

**MARKET OVERVIEW**

While the third quarter of 2011 was characterized by volatility and risk aversion, and consequently negative returns, the fourth quarter delivered a massive rebound. The S&P 500® Index gained 11.82% for the fourth quarter of 2011 and finished up 2.11% for the year. The Russell 2000® Growth Index rebounded 14.99% in the quarter, but couldn't quite get back into positive territory for the year, ending with a loss of 2.91%.

The reason for the sharp rally wasn't that the situation in Greece and Europe showed big signs of improvement; the drama (tragedy?) continued. Europe's struggled with the debt burden and the austerity measures aimed at fixing them. However, it seemed that U.S. investors suffered from fatigue of the daily news flow regarding the problems in Europe, and began shifting their focus back home.

Here in the U.S., despite this being the "worst recovery since the Great Depression", it has been a recovery nonetheless. Although growth is slowing, we have seen modest improvements in employment, and inflation fears eased some. In the holiday selling season, the American consumer proved he wasn't quite dead yet. In retrospect, the low point in sentiment, and thus a low point for equity valuations at the end of Q3 set the stage for a powerful rally, fueled by the absence of more bad news.

**PERFORMANCE OVERVIEW**

The Stephens Small Cap Growth Fund (Class A) was up 11.62% (without sales charge), trailing our benchmark, the Russell 2000® Growth Index, by 3.37% for the fourth quarter of 2011.

The performance reversal from the previous quarter was most pronounced in Energy. In Q3 it was the worst performing sector, but in this quarter Energy topped the list. In spite of a slowing global economy, oil prices have been resilient all year, and improved throughout the quarter. Our overweight position here helped the Fund's performance. We benefitted from M&A activity as Complete Production Services Inc. was bought for a healthy premium. Key Energy Services Inc. was the Fund's top contributor.

Consumer stocks rebounded, but not as much as the broad market. Our holdings in video content and digital media performed well again this period. We sold our position in Diamond Foods Inc., which was the Fund's biggest negative contributor. Positive business fundamentals were overwhelmed by legal and accounting concerns. We expect to remain on the sidelines until we learn more.

Sticking with the reversal theme, athenahealth Inc., one of Healthcare's top contributors last quarter, was at the bottom of the list this time. Healthcare in general lagged the broad market as well. We did have continued success with Advisory Board Co. and HMS Holdings Corp. which were the Fund's two largest positions at the end of the quarter.

Technology stocks were a highlight for the Fund, as we outperformed the benchmark by way of security selection. While we had our fair share of "winners", with stocks like OSI Systems Inc., Cymer Inc., and Stratasys Inc., we did just as good of a job avoiding big "losers" – there were no Tech stocks in our bottom 15 contributors. There was some benefit to M&A activity here too, when RightNow Technologies Inc. was acquired by Oracle.

*Performance data as of 12/31/11*

**Average Annualized Total Returns**

	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception	Since Inception Date	Expense Ratio Gross	Expense Ratio Net <sup>Ⓔ</sup>
Stephens Small Cap Growth Fund Class A (w/out Sales Charge)	11.62%	1.50%	1.50%	20.45%	3.61%	3.85%	12/1/05	1.42%	1.36%
Stephens Small Cap Growth Fund Class A (w/Sales Charge)	5.73%	-3.83%	-3.83%	18.30%	2.50%	2.94%	12/1/05		
Stephens Small Cap Growth Fund Class I	11.64%	1.77%	1.77%	20.74%	3.87%	5.11%	8/31/06	1.17%	1.11%
Russell 2000® Growth Index	14.99%	-2.91%	-2.91%	19.00%	2.09%	A: 3.48% I: 3.71%			
S&P 500® Index	11.82%	2.11%	2.11%	14.11%	-0.25%	A: 2.03% I: 1.47%			

*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 Class A 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%.*

<sup>Ⓔ</sup>The Investment Advisor has contractually agreed to reduce its fees of the Fund through March 31, 2012. Investment performance reflects fee waiver, in the absence of such waivers, total return would be reduced.

