

**MARKET OVERVIEW**

Equity markets continued up on a steep trajectory from the lows of early March. Bearishness and speculation of the next Great Depression have been replaced with optimism and even the psychology of chasing returns. And the returns are impressive – the S&P 500® Index was up 15.61% for the quarter and more than 58% since March 9<sup>th</sup>.

Improvement in economic data, albeit small and in some cases still negative, is fueling the surge in stock prices. Unemployment figures continue to show at least stabilization, if not an improvement, and company surveys also confirm a more upbeat outlook on business levels. Only six months ago, market participants were unanimously bearish and very risk averse. The incrementally improving economic data combined with surprisingly resilient corporate profits (primarily due to aggressive cost cutting) is luring assets back into risky investments such as equities.

This rally has been very broad based, but the biggest percentage gains have gone to the stocks that were the closest to failure but managed to survive. This phenomenon creates a very clear bias toward stocks of lower quality companies, and consequently value strategies tend to outperform in this environment. Across the spectrum of market capitalizations, value handily beat growth. In the case of small caps, the Russell 2000® Value Index was up 22.70%, while the Russell 2000® Growth Index was up only 15.95% for the quarter.

**PERFORMANCE OVERVIEW**

For the third quarter of 2009, the Stephens Small Cap Growth Fund Class A was up 13.61% (without sales charge).

We typically discuss the Fund's performance within the context of sector attribution and individual stock contribution. In addition to that analysis, it is worth noting the impact of the performance bias toward lower quality companies. The stocks that had been beaten up the most and those that were on the brink of bankruptcy rebounded the most in percentage terms. Across our universe of stocks, those with the lowest growth rates, most debt, and lowest profitability (return on equity) were the best performers and conversely, those with the highest growth rates, least debt, and best profitability were the laggards. By design, our process leads us to invest in what we believe are the fastest growing, healthiest, most profitable companies. These trends were so pervasive, that they overwhelmed performance differentials based on sector or industry allocations and security selection.

Technology was once again a source of strength for the Fund. The Fund's top four contributors were all technology stocks. STEC Inc. was once again a top performer, and we have been taking profits opportunistically. Aixtron AG, a maker of equipment for the LED industry, was up considerably. We also benefitted from some of the resurgence in merger and acquisition activity – one of our holdings, Omniture Inc. was acquired by Adobe Systems for a healthy premium.

Our returns in Healthcare trailed the benchmark, as our bias toward quality companies is most pronounced in this sector – the more speculative stocks in the group performed best. The Fund also trailed its benchmark in Consumer Discretionary, largely for the same reason. Our holdings among consumer companies that offer lower priced goods and services continue to exhibit strong fundamental results, but the psychology of the market, assuming a V-shaped bounce has already reverted to putting premium valuations on more speculative stocks that have yet to post improving results.

Energy was our best performing sector. Oil prices remained relatively stable, and natural gas rallied at the end of the quarter. As the global economic outlook improves, demand for energy is rising again.

The Fund's holdings in Financials performed inline with the benchmark. Where we trailed in consumer finance companies, we gained in those exposed to capital markets. As the market has rebounded, our holdings in asset managers, brokers, and investment banks have done well.

*Performance data as of 9/30/09*

	3 Month	YTD	1 Year	3 Year	Since Inception (12/1/05)	Expense Ratio Gross	Expense Ratio Net <sup>«</sup>
Stephens Small Cap Growth Fund (w/ Sales Charge)	7.59%	23.03%	-8.42%	-3.67%	-3.10%	1.69%	1.50%
Stephens Small Cap Growth Fund (w/out Sales Charge)	13.61%	29.86%	-3.31%	-1.92%	-1.74%		
Russell 2000® Growth Index	15.95%	29.12%	-6.32%	-2.60%	-1.52%		
S&P 500® Index	15.61%	19.26%	-6.91%	-5.43%	-2.51%		

*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%.*

<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% 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.

## PORTFOLIO CHARACTERISTICS

Sector weightings did not change much from the prior quarter. Technology is still the Fund's largest, at 30.2%, followed by Healthcare at 22.9% and Consumer Discretionary at 14.3%. Relative to our benchmark, we are overweight in Technology and Energy, and underweight in Industrials. Our position in Energy is almost 9%, while the Russell 2000® Growth Index is only 3.4%. The timing of the Russell rebalance caused a significant shift in Energy, and we are comfortable with our position here, even relative to the benchmark.

The Fund held approximately 5% cash at the end of the quarter. This is a result of positive inflows from investors and some recent turnover in the portfolio.

Both growth rates and valuations have rebounded, but are still at below average levels. Our median company's price-to-earnings multiple is now 19.8, up from only 14.4 two quarters ago. The forward twelve months earnings growth rate has improved similarly, from 8.4% to 16.5%. On an actual basis, our median company reported 0% earnings growth in the most recently reported quarter, which compares favorably to -6.1% growth for the Russell 2000® Growth Index's median company.

Our balance between *core growth* and *earnings catalyst* companies has shifted slightly in favor of *core growth* since last quarter, but remains close to a 50/50 split.

## OUTLOOK

Timing transitions in market psychology and investor sentiment is a tough game to play. Tougher still is gauging the magnitude and duration of such shifts – they always seem to play out longer and more dramatically than anyone can anticipate. This bounce off the lows in March is no different. Even as we knew a rebound was imminent, the most bullish among us would have never guessed *this*.

Fundamental analysis tells us that stocks are no longer cheap, and that while earnings have been surprisingly strong, it has been a result of cost cutting and proper management. Common sense tells us that while these companies have done well to manage expenses, it will not be a sustainable source of improved profits. Eventually investors will need to see genuine, organic revenue growth in order to justify stocks moving higher.

As such, we believe the market is setting up for an environment that will reward true growth. As we have mentioned, the broad based rally has been a rising tide, lifting all boats. The next phase however, should be one based on differentiation and stock picking.

Additionally, we continue to have concerns about the health of the U.S. economy. We are not in the "doomsday" camp, but we do believe that there are serious long term concerns ahead. The overuse of leverage that resulted in our financial crisis has merely been shifted off of consumer and corporate balance sheets onto the governments'. Now, the reckoning day looms not for irresponsible home buyers, overly aggressive investment banks, and mismanaged companies, but for the entire country, either in the form of taxes so high that they stifle economic growth, or a government that inflates its way out of too much debt.

While we are glad that the market has rebounded, we are cautious about the prospects for the **overall** market going forward. As we have said before, in our opinion, quality will matter, and growth will be scarce – things that should reward our investment style.

The Russell 2000 Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. 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 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.

*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

10/09

## TOP TEN HOLDINGS

VistaPrint N.V.	1.84%
Core Laboratories N.V.	1.65%
CyberSource Corp.	1.60%
NuVasive, Inc.	1.50%
Eclipsys Corp.	1.42%
Portfolio Recovery Associates, Inc.	1.37%
Ansys, Inc.	1.34%
IMAX Corp.	1.33%
Athenahealth, Inc.	1.31%
STEC, Inc.	1.26%

**TOTAL TOP TEN HOLDINGS\*** 14.62%

\* 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:

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