

Eagle Capital Appreciation Fund

FIRST QUARTER | 3/31/12

Management

Goldman Sachs Asset Management

Steven M. Barry
Chief Investment Officer

Timothy M. Leahy, CFA
Portfolio Manager

Joseph B. Hudepohl, CFA
Portfolio Manager

Characteristics

Total Net Assets (millions) \$342.1
Number of holdings 33

Top Holdings

Apple
Qualcomm
American Tower
Google
Lowe's
Schlumberger
Mastercard
Costco Wholesale
Equinix
Crown Castle International

Please consider the investment objectives, risks, charges, and expenses of any fund carefully before investing. Contact Eagle at 800.421.4184 or your financial advisor for a prospectus, which contains this and other important information about the funds. Read the prospectus carefully before you invest or send money.

Market Overview

U.S. equities extended their rally in March on increasing conviction that the economy is recovering. The S&P 500 Index returned 3.29 percent in March, ending the quarter up 12.59 percent, its strongest first quarter since 1998. During the quarter, the Dow Jones Industrial Average closed above 13000 for the first time since May 2008 and the NASDAQ reached a new 11-year high. U.S. equities rallied given evidence that the labor market and manufacturing are improving. In addition, lending activity at U.S. banks showed the biggest quarterly increase in four years and the results of the Federal Reserve Board's stress tests allowed many U.S. banks to implement capital return initiatives. As a result, financial stocks rallied sharply. Elsewhere, better-than-expected earnings reports from several large technology companies led strong gains within the information technology sector.

Portfolio Review

Positive stock selection in the information technology and consumer discretionary sectors contributed to relative performance, while weakness in select holdings in the materials sector detracted from relative returns.

Data center solutions company Equinix contributed to performance during the quarter. The company reported strong fiscal-fourth-quarter results and issued a solid outlook for 2012. The company continues to evaluate the potential to convert to a real estate investment trust (REIT), which would provide tax and valuation benefits. The market has begun to recognize that Equinix is trading at a discount to other data centers that are publicly traded REITs, and appreciate the growth and stability of Equinix's revenue stream. Equinix remains a leader in operating data centers and we continue to have conviction in the company's ability to drive revenue growth, as it benefits from several secular growth drivers including cloud computing, growth in Internet traffic and enterprise outsourcing as well as rising demand for optimized network performance.

Apple was another top contributor during the quarter.

Its shares increased significantly as strong demand for the newly released iPad continue to validate the value of the Apple franchise and its growth profile. The company also announced plans to return capital to shareholders via a new dividend and share repurchase program beginning later this year. We believe there is still a long runway for growth as the company increases penetration of the smartphone and tablet markets, as well as continues to innovate and enter new markets. Near-term catalysts could include the release of the iPhone 5, the launch of an iOS-centric Apple television set and expansion into emerging markets. We remain positive on Apple and believe the stock's valuation remains attractive.

Wireless tower company American Tower detracted from performance during the quarter. Although the company posted fourth-quarter earnings and revenues that were above consensus, it provided conservative guidance for 2012, citing a weak macro environment. During the quarter, the company finalized its previously announced transition to a REIT. American Tower continues to benefit from organic growth in leasing, and we feel remains well positioned in a growing industry with high barriers to entry. As the wireless communication industry continues to evolve from primarily voice to data usage, demand on the networks increases and carriers must make additional investments to build out their networks. In our view, this will lead to a greater need for antennae placement on towers, thereby increasing leasing revenues. Furthermore, we believe that the tower industry has an attractive business model, as the structure of contracts provides a predictable revenue stream and recurring cash flow. We remain attracted to American Tower's business model, competitive position and long-term growth trends in wireless data.

Google was another large detractor from performance, as the company announced fiscal-fourth-quarter earnings that were below consensus expectations. This was attributed to currency headwinds and a decline in its cost-per-click growth rate. Despite the recent results, we continue to have conviction in Google and believe future earnings growth will be driven by new opportunities in display

advertising and applications through Google’s mobile computing platform.

