

QUAKER® EVENT ARBITRAGE FUND STRATEGY UPDATE

FOURTH QUARTER | DECEMBER 31, 2016

STRATEGY WEIGHTS

STRATEGY	PORTFOLIO WEIGHTING
Activist Investments (1.20% hedged)	21.02%
Capital Structure Arbitrage	0.00%
Distressed Securities	29.93%
Liquidations	0.40%
Merger Arbitrage – Classic	3.60%
Merger Arbitrage – Event-Driven	23.59%
Special Situations	17.02%
Cash (investable)	1.83%

Portfolio Managers: Thomas F. Kirchner, CFA, Quaker Funds, Inc.
Paul Hoffmeister, Quaker Funds, Inc.

Fund Assets (as of 12/31/2016): \$29,555,546

SYMBOLS

A: QEAX

C: QEACX

I: QEAIX



The Fund's holdings are as of 12/31/2016 and are subject to change.

STRATEGY WEIGHT RATIONALE

MARKETPLACE ASSESSMENT

1. Narrowing credit spreads
2. Moderate global growth
3. Political uncertainty

EVENT-LEVEL ASSESSMENT

1. Distressed energy continues recovery
2. Classic merger arbitrage maintains low allocation
3. Activist investments perform well

STRATEGY WEIGHT RATIONALE COMMENTARY

MARKETPLACE ASSESSMENT *Written by Paul Hoffmeister, Portfolio Manager*

The general risk-taking environment for corporate dealmaking continued to strengthen during Q4 2016, continuing the recovery seen in Q2 and Q3.

Despite interest rates rising considerably during the last quarter, financing remains healthy and available. Furthermore, the business outlook has improved for corporations to implement strategic transformations to unlock shareholder value, such as mergers, acquisitions or spin-offs.

At the same time, the outlook for distressed situations has, in many cases, recovered significantly. We find this to be the case in a number of distressed energy events of the last year.

The improvement in credit market risk-taking was partly catalyzed by public pronouncements from Federal Reserve officials that the central bank will not aggressively raise interest rates in the face of global market volatility, slowing growth in emerging markets, and falling commodity prices. It remains to be seen whether the Federal Reserve will continue to proceed cautiously with an interest rate hiking regimen.

This confluence of factors has created attractive investment opportunities. Currently, activist, distressed and event-driven merger situations comprise a majority of the portfolio.

EVENT-LEVEL ASSESSMENT *Written by Thomas Kirchner, Portfolio Manager*

Merger arbitrage remains unattractive with interest rates still too low to provide an acceptable risk/return profile. Regulatory risk has been a major factor in several deal collapses during the last year, and it remains to be seen whether political interference in M&A will persist or abate under the new leadership in Washington. Therefore, event-driven merger arbitrage continues to provide substantially better risk/return profiles than classic merger arbitrage.

In the shareholder activism arena, overall activity is still well below the peak from two years ago. However, there are numerous new activist campaigns that the Fund has taken exposure to during the fourth quarter. The Investment Team anticipates more opportunities as proxy season approaches.

The Fund's investments in distressed securities enjoyed a good year in 2016 due to their focus in the energy sector. The recovery of energy prices has contributed to the strong performance of these investments, although the companies' fundamentals were sustainable even at much lower oil prices. As some of these securities begin to show no more signs of distress, the Investment Team is evaluating the substrategy carefully.

The investment process currently leads the Team to overweight activist situations, event-driven merger arbitrage and distressed investments, and place relatively less emphasis on classic merger arbitrage. As always, weightings are a function of the opportunities available in the various sub-strategies/events as well as the overall macroeconomic assessment.

Mutual fund investing involves risk, including the possible loss of principal. Diversification does not assure a profit or protect against a loss in declining markets.

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.quakerfunds.com or by calling 800.220.8888. Read carefully before investing.

