

MARKET OVERVIEW

Macro concerns finally got the best of the market in the second quarter of 2011 and stalled the upward trajectory that started more than two years ago. The S&P 500® Index was essentially flat for the quarter, up only 0.10%. Small cap stocks were down slightly, with the Russell 2000® Growth Index posting a return of -0.59%.

The Arab Spring continued to cause unrest in the Middle East. Even with the conflict in Libya escalating and involving U.S. forces, in western media, it took a back seat to the nuclear crisis in Japan. By the end of the quarter however, most of the world was focused on the European debt crisis.

Greece is the word – the country continued to grapple with austerity plans, and Europe dealt with the bailout, hinting at the “Too Big to Fail” mantra. The contagion fears seem real as many European banks hold the Greek debt, and no one really knows who has the relevant credit default swap exposure. On top of that and adding to the list of PIGS (Portugal, Ireland, Greece and Spain), the latest casualty seems to be Italy, experiencing debt problems of its own.

These foreign macro issues all impacted the risk appetite for equities here, but domestically we are dealing with endogenous problems as well. Unemployment data continued to disappoint, suggesting that all the stimulus and easy monetary policy hasn't done much to help the actual economy, although it may be boosting asset prices. The debt ceiling is the latest issue causing concern for investors.

Valuations for equities had become somewhat stretched. Prior to this quarter, the Russell 2000® Growth Index had posted significant gains for six out of the last seven quarters – perhaps we needed to digest those valuations. Under the surface of the overall market, there was some divergence among individual stock performance, essentially a bias toward companies with organic growth, and those with consistent and defensible business models.

PERFORMANCE OVERVIEW

The Stephens Small Cap Growth Fund (Class A) was up 3.23% (without sales charge) for the second quarter of 2011, beating the Russell 2000® Growth Index by nearly four percent. Similar to the first quarter of 2011, our bias toward quality growth companies contributed to our outperformance. The Fund beat its benchmark in nearly every economic sector.

Although the overall economic environment has been slow, there have been bright spots within retail. Consumer stocks posted some of our biggest gains for the quarter, as three of the Fund's top five contributors were in this sector: Ulta Salon Cosmetics & Fragrance Inc., Tempur-Pedic International Inc., and Crocs Inc. The common thread has been companies that have an innovative store concept or innovative product that is taking share from more traditional alternatives.

The Fund continued to do well in Energy. As the benchmark posted losses, we had meaningful gains, and our overweight position helped. Oil prices pulled back during the quarter on demand concerns. But domestically, new shale discoveries are driving activity levels. We have a bias toward service companies, many of which are benefitting from this phenomenon. Strangely, the Obama administration released 30mm barrels of oil from the Strategic Petroleum Reserve (“SPR”). While this extra supply had a short term effect on oil, we believe that it is a reminder of how difficult it is to bring extra supply online and why the long term fundamentals for energy are still very strong.

The Fund's Healthcare stocks showed consistent gains, and we outperformed our benchmark here as well. Long time holding, NuVasive Inc. rebounded this quarter and was a top contributor. Following the trend in Q1 of 2011, we also enjoyed success in Biotechnology, as Cepheid and Cubist Pharmaceuticals posted healthy returns.

Technology was the worst performing sector for the Russell 2000® Growth Index. While we did considerably better, even our returns in the sector were just barely positive. Merger and acquisition activity continued, and the Fund benefited from Applied Materials' acquisition of Varian Semiconductor Equipment Associates Inc. One of last quarter's top performers, Stratsys Inc., gave back most of those returns as sales of their lower end 3-D printers slowed. We eliminated our position in American Superconductor Corporation after they experienced pushback from their largest customer.

Industrials underperformed as a group, and this was our weakest sector. However, we have been significantly underweight, and it did not have much of a negative impact on the Fund's performance.

The Fund's holdings in Financials continued to perform well. Our continued exposure to debt collection companies like Encore Capital Group Inc. and pawn shops like Ezcorp Inc. boosted the Fund's returns.

Performance data as of 6/30/11

Average Annualized Total Returns

	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception	Since Inception Date	Expense Ratio Gross	Expense Ratio Net [Ⓔ]
Stephens Small Cap Growth Fund Class A (w/out Sales Charge)	3.23%	14.78%	46.23%	10.38%	6.49%	6.53%	12/1/05	1.42%	1.36%
Stephens Small Cap Growth Fund Class A (w/Sales Charge)	-2.16%	8.74%	38.55%	8.40%	5.34%	5.51%	12/1/05		
Stephens Small Cap Growth Fund Class I	3.26%	14.84%	46.60%	10.63%	-	8.33%	8/31/06	1.17%	1.11%
Russell 2000® Growth Index	-0.59%	8.59%	43.50%	8.35%	5.79%	A: 5.90% I: 6.54%			
S&P 500® Index	0.10%	6.02%	30.69%	3.34%	2.94%	A: 2.91% I: 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 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%.

