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4Q 2019 Commentary

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MARKET COMMENTARY

The fourth quarter of 2019 was the grand finale in a stellar year for the capital markets, particularly in the U.S. stock market. Despite evidence that economic growth would fall to the lower levels projected in the prior two quarters, and global trade tensions remaining unchanged, investor exuberance was prevalent throughout the quarter. Investors preferred higher-risk assets like stocks and high yield bonds to investment grade bonds, resulting in higher interest rates along the yield curve and stock valuations and bond spreads reaching levels not seen since the end of 2017. Investors had reason to cheer; in October, the Federal Reserve lowered rates for the third time in 2019 and announced the start of open-market purchases of treasury bills. This was yet another signal of its intent to support capital market liquidity and reduce any potential obstacles to economic growth, a welcome message to investors as they face an election year and potential trade-related uncertainties.

U.S. equity markets moved higher in a relatively steady manner throughout the quarter with the S&P 500 gaining 9 percent. Small cap stocks performed better than large cap stocks with the Russell 2000 gaining 9.94 percent and the Russell Top 200 Index up 9.79 percent. The market has continued to pay a growing premium for growth as growth stocks outperformed value stocks, primarily driven by gains in the technology sector. Within the S&P 500 Index, the technology sector climbed 14.4 percent, contributing to its 2019 return of 50.29 percent and its price-to-earnings ratio at 10-year highs. While the valuation of the S&P 500 is also close to its ten-year high and has exceeded its 20-year high, most of this is attributable to the valuations in the largest growth companies. This means that not all stocks look expensive; small cap value stocks, as measured by the Russell 2000 Value Index, appear the most attractively valued when compared to their 20-year averages. Valuation dispersion among and within the sectors of the equity market means that there is ample opportunity for discerning and talented stock pickers.

Investment grade bonds posted mixed results during the quarter, with the Barclays Aggregate Index returning a mere 0.18 percent. The flight to riskier assets resulted in overall selling in the U.S. Treasury market, particularly in longer-dated maturities. Investors preferred the higher yields of the spread sectors, particularly corporate bonds where the riskier the credit, the better the return. The Barclays U.S. High Yield Index climbed 2.61 percent during the quarter, contributing to its 2019 total return of 14.32 percent. Even within the investment grade segment of the corporate market, investors sought the riskiest of exposures, where the ever-growing bottom-tier BBB segment outperformed the higher quality AA segment by almost 1.48 percent for the quarter and over 5 percent for the entire year. The corporate credit market appears even more richly priced than it was at the end of the quarter where the compensation for taking credit risk is slim and spreads are not far from the pre-crisis lows. This type of risk-seeking behavior may seem consistent with that of the equity market; however, it is not consistent with the stabilizing role that bonds are expected to play in portfolios. With rates at such low levels, income cannot buffer sudden price declines like it can at higher rate levels. And with corporate spreads declining even further, there remains what may be viewed as little margin of safety in a year that is poised to present even greater economic and market uncertainty.

QUAKER IMPACT GROWTH FUND

The Quaker Impact Growth Value Fund Institutional Share Class (QAGIX) finished the fourth quarter up 9.22 percent, slightly underperforming the Morningstar's U.S. Fund Large Growth category by 0.13 percent but finishing the year with a total return of 33.18 percent, outperforming the category by 1.29 percent. This was the Fund's best relative performance in some time.

While the portfolio's valuation sensitive approach to growth investing was helpful in the third quarter, it was a hinder to performance in the fourth quarter, as the riskiest and most speculative companies seemed to perform best. While we are sanguine about some reduced macro risks, we are puzzled by some valuations among companies that seem to neither generate cash nor show potential to do so. This is particularly relevant given the terrible performance of the previously popular, so called "unicorns" earlier in the year.

We are happy with a good quarter and a good year on a relative and absolute basis. Much of 2020 will likely be determined by exogenous factors such as the U.S. election and the direction of the Chinese and European economies. The U.S. economy largely remains firm in the services and housing sector, while industrial companies continue to struggle.

We believe gains might be harder to find this year after last year's stellar performance but fortunately we continue to find attractively valued growth investments, particularly as one goes down the market capitalization scale.

QUAKER SMALL/MID-CAP IMPACT VALUE FUND

The Quaker Small-Mid Cap Value Fund Institutional Share Class (QSVIX) returned 4.78 percent for the fourth quarter. It finished the year outperforming the Morningstar U.S. Fund Small Value category by 4.08 percent, with a total return of 25.53 percent. Returns were aided by the Fund's largest investment being acquired during the fourth quarter as well as overall strength in the equity markets.

We continue to be encouraged by the Fund's results. The portfolio remains moderately concentrated, yet the holdings have changed throughout the year as several investments hit full valuation or were acquired. Fortunately, the outperformance of growth investments, particularly the extremely large companies, has resulted in a sufficient number of attractively valued smaller companies to keep us excited about prospects in 2020. Risk markets hitting hyperdrive in the fourth quarter make us somewhat cautious despite some mitigated macro concerns, but we remain comfortable with the Fund's risk/reward profile.

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

*As of 12/31/19, the average annual returns for the **Quaker Impact Growth Fund's** Institutional Shares for 1-year and since inception were 33.18 and 11.43. The average annual returns for the **Quaker Small/Mid-Cap Impact Value Fund** Institutional Shares for 1-year and since inception 25.53 and 8.16.*

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 1.87% 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 is gross 2.26%, net 1.46% with an inception date of January 1, 2018 (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 through October 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.

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