

ADVISER'S PERSPECTIVE QUARTERLY | Q4 2008

QUAKER SMALL-CAP GROWTH TACTICAL ALLOCATION FUND

The now historical fourth quarter of 2008 witnessed market declines not seen since the 1930's. The Russell 2000 Growth Index ("Index") fell 27.45% for the quarter. The Quaker Small-Cap Growth Tactical Allocation Fund's ("Fund") net asset value declined 5.60% (before sales charges, -10.79% after sales charges). A substantial amount of the collapse in the Index occurred in October, when it fell nearly 22%; the Fund fell 1.30% (before sales charges, -6.73% after sales charges).

The ability of the Fund to hold cash and to short the Index provided the cushion required to steer through a difficult equity environment. In the beginning of the quarter our initial screens for purchases suggested a very cautious exposure to the market. The very low equity ownership continued until the dramatic sell-off of October 9th after which it began to rise. Two other significant sell-offs in the market emerged: October 27th and November 21st. In each instance, the Fund had ample reserves of cash to purchase stock. Though down roughly 5% in November, the Fund gained over 7% in December.

The worst performing sector of the Index was Energy during the fourth quarter, but the Fund had a very small exposure, averaging less than 1% of the portfolio. The Fund's largest sector ownership was Healthcare and the companies in the portfolio did demonstrably better than those represented in the Index, thus providing a significant boost in performance relative to the market. Finally, despite the carnage in the Financial sector — so evident throughout the quarter with the banks and investment banks — the Fund, which was overweighted in that sector, actually provided a positive contribution to its returns from companies in this sector. Finally, it should be said, the short sale positions of the Fund, normally used to modulate volatility, actually contributed to returns for the quarter as well.

Valuations are historically compelling in the world of small-cap stocks. Cash levels on the sidelines are at near record high levels. Sentiment is bleak. Combined these are normally ingredients for a dynamic upsurge in equities. Such may occur, but the vast damage done to the financial sector and the bonds markets, likely caused and/or exacerbated by the failure to secure Lehman Brothers' counterparty risks, will take time to unwind. At this time, the spreads between different types of bonds and Treasuries appear to be slowly returning to more historically normal levels. Yet this was achieved by a very unorthodox and very significant expansion of the balance sheet of the Federal Reserve Bank. If the Fed can demonstrate the ability to both assist the liquidity in the credit markets and stabilize the value of the currency, then an increase in equity values, perhaps a significant one, can happen. Until such demonstration, however, volatility is likely to continue and, with it, the Fund will continue to take advantage

Provided by Bjurman, Barry & Associates

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Performance	For Calendar Quarter Ended 12/31/2008		
	Before Sales Charges	After Sales Charges	Russell 2000® Growth Index
Class A Inception 9/30/2008			
3 Months	-5.60%	-10.79%	-27.45%
Year-to-Date	n/a	n/a	n/a
1 Year (Cumulative)	n/a	n/a	n/a
5 Years (Annualized)	n/a	n/a	n/a
10 Years (Annualized)	n/a	n/a	n/a
Life of Share Class (Annualized)*	-5.60%	-10.79%	-27.45

Expense Ratio: 1.74% | * Returns shown represent performance for less than one year.

Performance data shown before sales charges does not reflect the deduction of the sales load. Short term performance, in particular, is not a good indication of a fund's future performance. Performance data shown after sales charges 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: Bjurman, Barry & Associates

Fund Assets: \$4,441,888.94

Public Offering Price: \$9.99

Ticker Symbols

Class A: QGASX

Class C: QGCSX

Institutional Class: QGISX

Mutual Fund Exposures % Assets

Long Positions 83.70%

Cash 16.30%

Top Positions % Assets

Japan Smaller Capitalization 2.51%

Shanda Interactive Entmt. Ltd. 2.14%

CNA Surety Corp. 1.94%

Vascular Solutions Inc. 1.79%

Chattem inc. 1.73%

Questcor Pharmaceuticals Inc. 1.72%

Endo Pharmaceuticals Hldgs. Inc. 1.65%

EZCORP, Inc. 1.64%

California Water Service Group 1.64%

Michael Baker Corp. 1.62%

Total 18.38%

The Fund's holdings and characteristics are as of 12/31/2008 and are subject to change. Current and future holdings are subject to risk.



Quaker Small-Cap Growth Tactical Allocation 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 foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. Additionally, the Fund invests in smaller companies (generally less than \$1.5 billion market capitalization). Smaller companies can be riskier investments than larger companies. 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 value are wrong, the securities purchased may not perform as expected, reducing the Fund's return.

The Russell 2000® Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. You cannot invest directly in an index.

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of its ability to hold cash and to sell short the Index.

Counterparty Risk: The risk to each party of a contract that the counterparty will not live up to its contractual obligations. In most financial contracts, counterparty risk is known as "default risk".

Bjurman, Barry & Associates, based in Los Angeles, was founded in 1970. The firm is a tenured manager of small-cap, micro-cap stock portfolios. Employing a bottom-up/top-down approach to developing model portfolios, the firm utilizes both quantitative and qualitative selection processes. Bjurman, Barry & Associates manages approximately \$340.5 million in assets.



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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