

# ADVISER'S PERSPECTIVE QUARTERLY | Q4 2009

## QUAKER MID-CAP VALUE FUND

We are pleased to report that the Quaker Mid-Cap Value Fund generated positive returns for the fourth quarter as did our benchmark, the Russell Midcap® Value Index. For the quarter ended December 31, 2009, Class A shares of the Quaker Mid-Cap Value Fund increased 5.84% (before sales charges, 0.02% after sales charges) compared to a 5.21% increase in the benchmark. For calendar year 2009, the Quaker Mid-Cap Value Fund increased 33.04% (before sales charges, 25.72% after sales charges) compared to the benchmark's 34.21% return. We are pleased that in such a turbulent year, and after being positioned defensively at the beginning of the year, our disciplined investment approach was able to achieve such strong returns.

Stock selection was a key contributor to performance. The best relative returns from our stock selection came from the Financials, Industrials, and Information Technology sectors. We believe that our repositioning of some of the portfolio during the year towards companies that benefitted from the improving economy helped generate this outperformance.

Health Care remains our most overweighted sector relative to the benchmark, comprising roughly 12% of the Fund, versus 4% of the benchmark. This is simply a by-product of our stock selection—we tend to be overweight in sectors where we are finding the most attractively-priced stocks. In times of uncertainty, such as now in the Health Care sector, we find that investors are uninterested in owning the stocks, or the market is either overly pessimistic in its assumption of value, or too short-sighted about the issues. We take a longer-term outlook at the cash-flows businesses can generate, and believe many of the companies in health care will generate significantly more cash-flow in the years to come than the market currently anticipates.

Looking forward to 2010, we are seeing signs of economic recovery. Housing prices appear to have stabilized, the Institute of Supply Management (ISM) Manufacturing Index, which tracks the amount of manufacturing activity that occurred in the previous month, has moved back above 50—signifying expansion, and fourth quarter GDP is estimated to have grown more than 4%. A narrowing of credit spreads should also be more conducive to growth and investment. We do note, however, unemployment has yet to peak, and while clearly a lagging indicator, we believe it could continue to weigh on consumer confidence in the near-term. Regardless of the pace of recovery, we will continue to focus our research on companies with the ability to generate superior returns on invested capital coupled with the ability to reinvest earnings back into their businesses. We remain confident that these companies will prove best able to create long-term value for shareholders.

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Performance	For Calendar Quarter Ended 12/31/2009		
	Before Sales Charges	After Sales Charges	Russell Midcap Value Index
<b>Class A Inception 12/31/1997</b>			
3 Months	5.84%	0.02%	5.21%
Year-to-Date	33.04%	25.72%	34.21%
1 Year (Cumulative)	33.04%	25.72%	34.21%
5 Years (Annualized)	-2.69%	-3.78%	1.98%
10 Years (Annualized)	5.38%	4.79%	7.57%
Life of Share Class (Annualized)	4.88%	4.39%	6.70%
Since Fund Manager Inception - 10/1/08	3.62%	-0.97%	-1.50%

Expense Ratio: 1.94%

*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:** \$10.7 Million

**Public Offering Price:** \$12.65

### Ticker Symbols

Class A: QMCVX

Class C: QMCCX

Institutional Class: QMVIK

### Mutual Fund Exposures % Assets

Long Positions 97.93%

Cash 2.07%

### Top 10 Positions % Assets

DPL Inc. 2.65%

Forest Laboratories Inc. 2.58%

Raymond James Financial Inc. 2.47%

Centerpoint Energy Inc. 2.39%

Ameriprise Financial Inc. 2.35%

Comerica Inc. 2.28%

St Mary Land & Exploration Co. 2.28%

Abercrombie & Fitch Co. 2.26%

Foot Locker Inc. 2.22%

Precision Castparts Corp. 2.21%

Total % 23.69%

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

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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Sincerely,

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

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



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 three decades. KCM currently has approximately \$3 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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