Adviser's Perspective Quarterly | Q2 2009
Quaker® Strategic Growth Fund

Domestic markets staged their first quarterly rally in 18 months with the S&P 500 Index gaining 15.9% for the quarter ended June 30, 2009 and the NASDAQ Index advancing 20.3%.

The Quaker Strategic Growth Fund trailed the market gaining 7.03% for the quarter (before sales charges, 1.14% after sales charges.

The markets continued to confound investors in 2009. After bottoming late in the first quarter, a low-quality stock rally that began on March 9, 2009 continued through the end of the first half of the year. We believe the recent turnaround is a result of a consensus that the much-feared depression was not going to materialize, and the resultant run-up in the prices of stocks was concentrated in those areas that would have been most hurt by a depression scenario (i.e., "junk" stocks). Nevertheless, this recent rise—which seemed fueled on "less bad" news rather than on any actual improvements in fundamentals or economic underpinnings—produced the best quarter for stocks since 2003.

As the second quarter started, the market rallied strongly, led by sectors with weak fundamentals (financials, consumer discretionary and industrials), less bad/bailout companies and low-priced stocks. As a result, we lagged significantly in April. We had a good May, as the market rally broadened into higher-quality names. During the quarter, we increased our exposures to financials (those with low valuations and low commercial loan exposures) and technology (emphasizing efficiency-promoting software and smartphones), but we continued to underweight consumer stocks based on our grim outlook for spending. The June market returned to its directionless ways, and we underperformed in what turned out to be a relatively flat market.

As we look at our performance over the second quarter, part of our underperformance was due to our cash position, which we maintained as a defensive strategy in a market we viewed as vulnerable and volatile. The majority of the balance of our underperformance was driven by our lack of exposure to low-quality financial and consumer companies, which rallied despite declining earnings outlooks and poor financial characteristics.

Looking forward, while most recent economic releases continue to beat expectations (except for job growth), we see little shared conviction in the likelihood of a broad-based economic recovery. Profits have been more volatile in the past few years because variable costs have been wrung out of the equation, so it's pretty much all up to fixed costs now, and when sales drop a little, profits all but disappear.

We believe commodities (food, materials and energy) will benefit from both weakness in the US dollar and overseas growth. We continue to emphasize global infrastructure expansion (China), agribusiness and energy, and seek companies with sustainable or

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Performance	For Calendar Quarter Ended 6/30/2009		
Class A Inception 11/25/1996	**Before Sales Charges**	**After Sales Charges**	***S&P 500 Index***
3 Months	7.03%	1.14%	*15.93%*
Year-to-Date	-0.88%	-6.34%	*3.16%*
1 Year (Cumulative)	-49.61%	-52.39%	*-26.21%*
5 Years (Annualized)	-1.19%	-2.31%	*-2.24%*
10 Years (Annualized)	5.60%	5.00%	*-2.22%*
Life of Share Class (Annualized)	10.89%	10.39%	*3.32%*

Maximum Expense Ratio: 1.80%

Sub-Adviser:	DG Capital Management, Inc.
Fund Assets:	$574.4 Million
Public Offering Price:	$ 13.05

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

Mutual Fund Exposures	**% Assets**
Long Positions	84.85%
Cash	15.18%
Options	-0.03%

Top Positions	**% Assets**
Anadarko Petroleum Corp.	4.20%
Amgen Inc.	3.12%
Google Inc.	2.55%
ACE Ltd.	2.52%
Suncor Energy Inc.	2.52%
Hess Corp.	2.52%
Freeport-McMoRan Copper & Gold Inc.	2.31%
Apple Inc.	2.26%
ABB Ltd.	2.20%
Total S.A.	2.06%
Total	26.26%

The Fund's holdings and characteristics are as of 6/30/2009 and are subject to change. Current and future holdings are subject to risk.

Quaker® Funds

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.

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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expanding free cash-flow (so they can self-finance in periods of tight credit). We also continue to believe that stimulus mandates for global infrastructure expansion (especially in emerging economies) will be one of the leading drivers of global growth. Given where we are in the economic cycle, we need top-line growth for the stock market to rally further -- we perceive little room for further so-called "less bad news" rallies.

We continue to monitor and adjust the Fund in an attempt to insulate it from the recent, high volatility environment. The current market continues to be a bit schizophrenic and speculative, as opposed to rational and fundamentally-based. Therefore, we will continue to maintain a modest cash position, diversify the Fund by sector and security, and focus on our long-term tenets that (a) earnings growth drives long-term stock price and (b) finding quality companies trading at reasonable multiples is a sound long-term investment philosophy.

We remain committed to our long-held approach to investing, and are convinced (as we saw most recently at the beginning of the year and again in May) that the marketplace ultimately will reward investors who invest in companies with strong fundamentals and growth prospects, and who actively manage risk exposure. Historically, "junk rallies" —in which fundamentals don't seem to matter and stock prices move based on the development of "less-bad-than-we-thought" news—are short-lived. The market inevitably returns to a state of rationality, and we remain poised to benefit from that transition. We continue to believe our approach will provide very competitive long-term returns for our investors.

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.

DG CAPITAL

The Sub-Adviser: DG Capital Management, Inc., based in downtown Boston, MA, was founded in 1996 and currently has approximately $1.7 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

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