## PORTFOLIO CHARACTERISTICS

Technology is still the Fund's largest sector, at 25% of assets. Healthcare is a close second, at 21%. We trimmed some exposure to Consumer names: Consumer Discretionary was down to 15% and Consumer Staples at 4%. We are still underweight Materials and Industrials.

After the low points in September, valuations rebounded a little. The Fund's median holding now trades at 18.2x its forecasted next twelve months earnings, versus 15.5x just three months prior. As expected, earnings growth rates have slowed some. Current predictions put the next twelve months' growth at 19.4% for our median holding, while the median company in our benchmark is expected to grow 18.9%. Actual growth slowed as well. In the most recently reported quarter, our median company showed 20.8% growth.

The ratio of *earnings catalyst* to *core growth* stocks shifted back in favor of catalyst this quarter. It now stands at 60/40.

## OUTLOOK

Are you tired of hearing about macro-economic troubles? Do you just wish that something – anything – would happen with Greece, to force the issue so we can begin to move on? It's not just European economic woes, I could go on and on about the jawboning regarding U.S. economic policy.

It seems that fatigue is starting to set in. It's not that these issues aren't important, they are! But in the short run there's not much we can do about them. As long term investors, we don't want to get sucked in to the temptation of trying to make short term trading calls on guessing the outcomes of these events. Will this be the quarter (or year) when Greece defaults? Or when the Euro dissolves? Or the tensions in between Iran and Israel actually lead to war?

For three and a half years, investors have been keenly focused on macro-level issues. For the last two years, the mantra has been "risk-on" or "risk-off" depending on the day of the week.

In case we had forgotten, it turns out that it is very difficult to predict the outcome of these matters, and perhaps even more difficult to time the execution (both the entry and the exit – buy and hold doesn't work for this type of trading!) of a financial transaction that capitalizes from said prediction. It's so hard in fact, that my guess is that most people have lost money playing that game. And even if they aren't playing, they're tired of focusing on it. Now what?

Back to the basics, of course. The U.S. economy seems to be getting better, albeit slowly. Employment figures are improving. The holiday selling season was actually pretty good. Consumer and business confidence are both on the mend. This hasn't been like other recoveries, however. It has been much slower and less...certain, for lack of a better word. Economically, this is uncharted territory. And for portfolio managers and investors, it means that there is no "playbook", no obvious consensus.

Our vision for the next quarter and the coming year isn't as clear as it was about the prior quarter. Optimism might be too strong of a word, but barring some exogenous shock to the system, it seems as though things should continue to improve here domestically. We continue to find exciting businesses and innovative companies. And as long as these other macro crises fail to materialize or at least are deferred or avoided, we can have a productive environment for stock-picking.

Opinions expressed are subject to change at any time, are not guaranteed and should not be considered investment advice.

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 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. You cannot invest directly in an index. **Forward EPS Growth:** Earnings per share (EPS) is calculated by taking the total estimated forward earnings divided by the number of shares outstanding by the price per share. **Forward earnings does not guarantee a corresponding increase in the market value of the holdings or the Fund.**

*The Fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectuses contains this and other important information about the investment company, and may be obtained by calling (866)735-7464, or visiting [www.stephensfunds.com](http://www.stephensfunds.com). Read 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

## TOP TEN HOLDINGS

Advisory Board Co.	1.78%
HMS Holdings Corp.	1.59%
Portfolio Recovery Associates, Inc.	1.56%
Core Laboratories NV	1.54%
Lions Gate Entertainment Corp.	1.51%
Buffalo Wild Wings, Inc.	1.48%
United Natural Foods, Inc.	1.47%
CoStar Group, Inc.	1.44%
National CineMedia, Inc.	1.38%
OSI Systems, Inc.	1.30%

**TOTAL TOP TEN HOLDINGS\*** 15.05%

\* Excludes Money Market Fund holdings.

Fund holdings and asset allocations are subject to change and are not recommendations to buy or sell any security.

## FOR MORE INFORMATION, CONTACT:

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