

## MARKET OVERVIEW

The rebound in equity markets at the end of Q1 continued throughout the second quarter as well. The combination of improving (or less bad) economic data and better than expected earnings reports drove large percentage gains in equity markets. The S&P 500® Index was up 15.93% for the quarter.

Market pessimism and fears peaked in early March, and Q2 revealed incrementally better economic data. Unemployment statistics may have bottomed as initial jobless claims moved lower. Other economic data including consumer confidence and business surveys showed upticks as well. Sentiment was so negative, that even an improvement in the rate of decline was heralded as good news.

Equity markets gained on speculation that the recession would not worsen, and were further fueled by surprisingly good corporate earnings. Wall Street expectations had been sufficiently lowered, which resulted in more than 56% of companies in the Russell 2000® Index reporting inline or better than expected earnings. For many companies, sales were weak, but downsizing and cost controls helped maintain healthy levels of profitability.

Foreign economies, and in particular, emerging markets rebounded as well. There are signs of a “V” shaped bottom in those arenas. Fiscal stimulus packages abroad seem to be working more quickly. As a result of bottoming economic data and improving emerging markets, commodity prices gained across the board.

Typically, when coming out of a recession, smaller cap stocks outperform large, and growth beats value. It is too early to call this recession “over”, but for this quarter, historical data proved true with smaller stocks outperforming large and growth beating value across all of the Russell Indices.

## PERFORMANCE OVERVIEW

For the second quarter of 2009, the Stephens Mid Cap Growth Fund Class A was up 13.85% (without sales charge), trailing its benchmark, the Russell Midcap® Growth Index, which rose 20.67%.

In our Q4 commentary, because of high levels of volatility and highly correlated stock moves, we cautioned the reader on trying to derive meaning from the relative performance differences among sectors, industries, and stocks. The same reservations should hold true for any analysis of Q2 performance as well, however, this time it is a result of positive performance. For the benchmark, each economic sector except Telecommunications was up 15% or more.

In addition to sector discrepancies, there were other forces at work this quarter. Market capitalization and “quality” had a significant impact on performance. In general, among small cap companies, the best performers came from those with smaller capitalizations and those that we consider to be lower quality companies, i.e. those with low return on equity and those with high levels of debt. In other words, the stocks that were in the gravest danger in the recession are the ones that have bounced the most (in percentage terms) off the bottom. Our investment process leads us to higher quality companies, and thus this phenomenon was a headwind for us.

Results in Technology were generally positive. Fundamentals have remained resilient. The Fund enjoyed success with F5 Networks Inc. and ARM Holdings PLC.

After several quarters of mixed results, the Fund had excellent results in Healthcare. As the market grapples with potential changes the Obama administration may make to the industry, some areas will be clear beneficiaries. Companies that reduce costs and increase efficiency stand to benefit, and this has been a theme with some of our holdings. Express Scripts Inc., a pharmacy benefits manager, was one of the Fund’s top contributors, as was Cerner Corp., a provider of Healthcare information technology systems.

### Performance data as of 6/30/09

	Inception Date	3 Month	YTD	1 Year	3 Year	Since Inception	Expense Ratio Gross	Expense Ratio Net <sup>Ⓜ</sup>
Stephens Mid Cap Growth Fund Class A (w/ Sales Charge)	2/01/06	7.94%	7.16%	-34.90%	-9.56%	-9.60%	2.42%	1.50%
Stephens Mid Cap Growth Fund Class A (w/out Sales Charge)	2/01/06	13.85%	13.16%	-31.31%	-7.92%	-8.17%		
Stephens Mid Cap Growth Fund Class C (w/out CDSC)	3/28/08	13.60%	12.70%	-31.80%	-	-23.84%		
Stephens Mid Cap Growth Fund Class C (w/CDSC)	3/28/08	12.60%	11.70%	-32.48%	-	-23.84%	3.37%	2.25%
Russell Midcap® Growth Index		20.67%	16.61%	-30.33%	-7.93%	-7.94%*		
S&P 500® Index		15.93%	3.16%	-26.21%	-8.22%	-7.31%*		

*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.

<sup>Ⓜ</sup>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.

