

ADVISER'S PERSPECTIVE QUARTERLY | Q4 2009

QUAKER SMALL-CAP VALUE FUND

The Quaker Small-Cap Value Fund returned 3.47% for Class A Shares before sales charges (-2.22% after sales charges) for the quarter ended December 31, 2009, falling short of the Russell 2000® Index return of 3.87%.

All stock indexes were up for 2009, and up big — from almost 25% for the Russell Top 200® Index to over 40% for the Russell Midcap® Index.

The rally that began March 9 continued in the fourth quarter, and the story was much the same as in the second and third quarters: investors actively sought more risk, regardless of quality, primarily because government intervention encouraged such investment. Across the cap and style spectrums, large caps beat small caps and growth beat value. The Quaker Small-Cap Value Fund's 3.47% return couldn't keep up with the Russell 2000® Index, falling short by 0.40% (gross).

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 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 story for the fourth quarter was driven by our performance in October when the market briefly reverted to rationality, or when it was, at least temporarily, in sync with our work. But we find it important to put the fourth quarter in the context of our overall experience in 2009. The underperformance of our stock selection in 2009 rested squarely on the shoulders of our measures of management and momentum. While indications of share repurchase (a historically positive management signal) provided a slight boost to our October return, share issuance proved to be a more consistent predictor of returns throughout the year. Similarly, our gauge of momentum was turned on its head when stocks with poor earnings power experienced huge gains, in direct contradiction to prior trends.

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Performance	For Calendar Quarter Ended 12/31/2009		
	Before Sales Charges	After Sales Charges	Russell 2000® Index
Class A Inception 11/25/1996			
3 Months	3.47%	-2.22%	3.87%
Year-to-Date	20.85%	14.20%	27.17%
1 Year (Cumulative)	20.85%	14.20%	27.17%
5 Years (Annualized)	-0.20%	-1.32%	0.51%
10 Years (Annualized)	6.96%	6.36%	3.51%
Life of Share Class (Annualized)	8.58%	8.11%	5.85%

Maximum Expense Ratio: 1.75%

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: \$93.3 Million

Public Offering Price: \$12.64

Ticker Symbols

Class A: QUSVX

Class C: QSVCX

Institutional Class: QSVIX

Mutual Fund Exposures % Assets

Long Positions 98.76%

Cash 1.24%

Top Positions % Assets

Magellan Health Services Inc. 1.03%

Platinum Underwriters Holdings Ltd. 1.03%

Health Net Inc. 1.00%

DuPont Fabros Technology Inc. 0.96%

Tech Data Corp. 0.96%

WellCare Health Plans Inc. 0.94%

International Bancshares Corp. 0.94%

Wright Express Corp. 0.93%

Scholastic Corp. 0.93%

NewMarket Corp. 0.92%

Total % 9.64%

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

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 healthcare and services sectors and least effective in the capital goods and energy sectors. Our modest industry-level bets helped relative performance this quarter, as our two best bets (against banks and biotechnology companies) were more than offset by those we made for insurance and against 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.

Aronson+Johnson+Ortiz, LP, based in Philadelphia, PA, was founded in 1984 and currently has more than \$20.1 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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