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SUMMARY

HIGHEST CONTRIBUTING STRATEGY: Activist Investments

LOWEST CONTRIBUTING STRATEGY: Event-Driven Merger Arbitrage

SUMMARY: For the quarter ended December 31, 2016, the Fund returned 2.04% (before sales charges, - 3.55% after sales charges) with a daily volatility (represented by standard deviation) of 0.45%, which was below the Fund's rolling one-year daily volatility of 0.69%.

During the quarter, four sub-strategies produced gains and the remaining three incurred a loss.

Throughout the quarter, the Fund's cash position remained below 5% of net assets.

As of December 31st, the Fund was invested in 65 individual events allocated across all sub-strategies.

FOURTH QUARTER 2016 STRATEGY ATTRIBUTION

Positive Attribution:

- ◆ Activist Investments: + 1.18%
- ◆ Distressed Securities: + 0.77%
- ◆ Capital Structure Arbitrage: + 0.64%
- ◆ Special Situations: + 0.18%

Negative Attribution:

- ◆ Event-Driven Merger Arbitrage: - 0.57%
- ◆ Classic Merger Arbitrage: - 0.07%
- ◆ Liquidations: - 0.05%

YEAR-TO-DATE STRATEGY ATTRIBUTION

Positive Attribution:

- ◆ Activist Investments: + 12.34 %
- ◆ Event-Driven Merger Arbitrage: + 3.11%
- ◆ Distressed Securities: + 1.93%

Negative Attribution:

- ◆ Special Situations: - 2.52%
- ◆ Capital Structure Arbitrage: - 0.82%
- ◆ Liquidations: - 0.12%
- ◆ Classic Merger Arbitrage: - 0.12%

QUARTERLY INVESTMENT RETURNS %

12/31/2016

CLASS A INCEPTION 11/21/2003	AVERAGE ANNUALIZED RETURNS					
	3 Month	YTD	1 Year	5 Year	10 Year	Since Inception
Before Sales Charges	2.04	13.80	13.80	4.78	1.96	5.43
After Sales Charges	-3.55	7.55	7.55	3.61	1.39	4.98
S&P 500®	3.82	11.96	11.96	14.66	6.95	8.28

Expense Ratio: Net 1.99%* | Gross 2.41%

recent month end is available at www.quakerfunds.com or by calling us toll free at 800.220.8888.

*The net expense ratio reflects a contractual commitment by the Fund's investment adviser to waive fees and reimburse expenses through November 1, 2017. Absent the waiver and reimbursement, performance would have been less favorable. Furthermore, any waivers and reimbursements made by the Adviser to the Fund are subject to recoupment by the Adviser within three fiscal years following the time at which the Adviser waived fees and/or assumed expenses for the Fund provided that such recoupment does not cause the Total Annual Operating Expenses to exceed the Annualized Expense Ratio in effect at the time of the fee waiver and/or expense assumption, or the fee recoupment.

Standard deviation is a statistical measure of portfolio risk used to measure variability of total return around an average, over a specified period of time.

The S&P 500® Total Return Index is a widely recognized, unmanaged index of the approximately 500 largest companies in the United States as measured by market capitalization. You cannot invest directly in an index. Moody's Investors Service ratings are opinions of the relative credit risk of financial obligations with an original maturity of one year or more. Investment Grade ratings are considered to be of high quality and are subject to very low (Aaa) to moderate (Baa) credit risk.

The Fund invests in "special situation" securities, as a result of merger arbitrage and capital structure arbitrage, as well as engaging in short-selling, which involves special risks and requires special investment expertise. The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. The use of derivative investments exposes the Fund to the potential lack of liquidity, increased transaction costs and possible losses greater than the Fund's initial investment.

SYMBOLS

A: QEAXX C: QEACX I: QEAIK

Class A Shares of the Fund have a maximum sales charge of 5.50%. On June 7, 2010, the Pennsylvania Avenue Event-Driven Fund (Pennsylvania Avenue Fund), a series of the Pennsylvania Avenue Funds was reorganized into the Quaker Event Arbitrage Fund. Prior to the Reorganization, the Pennsylvania Avenue Fund did not impose a sales charge.

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



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