Adviser's Perspective Quarterly | Q4 2009
Quaker® Strategic Growth Fund

Annus Horribilis is a Latin phase meaning "horrible year" and which was made famous by Queen Elizabeth II in describing the year 1992 for her family. That pretty much describes the Fund's calendar 2009.

Domestic markets gained ground for the third quarter in a row with the S&P 500® Total Return Index (S&P 500) gaining 6.04% over the last three months and the NASDAQ Composite Index advancing 7.19%. For year end 2009, the S&P 500 Index saw a gain of 26.46% and the NASDAQ Index gained 45.57%.

Class A shares of the Quaker Strategic Growth Fund trailed the market gaining 2.41% before sales charges for the quarter ended December 31, 2009. For year end 2009, the Fund gained 15.92%. (After sales charges, Class A shares returned -3.22% and 9.54% for the quarter and the year, respectively).

2009 was a challenging year for stock pickers in general and more specifically, DG Capital. For the second consecutive year, equity correlations were very high among stock price movements with close to 90% of stocks moving in the same direction (down in 2008, then up in 2009), which created a "rising tide lifts all boats" environment that mitigated the impact of stock picking on overall returns. Consistent with our process and philosophy, historically we have lagged passive indices in periods of high equity correlations (1997, 2006 and now 2008-9) when active management has added far less value, since sentiment rather than fundamentals was the primary driver of stock prices. What made 2009 particularly challenging for us was the sudden switch, starting March 9, of the market rewarding high quality stocks (which are our bread and butter) to rewarding lower quality stocks for the rest of the year as the tail risk of bankruptcy and depression was lifted by massive government intervention in the capital markets. On a brighter note, the good news (at least to us) is that, historically, the environments in which we have outperformed have been more common and longer in duration than those in which we have underperformed.

For perspective, in 2009, one 7-week period (the junk rally from March 9 through April 30) accounted for close to 180% of our underperformance for the year; without that period, our returns were 8.4% ahead of the market for the year. Including that period, we lagged the S&P500 Index by over 10%. These were seven truly difficult weeks for most high-quality growth managers.

Looking forward, broad-based sentiment (economic, capital market, consumption, and manufacturing) seems to be improving by most measures as we enter 2010. We believe the stimulus efforts will have a positive impact on the economy into 2010 (leading economic indicator's continue to trend up, supporting this conclusion). However, we are concerned that a positive economic outlook does not necessarily translate into a positive outlook for the capital markets, and base our concern on a number of factors. First, this recovery faces serious challenges from deleveraging, higher taxes and uncertainty around government policy and its impact on companies and consumers. While we believe the economic stimulus packages we've seen in recent months will have more of an impact on the economy in 2010 than they did in 2009, we're concerned they will not provide broad-based support for the equity markets due to the aforementioned headwinds. In addition, although The Fed seems intent on continuing its spending spree (e.g., left over TARP funds are being redirected to jobs creation since unemployment remains in the upper teens), Congress – despite a professed shared focus on job creation – is actually undertaking policies (e.g., health care reform, climate change legislation and tax law changes) that create uncertainty for employers, which hurt the job creation picture. Further, we believe the recent stock market rally already has priced a lot of the positive expected economic news in 2010 into current stock prices. Finally, as stated earlier, we are concerned that the recent rotation back to quality and valuation as drivers of stock prices also indicates we are in the later stages of expansion within the overall economic cycle, which does not usually correlate with high absolute return levels.

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Performance	**For Calendar Quarter Ended 12/31/2009**		
Class A Inception 11/25/1996	**Before Sales Charges**	**After Sales Charges**	***S&P 500 Index***
3 Months	2.41%	-3.22%	*6.04%*
Year-to-Date	15.92%	9.54%	*26.46%*
1 Year (Cumulative)	15.92%	9.54%	*26.46%*
5 Years (Annualized)	0.05%	-1.08%	*0.42%*
10 Years (Annualized)	3.03%	2.45%	*-0.95%*
Life of Share Class (Annualized)	11.78%	11.29%	*4.81%*

Maximum Expense Ratio: 1.89%

Sub-Adviser: DG Capital Management, Inc.