During the quarter we initiated a position in Honeywell International, a diversified technology and manufacturing company that manufactures aerospace, building-control and automotive products. We believe the company has a strong management team that can execute well on its long-term growth plan and improve efficiency and profitability. In our view, Honeywell should continue to benefit from growth in air traffic, market share gains in emerging markets, several productivity initiatives and potential margin expansion in its automation and controls segments. We believe that Honeywell is well positioned for growth in its key end markets that are experiencing increasing global demand for sophisticated capital and consumer goods. In addition, we feel that Honeywell’s earnings power is underappreciated by the market.

We decided to exit the position in Emerson Electric during the quarter. While we remain attracted to the company’s high-quality franchise, we believe there is less upside in the shares vs. other opportunities within the industrials sector and, therefore, decided to sell out of our position.

We also exited our position in Johnson & Johnson during the quarter. We had become increasingly concerned that the company’s ability to expand operating margins over the coming years would be challenged. As the path for an acceptably attractive return became less obvious, we decided to sell out of the position and reallocate the capital to higher conviction names.

Outlook

Whereas in 2011, macro concerns and swings in sentiment overshadowed the strength of individual company fundamentals, we are encouraged by a more favorable environment for active managers in 2012. Correlations and volatility have come down from extreme levels, which have provided tailwinds

to our investment approach. While risks remain over strains in Europe, rising gas prices, slowing global growth and political uncertainty, we remain cautiously optimistic on the U.S. equity market going forward. Company fundamentals remain strong, as well-capitalized corporations have over \$1 trillion on their balance sheets and are continuing to redeploy cash, signaling confidence in the economy. Equity valuations remain reasonable despite a strong run in the recent quarter and equities remain under-owned. Earnings-per-share (EPS) growth remains solid, and merger and acquisition should continue to provide a boost to the market.

While a quarter is a short time period, we are excited about the prospects for the portfolio going forward, are encouraged by early results, and believe we are well-positioned to outperform. Many valuations within the portfolio remain within generational lows. We continue to favor companies with improving-quality characteristics such as cash flow, balance sheets, returns on invested capital (ROIC) and sustainability of earnings; rather than purely defensive characteristics, as we believe the U.S. recovery will continue to slowly unfold. Recent positive macro data seems to support this view, such as improvements in housing data. Looking into the rest of the year, we maintain our discipline in identifying companies with strong or improving balance sheets, led by quality management teams, trading at discounted valuations, and we remain focused on the long-term outperformance of the portfolio.

International investing presents specific risks, such as currency fluctuations, differences in financial accounting standards, and potential political and economic instability. Investing in small- and mid-cap stocks may involve greater risks than investing in larger, more established companies. These companies often have narrow markets and more limited managerial and financial resources.

Growth companies are expected to increase their earnings at a certain rate. When these expectations are not met, investors may punish the stocks excessively, even if earnings showed an absolute increase. Growth company stocks also typically lack the dividend yield that can cushion stock prices in market downturns. Because the fund normally will hold a core portfolio of stocks of fewer companies than many other diversified funds, the increase or decrease of the value of a single stock may have a greater impact on the fund’s net asset value and total return.

Capital Appreciation

Past performance is not indicative of future results and investing involves risk, including the risk of loss. All information as of March 31, 2012. Opinions expressed are the current opinions as of the date appearing in this material only. This material should not be construed as research or investment advice. No part of this material may, without Eagle Asset Management’s prior written consent, be copied, photocopied or duplicated in any form, by any means.

The information provided should not be construed as a recommendation to buy, sell or hold any particular security. The data is shown for informational purposes only and is not indicative of future portfolio characteristics or returns. Portfolio holdings are not stagnant and may change over time without prior notice.

Benchmark Indices:

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values and is representative of U.S. securities exhibiting growth characteristics.

Goldman Sachs Asset Management is the sub-advisor to the Eagle Capital Appreciation Fund.

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