

Stephens Mid Cap Growth Fund

Market Overview

In our last quarterly commentary, we marveled at the fact that equity markets were incredibly resilient in the face of a financial crisis and economic slowdown. Although the market initially responded well to the interest rate cuts delivered by the Federal Reserve, the weakening economic news proved to be too much. The S&P 500 was down 3.33% and every domestic Russell Index had negative returns for the quarter.

The subprime contagion kept sending shockwaves through the markets in the fourth quarter of 2007. Financial stocks continued to underperform as nearly every major investment bank announced billions of dollars of write-offs. Even smaller, regional banks suffered meaningful losses.

In part because of the subprime issues, consumer spending has slowed dramatically. Individuals are feeling the combined burdens of reset mortgage payments, falling home prices, inflation for food and energy, and most recently an increase in unemployment. Not all the data is in yet, but this holiday selling season looks to be one of the weakest in recent years, even with heavy discounting before Christmas.

These concerns have continued to cause investors to seek out higher quality companies, which in many cases are "growth" stocks. Just as in Q3, large cap stocks fared slightly better than their smaller cap counterparts, but investment style was more influential on performance – growth strategies dramatically outperformed value at every market cap level.

Performance as of 12/31/2007

	3 month	YTD	1 Year	Since Inception (2/01/06)	Expense Ratio Gross	Expense Ratio Net
Stephens Mid Cap Growth Fund (w/ Sales Charge)	-4.55%	17.93%	17.93%	7.76%	3.24%	1.50%
Stephens Mid Cap Growth Fund (w/out Sales Charge)	0.75%	24.44%	24.44%	10.82%		
Russell Midcap® Growth Index	-1.70%	11.43%	11.43%	8.16%		
S&P 500® Index	-3.33%	5.49%	5.49%	9.41%		

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.

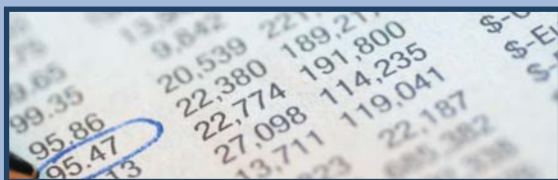
In a challenging quarter for all equities, the Stephens Mid Cap Growth Fund once again managed to beat its benchmark. The Fund was up 0.75% (without sales charge) versus the Russell Midcap® Growth's loss of 1.70%.

Our investment discipline had recently led us to reduce our exposure to the Consumer Discretionary and Financials sectors. Our underweight positions here helped our performance relative to our benchmark. However, we continue to find some selective investment opportunities in each of these sectors, and we may have reached a bottom in terms of our exposure.

Once again, oil prices hit new highs. Although investor worries about the impact of an economic slowdown on commodity prices caused some hesitation in energy stocks, mid-and large cap energy stocks rallied late in the quarter. The Fund remains overweight in the sector as we believe that longer term supply is severely constrained and demand for oil is very price inelastic.

Although not coded as Energy per se, the Fund's three biggest contributors to performance were all stocks in the solar energy industry. Higher energy prices, a desire to rely less on petroleum, and a more environmentally conscious marketplace are driving demand for alternative energy and solar power in particular. SunPower Corp. and Suntech Power Holdings Co. Ltd. are both manufacturers of solar cells, and MEMC Electronic Materials Inc. supplies the silicon wafers that are used in solar production.

Technology was an area of relative strength in part because of exposure to the solar industry. Additionally, one of our holdings, Activision Inc., agreed to merge with Blizzard Entertainment, a division of Vivendi SA. The combined entity will be a



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powerhouse in the video game publishing industry, and is now a top ten holding.

Less sensitive to the economy, and perceived to be a safe haven, Healthcare stocks were up for the quarter on average. Last quarter we mentioned Intuitive Surgical Inc. and it continued to perform well in the fourth quarter. ResMed Inc. was another contributor as its largest competitor was acquired at a significant premium.

Portfolio Characteristics

The Fund remained underweight in Consumer Discretionary and Financial stocks, and we continued to reduced exposure there. Most other sectors remained unchanged, except for Energy which increased by about 2% of assets. The Fund was also holding slightly more cash than last quarter's end.

While earnings growth rates were little changed for the Fund, valuation multiples came in slightly. Our median company now trades at 20.9 times earnings versus 23.2 times in Q3. The Fund's median holding is projected to grow 21% over the next twelve months. For the median company in the Russell Midcap® Growth, the price-to-earnings ratio is 15.7 and the forward growth rate projection is 15%. In the most recently reported quarter, the Fund's median company grew at 25.2%, while the benchmark's grew at only 16.1%. An unusual note is that mid-cap growth stocks have been growing earnings faster than small cap.

Outlook

Last quarter, we had begun to express concerns about entering an economic recession, and today, those concerns are at the forefront of our minds. Many economists believe that we are either headed for a recession or that we are already in one. The questions now become: If this is a recession, how severe and how long might this be? Will the slowdown here impact the rapidly expanding developing economies abroad? Will a recession cause commodity prices (namely energy, metals, and food) to weaken or has the price action there been more a function of limited supply and supply growth?

We have been positioning the Fund for a slower economic environment; it has been a result of our investment discipline and our bottom-up research. Even with the adjustments we have made, the Fund is still (and will always be) biased towards high quality growth companies. There is even more evidence today that growth (in general) is slowing, thus making growth more scarce. The forecast for growth in the Russell 2000® Growth is 22.5%, while actual growth today is barely more than half as much. This is the largest discrepancy between those two metrics than we have seen in years, and eventually those numbers should converge – which direction seems more likely? We believe that the companies in which the Fund is invested have a greater chance of achieving real earnings growth, and current data supports this case.

The first part of 2008 may prove to be challenging and may test the resolve of investors. Recession or not, we still believe that growth strategies are poised to outperform value. With fear in the marketplace and as valuations retreat, this could be a compelling opportunity to invest in what we believe could be a multi-year cycle in favor of growth stocks.

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 Price to Earnings (P/E) ratio reflects the multiple of earnings at which a stock sells. 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.

Quasar Distributors, LLC, distributor 1/08

Top Ten Holdings

Covance, Inc.	1.94%
Intuitive Surgical, Inc.	1.90%
SunPower Corp.	1.85%
Activision, Inc.	1.82%
GameStop Corp.	1.82%
Hologic, Inc.	1.82%
Iron Mountain, Inc.	1.82%
Express Scripts, Inc.	1.78%
MEMC Electronic Materials, Inc.	1.71%
BE Aerospace, Inc.	1.63%
TOTAL TOP TEN HOLDINGS*	18.09%

* 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:

Stephens Funds®
c/o U.S. Bancorp Fund Services, LLC
P.O. Box 701
Milwaukee, WI 53201-0701

Stephens Investment Management Group®, LLC
111 Center Street
Little Rock, AR 72201

3700 Buffalo Speedway, Suite 900
Houston, TX 77098

WWW.STEPHENSFUNDS.COM

1.866.735.7464