Stephens Investment Management Group®

STEPHENS MID CAP GROWTH FUND

QUARTERLY COMMENTARY

THIRD QUARTER SEPTEMBER 30, 2008

MARKET OVERVIEW

It is difficult to even describe or list all of the relevant events that took place in the third quarter of 2008, let alone to fully analyze their impact in the scope of this commentary. Suffice it to say that extremes abound, and any sense of normalcy is gone. The credit problems that developed last summer with sub-prime mortgages has unfolded into a crisis bigger than anyone imagined. Venerable financial institutions such as Lehman, AIG, Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corp) have gone bankrupt or have been taken over by the U.S. Government.

The government, in the form of the Federal Reserve System, the SEC, and the Department of the Treasury, has used every tool available to them to stem the crisis. They have even gone well beyond normal practices to inject liquidity into the system.

On top of a severe "credit crunch", today it is clearer that we are at the early stages of a recession. The latest economic data has taken a marked turn for the worse. The downturn in economic data and financial markets is not limited to the U.S.; emerging markets are showing a slowdown as well.

Capital markets suffered. The S&P 500® Index was down 8.37% in the quarter bringing the year to date performance to -19.29%. All but one of the Russell Indices was down for the quarter – some of them in double digits. Shockingly, the Russell Midcap® Growth Index lost 17.75% of its value. Mid-cap stocks were the hardest hit and value strategies dramatically outperformed growth.

PERFORMANCE AS OF 9/30/2008

	Inception Date	3 Month	YTD	1 Year	Since Inception	Expense Ratio Gross	Expense Ratio Net«
Stephens Mid Cap Growth Fund Class A (w/ Sales Charge)	2/01/06	-19.67%	-28.12%	-27.61%	-4.90%	3.14%	1.50%
Stephens Mid Cap Growth Fund Class A (w/out Sales Charge)	2/01/06	-15.24%	-24.16%	-23.59%	-2.97%		
Stephens Mid Cap Growth Fund Class C (w/out CDSC)	3/28/08	-15.37%	-11.90%	-	-11.90%		
Stephens Mid Cap Growth Fund Class C (w/CDSC)	3/28/08	-16.22%	-12.78%	-	-12.78%	3.89%	2.25%
Russell Midcap® Growth Index		-17.75%	-23.35%	-24.65%	-4.26%*		
S&P 500® Index		-8.37%	-19.29%	-21.98%	-1.58%*		

Performance data quoted represents past performance and does not guarantee future results. Investment returns and principal value will fluctuate, and when sold, may be worth more or less than their original cost. Performance current to the most recent month-end may be lower or higher than the performance quoted and can be obtained by calling 866-735-7464. The Fund imposes a 2% redemption fee on shares held less than 30 days. Performance data does not reflect the redemption fee. If reflected, total returns would be reduced. Performance data shown without Sales Charge does not reflect the deduction of the sales load or fee. If reflected, the load or fee would reduce the performance quoted. Performance data shown with Sales Charge reflects the maximum sales charge of 5.25%. The performance data shown w/ CDSC reflects a 1.00% Contingent Deferred Sales Charge.

*Since inception returns are as of the fund's Class A inception date for the index.

«The Investment Advisor has contractually agreed to reduce its fees of the Fund to ensure the total amount of Fund normal operating expenses does not exceed 1.50% for Class A and 2.25% for Class C of the Fund's average daily net assets indefinitely. Investment performance reflects fee waiver, in the absence of such waivers, total return would be reduced.

The Stephens Mid Cap Growth Fund – Class A was down 15.24% (without sales charge) for the third quarter of 2008. It is only a minor consolation that the Fund beat its benchmark by nearly 3%.

Consumer related stocks were down for the period, but performed better than most. The Fund enjoyed some success by adding to the sector and in our shift towards companies that sell staples or secondary goods or services – things that consumers substitute in tougher times. Staples were in fact the best performing sector, but the Fund is slightly underweight the group due to lack of organic growth.

Healthcare performed well, and was one of only two sectors with positive returns for the period. We added exposure to Healthcare stocks throughout the period, focusing on high quality companies with consistent financial performance. Express Scripts Inc. and Stericycle Inc. are two such companies and were the Fund's two biggest contributors.

Performance in Technology issues was generally weak as investors are worried about corporate spending. Networking and communications stocks were down. The Fund sold its stake in Ciena Corp. and NVIDIA Corp. after continued earnings weakness. Many of the Fund's fastest growing and most expensive stocks were in Technology, and as the market contracted, these stocks suffered more.

What had been an area of strength for years was the Fund's worst performing sector. Energy stocks gave up much of the gains they had made in the past twelve months. Crude oil and natural gas prices dropped dramatically on weakening demand numbers. It appeared that Wall Street is modeling in further demand destruction due to high prices and a slowing global economy. While the Fund owned a relatively high quality group of companies here, the market was painted with a very broad brush. The Fund's holdings in solar energy companies also performed poorly due to economic concerns as well as legislative issues.

Basic Material companies endured a fate similar to those in Energy. We have avoided these stocks and our lack of exposure was very beneficial to the Fund.

