

# ADVISER'S PERSPECTIVE QUARTERLY | Q3 2009

## QUAKER MID-CAP VALUE FUND

The remarkably strong rally in mid-cap stocks continued during the third quarter of 2009. Year-to-date as of September 30, the Russell Midcap® Value Index has increased 27.57%. The Quaker Mid-Cap Value Fund was up 25.70% (before sales charges, 18.78% after sales charges). While we are pleased to report strong absolute performance during the quarter, we are disappointed that the Fund did modestly lag the benchmark.

For the third quarter ended September 30, 2009, the Quaker Mid-Cap Value Fund experienced a return of 20.34% (before sales charges, 13.72% after sales charges) as compared to the Russell Midcap® Value Index, which returned 23.62%. The conservative positioning of the Quaker Mid-Cap Value Fund had been effective in mitigating a good part of the negative market performance experienced in Q4 2008 and Q1 2009, but this positioning proved somewhat detrimental to performance during the Q2-Q3 2009 rally. While we remain focused on companies with relatively lower risks, we believe the Fund is better positioned now to benefit from economic recovery.

Sector allocation and stock selection shared equally in the underperformance for the quarter. We generated positive relative returns from our stock selection in Financials and Energy, but this was offset by underperformance in Health Care, Materials, and Consumer Discretionary. Performance was also hindered by our overweight position in Health Care, which was one of the weaker-performing sectors, posting just a 17% gain in the benchmark and a 12% gain in the Fund. We have identified several companies in this sector as very attractive investments, as current prices are discounting overly pessimistic assumptions in our opinion. We recognize the likelihood of substantial changes to our Nation's healthcare delivery system; however, we find the market is often too pessimistic during periods of uncertainty.

We believe the worst of the recession is behind us. Although unemployment has yet to peak, we note that this is historically a lagging indicator. We are encouraged by signs of improvement in consumer confidence and industrial manufacturing. We believe the Fund is well-positioned to benefit from the coming economic recovery. Many have described the recent rally as being led by low-quality companies, and we have certainly observed many equities characterized by high leverage and/or unprofitability as the best performers during the second and third quarters this year. During the financial crisis of late 2008 and early 2009, valuations for many struggling companies incorporated the real risk of bankruptcy. In some cases, the risk proved real.

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Performance	For Calendar Quarter Ended 9/30/2009		
	Before Sales Charges	After Sales Charges	Russell Midcap Value Index
Class A Inception 12/31/1997			
3 Months	20.34%	13.72%	23.62%
Year-to-Date	25.70%	18.78%	27.57%
1 Year (Cumulative)	-3.58%	-8.89%	-7.12%
5 Years (Annualized)	-0.89%	-2.01%	3.53%
10 Years (Annualized)	5.30%	4.70%	7.42%
Life of Share Class (Annualized)	4.48%	3.98%	6.39%
Since Fund Manager Inception - 10/1/08 (Cumulative)	-1.22%	-6.66%	-6.73%

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:** \$10.9 Million

**Public Offering Price:** \$ 11.95

### Ticker Symbols

Class A: QMCVX

Class C: QMCCX

Institutional Class: QMVIK

### Mutual Fund Exposures % Assets

Long Positions 97.95%

Cash 2.05%

### Top 10 Positions % Assets

DPL Inc. 2.62%

Raymond James Financial Inc. 2.52%

Forest Laboratories Inc. 2.47%

Comerica Inc. 2.38%

Keycorp 2.29%

Ameriprise Financial Inc. 2.29%

St Mary Land & Exploration Co. 2.26%

Abercrombie & Fitch Co. 2.22%

Centerpoint Energy Inc. 2.14%

Precision Castparts Corp. 2.13%

Total 23.32%

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

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 included in the Russell 1000® Index with current market capitalizations between \$45 million and \$16.7 billion. You cannot invest directly in an index.

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However, as signs of a slowing rate of decline in U.S. economic data emerged, and credit markets began to stabilize, the perceived bankruptcy risk diminished, and these distressed equities rallied sharply. We believe this phenomenon will be short-lived, and we will continue to focus on companies that we believe will create value for shareholders over the long-term.

Finally, we have completed the transition of management of the Quaker Mid-Cap Value Fund from Joe Kinnison to me. Joe ably assumed management of these accounts from me in December of 2005, and did a tremendous job managing the Fund through the turmoil of last year. I, along with our analyst team, will continue to implement the same bottom-up process that has been employed since the product’s inception.

Sincerely,

Frank Latuda, Jr. CFA , Chief Investment Officer & Portfolio Manager, *Kennedy Capital Management*



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 \$2.9 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](http://www.quakerfunds.com) or by calling 800-220-8888. Read the Prospectus carefully before investing.*



**QUAKER® FUNDS**

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