

# ADVISER'S PERSPECTIVE QUARTERLY | Q3 2009

## QUAKER® STRATEGIC GROWTH FUND

Domestic markets gained ground for the second quarter in a row with the S&P 500 Index gaining 15.61% over the last three months (posting the best two consecutive quarters since 1975) and the NASDAQ Index advancing 15.90%.

Class A shares of Quaker Strategic Growth Fund trailed the market gaining 14.19% (before sales charges, 7.91% after sales charges) for the quarter ended September 30, 2009.

All sectors posted gains for the quarter with financials, industrials and materials sectors advancing the most and utilities rising the least. Over the quarter, the portfolios were helped by stock picks in the consumer discretionary and energy sectors and hurt by our cash position, which we maintained as a defensive measure in an uncertain market environment.

As the market's momentum continues to buoy itself to new heights, the technicals of the market are much stronger than the fundamentals supporting the economy and corporate profitability. While the resumption of auto production and restocking of depleted inventory may turn domestic growth positive in the third quarter, those consumption gains are likely to be the result of government enticements (cash for clunkers, enhanced tax incentives or low mortgage rates), or export growth buoyed by the weak dollar. There is even some concern that distortions created by government incentive programs have "pulled forward" demand from next year. While data on housing and employment continue to be "less bad," they are still not yet "good." Until a floor on housing prices and a ceiling on the unemployment rate is reached, the catalysts for growth in personal consumption and business investment is likely to be muted.

Domestically, we continue to feel that there is a disconnect between market prices and the underlying fundamentals, especially the consensus projections for U.S. corporate profit growth of up to 35% in 2010. While companies that cleaned up their balance sheets and have aggressively cut permanent fixed costs do have enhanced earnings leverage (that will kick in when revenue growth returns), it is difficult to justify the current rosy projections across such a large swath of the corporate landscape given the anemic projections for economic growth, and potential for higher inflation, taxes and market interest rates.

In contrast, we continue to believe that developing foreign markets will recover faster than domestic ones, especially given the weakening U.S. dollar which should benefit export driven and commodity based businesses. As such, we continue to focus our investments on companies benefiting from overseas growth in demand, anchored by materials, agribusiness and energy positions. We have broadened the portfolio's sector exposure with an emphasis on picking names on a stock by stock basis, rather than broader themes (like a clothing retailer, for example, who has exhibited strong overseas expansion, or smartphone manufacturers whose products have become a consumer staple even in an economic downturn). As the recovery begins in

*Continued on next page*

Performance	For Calendar Quarter Ended 9/30/2009		
	Before Sales Charges	After Sales Charges	S&P 500 Index
Class A Inception 11/25/1996			
3 Months	14.19%	7.91%	15.61%
Year-to-Date	13.18%	6.96%	19.26%
1 Year (Cumulative)	-16.99%	-21.56%	-6.91%
5 Years (Annualized)	1.68%	0.54%	1.02%
10 Years (Annualized)	5.98%	5.38%	-0.15%
Life of Share Class (Annualized)	11.81%	11.32%	4.43%

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:** \$588.1 Million  
**Public Offering Price:** \$14.90

### Ticker Symbols

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

### Mutual Fund Exposures

**% Assets**  
 Long Positions 92.19%  
 Cash 7.81%

### Top Positions

**% Assets**  
 Anadarko Petroleum Corp. 3.57%  
 Amgen Inc. 3.37%  
 Suncor Energy Inc. 3.05%  
 Merck & Co. Inc. 2.80%  
 Berkshire Hathaway Inc. 2.51%  
 Las Vegas Sands Corp. 2.46%  
 Goldman Sachs Group Inc. 2.45%  
 General Electric Co. 2.40%  
 Apple Inc. 2.32%  
 Pfizer Inc. 2.10%  
 Total 27.03%

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 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.

*Continued from previous page*

earnest, companies with excessive valuations, driven up by the junk rally, should fall to the wayside, as the market rewards the higher quality names that we seek: those exhibiting favorable valuations, positive cash flow characteristics and the potential for the aforementioned earnings growth leverage.

We remain committed to our long-held approach to investing, and are convinced 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" have shown they can't sustain themselves. The market inevitably returns to a state of rationality, and we intend to remain poised to benefit from that transition, the beginning of which we believe we are now seeing. Before 2008-9, we encountered two different periods in the past 12+ years in which our style has gone out-of-favor for short periods of time. In each case, when fundamentals, such as earnings growth, valuations and cashflow, began to once again matter, we came roaring back and produced superior returns relative to benchmarks and peers. We continue to believe our approach will provide very competitive long-term returns to our clients.

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 \$1.9 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

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](http://www.quakerfunds.com)

©2009 Quaker® Investment Trust