Stephens Funds®

QUARTERLY COMMENTARY

SECOND QUARTER 2007

Stephens Mid Cap Growth Fund

Market Overview

In our "Outlook" last quarter, we made the case for a rebound in growth (as a style) in part based on the increasing scarcity of real revenue and earnings growth. And while one quarter may not be enough to confirm this logic, growth strategies did indeed outperform in the second quarter. Of the various Russell indices, the growth version of each bested its value counterpart.

That being said, all flavors of the domestic equity markets were in positive territory. The S&P 500 posted a return of 6.28%, while the Russell Mid Cap® Growth was up 6.74%. Similarly, all sectors generally posted gains, with Energy, Industrials, and Materials leading the pack.

The concerns over higher interest rates, continued fallout from the subprime lending crisis, and a further slowdown in housing have created an economic tug of war with data that supports the case for stronger growth, such as: virtually zero unemployment and moderate inflation. Consumer spending has slowed, but other segments of the economy continue to be robust. The real question here might be: will global economic strength combined with a weaker dollar boost the U.S. economy, or will the slowdown in the U.S. slow these developing economies? Rising energy prices only complicate the equation.

Aside from economics, liquidity has been driving equity markets higher. Companies awash in cash have been repurchasing their own shares, reducing the base of shares and thereby increasing earnings per share. Additionally, this corporate liquidity and the exceptional levels of private equity capital are being used to fund record merger and acquisition activity.

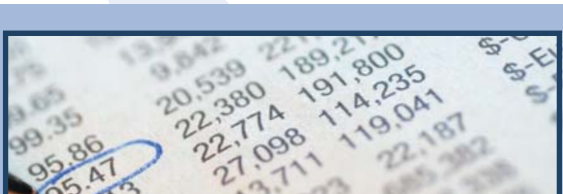
Performance as of 6/30/2007

	3 month	YTD	1 Year	Since Inception (2/01/06)	Expense Ratio Gross	Expense Ratio Net
Stephens Mid Cap Growth Fund (w/ Sales Charge)	2.76%	8.04%	10.29%	4.01%	3.24%	1.50%
Stephens Mid Cap Growth Fund (w/out Sales Charge)	8.46%	14.01%	16.39%	8.04%		
Russell Midcap® Growth Index	6.74%	10.97%	19.73%	10.92%		
S&P 500® Index	6.28%	6.96%	20.59%	14.11%		

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 60 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 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 waivers, in the absence of such waivers, total return would be reduced.

The Stephens Mid Cap Growth Fund posted a gain of 8.46% (without sales charge), handily beating its benchmark. The Fund was a direct beneficiary of the aforementioned merger and acquisition activity as three of our holdings were targeted during the quarter, aQuantive Inc., Cytyc Corp., and Alliance Data Systems Corp.



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Although not a typical consumer stock, aQuantive Inc. was classified as such and helped boost returns for the Consumer sector. And despite weaker consumer spending, our goal of finding niche players that can grow well even in slower environments proved effective as our holdings in companies like GameStop Corp. and Guess? Inc. continued to perform. Cytyc Corp., another acquisition target, contributed to the portfolio's performance in Healthcare. The fund also has a position in the acquiring company, Hologic Inc., which we have mentioned several times in previous commentaries. Our other holdings in diagnostic-based companies, such as Gen-Probe Inc. benefited from other acquisition news in that industry as well.

The Technology sector also benefited from acquisitions, however our best performer in the sector was SunPower Corp., a manufacturer of the most

Stephens Mid Cap Growth Fund

efficient solar cells available on the market. Rising energy prices and increased awareness over cleaner sources of energy continue to drive demand for their products.

Energy was the Fund's top performing sector, and it now represents more than 10% of assets, not counting various alternative energy companies that are classified as Technology. We added Core Laboratories N.V. to the Fund; as one of our top holdings in our Small Cap Fund, it has grown into a size that is suitable for mid-cap strategies. Within Industrials, we had successes with companies in the aerospace market, like Precision Castparts Corp. and BE Aerospace Inc., but we had a disappointment with Corporate Executive Board Co. – as they lowered growth expectations a second time, we liquidated our position.

Portfolio Characteristics

During the second quarter of 2007, there were some minor shifts within the portfolio. We reduced our exposure to Consumer Discretionary and Staples by a combined 2.1%, and added to Healthcare and Energy. The portfolio also saw slight increases to Technology and Basic Materials.

Earnings growth rebounded this quarter. The Fund's median holding is expected to grow earnings at 20.2% over the next twelve months, while the Russell Mid Cap® Growth's statistic is 15.4%. On an actual reported basis, our median company grew earnings at 27% last quarter, compared to 16% for the benchmark.

The recent performance in the market has had the effect of raising the market capitalization of nearly all issuers, and thus the Fund's median market capitalization is slightly higher. However, within the mid-cap segment, the Fund is biased towards smaller, faster growing companies.

Outlook

It is still unclear what the next move in the economy is. We have modified the portfolio in part because of changes in economic trends, but we remain bottom-up investors. As such, we are finding no shortage of high quality, compelling growth investments.

For seven years, value managers have had their "day" in the sun. Measuring the performance discrepancy between growth and value can provide insight on the magnitude of potential reversal of fortunes, but it does not help predict the timing. And while only one or two quarters may not confirm a change in this trend, the first half of 2007 has favored growth stocks. From a short term perspective, it may be unrealistic to expect a continuance of this performance trajectory – the Fund is up over 14% year to date (without sales charge). But should this be an inflection point, we believe small and mid-cap growth stocks could be set for a multi-year run.

Top Ten Holdings

GameStop Corporation	1.89%
Precision Castparts Corp.	1.84%
Covance, Inc.	1.76%
CYTYC Corp.	1.68%
Gen-Probe, Inc.	1.66%
Guess?, Inc.	1.62%
Cerner Corp.	1.61%
Trimble Navigation Ltd.	1.61%
Hologic, Inc.	1.53%
Euronet Worldwide, Inc.	1.49%
TOTAL TOP TEN HOLDINGS*	**16.69%**

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

The Russell Midcap® Growth Index measures the performance of those Russell Midcap 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 Dow Jones Industrial Average (DJIA) is an unmanaged index of common stocks comprised of major industrial companies and assumes reinvestment of dividends. 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.

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