

THIRD QUARTER 2006

Stephens Small 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 homebuilding 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 2000® Growth was down (1.76%).

Performance

	3 month	YTD	Since Inception (12/1/05)
Stephens Small Cap Growth Fund (w/ Sales Charge)	-9.66%	-4.71%	-6.07%
Stephens Small Cap Growth Fund (w/out Sales Charge)	-4.62%	0.61%	-0.90%
Russell 2000® Growth Index	-1.76%	4.21%	2.07%
S&P 500® Index	5.67%	8.53%	7.26%

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. 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, small cap growth strategies were the hardest hit in the quarter, and the Stephens Small Cap Growth Fund was down (4.62%) 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. We have reduced our exposure to energy, which is now under 7%, but we continue to own stocks that have differentiated business models that are not necessarily tied to commodity prices.

Consumer Discretionary stocks also lagged in the quarter. Fears about a slowing economy and slower consumer spending hurt the group. One of our best performers from last quarter, Zumiez Inc.^{ZUMZ} was down over 28% this quarter, as investors took profits, although the company's fundamental business trends remain intact. Our largest holding in the sector, GameStop 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. Vital Images Inc.^{VTAL}, Psychiatric Solutions Inc.^{PSYS}, and FoxHollow Technologies Inc.^{FOXH} were our three biggest contributors across all sectors, up 28%, 19%, and 25% respectively.



WWW.STEPHENSFUNDS.COM

1.866.735.7464

THIRD QUARTER 2006

Stephens Small Cap Growth Fund

Although Financials is a smaller sector for the Stephens Small Cap Growth Fund, after reducing exposure in Q2, we built new positions in Q3 to bring the weighting to 7.5%. We shifted away from stocks exposed to capital markets and added to positions in insurance and consumer lending, which was our best performing group for the quarter.

Technology remained our largest sector at roughly 32%. We enjoyed some success with stocks like Salesforce.com^{CRM} and I.D. Systems Inc.^{IDSY}. 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

There was quite a bit of fluctuation within the quarter, but coincidentally, some of our portfolio statistics finished at a similar level to Q2. The Fund's median P/E ratio finished at exactly the same level, 22.3, versus 16.6 for our benchmark. Our median holding's expected earnings growth actually ticked up to 25.7%, while the benchmark's edged slightly lower to 20.9%. Both the Fund's and the benchmark's most recently reported earnings growth rate declined to 27% and 18% respectively.

The Fund's median market cap declined from \$1.265B to \$1.107B, as we eliminated some of our largest capitalization stocks and established new positions in much smaller companies. The only meaningful changes to sector weightings were a slight increase in Healthcare and Financials, and a decrease to Energy. Although the market action would lead one to believe that there would have been a shift from earnings catalyst stocks to core growth, our ratio remained virtually unchanged at 60/40.

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 many small companies in which we have invested. We believe that among these smaller 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 small 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 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 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

Psychiatric Solutions Inc.	1.65%
Trimble Navigation Limited	1.55%
CyberSource Corp.	1.39%
Vital Images Inc.	1.35%
Tetra Technologies Inc.	1.31%
GameStop Corp.	1.30%
Foxhollow Technologies Inc.	1.30%
Euronet Worldwide Inc.	1.27%
Gen-Probe Inc.	1.25%
Varian Semiconductor Equipment	1.20%

TOTAL TOP TEN HOLDINGS* **13.57%**

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

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

WWW.STEPHENSFUNDS.COM

1.866.735.7464