

FOURTH QUARTER 2006

Stephens Small Cap Growth Fund

Market Overview

The economic and geopolitical risks that were prevalent throughout 2006 seemed to subside in the fourth quarter. The mid-cycle slowdown that we have referred to has begun to play out, and the consequence is a rally in equities. The housing market has slowed. The “bubble” that was, is no longer an overhang on the economy and the slowdown has not caused any major, nationwide ramification except those isolated in the home building and mortgage industries. Energy prices have returned to lower levels, and gasoline prices specifically aren’t crowding out consumer spending. And although the Federal Reserve still worries, inflation pressures have eased.

Despite these signals that the economy is slowing – and some intraquarter fears that consumer spending would dramatically suffer – it appears as though a “soft landing” for the economy is in order. Investors generally believe that the next move in interest rates will be lower, further fueling a recovery in stocks.

The Dow Jones Industrial Average hit all time highs in the quarter. Other market indices were doing the same or were at levels not seen since the bull market of 2000. The S&P 500 was up 6.70% for the quarter, and the Russell 2000® Growth was up 8.77%. Value strategies generally outperformed growth, but the difference wasn’t as pronounced as it had been for the third quarter.

Performance

	3 month	1 Year	YTD	Since Inception (12/1/05)	Expense Ratio
Stephens Small Cap Growth Fund (w/ Sales Charge)	0.76%	1.35%	1.35%	-0.09%	1.50%
Stephens Small Cap Growth Fund (w/out Sales Charge)	6.36%	7.01%	7.01%	5.40%	
Russell 2000® Growth Index	8.77%	13.35%	13.35%	11.03%	
S&P 500® Index	6.70%	15.79%	15.79%	14.44%	

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 Stephens Small Cap Growth Fund was up 6.36% without sales charge for the fourth quarter of 2006, and finished the year up 7.01% without sales charge.

Consumer stocks were some of our best relative and absolute performers. Business was robust for GameStop Corp. GME once again as excitement about the Sony PS3 and Nintendo’s Wii generated increased sales – the stock was up nearly 20%. Our biggest contributor to performance is labeled a consumer stock, although their end market is really the military. Force Protection Inc. FRPT was up more than 100% during the period as the U.S. military has dramatically increased their interest in the company’s armored vehicles.

Energy was also a positive contributor. Core Laboratories N.V. CLB was a top performer here, up almost 27%. Their services are focusing on reservoir management and production enhancement for other oil and gas producers, and they take little or no commodity price risk themselves. Most of our holdings in the sector are differentiated business models that are not as leveraged to swings in energy prices.

From quarter to quarter, Healthcare has oscillated from being a top performer to a laggard, and Q4 was no different as the sector gave up much of the gains we made in Q3. FoxHollow Technologies Inc. FOXH and



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LifeCell Corp. LIFC were both down on competitive fears. Our holdings in companies in the healthcare information technology space performed well, however.

Technology remains our largest sector at nearly 32% of assets. Current investment themes in the portfolio include electronic transaction processing, the growth in digital storage, and increased multimedia streaming over the internet.

Portfolio Characteristics

Our sector weights were largely unchanged except for Consumer Discretionary, which is now at 17% of assets (up from 16% in Q3) and Healthcare, which is at 21% (down from 22.8%). We added more earnings catalyst stocks this quarter, and the ratio now stands at roughly 65/35 in favor of catalyst.

The Fund had a meaningful acceleration in its earnings growth rate, further distancing ourselves from the benchmark. Although our median company's P/E multiple ticked up to 24.0, the Russell 2000® Growth's did too, at 17.6, mostly a result of the strong performance in Q4. Our median holding's expected earnings growth rate jumped to 27.3% versus a decline for the benchmark down to 21.2%. The biggest divergence was in the actual reported growth for the most recent quarter; for the Fund it climbed from 27.0% in Q3 to 30.8%, while the benchmark's growth slowed to 15.7% from 18.0%.

Outlook

Not all of the evidence is in, but it does appear as though the "soft landing" scenario is playing out. The subsequent reacceleration in the economy and the market would theoretically be an ideal environment for small and mid-cap stocks.

We are encouraged by the individual opportunities we find on a stock-by-stock basis, and the reacceleration in our holdings' growth rates. The fact that we have slightly shifted more towards earnings catalyst stocks would confirm this trend as well.

As we begin the new year, we still believe that small cap growth stocks are due some mean reversion¹ in terms of relative performance. While not relying on that alone, it is nevertheless a tailwind to what could be fundamentally shaping up as a market that would also favor our style.

¹Mean Reversion- the tendency of prices and returns to revert to their long-term averages after periods of relative under- or outperformance.

The Price to Earnings (P/E) Ratio reflects the multiple of earnings at which a stock sells and is calculated by dividing the current market price of a stock by the earnings per share.

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 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.

Quasar Distributors, LLC, distributor 1/07

Top Ten Holdings

Euronet Worldwide Inc.	1.53%
Trimble Navigation Ltd.	1.43%
Vital Images Inc.	1.38%
CoStar Group Inc.	1.36%
Gen-Probe Inc.	1.35%
Core Laboratories N.V.	1.34%
United Natural Foods Inc.	1.30%
Nuvasive Inc.	1.24%
Tetra Technologies Inc.	1.21%
CyberSource Corp.	1.18%

TOTAL TOP TEN HOLDINGS* 13.32%

* Excludes Money Market Fund holdings.

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

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