

MARKET OVERVIEW

Macroeconomic concerns seemed to dominate the headlines again in the second quarter of 2008. Housing prices continued to fall, as employment data and inflation measures also looked negative. But the dismal mood of the market in the first quarter began to fade as investors considered the Federal Reserve's aggressive rate cutting, a massive fiscal stimulus (tax rebate checks), and some stabilization of economic data. Additionally, Q1 earnings reports generally came in better than expected, and consequently, equity markets continued to rally back in April and the first part of May.

Oil prices soared throughout the quarter however, finishing as high as \$140 per barrel. The unabated rise in energy prices has dampened, if not reversed, what seemed to be a stabilizing or improving economic climate. Consumer spending is obviously affected by higher oil prices, as gasoline expenditures eat into the average American's budget. Additionally, many industries rely on oil or petroleum products in some way, and the ripple effect of higher oil prices has created countless problems: higher input costs, lower profitability, and ultimately inflation.

The S&P 500[®] was down 2.73% for the quarter, and is now off at -11.91% for the year. Every domestic Russell Index is down for the year as well, although for the quarter, growth strategies outperformed value, and many were in positive territory. The Russell 2000[®] Growth Index was up 4.47% in Q2. Consumer and Financial stocks fared the worst, while Energy massively outperformed.

PERFORMANCE AS OF 6/30/2008

	Inception Date	3 Month	YTD	1 Year	Since Inception	Expense Ratio Gross	Expense Ratio Net [Ⓔ]
Stephens Small Cap Growth Fund Class A (w/ Sales Charge)	12/1/05	-2.49%	-16.76%	-14.40%	0.11%	1.68%	1.50%
Stephens Small Cap Growth Fund Class A (w/out Sales Charge)	12/1/05	2.92%	-12.13%	-9.65%	2.21%		
Stephens Small Cap Growth Fund Class C (w/out CDSC)	3/28/08	2.69%	-	-	3.20%		
Stephens Small Cap Growth Fund Class C (w/CDSC)	3/28/08	1.69%	-	-	2.20%	2.43%	2.25%
Russell 2000 [®] Growth Index		4.47%	-8.93%	-10.83%	3.12%*		
S&P 500 [®] Index		-2.73%	-11.91%	-13.12%	2.42%*		

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 Small Cap Growth Fund – Class A was up 2.92% (without sales charge) for the second quarter of 2008.

Although in Q1 of 2008 we noticed some speculative buying of Consumer Discretionary stocks and Financial stocks, those sectors reverted back to being the worst performing. For the past year, we have had a relatively low level of exposure to these sectors and this has continued to help the Fund. Last quarter we selectively added a few Consumer issues. In this quarter there was more rotation within the sector; we added a few stocks, but we also sold several, in particular those affected most by high energy prices.

Energy stocks were far and away the best performers. The Fund's three biggest contributors to performance were energy stocks. Goodrich Petroleum Corp.^{GDP} and Petrohawk Energy Corp.^{HK} benefitted from both higher commodity prices and an improved outlook for reserves and production. Results for the Fund's holdings in alternative energy stocks were mixed: solar names suffered on concerns of changes in government subsidies. We initiated new positions in two companies that have exposure to wind power.

Along with Energy, Technology was an area of relative strength. Within Technology, we are more heavily weighted in stocks that have consistent, predictable business models, namely, those that sell software-as-a-service and those involved in transaction processing. Amidst the economic uncertainty, these stable business models looked more attractive to investors.

As in Q1, Healthcare had mixed results. A few holdings had company specific issues that created some short term weakness, but the Fund's holdings in biotech and pharmaceutical stocks performed well. One of our holdings, LifeCell Corp.^{LIFC}, was acquired for a sizeable premium.

The Fund's structural bias towards growth stocks results in an underweight position in Basic Materials and Financials. For Materials, this hampered performance as the sector rallied on the continued inflation of commodities. Financials underperformed as a group, and our lack of exposure helped.

PORTFOLIO CHARACTERISTICS

The Fund's weighting in Energy increased from 10% to 13%, in part because of appreciation and our reduced cash position. Our exposure to Technology also ticked up to over 31%, while Consumer Discretionary slipped back to 13%. In a bit of a surprise, the Fund's exposure to *earnings catalyst* stocks edged up to about 60%. This was not a top-down decision, but a result of the individual opportunities we have found. Historically, this has been a sign that the economy is improving or bottoming.

Similar to the phenomenon we saw last quarter, valuations continued to shrink. The Fund's median holding now has a price to earnings multiple of 18.5, down from 19.6. Projected earnings growth rates were up slightly from 20.4% to 21.8%, while the actual year-over-year growth rate for our median holding was 25%. Relative to the Fund, our benchmark's figures were lower across the board, although compared to last quarter the forecasted and actual growth rates were up significantly. This wasn't because of a rebound; it is entirely a result of the rebalancing of the Russell Indices which happened on June 30.

OUTLOOK

At last quarter's end, we expressed our relative optimism and suggested that there would be opportunities to invest in the midst of others' fear. As we had suspected, it was indeed an opportunistic time, and the market rallied in April and May. However, June brought us dramatic spikes in the price of oil. The combination of increases in energy prices and the still weak economic data was too much for the market to bear.

From the top-down the picture is frightening. The financial crisis that began last summer is still impacting markets. The housing markets have continued to weaken, and a bottom doesn't seem to be near. The threat of inflation still looms. Emerging market economies seem to be slowing as well.

As a bottom-up manager and from an individual stock perspective, valuations and growth expectations have come in significantly. In the small and mid-cap markets, there still appear to be some areas of strength, which is expressed in our median company's growth rate.

Just as at the end of Q1, there is a great amount of fear in the marketplace – much of it is warranted, but much of it seems to be priced into the market. It is hard to imagine the pessimistic tone that is being expressed by the media getting much worse. The question is: in which direction is the next data point?

The biggest wildcard is oil prices. Its rapid rise has thrown the proverbial wrench into the market recovery. As more people become aware of the concept of "peak oil", it has become a polarizing topic, much like politics or religion. We recognize that there are serious short-term supply constraints for oil, and that the notion of "peak oil" is probably more like "plateau oil". Predicting the price of oil is a difficult game to play: the dynamics of a consortium like OPEC, the political agendas at work, the potential changes in subsidies and taxes, the shift to alternatives, the interaction with foreign exchange rates, and the risk of terrorist-based or geopolitical supply interruptions create complexities that Wall Street cannot fully discount.

As we said at the end of Q1, things may get worse before they get better – we have no crystal ball. But we should not lose sight of what could go right: valuations have retreated to more reasonable levels, Wall Street expectations have come in, and company management teams have been very conservative in their guidance. Specifically, with respect to our investment products: growth has been dramatically outperforming value, and smaller companies may have more leverage to a bottoming or rebound. We believe that growth is poised to continue to outperform value. And when the fear subsides, small and mid-cap growth stocks should have the most to gain.

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. 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.

NOT FDIC INSURED MAY LOSE VALUE NOT BANK GUARANTEED

Quasar Distributors, LLC, distributor

TOP TEN HOLDINGS

Core Laboratories N.V.	2.19%
NuVasive, Inc.	2.05%
Vocus, Inc.	1.96%
CyberSource Corp.	1.95%
ICON PLC	1.90%
Ansys, Inc.	1.75%
Goodrich Petroleum Corp.	1.70%
FLIR Systems, Inc.	1.57%
Phase Forward, Inc.	1.48%
Conceptus, Inc.	1.38%

TOTAL TOP TEN HOLDINGS* **17.93%**

* 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:

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