



ADVISER'S PERSPECTIVE QUARTERLY QUAKER SMALL-CAP VALUE FUND

A: QUSVX

B: QSVBX

C: QSVCX

I: QSVIX

JUNE 30, 2007

The second quarter was especially strong for equity markets, contributing to stock gains of nearly 20% over the past twelve months — twice their historical annual returns! The Quaker Small-Cap Value Fund gained 5.50% for Class A Shares before sales charges (-0.30% after sales charges) for the second quarter, ahead of the Russell 2000 Index return of 4.42%. Year-to-date, the Fund is up 9.23% before sales charges (3.22% after sales charges) versus a gain of 6.45% for the Russell 2000 Index.

To put our performance into context, we start with a description of the drivers of the broad market and then focus on the particular positioning of the Quaker Small-Cap Value Fund. In general, large-capitalization stocks outperformed small-caps and growth beat value over the three months ended June 30, 2007. The sectors that dominated the positive performance of the broad market included energy, especially energy equipment and services companies, and technology, with the major support coming from computer hardware and semi-conductor names. Utilities were down and, with the exception of insurance companies, stocks in the financial sector suffered: real estate stocks had the worst showing followed by any stock with direct *or derivative* exposure to mortgages.

Our choice of holdings for the Quaker Small-Cap Value Fund is driven by a bottom-up, three-part evaluation of the attractiveness of each company in our investment universe. First, we seek value. A company must prove its value according to fairly traditional measures, like price-to-book or price-to-earnings. Next, we consider company management. Management must show evidence, strictly by the numbers, that it has and will continue to produce earning power. Lastly, we check momentum by taking the pulse of Wall Street to better distinguish future leaders from laggards.

Over the second quarter, each gauge of attractiveness proved successful in identifying outperforming companies. Stocks exhibiting positive price and earnings momentum were the leaders. If a company's management provided a positive long-run return on assets, or if they were engaged in buying back company stock, that company also fared well in the market. And despite an overall market inclination toward growth stocks, companies that were priced cheaply compared to their forecasted earnings were rewarded. The measures we use to pick stocks were most effective in the financial sector, leading us to overweight winning names like A.G. Edwards and Credicorp, for example. The same measures were less helpful in the technology sector, particularly the software industry, where we were led to laggards such as Microstrategy and Travelzoo.

AJO is a disciplined investor, maintaining a broadly diversified portfolio of small-cap value stocks. We are always fully invested, sector-neutral, and make modest stock-specific bets vis-à-vis our benchmark, the Russell 2000® Index. Our level of broad diversification ensures that no one name has a significant impact on our performance, and purchase and sale decisions are driven by the fundamentals we employ in our valuation model. Positive and negative influences will come from the market's reaction to those fundamentals — namely, value, management, and momentum — and our intended bias toward value.

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Sub-Adviser:

Aronson+Johnson+Ortiz, LLC

Fund Assets: \$91,290,617

Public Offering Price: \$21.92

Mutual Fund Exposures	% Assets
Long Positions	97.9%
Cash	2.1%

Top Positions	% Assets
Dade Behring, Inc.	1.00%
ITT Educational Services	0.99%
Holly Corp.	0.96%
Deckers Outdoor Corp.	0.95%
United Stationers, Inc.	0.94%
Hillenbrand Industries, Inc.	0.94%
Jones Lang LaSalle, Inc.	0.93%
Novatel Wireless, Inc.	0.92%
A.G. Edwards, Inc.	0.92%
Alliant Techsystems, Inc.	<u>0.89%</u>
Total	9.44%

The Fund's holdings and characteristics are as of 6/30/2007 and are subject to change.

Performance	For Calendar Quarter Ended 6/30/2007		
	Before Sales Charges	After Sales Charges	Russell 2000® Index
Class A Inception 11/25/1996			
3 Months	5.50%	-0.30%	4.42%
Year-to-Date	9.23%	3.22%	6.45%
1 Year (Cumulative)	18.22%	11.72%	16.43%
5 Years (Annualized)	16.23%	14.92%	13.87%
10 Years (Annualized)	13.20%	12.56%	9.05%
Life of Share Class (Annualized)	14.39%	13.79%	9.85%
Expense Ratio: 1.83% 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 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 1-800-220-8888.

QUAKER SMALL-CAP VALUE FUND

JUNE 30, 2007

The Fund invests in smaller companies (generally less than \$1.5 billion market capitalization). 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.

The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values. The Index currently represents approximately 8% of the market capitalization of the Russell 3000 Index, with a market capitalization range from \$128 million to \$1.3 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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Price to Book (P/B) Ratio: compares a stock's market value to the value of total assets less total liabilities.

Price to Earnings (P/E) Ratio: Reflects the multiple of earnings at which a stock sells.

The Fund held positions in Credicorp, 0.81 %, and Microstrategy, 0.63 % on June 30, 2007. The Fund did not hold positions in Travelzoo at the period end.

Provided by Aronson+Johnson+Ortiz, LP

The Sub-Adviser: Aronson+Johnson+Ortiz, LP, Philadelphia, PA, was founded in 1984 and currently has more than \$30.6 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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