

ADVISER'S PERSPECTIVE QUARTERLY | Q4 2009

QUAKER SMALL-CAP GROWTH TACTICAL ALLOCATION FUND

For the quarter ending December 31, 2009, Class A shares of the Quaker Small Cap Growth Tactical Allocation Fund ("The Fund") outperformed the Russell 2000 Growth Index ("The Index") before sales charges, +5.51% vs. +4.14%. (After sales charges, the Fund returned -0.63%). More importantly, during the most challenging parts of a volatile quarter, the Fund provided competitive relative results for its shareholders when the Index fell into decline. For the month ended October 31, 2009, the Index fell -6.95%; the Fund was down -3.49% before sales charges (-8.80% after sales charges).

The Fund was not fully invested during the quarter, but succeeded in providing good returns because, in part, two of its holdings were acquisition candidates. International Royalty received a buyout offer from Franco Nevada Corporation and Airvana received one from a private equity partnership. Both acquirers paid hefty premiums to the price where the companies were trading before the offers. The important aspect of this observation is that the Fund's buying disciplines insure that the companies in its portfolio are priced both historically and absolutely low relative to the expected growth potential of their earnings. At the time of this writing, for instance, the enterprise value price earnings ratio of the companies is 13x while they are expected to grow the earnings nearly 18%. By contrast, the price earning multiples of the companies that comprise the Index sell at a premium to their expected growth of earnings.

The credit markets are returning to normal. In the bond world, 'normal' is usually evaluated by comparing the difference in yields between a specific private credit and the comparable United States Treasury issuance. In fact, the so-called 'spreads' of these bonds suggest that economic growth in the upcoming year will be much more vigorous than the consensus view, which sees only slow growth. This should bode well for companies' earnings in the upcoming year. And, such earnings increases should help equities, assuming that tax rates remain at expected levels and are not raised on income or on capital.

The only troubling matter that remains after the Lehman bankruptcy and the subsequent financial panic is the outsized balance sheet of the Federal Reserve Bank. Although it is understandable, perhaps even commendable, that the Fed acted judiciously as 'the lender of last resort' to support the banking system, they have not yet disclosed how or when they will extinguish the excess trillion dollars in liabilities that they created in the process. The risk is that they will monetize the excess, meaning that they will literally print money to own the assets that bailed out the banks and insurance companies. The outcome of such faulty behavior is likely to be high levels of inflation. The marketplace is wary of this outcome. Witness the continued increasing price of oil, gold,

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Performance	For Calendar Quarter Ended 12/31/2009		
	Before Sales Charges	After Sales Charges	Russell 2000® Growth Index
Class A Inception 9/30/2008			
3 Months	5.51%	-0.63%	4.14%
Year-to-Date	18.71%	6.33%	34.47%
1 Year (Cumulative)	18.71%	0.26%	34.47%
5 Years (Annualized)	n/a	n/a	n/a
10 Years (Annualized)	n/a	n/a	n/a
Life of Share Class (Annualized)	9.43%	0.26%	-1.95%

Expense Ratio: 2.59%

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: \$13.0 Million

Public Offering Price: \$10.26

Ticker Symbols

Class A: QGASX

Class C: QGCSX

Institutional Class: QGISX

Mutual Fund Exposures % Assets

Long Positions 63.24%

Cash 27.14%

Exchange-Traded Funds 9.62%

Top Positions % Assets

ProShares UltraShort Russell2000 4.89%

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Xyratex Ltd. 2.76%

Micrus Endovascular Corp. 2.72%

Cirrus Logic Inc. 2.70%

LivePerson Inc. 2.65%

G-III Apparel Group Ltd. 2.64%

Par Pharmaceutical Cos. Inc. 2.52%

Cabot Corp. 2.39%

Infospace Inc. 2.38%

Total % 30.38%

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

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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and other commodities. After all, inflation is, if nothing else, the disposition of investors to own 'things' rather than paper claims to interest or dividends or earnings. Should we be surprised, then, that our acquired company mentioned above, International Royalty, was one that gained its income from metal and mining companies? Although the strategy of our Fund is designed with the goal to succeed in any market environment, if the Fed successfully de-leverages its own balance sheet and avoids the inflationary error, we believe small cap growth stocks, and the Fund, will be prime beneficiaries.

Provided by Stephen W. Shipman, CFA, Century Management

Enterprise Value Price Earnings Ratio measures the cost of buying a public company, including the cost to purchase all outstanding shares and pay its debts, divided by its earnings.



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. CM has assets under management of approximately \$2.3 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 or by calling 800-220-8888. Read the Prospectus carefully before investing.



QUAKER® FUNDS

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