

# ADVISER'S PERSPECTIVE QUARTERLY | Q2 2008

## QUAKER MID-CAP VALUE FUND

Class A shares of the Quaker Mid-Cap Value Fund finished ahead for the quarter ended June 30, 2008 +0.70% (before sales charges) versus +0.07% for the Russell MidCap Value Index. Year-to-date Class A shares were down -7.80% (before sales charges) beating the Russell Mid-Cap Value, -8.58%. (After sales charges, Class A shares of the Fund returned -4.84% at quarter end and -12.87 year-to-date).

Throughout the second quarter of 2008, the Fund was underweight to the benchmark in finance, utility and consumer-related stocks. Our process guided us toward industrial companies with growing international sales and commodity/energy sector companies. We maintained an overweighting in these two sectors for most of the last year. However, in the short-term, we took profits and scaled back the commodity/energy stocks as we believe their most recent run has been more speculative in nature than fundamentals-based.

Despite the weak equity markets of the past month and six months, we believe better relative performance can be found among those companies that have analyst estimate increases for the coming 2 fiscal years, for example, oil and steel. Similarly, the value subset of the market continues to be dragged down by finance and those industries which tend to be negatively impacted by high energy prices such as tire and rubber, mobile homes, and airlines. In these cases, deteriorating business conditions have harmed stock prices. Additionally, the poor fiscal health of the average consumer and a lack of earnings visibility present a couple of hurdles that continue to impact the depth of the current economic downturn. It's hard to predict when it will stabilize and improve. Our quality bias keeps us focused on risk. Therefore, today we believe "caution is the better part of valor" in relation to the equity markets.

### Top Sectors and Stocks Q2 2008

Industrials – DryShips Inc. (DRYS), Steel Dynamics Inc. (STLD)

Energy – Noble Corp. (NE)

Technology – Altera Corp. (ALTR), Akamai Technologies (AKAM)

### Bottom Sectors and Stocks Q2 2008

Consumer Discretionary – American Eagle Outfitters (AEO), Herbalife (HLF)

Materials – OM Group (OMG)

Financials – Reinsurance Group of America (RGA), WR Berkley (WRB)

*Continued on next page*

Performance	For Calendar Quarter Ended 6/30/2008		
	Before Sales Charges	After Sales Charges	Russell Midcap Value Index
Class A Inception 12/31/1997			
3 Months	0.70%	-4.84%	0.07%
Year-to-Date	-7.80%	-12.87%	-8.58%
1 Year (Cumulative)	-15.92%	-20.54%	-17.09%
5 Years (Annualized)	12.25%	10.99%	12.99%
10 Years (Annualized)	6.94%	6.33%	8.44%
Life of Share Class (Annualized)	7.50%	6.92%	8.74%

Expense Ratio: 1.64% as of June 30, 2007

*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:** Global Capital Management, Inc.

**Fund Assets:** \$23,956,713

**Public Offering Price:** \$15.26

### Ticker Symbols

Class A: QMCVX

Class B: QMCBX

Class C: QMCX

Institutional Class: QMVIX

### Mutual Fund Exposures

Stocks 98.2%

Cash 1.8%

### Top 10 Positions

Altera Corp. 4.33%

Noble Corp. 4.08%

SEI Investments Co. 3.94%

Parker Hannifin Corp. 3.58%

American Financial Group Inc. 3.36%

DryShips Inc. 3.36%

Steel Dynamics Inc. 3.27%

Precision Castparts Corp. 3.23%

Bunge Ltd. 3.16%

Endo Pharmaceuticals Holdings 3.04%

Total 35.35%

The Fund's holdings and characteristics are as of 6/30/2008 and are subject to change.



QUAKER® FUNDS

This Fund invests in companies with a market capitalization range from \$1B to \$18B. Their stock prices often react more strongly to changes in the marketplace and can be more volatile. Additionally, 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 a company’s value are wrong, the securities may not perform as expected, reducing the Fund’s return.

The Russell MidCap® Value Index is a widely recognized, unmanaged index of companies included in the Russell 1000® Index with current market capitalizations between \$809 million and \$17.3 billion. The index assumes reinvestment of all dividends and distributions and does not reflect any asset-based charges for investment management or other expenses. You cannot invest directly in an index.

*Continued from previous page*

**Second Half Outlook: Thirty-One Percent Either Way**

Weak U.S. equities performance in June pushed stocks into the traditionally-defined “bear market” as the Dow Jones Industrial Average declined more than 20% from its October 2007 peak. Investors have continued to knock down financial service companies as the fallout from loan losses of all credit types continue to mount. Some sources estimate that financial companies could lose in the neighborhood of \$1.6 trillion as a result of the global financial crisis, with 25% of the loss recorded thus far. In addition to credit write-offs, rising oil and general commodity prices are beginning to place a strain on many parts of the global economy.

At home, U.S. oil consumption has actually fallen in response to \$4 pump prices and strikes are mounting worldwide in response to high gas prices. From an historical perspective, there have been nine declines of this size since the 1960s, ranging in size from -21.2% in 1990 to -45.1% in 1973 and 1974. The average bear market has lasted 14 months and stocks have lost 31% of their value. It’s important to note, however, that the subsequent post-bear market snap back has been sharp and quick as stocks rallied, on average, 31% over the subsequent 12 months when investors quickly recognize that economic growth and corporate profits were headed in the right direction.

*Provided by John Hammerschmidt, Portfolio Manager, Global Capital Management, Inc.*

*Of the companies mentioned in this article, the Fund held Reinsurance Group America Inc., 2.91%, Akamai Technologies, 2.90%, Herbalife Ltd., 2.26%, WR Berkley Corp., 2.02%, and OM Group Inc., 1.44% as of the quarter ended June 30, 2008. At the end of quarter, the Fund did not hold positions in American Eagle Outfitters.*



**GLOBAL CAPITAL**  
MANAGEMENT

Global Capital Management, Inc. (GCM) founded in 1997, is an independent, employee-owned, SEC Registered Investment Advisory firm located in Conshohocken, Pennsylvania. We are committed to delivering consistent excess returns relative to our benchmark. GCM leverages the expertise of the firm’s investment professionals in security selection, portfolio construction, and practical risk management to develop a continually scrutinized portfolio of mid-cap stocks. As of December 31, 2007 GCM had \$900 million 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](http://www.quakerfunds.com) or by calling 1-800-220-8888. Read the Prospectus carefully before investing.*



**QUAKER® FUNDS**

Contact us:  
Quaker Funds, Inc.  
c/o U.S. Bancorp Fund Services, LLC  
P.O. Box 701  
Milwaukee, WI 53201-0701  
800.220.8888  
[www.quakerfunds.com](http://www.quakerfunds.com)