

THIRD QUARTER 2006

Stephens Mid Cap Growth Fund

Market Overview

The extreme volatility that we endured in Q2 of 2006 subsided in the third quarter, but the general trend in investors' reduced risk appetite continued. Macroeconomic and geopolitical factors are the driving forces behind this change in sentiment, although the scenario is very different from that of last quarter's end.

The bad news is that some industries have slowed, such as trucking and airlines. More importantly, the housing market has significantly slowed, and the ramifications on the economy are broader than one might initially think. Not only is the home-building industry itself a considerable portion of GDP, but there are many indirect results of a slowdown, such as lower spending on household durable goods, reduced refinancing activity, and lower home values. As homeowners have less equity, they will no longer have the capacity for financing their spending habits through home equity loans, or other mortgage equity withdrawals. Consequently, consumer spending is likely to be reduced.

The good news is that concerns about inflation have moderated as recent economic data shows it to be in check. The Federal Reserve held the Fed Funds rate steady and interest rates are lower today than they were three months ago. Many investors believe the next move of the Fed will be to actually lower rates, and that is good for equities.

There are signs that the economy is slowing, and throughout the third quarter investors took a more defensive stance – reallocating assets to securities that are perceived to be less risky. Accordingly, smaller capitalization issues underperformed, while larger companies tended to outperform. The aversion to risk was not only limited to market cap, the stocks with the lowest growth expectations outperformed those with higher growth. The S&P 500® was up 5.67% for the quarter, but the Russell Midcap® Growth only gained 0.89%.

Performance

	3 month	Since Inception (2/01/06)
Stephens Mid Cap Growth Fund (w/ Sales Charge)	-7.81%	-11.66%
Stephens Mid Cap Growth Fund (w/out Sales Charge)	-2.71%	-6.80%
Russell Midcap® Growth Index	0.89%	-2.50%
S&P 500® Index	5.67%	5.52%

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. Short term performance, in particular, is not a good indication of the Fund's future performance, and an investment should not be made based solely on returns. 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%

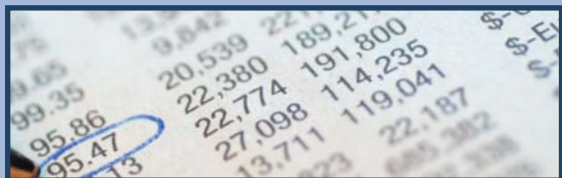
Across the broad market, smaller cap strategies and those with a growth bias were the hardest hit in the quarter, and the Stephens Mid Cap Growth Fund was down (2.71%) without sales charge.

In our analysis of Q2 performance, we mentioned that the Energy sector was very representative of the volatility in the market. In Q3, it has been an example of beta or sensitivity to the market. Energy was the worst performing sector. As commodity prices have reversed, and we have seen some negative earnings revisions, we have reduced our exposure to energy, which is now under 8%.

Our Consumer Discretionary stocks also lagged in the quarter. Fears about a slowing economy and slower consumer spending hurt the group. We sold our position in XM Satellite Radio Holdings Inc.^{XM SR} after a disappointment in subscriber growth. Our largest holding in the sector, Game-Stop Corp.^{GME}, bucked the trend by posting a 10% gain.

In yet another reversal from Q2, Healthcare was a better relative performer this quarter. In addition to being a more defensive sector, we had some company specific successes. Cerner Corp.^{CERN} and Psychiatric Solutions Inc.^{PSYS} were two of our biggest contributors across all sectors, up 22% and 19% respectively.

Although Financials is a smaller sector for the Stephens Mid Cap Growth



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Fund at only 7%, it was one of our best performing segments, up 6.0% for the quarter. We have been shifting away from stocks exposed to capital markets and have added to positions in insurance and consumer lending.

Technology remained our largest sector at roughly 29%. We enjoyed some success with stocks like Salesforce.com CRM and Akamai Technologies Inc.^{AKAM}. Most of the underperformance within the group was not because of deterioration in company fundamentals, but rather a decline in valuations as a result of investors' risk aversion.

Across all sectors, the best performing stocks were those with the lowest growth expectations, and the worst performing stocks were the ones that have the highest growth rates.

Portfolio Characteristics

Company valuation continued to trend slightly lower. The Fund's median P/E ratio finished the quarter at 20.8, down from 22.0. Our median holding's expected earnings growth remained steady at about 21.4%, while the benchmark's is slightly lower, at 15.9%. For both the Fund and the benchmark, the median company's most recently reported earnings grew 21% and 18% respectively.

The only meaningful changes to sector weightings were a slight increase in Healthcare and a decrease to Energy and Consumer Discretionary.

The Fund's median market cap is \$3.5B and the weighted median market cap is \$4.6B, both of which are significantly less than our benchmark, at \$4.0B and \$7.7B respectively. Our bias towards smaller stocks within the mid-cap space is one of our competitive edges – we tend to find the best mid-cap growth stocks earlier in their lifecycle. However, in an environment where investors are shying away from small cap stocks, this bias created our relative underperformance for the quarter.

Outlook

The economic headwinds that we have been facing seem to be improving, with the exception of housing. Interest rates are headed lower; inflation appears to be under control; energy and gasoline prices are well off of their record highs. We were concerned last quarter that these drags on the economy might be too much for it to bear, and that a recession would ensue. Economic growth is slowing, but whether this will be a "soft landing" or a recession is not totally clear.

As managers of this Fund, we do not make big, top-down bets, and so this Fund is not necessarily positioned to outperform in a recession. We are optimists. And though we may not always be optimistic about the economy, we are optimistic about the prospects for the companies in which we have invested. We believe that among these stocks, there are great companies that are innovative and well managed. We also believe that some of these companies will be the leaders of tomorrow, and should grow beyond everyone's wildest expectations. So while the market and so many near-sighted investors chase performance and lose faith, we maintain our conviction in both mid-cap growth investing and our own philosophy and process.

Beta: A statistic that measures the volatility of the fund, as compared to that of the overall market.

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. 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.

Quasar Distributors, LLC, distributor (10/06)

Top Ten Holdings

Covance Inc.	1.93%
GameStop Corporation	1.89%
HCC Insurance Holdings Inc.	1.77%
Iron Mountain Inc.	1.69%
Cerner Corp.	1.65%
Polo Ralph Lauren Corp.	1.62%
Gen-Probe Inc.	1.50%
Psychiatric Solutions Inc.	1.46%
Cognizant Technology Solutions Corp.	1.43%
VCA Antech Inc.	1.42%
TOTAL TOP TEN HOLDINGS*	16.39%

* 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: _____

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