

ADVISER'S PERSPECTIVE QUARTERLY | Q3 2008

QUAKER MID-CAP VALUE FUND

Effective October 1, 2008, Kennedy Capital Management, Inc. has replaced Global Capital Management, Inc. as sub-adviser to the Quaker Mid-Cap Value Fund. Kennedy Capital Management is a St. Louis, Missouri-based asset manager, with assets under management over \$3 billion. The firm utilizes a fundamentals-oriented, research-intensive investment discipline which is designed to identify companies who are gaining market share, generating cash, and reinvesting that cash into the business. Our Mid-Cap Value strategy aims to create a low-risk portfolio while assembling our analysts' best bottom-up stock selections.

As the new manager of the Quaker Mid-Cap Value Fund, we have repositioned the portfolio to gain exposure to several of our internal research themes. One of the more noticeable changes is a significant increase in the holdings of Financial stocks (primarily non-bank Financials), where Kennedy analysts are finding opportunities in a much-maligned sector. High gasoline prices have nudged consumers into driving less and driving slower. This change in driving behavior yielded fewer accidents, and loss ratios for the mid-cap auto insurers, on average, have improved each of the last three quarters. Many of these same insurance companies have property insurance lines as well. The decline in housing prices (-16% year-over-year in September), results in lower replacement costs for insurers as they receive home-related claims. As a result of improved loss ratios in both auto and home insurance lines, our cash flow estimates are above consensus, and we see value in the Insurance industry.

A second significant change is in evidence in the Consumer Non-cyclicals sector. After struggling with input costs for several quarters, food companies are now more than offsetting costs by raising prices. We have seen 4-7% price increases at a number of mid-cap food companies, and recent survey data showed an 8.4% price increase for the industry overall. This sort of pricing power is not reflected in cash flow estimates for the food companies in our opinion, and we own several companies whose managements are exhibiting pricing discipline in their respective marketplaces. The resulting cash flows, we believe, provide a strong foundation for investment returns.

From a broader stock market perspective, we view mid-cap as a supply-limited category of assets. We see mid-cap securities as cheaper than either large or small-cap stocks, and we believe that mid-caps are less volatile than other diversified asset classes due in part to high Utility and REIT weightings. In this favorable asset class, our investment process adds value by identifying companies who are succeeding in the marketplace, gaining market share, and purchasing these companies when their stocks trade at a discount to the value of their projected future cash flows. We are finding a number of new ideas in this market.

Provided by Chuck Bryant, Vice President of Marketing, Kennedy Capital Management

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Performance	For Calendar Quarter Ended 9/30/2008		
	Before Sales Charges	After Sales Charges	Russell Midcap Value Index
Class A Inception 12/31/1997			
3 Months	-18.72%	-23.19%	-7.52%
Year-to-Date	-25.06%	-29.19%	-15.46%
1 Year (Cumulative)	-30.45%	-34.28%	-20.50%
5 Years (Annualized)	5.62%	4.43%	9.96%
10 Years (Annualized)	6.23%	5.64%	9.18%
Life of Share Class (Annualized)	5.27%	4.71%	7.74%

Maximum Expense Ratio: 1.64%

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: Kennedy Capital Management, Inc.

Fund Assets: \$17,277,847

Public Offering Price: \$12.40

Ticker Symbols

Class A: QMCVX

Class B: QMCBX

Class C: QMCCX

Institutional Class: QMVIK

Mutual Fund Exposures

Stocks 99.90%

Cash 0.10%

Top 10 Positions

American Financial Group Inc. 5.13%

Reinsurance Group America Inc. 5.01%

Polaris Industries Inc. 4.49%

VF Corp. 4.48%

Noble Corp. 3.82%

Gymboree Corp. 3.71%

Precision Castparts Corp. 3.66%

Endo Pharmaceuticals Holdings 3.48%

StanCorp. Financial Group Inc. 3.38%

Forest Laboratories Inc. 3.28%

Total 40.44%

The Fund's holdings and characteristics are as of 9/30/2008 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 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.

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Portfolio data and holdings are reflective of the Quaker Mid-Cap Value Fund as managed by Global Capital Management, Inc.

Cash Flow: Measures the cash generating capability of a company by adding non-cash charges (e.g. depreciation) and interest expense to pretax income.



Kennedy Capital Management, Inc. (KCM) founded in 1980, is an independent, employee-owned, SEC Registered Investment Advisory firm located in St. Louis, Missouri. KCM’s investment process has evolved over time, but the core tenets

of their process and philosophy have been in place and consistently applied for over two decades. As of September 30, 2008 KCM had over \$3 billion 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 or by calling 800-220-8888. Read the Prospectus carefully before investing.



QUAKER® FUNDS

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