# 2Q 2019 Commentary

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## MARKET COMMENTARY

The second quarter of 2019 marked the 10th consecutive year of economic expansion in the U.S. with both the equity and fixed income markets rising against a backdrop of steady economic and corporate profit growth. The quarterly rise, however, was hardly steady or broad, as previous fears of a possible U.S./China trade war approached reality in May causing global stocks to decline and corporate bond spreads to widen. It was not until the Federal Reserve hinted at the possibility of a Federal Funds rate cut that helped these markets swiftly recover, more than offsetting their May swoon.

Equity markets were particularly volatile in the second quarter due to market fears and exuberance. It seemed that stocks of higher growing companies, particularly those with exposure to China, and the stocks of smaller-cap companies fluctuated most. Except for the Asian emerging markets, global stock markets ended the quarter higher with the S&P 500 Index up 4.3%, and the MSCI EAFE Index up 3.7%. Within the U.S. market, declining interest rates proved beneficial for most stocks, particularly those of lower quality companies who rely on cheap financing to sustain growth. Stocks of higher growth companies once again outperformed value stocks as lower interest rates seemed to help justify their lofty valuations. While the stock market as a whole looks relatively expensive compared to historical measures, there remain pockets of value, particularly in the small- and mid-cap value stocks where valuations remain well-below their long-term averages.

As rates continued to decline and expectations for a Federal Funds rate-cut became almost certain, investment grade bonds sustained their first quarter rally, particularly in the longer duration and lower credit quality segments of the market. The Bloomberg Barclays Aggregate Index rose 3.1% with corporate bonds posting the best results of all the investment grade sectors, up 4.5%. High yield bonds also enjoyed an impressive quarter, with the Bloomberg Barclays U.S. High Yield Index gaining 2.1%. The single family MBS sector, which comprises approximately 27% of the Barclays Aggregate Index, delivered a 1.9% return, lagging most other sectors as the potential for increased prepayments grew amidst declining interest rates. Overall, bond investors are being compensated less for taking on more risk, particularly in the credit markets where spreads are trading below their longer-term averages and are less than 25% what they were at the end of 2008. We believe that in this environment, individual credit selection becomes even more important in managing overall portfolio risk.

# Quaker Funds

## QUAKER IMPACT GROWTH FUND

The Quaker Impact Growth Value Fund Institutional Share Class (QAGIX) returned 3.76% during the second quarter, with 2019 year-to-date returns of 20.07%. We are pleased with the Fund's performance, particularly as we look to avoid high flier IPO's and more trendy names that often dominate headlines and the growth industry. Instead, we focus more on finding growth stocks with solid management teams and identifiable moats that generate significant free cash flow.

Given the markets rise year-to-date, we are maintaining a particularly cautious stance on our portfolio and any new investments. As investors who lived through the dotcom bubble, we believe some of today's IPO's are quite reminiscent of what happened in 1999. In all likelihood, we believe that the long-term winners will not be these popular names, but rather growth stocks purchased at reasonable valuations with good management teams.

## QUAKER SMALL/MID-CAP IMPACT VALUE FUND

The Quaker Small-Mid Cap Value Fund Institutional Share Class (QSVIX) returned negative 0.1% during the second quarter with muted variation between the months, especially compared to most of its Morningstar category. Its year-to-date returns ended with 15.10% total return.

Markets seemed to have multiple personalities in the second quarter. May was one of the weakest on record, as the S&P recorded its second worst May since the 1960's. The poor performance hit particularly hard for industrial and finance companies as trade tensions seem to have led to creeping indications of slowing of manufacturing and service activities. A flattening and overall lower yield curve also appeared to rekindle worries of earnings power among banks.

While none of these underlying issues changed much in June, potential changes of posture and messaging from U.S. Federal Reserve governors about the path of interest rates seemed to spark a market turn. Equity markets roared back. The S&P 500 recorded its best June since 1955 and the NASDAQ had its best June since 2000. Smaller market cap stocks rallied as well but were not able to recoup their May losses.

Fortunately, while indices broadly remain sensitive to macro issues, dispersion is certainly present among smaller cap stocks. Companies that perform well tend to be rewarded by the market while those that have lackluster performance tend to be punished. Perhaps this environment helped the Fund's more concentrated portfolio have less volatility on a monthly basis and generally outperform its benchmark since we took over management in January 2018.

*The funds may experience negative performance. **Past performance does not guarantee future results.**

*As of 06/30/19, the average annual returns for the **Quaker Impact Growth Fund's** Institutional Shares for 1-year and since inception were 7.66 and 7.97. The average annual returns for the **Quaker Small/Mid-Cap Impact Value Fund** Institutional Shares for 1-year and since inception 1.79 and 3.67.*

*Performance quoted is past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted. An investor's investment return and principal value will fluctuate so that your shares, when redeemed, may be worth more or less than your initial cost. To obtain the most recent month-end performance, call 877-272-1977. Returns over one year are annualized.*

*The annual operating expense for the **Quaker Impact Growth Fund's** Institutional Shares is 2.03% with an Inception Date 01/01/18. The Adviser has contractually agreed to waive all or a portion of its investment advisory fees and/or pay/reimburse expenses for the **Quaker Small/Mid-Cap Impact Value Fund's** Institutional Shares with an Inception Date 01/01/18 (excluding any Rule 12b-1 fees, taxes, interest, acquired fund fees and expenses, short sale dividend and interest expenses, brokerage fees, certain insurance costs, and nonroutine expenses or costs, including, but not limited to, those relating to reorganizations, litigation, conducting shareholder meetings, liquidations and other extraordinary expenses) in order to prevent total annual fund operating expenses from exceeding 1.30% of the Fund's average daily, net assets from May 1, 2019 through April 30, 2020. Pursuant to its expense limitation agreement with the Fund, the Adviser is entitled to recoup any fees that it waived and/or Fund expenses that it paid for a period of three years following such fee waivers and expense payments, to the extent that such recoupment by the Adviser will not cause the Fund to exceed any applicable expense limitation that was in place for the Fund when the fees were waived or expenses were paid. These waivers and reimbursements may be terminated at any time with respect to the Fund by its Board of Trustees upon sixty (60) days' written notice to the Adviser without payment of any penalty and shall automatically terminate upon the termination of the Fund's advisory contract with the Adviser.*

## Important Information

There’s no guarantee that a strategy will be successful. Mutual fund investing involves risk including the possible loss of principal. The **Quaker Impact Growth Fund** invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. Equity securities are subject to price fluctuation and possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. The Fund invests in smaller companies (generally less than $1.5 billion market capitalization). The **Quaker Small/Mid-Cap Impact Value Fund’s** 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. Fund holdings, sector allocations, and asset allocations are subject to change and are not recommendations to buy or sell any security.

The S&P 500® Total Return Index is a widely recognized, unmanaged index consisting of the approximately 500 largest companies in the United States as measured by market capitalization. You cannot invest directly in an index.

The Russell 2500® Value Index measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values. You cannot invest directly in an index.

***Consider a fund’s investment objectives, risks, charges, and expenses carefully before investing. The Statutory, and where available, the Summary Prospectuses contain this and other important information and are available for download at www.ccminvests.com or by calling 866.202.3573. Read carefully before investing.***

Source: Fund data provided by Quaker Funds. CCM is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940.

Effective September 6, 2018 the Fund’s name changed from Quaker Strategic Growth Fund to Quaker Impact Growth Fund and Quaker Small Cap Value Fund to Quaker Small/Mid-Cap Impact Value Fund.

The Quaker Funds are distributed by Foreside Fund Services, LLC