Eagle Mid Cap Stock Fund

Management

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Portfolio Co-manager

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Portfolio Co-manager

Characteristics

Total Net Assets (millions)	$774.7
Number of holdings	82

Top Holdings

Crown Castle International
IAC/InterActiveCorp
Teradata
Pall
Allied World Assurance
Check Point Software Technologies
Macy's
Rayonier
Dish Network
Nielsen

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

The S&P Mid Cap 400 Index was up 13.5 percent this quarter, led by technology (up more than 21 percent); consumer discretionary and healthcare (both up 16.9 percent). The utilities sector lagged again (down 2 percent). The index's smallest quintile by market capitalization was up 17 percent and the quintile of the index with the highest beta was up 17 percent also.

Portfolio Review

Consumer staples and energy had the strongest relative performance while industrials and financials were relative underperformers.

In utilities, ITC Holdings was up slightly for the quarter as it beat earnings. Investors are waiting for more clarity on the takeover of Entergy's transmission business to reward recent earnings strength.

Materials was another source of relative outperformance due mainly to strength in the chemicals and packaging industries. In chemicals, Solutia, Inc., maker of specialy chemicals and performance materials, was up on the announcement of its acquisition by Eastman Chemical.

Within industrials, machinery and commercial services weighed on relative returns as investors gravitated toward holdings with more cyclicality. In machinery, Gardner Denver traded lower after reporting earnings results that were mostly in line with estimates but volumes in their natural-gas pumps and fracking businesses were lower. Then, one of the company's key pressure-pumping customers negatively preannounced earnings due to falling demand in the natural-gas fracking business. We continue to hold the position as it appears to us that the stock has more than priced in the risk for this quarter of revenue.

In professional services, information measurement and analytics company Nielsen provided guidance for annual sales growth in line with expectations. We maintained the position as Nielsen is on track for integrating Wal-Mart as one of its key retailers for monitoring sales trends.

In financials, Rayonier, a timber real estate investment trust (REIT), underperformed as the company gave guidance that it would have a higher tax rate than had been expected. We maintained the holding as Rayonier is seeing strength in its performance fiber business.

Outlook

We continue to see a good value in the stock market with an average earnings yield still above the historical average and in spite of two consecutive quarters of double-digit returns. Furthermore, with an average 8 percent free-cash-flow yield for stocks and a 2 percent 10-year Treasury, we believe it is possible to invest in the skepticism of the market and earn a healthy return. In some regards, skepticism regarding the health of the companies that we invest in surprises us since pre-tax margins are at 40-year highs, according to Empirical Research. Barring an unexpected event that would shock the system, we don't see the trend of high margins subsiding as the globalization of our economy continues.

Looking out across the market, we also feel better as daily correlations among stocks have come down from record highs. That should cause stock selection to be rewarded, particularly in investments that are seen as growth names that still offer good risk/return profiles. In a lot of ways, stocks with typically stable earnings and dividends seem to be very expensive to us and should be invested in with caution. These stocks tend to be in sectors like utilities, REITs, telecommunication services and some consumer staples.

The Fund is overweight consumer discretionary and information technology. Within consumer discretionary the Fund is overweight media. We tend to favor unique media businesses that are very hard to replicate (e.g. John Wiley &

Sons's publishing business and Dish Network's valuable subscriber base and government-granted wireless spectrum). We are overweight information technology because nearly the entire sector has been generating robust free-cash flow. We believe software companies Check Point Software Technologies and Intuit have attractive outlooks.

We continue to maintain a market-weight position in energy, while we expect oil prices to act as a governor on U.S. gross domestic product (GDP) growth. In light of the volatility of the underlying commodities in energy, we believe it is best to own what we believe are high-quality exploration-and-production (E&P) companies such as QEP Resources and Cobalt International Energy, which are trading at close to proven reserves. Regarding energy services, we like our holdings with technological barriers to entry (e.g.,Cameron International with its flow-equipment products and systems) or companies such as Oil States International which operates in key geographic locations for oilfield workers in remote areas.

Overall, we are underweight in financials, while maintaining an overweight position in what we view as low-beta (i.e., low-risk) insurance companies (e.g. Allied World Assurance and Reinsurance Group of America). We have chosen to underweight banks and REITs, mostly due to valuation. In banks, we hold First Niagara Financial Group, Signature Bank and City National. In REITs, we are focused on apartments in desirable locations with growing populations of renters (e.g. Essex Property Trust and Mid-America Apartment Communities). We continue to hold Rayonier, a timber REIT whose investments in high-end pulp have allowed it to increase its dividends with essentially a call option when timber prices recover.

We continue to believe the utilities sector is expensive even with recent underperformance. ITC, a non-traditional utility that owns power-transmission grids, has what we view as a better-than-average growth rate and the company will do even better if interest rates move off their historic lows.

Investing in mid-cap stocks may involve greater risks than investing in larger, more established companies, including the risk of more volatile trading than large-cap stocks.

Eagle Mid Cap Growth

Benchmark Index:
The Standard & Poor's MidCap 400 Index is a capitalization-weighted index that measures the performance of the mid-range sector of the U.S. stock market. It is not possible to invest in an index.

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