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Thornburg Investment  
Management  
Portfolio Co-manager

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Thornburg Investment  
Management  
Portfolio Co-manager

**Top Holdings**

Dell  
Comcast  
Microsoft  
McDonald's  
J.P.Morgan Chase  
Sysco  
Nestlé  
Amdocs  
Ace  
Entergy

*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 Review |** The U.S. equity markets were influenced by a number of macro-related and overseas news events that made it difficult for investors to find a safe haven for their portfolios. These events included the need for a joint European Union (EU)/International Monetary Fund bailout package for Greece and other European countries at risk for sovereign debt default; the Deepwater Horizon oil spill in the Gulf of Mexico; slower-than-expected GDP growth for the developed economies (including the United States, United Kingdom and EU-block); and a pause in favorable housing and unemployment trends during the month of June for the U.S. economy.

**Portfolio Review |** Over the quarter companies that supported performance included Natura Cosmetics, a Brazilian cosmetic manufacturer/distributor, as they continue to expand their business in the area. A healthy Brazilian economy also supported performance. Timing also played a factor in some of our top contributors with the timely sell of BP and the purchase of ENSCO. Rounding out the top contributors was Baidu who continues to gain market share and remains the leading search provider in China. Growth estimates for the company continue to remain attractive.

The largest detractor to performance over the quarter was U.S. Steel which reflected a poor U.S. economy along with slowing global demand. We still find the valuation of the company compelling and continue to hold the security. Technology stocks in general, including Dell, Microsoft and Google in particular, hurt the portfolio during the quarter. We believe the promise and discount of these stocks are unusually compelling right now. Dell and Microsoft have been weak as investors have become pessimistic regarding the timing for technology hardware/software replacement spending. Google is the leader in internet advertising, which is an area that, we believe, has very promising growth prospects, but near-term earnings may be hurt by currency translation effects due to weakness in the British pound sterling and the euro. Longer term, we are optimistic on the outlook for the technology replacement cycle and for growth in internet advertising and we also like Google's opportunities in numerous areas that are not yet generating significant revenues such as mobile telephone operating systems, cloud computing, and a variety of computer software applications.

We increased our energy exposure during the quarter as BP's Gulf of Mexico oil spill brought down valuations for the entire energy complex. For example, we purchased Ensco, an offshore driller with no involvement in the oil spill. According to our analysis, Ensco's mix of jack-up and deepwater rigs, as well as their rigs' specifications, locations and contracts, make them less vulnerable than other drillers to the regulatory risks created by the oil spill disaster. We also added to some of our existing energy holdings due to compelling valuations and our belief that the fundamentals of these companies remain intact.

The Senate passed a financial reform bill at the end of the quarter that will impact some of our holdings. Although the final outcome of the legislation is uncertain, both J.P. Morgan and U.S. Bancorp are likely to have their earnings impacted negatively by the financial reform. We believe, however, that the market has discounted a worse scenario than what will ultimately occur and anticipate a recovery in share prices as the level of uncertainty declines.

**Outlook |** We are optimistic on the outlook for equities. The cyclical recovery in company earnings is robust. Corporate balance sheets are extremely strong and free-cash-flow generation is unusually high. The Federal Reserve is likely to keep short-term interest rates at or near zero through

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Benchmark Index:

The Standard & Poor's 500 Index (S&P 500) is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

Thornburg Investment Management is the subadviser to the Fund.

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year-end and probably well into 2011. The recent decline in long-term yields, with the 10-year treasury yield dipping below 3 percent, is indicative of a high degree of fear among investors. Finally, we continue to find attractively priced companies that we believe should create value over time. We believe the combination of these factors is extremely positive for stocks.

We would be more bullish, however, were it not for the rising level of government intervention in the economy, the risk of rising taxes, the headwinds created by the European sovereign debt crisis, the uncertain outlook for demand from China as their government seeks to control inflation, the still-shaky state of home prices and elevated unemployment. For U.S. stocks, we view the positive factors listed above as being more important than the negative headwinds. As always, we remain optimistic that our focused portfolio of stocks selected using bottom-up fundamental research has the potential to deliver favorable results regardless of what changes occur in the macro environment.

A limited portion of the Fund's net assets may be invested in foreign securities. Investments in foreign securities involve greater risks than investing in domestic securities. International investing presents specific risks, such as currency fluctuations, differences in financial accounting standards and potential political and economic instability.