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3Q 2019 Commentary

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MARKET COMMENTARY

Similar to the previous two quarters, the U.S. economic growth rate continued to slow in the third quarter. However, it remained strong compared to the rest of the world. As expected, the Federal Reserve reduced the Federal Funds rate by 0.25 percent in July. With August economic data reinforcing the slower growth outlook, the Fed acted again in September with another 0.25 percent rate cut. Investors' newfound "lower for longer" economic growth and interest rate outlook, combined with the healthy year-to-date gains in stocks, helped to push capital away from the higher growth areas of the stock market and toward what may be perceived as the safety and yield of bonds and income-oriented stocks.

Equity markets bumped around during the third quarter with leadership shifting alongside the release of economic and corporate profit data. Overall, large cap stocks held up better than small cap stocks with the S&P 500 Index up 1.7 percent, and the Russell 2000 Index down 2.4 percent. Within the U.S. stock market, declining interest rates proved beneficial for high yield stocks and bank stocks whose net interest margins generally expand as short-term rates decline. This contributed to gains in the S&P U.S. REIT Index, which was up 7.46 percent, and the S&P Value Index, which was up 2.47 percent. In contrast to the second quarter, the S&P 500 Growth Index trailed the S&P U.S. REIT Index and the S&P Value Index, gaining only 0.72 percent as the lower outlook for growth could no longer justify lofty valuations and almost 20 percent year-to-date gains. With the exception of small cap stocks, valuations remained high relative to their 20-year averages. Additionally, corporate profit growth has moderated, creating little margin of safety if economic conditions worsen. In this environment, we believe that attention to both fundamentals and price becomes even more important when building a stock portfolio.

With the outlook for growth slowing, investment-grade bonds continued their prior three quarters' rally, particularly in the longer maturity segment of the market where investor demand was the greatest. The Bloomberg Barclays Aggregate Index rose 2.27 percent with long-dated U.S. Treasuries posting the best results of all investment-grade sectors, rising 7.92 percent, and long-dated corporates up 5.61 percent. Similar to the second quarter, the MBS sector, which comprises approximately 27 percent of the Bloomberg Barclays Aggregate Index, delivered a 1.37 percent return, lagging most other sectors as mortgage refinancing increased amidst declining interest rates. The corporate credit market appears richly priced as spreads are less than 25 percent of their late-2008 levels. More importantly, over half of the outstanding value of investment-grade corporate bonds now carries the lowest credit rating (BBB/Baa) within the investment-grade rating scale. This combination (high prices and declining fundamentals) can create more risk – so decisions around credit selection and overall allocation to corporate credit can become even more important.

Quaker Funds

QUAKER IMPACT GROWTH FUND

The Quaker Impact Growth Fund Institutional Share Class (QAGIX) finished the third quarter up 1.39 percent, outperforming Morningstar's U.S. Fund Large Growth category by 1.86 percent. In what was a relatively challenging quarter for growth companies, the portfolio's valuation sensitive approach to growth investing held up well.

The Initial Public Offering (IPO) market took a beating as several high-profile IPO's – for cash-negative, high-growth companies – failed to come to market during the quarter. Other companies that did IPO ended the quarter trading far below their offering prices.

Nearing the eleventh year of an expansion and bull market, it would not surprise us if growth at any prices were replaced by growth at reasonable prices. This type of a rotation should be beneficial to the Fund's cash-flow sensitive approach to investing.

QUAKER SMALL/MID-CAP IMPACT VALUE FUND

The Quaker Small-Mid Cap Impact Value Fund Institutional Share Class (QSVIX) returned 4.08 percent for the third quarter. It performed well in Morningstar's U.S. Fund Small Value category for the quarter, outperforming the category by 4.65 percent. The Fund also finished the quarter as the top Fund for the prior year. Returns were largely a result of the Fund's largest holdings, specifically its REIT (Real Estate Investment Trusts) and alternative energy investments.

We continue to be encouraged by the Fund's results. The portfolio remains moderately concentrated although we have recently rotated allocations as some of our better performing investments approach their fair valuation and others have lagged our valuations despite excellent underlying indicators. We remain invigorated by the prospects of the Fund's investments even as there seems to be more evidence of slowing U.S. and global economic activity.

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

*As of 09/30/19, the average annual returns for the **Quaker Impact Growth Fund's** Institutional Shares for 1-year and since inception were 3.17 and 7.62. The average annual returns for the **Quaker Small/Mid-Cap Impact Value Fund** Institutional Shares for 1-year and since inception 5.40 and 6.50.*

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 (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