

ADVISER'S PERSPECTIVE QUARTERLY | Q4 2008

QUAKER SMALL-CAP VALUE FUND

The Quaker Small-Cap Value Fund returned -23.99% for Class A Shares before sales charges (-28.17% after sales charges) for the quarter ended December 31, 2008, beating the Russell 2000® Index return of -26.12%. For the year ended December 31, 2008, the Fund returned -31.85% before sales charges (-35.60% after sales charges) versus -33.79% for the Russell 2000 Index.

It was a brutal year for stocks — any stocks. Within the U.S. equity market, as proxied by Russell indices, the largest stocks fell by over (36%); mid-cap stocks were the biggest losers dropping over (41%); and small-caps weren't far behind, down nearly (34%). Across the capitalization spectrum, the Russell style indices indicate that value fell slightly less than growth despite the preponderance of financial sector companies classified as value stocks (even more now!). Overall, the breadth, depth, and rapidity of declines mark the bursting of the "Risk Bubble," making the Government the market's biggest risk-taker. The fourth quarter saw both the record-setting declines of October and the reversal that began in November to finish out the calendar year.

The Quaker Small-Cap Value Fund holds a broadly diversified selection of small-cap stocks. Our investment approach is disciplined: we are fully invested in U.S. equities, avoid broad sector bets, and take only modest industry-level and stock-specific bets. Our goal is to outperform the benchmark, the Russell 2000 Index, with incremental gains across 150+ names. Using bottom-up stock selection, we evaluate companies relative to their industry peers using three broad categories of measures: value, management, and momentum. Value means the somewhat traditional ratios of price to fundamental value; management means we look for evidence that a company's executive team has and will continue to emphasize earning power; and momentum indicates when stocks might begin to rise toward full valuation. As we search for opportunities, we keep a sharp eye on minimizing transaction costs, helping us maximize profits in our stock-selection effort.

During the quarter, the Fund's losses were mitigated relative to its benchmark by our quantitative analysis of company management and search for evidence of positive momentum. The combination of management with proven ability to generate return on assets and improving earnings forecasts was particularly successful at predicting positive stock returns. Value remains important to our stock-selection, but it had little influence on our results — too many companies are still coming to terms with their true post-risk bubble valuation. On the whole, our stock-picking effort was most effective in the financial sector, including modest industry-level bets for insurance companies and against miscellaneous finance and real estate stocks. Not every pick was

Provided by Aronson+Johnson+Ortiz, LP

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Performance	For Calendar Quarter Ended 12/31/2008		
	Before Sales Charges	After Sales Charges	Russell 2000® Index
Class A Inception 11/25/1996			
3 Months	-23.99%	-28.17%	-26.12%
Year-to-Date	-31.85%	-35.60%	-33.79%
1 Year (Cumulative)	-31.85%	-35.60%	-33.79%
5 Years (Annualized)	-0.27%	-1.39%	-0.93%
10 Years (Annualized)	5.09%	4.50%	3.02%
Life of Share Class (Annualized)	7.63%	7.12%	4.26%

Maximum Expense Ratio: 1.78%

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: Aronson+Johnson+Ortiz, LP

Fund Assets: \$79,823,265.91

Public Offering Price: \$10.46

Ticker Symbols

Class A: QUSVX

Class B: QSVBX

Class C: QSVCX

Institutional Class: QSVIX

Mutual Fund Exposures

Long Positions 97.26%

Cash 2.74%

Top Positions

Platinum Underwriters Hldg. 1.13%

Amerigroup Corporation 1.08%

Credicorp Ltd. 1.01%

Hanover Insurance Group Inc. 1.00%

Ntelos Holdings Corp. 0.96%

Endo Pharmaceuticals Hldgs. Inc. 0.96%

First Cash Financial Services Inc. 0.91%

Renaissancere Holdings Ltd. 0.90%

RLI Corp. 0.89%

Safety Insurance Group Inc. 0.89%

Total 9.73%

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® FUNDS

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® Index is a widely recognized, unmanaged market capitalization weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represent approximately 8% of the total market capitalization of the Russell 3000® Index. You cannot invest directly in an index.

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a winner, of course, but our philosophy of prudent diversification works to ensure that the net impact of any individual name won’t have a significant effect overall.

Price to Fundamental Value Ratio compares a stock’s actual price to its fundamental value.

Return on Assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Sometimes this is referred to as “return on investment”.



Aronson+Johnson+Ortiz, LP, based in Philadelphia, PA, was founded in 1984 and currently has more than \$15.9 billion 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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