

# ADVISER'S PERSPECTIVE QUARTERLY | Q3 2009

## QUAKER SMALL-CAP VALUE FUND

The Quaker Small-Cap Value Fund returned 16.57% for Class A Shares before sales charges (10.15% after sales charges) for the quarter ended September 30, 2009, falling short of the Russell 2000® Index return of 19.28%.

The third quarter was among the best for the stock market in general, as investors actively sought more risk. Leading the charge were companies hit hardest in 2008 and early 2009. Across the cap and style spectrums, small caps beat large caps and value beat growth. Despite such market exuberance, it was among the worst quarters for AJQ's relative performance, across all mandates. Consequently, the Fund's performance fell short of its Russell 2000 benchmark by 2.71%.

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 to maximize profits in our stock-selection effort.

The risk-seeking behavior that led the market rally was evident within our small-cap investment universe as high-beta stocks significantly outperformed low-beta stocks. And in a continuation of a trend that emerged last quarter, the lowest-priced stocks outperformed those among the highest-priced, seemingly by virtue of price alone. Despite our value orientation, this low-price rally wasn't enough of a value rally for us to truly benefit. In our effort to gauge the effectiveness and outlook of management, we pay a great deal of attention to net share repurchase and prefer companies that aren't diluting our potential ownership. However, as investors sought risk, the companies that reaped the greatest rewards were those issuing additional shares. Our gauge of price momentum was also punished: we prefer a stable, longer-term path to price appreciation over a volatile, shorter-term one.

On the whole, our stock-picking effort was most effective in the services and utilities sectors and least effective in the materials

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Performance	For Calendar Quarter Ended 9/30/2009		
	Before Sales Charges	After Sales Charges	Russell 2000® Index
Class A Inception 11/25/1996			
3 Months	16.57%	10.15%	19.28%
Year-to-Date	16.80%	10.38%	22.43%
1 Year (Cumulative)	-11.22%	-16.10%	-9.55%
5 Years (Annualized)	1.44%	0.30%	2.41%
10 Years (Annualized)	7.58%	6.97%	4.88%
Life of Share Class (Annualized)	8.47%	7.99%	5.66%

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:** \$95.1 Million

**Public Offering Price:** \$12.21

### Ticker Symbols

Class A: QUSVX

Class C: QSVCX

Institutional Class: QSVIX

### Mutual Fund Exposures % Assets

Long Positions 99.21%

Cash 0.79%

### Top Positions % Assets

Lubrizol Corp. 1.14%

Exterran Holdings Inc. 0.97%

Platinum Underwriters Holdings 0.95%

National Fuel Gas Co. 0.95%

NewMarket Corp. 0.94%

Hewitt Associates Inc. 0.92%

NetFlix Inc. 0.91%

Steven Madden Ltd. 0.89%

Lancaster Colony Corp. 0.87%

Orthofix International NV 0.87%

Total 9.41%

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

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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and capital goods sectors. Our modest industry-level bets were flat for the quarter, as our two best bets (against banks and for chemical companies) were more than offset by those we made against real estate and paper & forest product companies. However, our philosophy of prudent diversification endeavors to ensure that the net impact of any individual name won’t have a significant effect overall. 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.

**Beta** measures the volatility of the fund, as compared to that of the overall market.



Aronson+Johnson+Ortiz, LP, based in Philadelphia, PA, was founded in 1984 and currently has more than \$19.3 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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