

# ADVISER'S PERSPECTIVE QUARTERLY | Q2 2009

## QUAKER SMALL-CAP VALUE FUND

The Quaker Small-Cap Value Fund returned 16.88% for Class A Shares before sales charges (10.45% after sales charges) for the quarter ended June 30, 2009, falling short of the Russell 2000® Index return of 20.69%.

It was a lousy quarter — we gave back most of the added-value earned in the first quarter. We've found it tougher lately to outperform in ebullient markets than in declining markets, and performance across the U.S. equity market this quarter was indeed ebullient. The Fund's benchmark, the Russell 2000 Index, was up 20.69%. The quarter began with a rally well under way, but the underpinnings were not so much good news as news that was less bad. As the quarter neared its end, the market took a breather, perhaps waiting for fundamentals to catch up. Among larger-cap stocks, value had a slight edge over growth. Smaller-cap equities truly led the charge, however, regardless of style.

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.

Reasons for our shortfall this quarter rest chiefly and consistently with the momentum category of our stock selection. When the market turned on a dime on March 9, our take on momentum didn't capture the pulse of the market as it is intended to do. Our gauges of price- and volume-relative strength were detractors from our relative return, as was earnings momentum, evidence that a company's prospects are moving in a positive direction. In fact, the stock of companies whose earnings-estimate changes ranked among the worst for the quarter appreciated three times more than those whose earnings revision ranked among the best. And although our take on value and management were more productive, they were not consistently so, allowing the shortfall to take hold.

Provided by Aronson+Johnson+Ortiz, LP

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Performance	For Calendar Quarter Ended 6/30/2009		
	Before Sales Charges	After Sales Charges	Russell 2000® Index
<b>Class A Inception 11/25/1996</b>			
3 Months	16.88%	10.45%	20.69%
Year-to-Date	0.20%	-5.31%	2.64%
1 Year (Cumulative)	-28.61%	-32.54%	-25.01%
5 Years (Annualized)	-1.91%	-3.02%	-1.70%
10 Years (Annualized)	5.09%	4.50%	2.38%
Life of Share Class (Annualized)	7.33%	6.85%	4.30%

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:** \$83.6 Million

**Public Offering Price:** \$ 10.48

### Ticker Symbols

Class A: QUSVX

Class B: QSVBX

Class C: QSVCX

Institutional Class: QSVIX

### Mutual Fund Exposures

Long Positions 98.91%

Cash 1.09%

### Top Positions

Lubrizol Corp. 1.05%

Health Net Inc. 0.96%

Varian Inc. 0.96%

NeuStar Inc. 0.95%

NetFlix Inc. 0.93%

Arris Group Inc. 0.92%

Silicon Laboratories Inc. 0.90%

PF Chang's China Bistro Inc. 0.86%

Platinum Underwriters Holdings 0.86%

Herbalife Ltd. 0.86%

Total 9.25%

The Fund's holdings and characteristics are as of 6/30/2009 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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On the whole, our stock-picking effort was most effective in the services and materials sectors and least effective in the healthcare and energy sectors. Our modest industry-level bets were flat for the quarter, as our two best bets (for banks and against miscellaneous finance) were more than offset by those we made for insurance companies and against real estate and motor vehicle stocks. However, our philosophy of prudent diversification seeks to minimize the overall net impact of any individual name. Instead, positive and negative influences will come from the market’s reaction to the fundamentals we employ to pick stocks – namely value, management and momentum – and our intended bias toward value.

*Provided by Aronson+Johnson+Ortiz, LP*

**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 \$17.4 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](http://www.quakerfunds.com) or by calling 800-220-8888. Read the Prospectus carefully before investing.*



**QUAKER® FUNDS**

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