Fund Assets: $536.0 Million

Public Offering Price: $15.26

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

Mutual Fund Exposures	**% Assets**
Long Positions	95.54%
Cash	4.49%
Options	-0.03%

Top Positions	**% Assets**
Google Inc.	3.44%
Apple Inc.	3.02%
Pfizer Inc.	3.01%
Goldman Sachs Group Inc.	2.99%
Merck & Co. Inc.	2.97%
Exxon Mobil Corp.	2.51%
ACE Ltd.	2.51%
Suncor Energy Inc.	2.46%
Freeport-McMoRan Copper & Gold Inc.	2.40%
Mead Johnson Nutrition Co.	2.32%
Total %	27.63%

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

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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So, while the more favorable environment toward active management makes us quite optimistic about our ability to produce alpha going forward, we remain cautious of absolute equity market returns in 2010, especially as the year progresses. As a result, the number of holdings in our portfolio has gradually increased to help us manage and reduce our risk exposure via diversification (as opposed to the use of cash). In addition, our portfolios continue to have a larger-cap bias, as we seek companies with global brands and strong patent profiles that are growing revenues and earnings at above-average rates.

With respect to current sector and/or theme positioning within the portfolio:

• We continue to favor energy companies. World oil demand will continue to grow strongly in 2010 with the International Energy Agency forecasting 1.4 million barrels a day (mmbd) of oil demand growth for the year. On the supply side, non-OPEC production is forecast to increase only 0.2 mmbd while OPEC production is expected to be up 0.8 mmbd. As a result, global spare capacity is becoming increasingly tight. We like energy companies that are growing their production reserves or have long-lived reserves, have good balance sheets and cash flow characteristics and have conservative managements.

• In materials, we like the agricultural commodities like phosphate and potash where demand is rebounding from very depressed levels and inventory levels are low. In addition, we like companies that are in the business of supplying commodities that are in short supply in Asia and which are essential building blocks for their economic growth: copper, iron ore and coal.

• In healthcare, we believe pharmaceutical companies continue to be undervalued. Not only do they have internal levers to accelerate earnings growth due to mergers & acquisitions that has occurred in the industry but they are also well positioned for the continued increase in healthcare spending that will occur in the developing world. In addition, a number of biotechnology companies are undervalued based on their pipelines and balance sheets.

• In technology, we are invested in companies that are exposed to wireless growth, mobile computing and data storage and payment processing. In finance, we are invested in commercial banks that are seeing a turn in their loan losses and/or are trading at below their burned down book values. In addition, we are invested in a company that is a global reinsurer and is very conservatively managed.

• Finally, in consumer staples and consumer discretionary we like companies that have global brands and have high growth businesses in international markets. We also own a supermarket that we believe will benefit from the return of food inflation that we expect to occur later this year and we own an auto parts supplier that has a good balance sheet and an increasing backlog of new business.

In summary, we are enthusiastic about our portfolio positioning as we enter the new year, as those companies we own, in aggregate, demonstrate solid earnings growth, strong balance sheets and significant free cash flow. Bolstering that optimism is the belief that we are in an environment of lower market volatility and lower correlations in which company specific fundamentals will once again drive stock prices. With a combination of attractive stocks and a favorable investing environment, we are convinced our stock picking ability and time-proven philosophy should once again produce very competitive performance for our clients, and we thank you for your continued support.

Provided by DG Capital Management, Inc.

Absolute return strategies aim to produce a positive return regardless of the directions of financial markets. **Alpha** is a measure of risk-adjusted return**. Correlation** is a statistical measure of how 2 stocks move in relation to each other. **Free cash flow** is a measure of financial performance calculated as operating cash flow minus capital expenditures.

DG
CAPITAL

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 $1.8 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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