

Stephens Small Cap Growth Fund

Market Overview

If you have watched the markets closely, then you will find this very hard to believe: major indices and benchmarks are largely unchanged or up slightly from a quarter ago. The S&P 500® gained 2.03%, and the Russell 2000® Growth was basically flat at 0.02%. Between those quarter end dates however, there was a tempest. A true financial crisis in the sub-prime mortgage arena sent shockwaves through nearly every aspect of both fixed income and equity markets. Numerous hedge funds suffered massive losses (some of which actually shut down). Mortgage companies filed for bankruptcy. Volatility spiked up to levels not seen since 2000.

The troubles in the sub-prime mortgage market finally caused some serious damage in financial markets. The combination of a long period of rising housing prices, low volatility, and the incredibly complicated dissection and redistribution of default risk led to an environment in which no one really knew who was holding the risk. (Ultimately it was hedge funds with a levered bet on mortgages or mortgage derivatives that suffered the most.) For a while, liquidity all but dried up as institutions were trying to assess risk levels, and their rediscovered risk aversion prevented them from stepping in as buyers.

In equity markets there was liquidity, although some stocks in the Financial sector suffered greatly as investors tried to determine how much sub-prime exposure they had. As some of these levered hedge funds had to reduce risk and reduce leverage, they were forced to sell. Since the sub-prime fixed income market had no liquidity, they simply sold what they could: equities. The selling pressure that ensued was extreme and was a big contributor to the volatility. The combination of all these factors led to a flight to quality across all markets.

Larger capitalization companies tend to be thought of as higher quality, as are companies that have a growth bias. Consequently, large cap generally outperformed small cap this quarter, and growth strategies outperformed value at every market cap segment, particularly in the small and mid-cap markets.

Performance as of 9/30/2007

	3 month	YTD	1 Year	Since Inception (12/1/05)	Expense Ratio Gross	Expense Ratio Net
Stephens Small Cap Growth Fund (w/ Sales Charge)	-0.81%	10.25%	17.21%	8.55%	1.62%	1.46%
Stephens Small Cap Growth Fund (w/out Sales Charge)	4.70%	16.32%	23.71%	11.78%		
Russell 2000® Growth Index	0.02%	9.35%	18.94%	11.18%		
S&P 500® Index	2.03%	9.13%	16.44%	12.91%		

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.

It is one thing to outperform your peers and your benchmark when volatility is low simply by being aggressive and taking on more risk, but it is quite another to outperform when those risk seekers are imploding around you. By design our portfolio is largely made up of high quality growth stocks. In addition to having virtually no exposure to sub-prime lending, the Fund was poised perfectly for this volatile market. In one of our best relative quarters yet, the Stephens Small Cap Growth Fund (STSGX) posted a gain of 4.70% (without sales charge), while our benchmark, the Russell 2000® Growth was only up 0.02%. The Russell 2000® Index was in negative territory, at -3.09%.

Financials was our only sector with negative returns for the quarter. While we had no direct exposure to the sub-prime problems, some of our stocks got caught up in the volatility and fear. We have been underweight in the sector and remain so.

Consumer stocks were also hard hit. The average U.S. consumer has financed his spending through mortgage equity withdrawals or at least had the perception of a wealth effect from a strong housing market. Not surprisingly, the credit crisis has led to a slowdown in consumer spending. We have been seeing evidence of this for some time, and we had reduced our overall exposure to Consumer Discretionary stocks. On the brighter side, our oft-mentioned GameStop Corp. was once again a top contributor.

Oil prices hit new highs during the quarter, but energy stocks were not immune



WWW.STEPHENSFUNDS.COM

1.866.735.7464

Stephens Small Cap Growth Fund

from the volatility. Fears of a contagion leading to a global economic slowdown tempered expectations for energy demand. Our investments in companies that play into peak-oil theory performed best: Core Laboratories N.V. and SunPower Corp.

Healthcare was the best performing sector in absolute terms, and it is here that investors found relative safety from the volatility and sub-prime crisis. One of our favorite holdings, Kyphon Inc., a maker of surgical devices for the spine announced that they were being acquired by Medtronic Inc. As investors realized the value of innovative small cap medical device companies, they bid up the price on another of our holdings, a peer of Kyphon Inc., Nuvasive Inc.

Technology was also an area of great relative strength. We continue to see business momentum in the advertising, transactions, and business initiatives on the internet. Two of our top performers play into this theme: Omniture Inc., a provider of online business optimization software, and Vasco Data Security International Inc., a maker of hardware and software for security and user authentication.

Portfolio Characteristics

Following trends we initiated in the prior quarter, we continued to reduce exposure to Consumer Discretionary by almost 3% of assets. Healthcare grew by nearly 2%, and we added roughly 1% to both the Energy and Technology sectors. Similar to last quarter, we saw a slight uptick in our weight in core holdings, which is now at more than 36%.

The growth characteristics of the Fund's holdings reflect the slowing of growth in the economy, and while projections for earnings growth remained basically inline with last quarter's, actual earnings growth slowed for both the median company in the Fund and in our benchmark. However, there is still a large discrepancy between the two. The median company in the Russell 2000® Growth had earnings growth of only 13.2% this most recently reported quarter, while the Fund's median holding grew at 22.3%. Due to change in sentiment and flight to quality this quarter, we experienced some valuation expansion and the Fund's median company is trading at 24.5 times forward earnings.

Outlook

Growth has slowed, and now growth is harder to find. And like any other limited resource, investors are willing to pay a premium as scarcity increases. For several quarters we have mentioned the coming shift from value strategies to those with a growth bias. The first half of the year showed signs of this reversal, but this quarter shows a more clear confirmation of the trend. These growth stocks are not cheap today, but high quality companies rarely are.

As quickly as it came, the volatility has subsided, and equity markets once again appear to be on the rise. Historically, equity markets enjoy a Fed easing cycle, and in the medium term there is no reason to think this is any different, but we may not be out of the woods yet. The repercussions of a financial crisis and the subsequent uplifting effect of rate cuts take time to make their way through the economy, and it is not likely that this process has played out in one quarter's time. Although today's markets do not seem to reflect it, there remains some chance our economy goes into a recession. But it is more likely that we will have averted a recession, and the slowdown will be short-lived. Equity markets tend to move in advance of better economic realities. And if history is our guide, when our economy reaccelerates, smaller growth companies should be the first to respond and do so in a dramatic fashion.

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. The Russell 2000 Index is an index measuring the performance of the 2,000 smallest companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. 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 10/07

Top Ten Holdings

Core Laboratories N.V.	1.85%
Trimble Navigation Ltd.	1.73%
Euronet Worldwide, Inc.	1.49%
Vocus, Inc.	1.45%
Nuvasive, Inc.	1.43%
Gen-Probe, Inc.	1.42%
GameStop Corporation	1.39%
Authorize Net Holdings, Inc.	1.38%
FLIR Systems, Inc.	1.33%
Hologic, Inc.	1.29%

TOTAL TOP TEN HOLDINGS* **14.76%**

* 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