

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", we believe it is clearer today that we are in 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. The Russell 2000® Growth Index lost 6.99% 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 Small Cap Growth Fund Class A (w/ Sales Charge)	12/1/05	-13.43%	-23.92%	-25.27%	-3.03%	1.68%	1.50%
Stephens Small Cap Growth Fund Class A (w/out Sales Charge)	12/1/05	-8.60%	-19.68%	-21.13%	-1.18%		
Stephens Small Cap Growth Fund Class C (w/out CDSC)	3/28/08	-8.72%	-5.80%	-	-5.80%		
Stephens Small Cap Growth Fund Class C (w/CDSC)	3/28/08	-9.63%	-6.74%	-	-6.74%	2.43%	2.25%
Russell 2000® Growth Index		-6.99%	-15.29%	-17.07%	0.24%*		
S&P 500® Index		-8.37%	-19.29%	-21.98%	-0.91%*		

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 down 8.60% (without sales charge) for the third quarter of 2008.

Consumer related stocks performed better than most. The Fund enjoyed some success in our shift towards companies that sell staples or secondary goods or services – things that consumers substitute in tougher times.

Healthcare performed relatively well and was one of the few sectors with positive returns for the period. Despite adding to some positions and initiating new positions, the Fund was slightly underweight in Healthcare relative to the Russell 2000® Growth, specifically among Biotechnology stocks. Our lack of exposure here hurt the Fund but our large positions in Healthcare services stocks and medical devices did well. For example, NuVasive Inc. was a top contributor and became the Fund's largest position.

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. after continued weakness. Many of the Fund's fastest growing and most expensive stocks were in Technology, and as the market contracted, these stocks suffered more. There was one bright spot however as software companies that sell to Healthcare providers fared well.

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.

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 and hard to believe that Financials would be the best performing sector this quarter. Many small cap firms have not had the troubles that caused crisis among the larger companies. Not only was the sector a top performer, but the Funds Financials sector dramatically outperformed the benchmark. Our holdings in Pinnacle Financial Partners Inc. and Portfolio Recovery Associates Inc. were our two biggest contributors.

PORTFOLIO CHARACTERISTICS

Unlike the last few quarters, we made some meaningful changes to sector allocations. We increased our exposure to Consumer stocks and reduced exposure to Energy by almost four percentage points. We added to Financials as well, as they represent 6.3% of the Fund. Industrials and Technology were little changed and Healthcare gained about 1.5%. The Fund ended the quarter with a slightly higher than normal cash position as we are poised and ready to take advantage of the volatility. Our balance between core holdings and earnings catalyst stocks has shifted dramatically in favor of core holdings and now stands at about 50/50.

As the market contracted so did valuation metrics. The Fund's median holding now trades at a price-to-earnings ratio of 17.5, down from 18.5 last quarter and 24.5 a year ago. The forecast for the Fund's median company's earnings growth shrank modestly, from last quarter's 21.8% to 20.5%. Surprisingly, the Fund's median company's actual growth rate was 32.4% this quarter up from only 25.0% just three months ago. The figures for the Fund's benchmark moved in a similar direction but the actual growth rate remained virtually unchanged at 15.7%.

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.

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. 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. The Securities and Exchange Commission has not approved or disapproved this security or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense.

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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10/08

TOP TEN HOLDINGS

NuVasive, Inc.	2.12%
Vocus, Inc.	2.07%
ICON PLC	1.98%
CyberSource Corp.	1.96%
Phase Forward, Inc.	1.85%
Core Laboratories N.V.	1.61%
Ansys, Inc.	1.46%
Psychiatric Solutions, Inc.	1.42%
Kendle International, Inc.	1.41%
Eclipsys Corp.	1.41%

TOTAL TOP TEN HOLDINGS* 17.29%

* 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.

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