## PERFORMANCE CONTINUED

Consumer stocks also saw large gains in the quarter, although in this sector, the best performers seemed to be the stocks that benefitted from the speculation that consumer spending would rebound. Our belief is that although the worst of the recession may be behind us, consumer spending will not simply revert back to pre-recession levels. We continue to focus on our niche retailers that offer some compelling value-priced merchandise, companies benefitting from the economic disruption, or companies that offer a unique consumer experience.

The Fund suffered in Financials, as this sector was subject to the aforementioned quality bias issues. For the most part, the stocks that had the largest percentage gains do not meet the growth criteria or quality standards that we set.

Energy was the Fund's best performing sector, as stocks rebounded along with commodity prices. We continue to have an overweight position in Energy.

## PORTFOLIO CHARACTERISTICS

Despite dramatic moves in stock prices, relative to one another most sector weightings were little changed. Information Technology and Healthcare are still our largest sectors at about 25% each. Energy is now about 10%, significantly above our benchmark, while Consumer Staples is below. At the end of the quarter we owned 98 stocks, and held about 4% cash. Compared to our benchmark, our relative over- and underweighted sector changed because of Russell's annual rebalancing which occurred on June 30.

As the market rebounded, so did valuation metrics. The Fund's median company had a price to earnings ratio of just under 17. Growth expectations have also rebounded, and our median growth rate has moved from about 6% in Q1 up to 10.2% for this quarter. Growth rates from the most recently reported quarter are still depressed but in positive territory for the Fund, at 4.4%, while the benchmark's median company shrank earnings by 12%.

## OUTLOOK

It is truly incredible how quickly the market psychology can change. Our belief in behavioral finance rings true, in particular that investors have a hard (if not impossible) time envisioning just how different the future can be, even in the span of a few months. In these volatile times it is impossible to predict where we will be in three months.

The easy gains from a bounce off the bottom are likely over. From here, upward moves in the stock market will require good news, not just less bad news. The first leg of this recovery has been a bottoming in valuation and the capitulation of expectations. Now, both valuations and earnings expectations have moved back up, and perhaps the market is recklessly painting with that same broad brush.

Not every company will be able to grow in this environment. Credit markets are still tight. The U.S. consumer is not spending at the same level or even in the same manner as before. There is no more tailwind of growth. Our belief is that from a macro economic standpoint the worst is behind us, but that there will be struggles ahead. Those struggles may serve as a cloud over equity markets. But, we also believe that there will be bright spots. The best managed companies, the market leaders, those with a competitive edge should continue to grow, and in some cases take market share as weaker competitors fall by the wayside. As a result, we believe that investment strategies that seek high quality growth companies should excel.

The Russell 2000 Index consists of the smallest 2,000 companies in a group of 3,000 U.S. companies in the Russell 3000 Index, as ranked by market capitalization. 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. Return on Equity is the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. The Price to Earnings (P/E) ratio reflects the multiple of earnings at which a stock sells. 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](http://www.stephensfunds.com). Read it carefully before investing.*

**Growth stocks typically are more volatile than value stocks; however, value stocks have a lower expected growth rate in earnings and sales.**

**Mutual fund investing involves risk. Principal loss is possible. The Fund invests in small and/or mid sized companies, which involve additional risks such as limited liquidity and greater volatility than larger companies. The fund may invest in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods.**

**NOT FDIC INSURED MAY LOSE VALUE NOT BANK GUARANTEED**

Quasar Distributors, LLC, distributor

7/09

## TOP TEN HOLDINGS

Iron Mountain, Inc.	2.53%
Cerner Corp.	2.21%
Express Scripts, Inc.	2.13%
Global Payments, Inc.	1.85%
Activision Blizzard, Inc.	1.77%
Stericycle, Inc.	1.70%
ResMed, Inc.	1.69%
ARM Holdings PLC	1.66%
Ross Stores, Inc.	1.59%
Qiagen N.V.	1.58%

**TOTAL TOP TEN HOLDINGS\*** **18.71%**

\* 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.*

## FOR MORE INFORMATION, CONTACT:

**Stephens Funds®**  
c/o U.S. Bancorp Fund Services, LLC  
P.O. Box 701  
Milwaukee, WI 53201-0701

**Stephens Investment  
Management Group, LLC**  
111 Center Street  
Little Rock, AR 72201

3700 Buffalo Speedway, Suite 900  
Houston, TX 77098

**WWW.STEPHENSFUNDS.COM**

**1.866.735.7464**