

HIGH QUALITY TAXABLE

First Quarter | 2012

EAGLE HIGH QUALITY TAXABLE

Representative Holdings

US Treasury, 4.25%, 11/15/14
PEFCO, 3.05%, 10/15/14
U.S. Treasury, 4.00%, 8/15/18
TVA, 5.5%, 7/18/17
FHLMC MBS, 5.125%, 12/15/13
FNMA MBS, 5.45%, 12/25/20
JPMorgan CMBS, 4.994%, 7/12/35
Walmart, 3.625%, 7/8/20
Merck, 2.25%, 1/15/16
Coca-Cola, 5.35%, 11/15/17

Portfolio Characteristics

Average Duration	3.86
Average Maturity	4.31
Average Coupon	3.11%
Current Yield	2.93%
Yield to Maturity	1.53%

Sector Diversification

Treasuries	22%
Agencies	14%
Mortgages/ Asset-backed Securities	5%
Corporates	56%
Commercial Mortgage-backed Securities	3%
Municipals	0%
Cash	0%

Managers:

James Camp, CFA
Joseph Jackson, CFA

Eagle's Fixed Income team believes that intermediate-term bonds offer the best risk/reward trade off for most fixed-income investors. The strategy offers a low-volatility option for investors who want the relative stability and income of fixed-income products while seeking greater total returns (current income plus realized capital gains). The process begins with a top-down look at interest-rate trends, economics and sector valuations, which is then followed by in-depth bottom-up analysis. The goal of this research and analysis is to maximize total return through diversified portfolios managed with a long-term strategic view.

Objectives

- Fixed Income objective offering high-quality, intermediate-term bonds
- Holdings may include U.S. Treasury and government agency bonds, investment-grade corporate bonds, investment-grade mortgage-backed (MBS) and asset-backed (ABS) securities, as well as investment-grade convertible securities and preferred stocks.

Investment Process¹

The Eagle Fixed Income team utilizes an active approach with long-term emphasis.

Investment Policy Statement Review

- Risk/reward objectives
- Investment guidelines and restrictions
- Benchmark selection

Macro Analysis

- Fed/Government policy
- Global markets
- Interest-rate outlook
- Inflation
- Demographics
- Economy

Portfolio Construction

- Set duration
- Sector allocation
- Individual security selection
- Search for bonds
- Negotiate price
- Allocate to accounts

Review and Adjust

- Continuous market analysis
- Monitor individual securities
- Monitor individual accounts and benchmarks
- Relative value swaps

Performance² as of March 31, 2012

		First Quarter	Year to Date	One Year	Three Years	Five Years	Since Inception (Jan. 1, 1986)
Eagle High Quality Taxable	Gross	0.52%	0.52%	6.87%	5.83%	6.25%	6.91%
Eagle High Quality Taxable	Net	0.30%	0.30%	5.93%	4.82%	5.17%	5.97%
Barclays Capital Intermediate Government/Credit Index		0.61%	0.61%	6.08%	5.87%	5.67%	6.85%

The performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate so that an investor's portfolio, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain current month-end performance information, please call your financial advisor or visit eagleasset.com.

Trailing Standard Deviation as of March 31, 2012

		Three Years	Five Years	Since Inception (Jan. 1, 1986)
Eagle High Quality Taxable	Gross	3.19%	3.51%	3.31%
Eagle High Quality Taxable	Net	3.19%	3.50%	3.31%
Barclays Capital Intermediate Government/Credit Index		2.74%	3.53%	3.68%

Source: Callan; standard deviation is not statistically relevant for periods less than three years

Manager Outlook

The Federal Reserve maintained its target of 0 percent-0.25 percent for its benchmark short-term interest rate during the quarter. Further, it extended its prediction of near-zero rates from mid-2013 to late 2014. The move came as the Fed unveiled a more comprehensive communication policy that it hopes will provide more policy transparency to market participants. The Fed is including in its communications: post-meeting press conferences, a university lecture series and a more descriptive representation of the various Federal Open Market Committee (FOMC) member opinions and expectations.

In our view, this is simply an attempt by the Fed to support the markets without actually creating additional money and thus increasing the risk of runaway inflation. It is no surprise that this process alteration occurs at a time when various measures of inflation are at or above the level at which the Fed is comfortable. Should the economy stumble and these measures of inflation decline, we believe that additional easing is likely.

