# Adviser's Perspective
# Quaker Strategic Growth Fund

Quaker® Funds

A: QUAGX   B: QAGBX   C: QAGCX   I: QAGIX   January 31, 2007

For the month of January, the S&P 500 Index gained 1.51% while the Quaker Strategic Growth Fund gained 0.81% (for Class A Shares before sales charges, -4.73% after sales charges).

Since this is our first monthly report for 2007 after a disappointing year, I think it would be beneficial to briefly recap our 2006 performance which was truly a "Tale of Two Cities." In the first half of the year, we were on track to beat the S&P 500. Due to mistakes made in the third quarter of the year, we were not able to beat that benchmark for the first time since 1997. We should have implemented our investment process better as the market changed its stripes in the early part of the summer (which is what has differentiated us in the past).

Having spent an inordinate amount of time dissecting what went wrong and licking our collective wounds over the past few months, we are going back to what we have done well in the past - good stock picking. And this good stock picking will continue to be blended with a healthy respect for the risk that is associated with investing in the equity markets.

Is it possible for DG Capital to get back on track? The answer is yes, in our estimation. Good money managers are like high performance athletes in that they get into slumps sometimes, but the good ones recover after a period of time. Based on our long term performance, I believe that we should be able to run ahead of the crowd once again.

How is the Fund positioned now? We are investing in our highest conviction ideas and searching for new ones in all sectors of the market. The current structure of the portfolio is to "barbell" the Fund into "global growth" themed stocks that have served us well over the last three years and reasonably valued companies that can continue to grow faster than the overall domestic economy. In the former category, we are investing in domestic (and some international) companies that are benefiting from the growing personal income levels and high levels of infrastructure spending occurring in countries like China and India. In the latter category, we are investing in companies that have high free cash flows, strong balance sheets and visible franchises (three factors which provide varying levels of downside protection). Last year the Fund was dominated by macroeconomic factors that led us to heavily overweight a few industries at the expense of others; going forward, we will be more cognizant about focusing our investments in alpha[1] generating stocks across all sectors of the market.

Mr. Bill Miller (manager of the Legg Mason Value Trust Fund), who until recently had the longest active streak (15 years) beating the S&P 500 Index in consecutive years (we were second at 8 years), stated in his latest investment update that "all streaks eventually end[2]". Based on last

**Sub-Adviser:**
DG Capital Management, Inc.

**Fund Assets:** $761,320,017
**Public Offering Price:** $23.69

| **Mutual Fund Exposures** | ***% Assets*** |
|---|---|
| Long Positions | 80.8% |
| Short Positions | 0.9% |
| Cash | 19.2% |

| **Top Positions** | ***% Assets*** |
|---|---|
| United Healthgroup, Inc. | 3.2% |
| American Intl. Group | 2.7% |
| General Electric Co. | 2.6% |
| Wyeth | 2.6% |
| XTO Energy Corp. | 2.5% |
| Wellpoint Health Networks | 2.4% |
| Williams Companies, Inc. | 2.4% |
| Lockheed Martin Corp. | 2.3% |
| Altria Group, Inc. | 2.3% |
| Amgen, Inc. | 2.3% |
| **Total** | **25.3%** |

The Fund's holdings and characteristics are as of 1/31/2007 and are subject to change.

| Performance | For Month Ended 1/31/2007 | | |
|---|---|---|---|
| Class A Inception 11/25/1996 | Before Sales Charges | After Sales Charges | *S&P 500 Index* |
| 1 Month | 0.81% | -4.73% | *1.51%* |
| Year-to-Date | 0.81% | -4.73% | *1.51%* |
| 3 Months | 2.29% | -3.33% | *4.89%* |
| | For Calendar Quarter Ended 12/31/2006 | | |
| 1 Year (Cumulative) | 5.13% | *-0.65%* | *15.79%* |
| 5 Years (Annualized) | 8.79% | *7.57%* | *6.19%* |
| 10 Years (Annualized) | 17.44% | *16.77%* | *8.42%* |
| Life of Share Class (Annualized) | 17.64% | *16.99%* | *8.12%* |
| *Expense Ratio: 1.90% as of June 30, 2006* | | | |

*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. 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 on our website, www.quakerfunds.com, by calling us toll free at 1-800-220-8888.*

Additional disclosures about the Fund appear on the next page.

Next page, please.

This Fund engages in short selling (selling securities not owned at time of sale), which involves special risks and requires special investment expertise. The Fund invests in "special situation" companies in which the adviser believe unique events at the company may offer a compelling investment opportunity, but could cause the investment to be more risky than other investments.

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. The index assumes reinvestment of all dividends and distributions and does not reflect any asset-based charges for investment management or other expenses.

year we have to believe that too, though, like him, we were not happy that it ended or how it came about. However, in the extremely competitive money management industry, we pride ourselves as being fierce competitors and we are working doubly hard to earn back any confidence that was lost in us during the past six months.

*Provided by DG Capital*

1. Alpha is an annualized return measure of how much better or worse a fund's performance is relative to an index of funds in the same category, after allowing for differences in risk.

2. Legg Mason Value Trust Fund Commentary 4Q2006, page 5. This material should not be interpreted as an offer of other funds mentioned.

**Fund Mandate:** Our Investment Process is designed to create a flexible strategy that allows us to opportunistically react to market changes. The Fund can hold up to 25% in short positions or go to 100% cash if deemed necessary.

**The Sub-Adviser:** DG Capital Management, Boston, MA, was founded in 1996 and currently has more than $1.7 billion under management.

Mutual fund investing involves risk, including the possible loss of capital.

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 1-800-220-8888. Read the Prospectus carefully before investing.

Quaker® Funds

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