

ADVISER'S PERSPECTIVE QUARTERLY | Q2 2008

QUAKER SMALL-CAP VALUE FUND

The Quaker Small-Cap Value Fund returned 3.43% for Class A Shares before sales charges (-2.26% after sales charges) for the second quarter ended June 30, 2008, beating the Russell 2000® Index return of 0.58%. Year-to-date, the Fund returned -4.34% before sales charges (-9.60% after sales charges) versus -9.37% for the Russell 2000 Index.

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

Looking at the broad market, energy, utilities, and materials were among the best-performing sectors, while financial, consumer durables, and capital goods were among the worst. According to AJO's measures of attractiveness (value, management, and momentum), stocks with positive momentum and signs of effective management performed best, while value stocks suffered.

The Quaker Small-Cap Value Fund's performance this quarter was led by stocks with attractive management signals, especially good earnings quality and strong return on assets, and good momentum in the form of positive earnings estimate revision and relative strength. Stocks that ranked well according to our measures of value provided little benefit to relative return during the quarter. AJO's method for picking stocks proved most effective in the financial sector, especially our bets for insurance company Safeco and Janus Capital Group. The same method was less helpful in the energy sector where our bets against benchmark holdings Petrohawk Energy and Alpha Natural Resources hurt performance. The Fund's aggregate industry bets (though modest) helped performance, especially an underweight to real estate companies and banks.

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

Provided by Aronson+Johnson+Ortiz, LP

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Performance	For Calendar Quarter Ended 6/30/2008		
	Before Sales Charges	After Sales Charges	Russell 2000® Index
Class A Inception 11/25/1996			
3 Months	3.43%	-2.26%	0.58%
Year-to-Date	-4.34%	-9.60%	-9.37%
1 Year (Cumulative)	-17.86%	-22.38%	-16.19%
5 Years (Annualized)	11.23%	9.98%	10.28%
10 Years (Annualized)	8.37%	7.76%	5.52%
Life of Share Class (Annualized)	11.17%	10.63%	7.31%

Expense Ratio: 1.82% 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: Aronson+Johnson+Ortiz, LP

Fund Assets: \$56,271,420

Public Offering Price: \$14.69

Ticker Symbols

Class A: QUSVX

Class B: QSVBX

Class C: QSVCX

Institutional Class: QSVIX

Mutual Fund Exposures

Long Positions 98.6%

Cash 1.4%

Top Positions

Edwards Lifesciences Corp. 1.07%

Mariner Energy Inc. 1.07%

Reliance Steel & Aluminum Co. 1.06%

Cimarex Energy Company 1.05%

Ryder System Inc. 1.04%

BMC Software, Inc. 1.03%

Credicorp Ltd. 1.01%

Knight Capital Group Inc. 0.99%

Patterson-UTI Energy Inc. 0.97%

W&T Offshore Inc. 0.97%

Total 10.26%

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



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® Index is a widely recognized, unmanaged market capitalization weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represent approximately 8% of the total market capitalization of the Russell 3000® Index. 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.

Return on Assets (ROA): An indicator of how profitable a company is relative to its total assets.

Of the companies mentioned in the article, the Fund did not hold positions in Safeco, Janus Capital Group, Petrohawk Energy, or Alpha Natural Resources at the end of the quarter.



Aronson+Johnson+Ortiz, LP, based in Philadelphia, PA, was founded in 1984 and currently has more than \$27.4 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 1-800-220-8888. Read the Prospectus carefully before investing.



QUAKER® FUNDS

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