

# ADVISER'S PERSPECTIVE QUARTERLY | Q3 2009

## QUAKER SMALL-CAP GROWTH TACTICAL ALLOCATION FUND

The Quaker Small-Cap Growth Tactical Allocation Fund ("The Fund") has completed its first complete year of business. The purpose of the Fund is to allow shareholders to participate in the extraordinary long-term returns characteristic of small capitalization equities, but with substantively reduced exposure to downside risk.

The Fund could not have been tested in a more difficult environment. During the first two quarters of its existence, the general stock market witnessed a collapse not seen since the Great Depression. While the Russell 2000 Growth Index ("The Index") value fell roughly forty-six percent (-46%), from October 1, 2008 through the March 9, 2009 bottom, the Fund's net asset value declined not quite one-half as much, or twenty-four percent (-24%).

Even though the market has seen an historical recovery that saw the Index climb 73% (!) from the March bottom until September 30, 2009, the Index was still under water by -6.32% for the trailing year. Class A shares of the Fund increased +6.10% (before sales charges), thereby outperforming the Index by +12.42% over the past twelve months. (After sales charges, Class A shares returned 0.26% for the same period).

The Fund's investment strategy acknowledges, first and foremost, that prices inevitably follow earnings. So it examines most particularly those small-cap and micro-cap companies that have the highest probability of achieving rapid growth of earnings. To these earnings prospects, the Fund then provides a disciplined, rigorous overlay of specific and absolute constraints that lead it to stocks that we believe should not only outperform the market (over a reasonable period of time), but should also do relatively well in any market environment, including, especially, difficult ones. Because the Fund does not have to be fully invested at all times, and because it can be both patient and picky about what companies to own, and because we feel the ones that it does own are very attractively priced, the Fund incorporates a 'margin of safety' that is often absent from so many small-cap growth funds. Paradoxically, it is this very 'margin of safety' that has also produced consistent outperformance.

For the quarter ended September 30, 2009, in accord with the descriptions above, the Fund was roughly fifty percent invested and lagged the returns of the Index, +5.15% vs. +15.95% (before sales charges, -0.63% after sales charges). The equity portion of the portfolio increased nearly +10%. The best performing companies during the last quarter were technology-oriented companies, including one, Intellon Corporation, that was sold on a buyout offer to Atheros Communications. The Fund also benefited by

Provided by Stephen W. Shipman, CFA, Century Management

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Performance	For Calendar Quarter Ended 9/30/2009		
	Before Sales Charges	After Sales Charges	Russell 2000® Growth Index
Class A Inception 9/30/2008			
3 Months	5.15%	-0.63%	15.95%
Year-to-Date	12.51%	6.33%	29.12%
1 Year (Cumulative)	6.10%	0.26%	-6.32%
5 Years (Annualized)	n/a	n/a	n/a
10 Years (Annualized)	n/a	n/a	n/a
Life of Share Class (Annualized)	6.10%	0.26%	-6.32%

Expense Ratio: 1.74%

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:** Century Management

**Fund Assets:** \$11.1 Million

**Public Offering Price:** \$ 11.23

### Ticker Symbols

Class A: QGASX

Class C: QGCSX

Institutional Class: QGISX

### Mutual Fund Exposures % Assets

Long Positions 60.15%

Cash 35.25%

Exchange-Traded Funds 4.60%

### Top Positions % Assets

ProShares Short Russell 2000 4.60%

Lincoln Educational Services Corp. 2.78%

Micrus Endovascular Corp. 2.78%

Medicis Pharmaceutical Corp. 2.71%

Cirrus Logic Inc. 2.61%

NBTY Inc. 2.50%

Plantronics Inc. 2.42%

Corinthian Colleges Inc. 2.41%

Greenlight Capital Re Ltd. 2.37%

InfoSpace Inc. 2.32%

Total 27.50%

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

# QUAKER SMALL-CAP GROWTH TACTICAL ALLOCATION FUND

## Q3 2009

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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owning foreign companies that are traded on exchanges in the United States. Several of these were companies domiciled in China and are experiencing dramatically increasing growth despite a world that appears bound by recession.

Despite a generally robust recovery of much of the marketplace's losses, the external conditions of the real economy are still abnormal. The Federal government continues to own emergency equity positions in scores of private companies. The Federal Reserve's balance sheet is still bloated to support the financial infrastructure of the country. Gold, denominated in dollars, has reached all time highs, which itself is an indication of global unease about the condition of the United States. And, finally the credit markets are still abnormally priced. For these reasons, the Fund will remain steadfast in applying its buying and selling disciplines, prepared to both increase its equity exposure when the appropriate opportunities are available, and to decrease the exposure when they are absent or when there appears to be a significant risk of fiscal or monetary policy error.

**Margin of Safety:** Investment principal whereby the market price of a security that is purchased is significantly below the estimation of the intrinsic value. The difference is the margin of safety which allows an investment to be made with reduced downside risk.

*The Fund held positions in Atheros Communications, 1.65%, at the quarter ended September 30, 2009. The Fund had no positions in Intellon Corporation at quarter end.*



Century Management (CM) succeeds Bjurman, Barry and Associates, Inc. (BBA) as sub-adviser to the Fund effective April 20, 2009. CM is a privately held investment advisory firm based in Austin, Texas. The firm was founded in 1974. At the end of March, CM had assets under management of approximately \$2.2 billion. Stephen W. Shipman, CFA, formerly with BBA, has managed the Fund continuously since its inception.

### **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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