It is counterintuitive that Financials were relatively good performers this quarter. Many smaller and mid sized firms have not had the troubles that caused crisis among the larger companies. For the Fund, the sector was a top performer and we dramatically outperformed the benchmark. Our holdings in HCC Insurance Holdings Inc. and Cullen/Frost Bankers Inc. were two top performers.

PORTFOLIO CHARACTERISTICS

Unlike the last few quarters, we made some meaningful changes to sector allocations. We increased our exposure to Consumer stocks from 10.5% to 11.2%, while reducing exposure to Energy by just over four percentage points. We added to Financials and Healthcare as well.

As the market contracted so did valuation metrics. The Fund's median holding now trades at a price-to-earnings ratio of 15.1, down from 18.7 last quarter. The forecast for the Fund's median company's earnings growth shrank modestly, from last quarter's 20.7% to 19.7%. Surprisingly, the Fund's median company actual growth rate remained steady at 29.1%. The figures for the Fund's benchmark moved a similar direction, lower valuations, and slower forecasted growth, but the actual growth rate contracted to 17%.

OUTLOOK

We believe there are three major issues affecting the market today. First is the set of direct problems that the credit crisis creates. Second is the mounting evidence that we are now in or are headed toward a global recession. Third – and this one you might not have heard before – is the selling pressure that is being created not just by retail investor panic, but because of the unwinding of financial leverage used by hedge funds and investment banks, and the liquidation of hedge funds and other alternative investments as large investors move assets away from very risky, very levered investment vehicles.

One of Stephens Investment Management Group's® core beliefs is that investors tend to underestimate the duration and magnitude of trends. It works in both directions of course. Even with this mantra, we sometimes fall victim to the same flaw. Last summer at the beginning of this credit crisis, we opined that it would be bigger and last longer than people originally thought, but even the most alarmist among us would have never guessed the fate of Lehman, AIG, Fannie Mae, Freddie Mac, and Washington Mutual.

Is this crisis over? No, but the worst part of it may be behind us. In crisis times such as these, the U.S. government is proving to us that it will not make the mistakes that contributed to the Great Depression. It is comforting to know that our current Fed chairman is a student of the Great Depression, and that the Secretary of the Treasury is more knowledgeable about investment banks and capital markets than any of his predecessors.

In fact, we've been taking our economic medicine for a year now. Experience and monetarist theory show us that it typically takes twelve to eighteen months for economic monetary policy to have a visible impact. The Fed has been cutting interest rates since last September, and more recently they have been injecting liquidity into the system, buying securities that they normally would not have, and lending to institutions other than banks. We believe these factors will have a measurable impact on the economy soon.

The global economy is slowing and that is cause for concern. Equity markets are adjusting to this new belief and are now discounting at least some slow down. Too much? Not enough? Only time will tell.

Speaking of time, timing is everything. Equity markets are usually leading indicators of economic health. Historically early cyclical stocks begin performing well more than a year before unemployment figures bottom. It is why the very best buying opportunities are rife with fear – the economic data are still in decline. Economic data will almost certainly continue to weaken. But some data, such as inflation, will improve soon. Has the market discounted that yet?

To address our third concern: Any measure of volatility and any statistical proxy for fear are "off the charts," five and six standard deviations away from the norm. Wall Street, in the form of hedge funds and investment banks is de-leveraging and many investors are panicking; both phenomena are causing selling pressure. Risk has reared its ugly head and investors are responding by shifting away from it. Greed has been displaced by fear.

But greed will once again rule the day. Not today or tomorrow, but sometime soon. Sadly the unintended consequence of the aggressive monetary action we are taking today to stabilize the market and the economy is probably sowing the seeds of the next bubble.

For two quarters now, we have been saying that "things may get worse before they get better" and that still holds true. But it is hard to imagine an environment where fear and volatility are worse than today. They say that trying to call a market bottom is akin to catching a falling knife. So, we dare not make such a bold declaration. However, we believe that the volatility, disruptions, and fear in the market today are creating some of the greatest buying opportunities of an era, and we are working as diligently as ever to uncover and seize them.

TOP TEN HOLDINGS

Holding	%
Activision Blizzard, Inc.	2.53%
Covance, Inc.	2.43%
FLIR Systems, Inc.	2.25%
Express Scripts, Inc.	2.19%
Stericycle, Inc.	2.04%
Gen-Probe, Inc.	1.90%
Global Payments, Inc.	1.76%
IDEXX Laboratories, Inc.	1.75%
Iron Mountain, Inc.	1.70%
Alliance Data Systems Corporation	1.69%
TOTAL TOP TEN HOLDINGS*	**20.24%**

* Excludes Money Market Fund holdings.

Fund holdings and asset allocations are subject to change and are not recommendations to buy or sell and security. Current and future portfolio holdings are subject to risk.

The Russell Midcap® Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The S&P 500 Index is a broad based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The Price to Earnings (P/E) ratio reflects the multiple of earnings at which a stock sells. Standard Deviation is a statistical measure of the historical volatility of a mutual fund or portfolio, usually computed using 36 monthly returns. Earnings per share (EPS) is calculated by taking the total earnings divided by the number of shares outstanding by the price per share. You cannot invest directly in an index.

The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling (866)735-7464, or visiting www.stephensfunds.com. Read it carefully before investing.

The Fund invests in smaller companies, which involve additional risks such as limited liquidity and greater volatility than larger companies. Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales.

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