[Ⓔ]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

There were only slight changes to sector weightings this quarter. Technology is still the largest at about 28% of assets. Healthcare remained about 20% and Consumer Discretionary rounded out the top three at just under 16%. At the end of the quarter our benchmark, the Russell 2000® Growth Index, was rebalanced, and this resulted in some significant changes to our relative over- and under-weights. While we had been roughly inline with Technology, we are now overweight. Healthcare remains an overweight position, as does Energy, although not to the same degree we were before. Industrials and Materials continue to be underweight for us. We are only slightly overweight in Financials now.

We did indeed digest some of the valuation levels we saw last quarter. The Fund's median holding now trades at about 21 times its next twelve months earnings estimate, down from 22 times last quarter. Growth rates advanced however. That forward looking earnings estimate is now showing 23% growth over the next year, up from 21.5%. Actual growth accelerated to 36.3% for the most recent quarter, which compares very favorably to our benchmark's median growth at 27%.

This quarter we continued to see a shift toward *earnings catalyst* stocks which represent about 60% of assets. This is due to the fact that we sold a few stocks that we had considered to be *core growth*, and we now more than ever have stocks that have elements of both core and catalyst.

OUTLOOK

As it has been for the last three years or so, investors are focused on macroeconomic issues, and for good reason. There are some looming issues domestically and globally that could, and will, have significant impact on capital markets. We have addressed some of those issues in this outlook before – inflation, an energy crisis, price shocks, geopolitical unrest, an overheated China, and the massive and growing U.S. debt.

Here is a simple tautology to consider: if something is not sustainable, it must come to an end. That sounds simple enough, but when we hear that the federal deficit spending is not sustainable, we must consider how this situation will come to an end. The combination of watching the figurative train wreck in Greece with the political nightmare on the debt ceiling and massive deficit should be a reminder of what is in store for us.

We know it must end or change somehow, but we can't know when or how. Last quarter, we spoke of hyperbolic discounting and the mismatched timing of costs and benefits providing an incentive to "kick the can down the road." So, what we also know is that as long as they are able, politicians will do everything in their power to avoid really addressing the long term issue. Additionally, as the debt grows, so too does the debt service. The abnormally low interest rate environment has kept this problem from spiraling out of control. As the can gets kicked down the road, and the debt and interest payments mount, it will be critically important for interest rates to stay low. One of our research providers noted:

If interest rates normalize [thru the end of the decade] the added interest costs in 2021 alone will be \$800 billion – more than 20 times the mere \$37 billion in budget cuts that tore up Congress in March. It would take virtually all of the cuts in the Paul Ryan budget proposal to cover that added interest, much less to start bringing down the national debt.

As long as the Federal Reserve Bank and the government have the ability, they will keep interest rates low.

If nominal interest rates are being kept low, it is imperative that inflation be kept under control, else *real* interest rates would be negative. We quite possibly are in a negative real rate environment now, certainly for short term rates, because the current CPI calculations probably don't represent actual inflation. Negative real interest rates can generate perverse unintended consequences: discouraged savings, loss of confidence in the currency, and upward pressure on commodities, other assets, and even stocks.

If you've read enough of our commentaries, you probably realize by now that our conclusions don't change much quarter to quarter. The easy money was made long ago. The first stage of this recovery (expansion?) was *beta* – a broad market rally and growing valuations. The second stage is all about *alpha* – stock picking matters, and the fastest growing among them are justifying or overcoming the relatively lofty valuations. As we have said before, this is the type of environment in which we typically thrive. Our outperformance this year hopefully lends some credibility to this argument. Clearly, there are problems looming on the horizon, but it is very difficult to predict the timeframe in which we will be forced to deal with them. Because of the many incentives to maintain accommodative monetary policy (and even creative policy moves like releasing oil from the SPR), we believe that this environment can persist for quite some time: where growth beats value and active beats passive.

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. **Alpha:** A measure of risk-adjusted return. **Beta:** A statistic that measures the volatility of the fund, as compared to that of the overall market. **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. 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

Ulta Salon, Cosmetics & Fragrance, Inc.	1.75%
Core Laboratories NV	1.69%
Portfolio Recovery Associates, Inc.	1.67%
Pioneer Drilling Co.	1.60%
Encore Capital Group, Inc.	1.49%
Vocus, Inc.	1.41%
EZCORP, Inc.	1.35%
Advisory Board Co.	1.33%
GT Solar International, Inc.	1.30%
Buffalo Wild Wings, Inc.	1.29%

TOTAL TOP TEN HOLDINGS* 14.88%

* Excludes Money Market Fund holdings.

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

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