

# ADVISER'S PERSPECTIVE QUARTERLY | Q1 2009

## QUAKER® STRATEGIC GROWTH FUND

Domestic markets continued their sell-off in the first quarter of 2009, with the S&P 500 Total Return Index falling for the sixth quarter in a row – a record unmatched since 1970. In the first three months of the year, the S&P 500 declined 11.01% with the NASDAQ Composite Index falling 2.79%.

The Quaker Strategic Growth Fund also declined, falling 7.40% (before sales charges and 12.49% after sales charges) for the quarter ended March 31, 2009.

Economic growth continued to falter in the first quarter as the extent and depth of the financial crisis became clearer. While government stimulus packages and targeted bailouts have forestalled collapse, the economic outlook continues to be uncertain as more write-offs loom ahead. We continue to expect an extended period of slower economic growth going forward until such time as the global financial and economic system slowly repairs itself.

After selling off for much of the quarter, markets rebounded in March with the S&P 500 gaining over 20% from its mid-March lows. Global equity markets continued to be volatile but with a twist. Unlike earlier periods, there were positive rally days that formed not on the release of any good news, but rather on the lack of any bad. In spite of the impressive run-up, there are some signs that the rally may not last. One of the top performing industries was diversified financial services, which is facing up to a trillion dollars of additional write-offs and large government subsidies and, therefore, may have a long way to go before its true turnaround begins. Other well-performing industries in the recent run-up were building products, automobiles, paper and forest products and household durables, none of which are likely economic drivers to pull us out of the current recession.

Relative to the S&P 500, in the first quarter of 2009, the Fund was helped by our underweight to financials and industrials and our overweight in materials. Stock selection in energy, materials, and financials also helped to boost performance. During the last three months we have reduced our allocation to the healthcare and consumer staples sectors in an effort to raise our cash allocation, preserve capital and cushion the downdraft in equities. However, we are still maintaining our barbell approach by increasing our allocation to technology (as these cash rich companies continue their acquisitions from the tech bargain bin) and continuing to hold our overweight in materials (which should be an early beneficiary of any inflection point in demand) and energy (where the price collapse and recession has led to industry-wide underinvestment in production capacity - which will keep supplies tight when demand returns).

We continue to believe that stimulus mandates for global infrastructure expansion (both in the U.S. and China) will be one of the leading drivers of global growth going forward along with agribusiness and energy. We will continue to keep a keen eye on the financial bailouts, looking for any restoration of confidence, and keep looking for companies that exhibit sustainable or expanding

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Performance	For Calendar Quarter Ended 3/31/2009		
	Before Sales Charges	After Sales Charges	S&P 500 Index
Class A Inception 11/25/1996			
3 Months	-7.40%	-12.49%	-11.01%
Year-to-Date	-7.40%	-12.49%	-11.01%
1 Year (Cumulative)	-46.15%	-49.11%	-38.09%
5 Years (Annualized)	-2.31%	-3.41%	-4.76%
10 Years (Annualized)	5.87%	5.27%	-3.00%
Life of Share Class (Annualized)	10.51%	10.01%	2.16%

Maximum Expense Ratio: 1.80%

*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:** DG Capital Management, Inc.  
**Fund Assets:** \$575.6 Million  
**Public Offering Price:** \$ 12.19

### Ticker Symbols

Class A: QUAGX  
 Class B: QAGBX  
 Class C: QAGCX  
 Institutional Class: QAGIX

### Mutual Fund Exposures

	<u>% Assets</u>
Long Positions	77.33%
Cash	20.96%
Exchange Traded Funds	2.37%
Options	-0.46%

### Top Positions

	<u>% Assets</u>
Anadarko Petroleum Corp.	4.71%
Total SA ADR	4.40%
Hess Corp.	4.34%
Potash Corp. of Saskatchewan	3.84%
Freeport-McMoRan Copper & Gold	3.79%
Biogen Idec Inc.	3.64%
The Mosaic Co.	3.49%
Monsanto Co.	3.47%
Gilead Sciences Inc.	3.30%
Google Inc.	<u>3.11%</u>
Total	38.09%

The Fund's holdings and characteristics are as of 3/31/2009 and are subject to change. Current and future holdings are subject to risk.



**QUAKER® FUNDS**

This 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 "special situation" companies in which the adviser believes unique events at the company may offer a compelling investment opportunity, but could cause the investment to be more risky than other investments.

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.

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free cash flow (so they can self-finance themselves in a period of tight credit availability). We will continue to attempt to employ our opportunistic growth investment approach adjusting the Fund's holdings to react to economic events and government edicts as they unfold.

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

*Provided by DG Capital Management, Inc.*

**Free cash flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures.

**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 \$1.6 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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