount rate for equities, as prescribed by our discounted cash flow model, is 7.3%. Companies, in aggregate, need to earn a cash flow return on investment in excess of 7.3% to create economic value. With corporate profits falling and tax rates likely increasing, we do not see a large number of companies exceeding this return hurdle.

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Performance	For Calendar Quarter Ended 12/31/2008		
	Before Sales Charges	After Sales Charges	Russell Midcap Value Index
Class A Inception 12/31/1997			
3 Months	-23.29%	-27.51%	-27.19%
Year-to-Date	-42.52%	-45.68%	-38.44%
1 Year (Cumulative)	-42.52%	-45.68%	-38.44%
5 Years (Annualized)	-3.91%	-4.99%	0.33%
10 Years (Annualized)	2.13%	1.56%	4.44%
Life of Share Class (Annualized)	2.64%	2.11%	4.50%
Since Fund Manager Inception - 10/1/08 (Cumulative)	-21.42%	-25.74%	-26.88%

Maximum Expense Ratio: 1.64%

The returns shown above reflect the performance of the former No-Load Class for periods ending before June 23, 2000, and Class A Shares thereafter. Performance data shown before sales charges does not reflect the deduction of the sales load for periods end. Performance data shown after sales charges for periods after June 23, 2000 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: Kennedy Capital Management, Inc.

Fund Assets: \$11,854,400.65

Public Offering Price: \$9.51

Ticker Symbols

Class A: QMCVX

Class B: QMCBX

Class C: QMCCX

Institutional Class: QMVIK

Mutual Fund Exposures

Long Positions 100%

Cash 0%

Top 10 Positions

Conagra Foods Inc. 4.10%

Cephalon Inc. 3.70%

DPL Inc. 3.06%

UMB Financial Corp. 3.02%

Centerpoint Energy Inc. 2.89%

Forest Laboratories Inc. 2.86%

Aon Corp. 2.75%

Alliant Techsystems Inc. 2.58%

Pitney Bowes 2.55%

Xcel Energy Inc. 2.50%

Total 30.01%

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.



This Fund invests in companies with a market capitalization range from \$1B to \$18B. Their stock prices often react more strongly to changes in the marketplace and can be more volatile. Additionally, 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 a company’s value are wrong, the securities may not perform as expected, reducing the Fund’s return.

The Russell MidCap® Value Index is a widely recognized, unmanaged index of companies with current market capitalizations between \$809 million and \$17.3 billion. 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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As a result, we are not seeing a supply of undervalued stocks. Normally at the bottom of an economic cycle, an abundance of undervalued stocks exists and the challenge is choosing between them. The current task is finding undervalued stocks at all, so to the extent that our bottom-up work leads to a market prediction, we remain defensive. That said, the mid cap universe includes a number of established, unlevered, efficiency-minded, tax-proficient, and carbon-friendly businesses whose stocks we believe are likely to outperform the broader indices.

Provided by Chuck Bryant, Vice President of Marketing, Kennedy Capital Management

Portfolio data and holdings are reflective of the Quaker Mid-Cap Value Fund as managed by Global Capital Management, Inc.

Cash Flow: Measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.

Cash Flow Return on Investment: A valuation model that assumes the stock market sets prices based on cash flow rather than on corporate performance and earnings.



Kennedy Capital Management, Inc. (KCM) founded in 1980, is an independent, employee-owned, Investment Advisory firm located in St. Louis, Missouri. KCM’s investment process has evolved over time, but the core tenets of their process and philosophy have been in place and consistently applied for over two decades. KCM currently has approximately \$2.5 billion in assets 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

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