Credit spreads — the difference between Treasuries and lower-grade credits — moved tighter in the first quarter on the momentum of serviceable bank earnings and economic releases that surprised to the upside. It was little surprise to see financial institutions lead the charge as we have observed this scenario at various times during each of the past three years. Financials spreads tightened 110 basis points during the period and earned a 5.07 percent total return as a group. Industrials and utilities spreads were firmer as well, showing 36 basis points and 27 basis points of improvement, respectively. The industrials sector earned a total return of 0.76 percent while utilities lost 7 basis points. Finally, consistent with a rally in risky assets: Baa-rated securities outperformed higher-rated securities by a comfortable margin in the first quarter.

Our stance remains defensive and we maintain our sector weightings from the beginning of the quarter. We are slightly underweight the financial sector, including a bias against money-center banks. Credit, especially finance, has rallied in the early stages of the year and we would expect that, in the absence of negative headlines, this will be a common trend. That said, we still believe significant headwinds remain for the large banks with regard to the housing market and regulatory environment. In addition, the majority of the low-interest temporary liquidity guarantee program (TLGP) borrowings are maturing and the banks will have to refinance at appreciably higher rates. We remain overweight utilities and industrials and place emphasis on businesses with predictable cash flows and modest leverage. Again, we see the trend of narrowing risk premiums continuing in the absence of negative economic releases and poor developments in Europe. However, we are positioned to outperform when this trend breaks.

For more information, visit eagleasset.com

¹ Not every investment opportunity will meet all of the stringent investment criteria mentioned to the same degree. Trade-offs must be made, which is where experience and judgment play a key role. Accounts are invested at the discretion of the portfolio manager and may take up to 60 days to become fully invested.

² Performance Disclosures

The calculation of the performance data includes reinvestment of all income and gains and is depicted on a time-weighted and size-weighted average for the entire period. Performance is shown after deduction of transaction costs and both “gross” (before the deduction of management fees) and “net” (after the deduction of management fees). Performance figures include all internal, retail High Quality Taxable (Intermediate Conservative) accounts of Eagle Asset Management, a St. Petersburg, Florida-based firm. All composite performance data through 2010 have been verified by an internationally recognized accounting firm. Performance data for the current year have not been audited and are subject to revision. No inference should be drawn by present or prospective clients that managed accounts will achieve similar investment performance in the future. Past performance does not guarantee future results. Because accounts are individually managed, returns for separate accounts may be higher or lower than the average performance stated in the charts. Investing in equities may result in a loss of capital. A client’s return will be reduced by the advisory fees. Eagle’s fees are set forth in Eagle’s Form ADV, Part II. Over a period of five years, an advisory fee of 1 percent could reduce the total value of a client’s portfolio by 5 percent or more.

Risks Associated with Fixed Income Investing

Many investors consider bonds to be “risk-free” investment vehicles. Historically, bonds have indeed provided less volatility and less risk of loss of capital than has equity investing. However, there are many factors which may affect the risk and return profile of a fixed-income portfolio. The two most prominent factors are interest-rate movements and the creditworthiness of the bond issuer. The risk of a change in the market value of the investment due to changes in interest rates is known as interest-rate risk. Interest-rate risk is subject to many variables but may be analyzed based on various data (e.g., effective duration). The risk that the issuer may default on interest and/or principal payments is often referred to as credit risk. Credit risk is typically measured by ratings issued by ratings agencies such as Moody’s and Standard & Poor’s. Bonds issued by the U.S. Government have significantly less risk of default than those issued by corporations and municipalities (see below for a discussion of the risk associated with convertible securities). However, the overall return on Government bonds tends to be less than these other types of fixed-income securities. Finally, reinvestment risk is the possibility that the proceeds of a maturing investment must be invested in a lower yielding security, all other things held constant, due to changes in the interest-rate environment. Investors should pay careful attention to the types of fixed-income securities which comprise their portfolio, and remember that, as with all investments, there is the risk of the loss of capital.

Index Descriptions

The Barclays Capital Intermediate Government/Credit Index represents the intermediate component of the U.S. Government/Credit Index. The Government/Credit Index includes securities in the Government and Credit Indices. The Government Index includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. Index returns do not reflect the deduction of fees, trading costs or other expenses. The index is referred to for comparative purposes only and the composition of an index is different from the composition of the accounts included in the performance shown. Indices are unmanaged and one cannot invest directly in the index.

Standard Deviation – Standard Deviation is a measure of the dispersal or uncertainty in a random variable. For example, if a financial variable is highly volatile, it has a high Standard Deviation. Standard Deviation is frequently used as a measure of the volatility of a random financial variable.

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880 Carillon Parkway | St. Petersburg, FL 33716 | 727.573.2453 | 800.237.3101

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