

SMALL CAP GROWTH

First Quarter | 2012

EAGLE SMALL CAP GROWTH

Top 10 Holdings

Lufkin Industries	3.55%
Genesco	3.32%
Vitamin Shoppe	2.14%
Coherent	2.05%
Centene	1.96%
GNC	1.92%
Triumph Group	1.89%
Huntsman	1.84%
BJ's Restaurants	1.83%
Shuffle Master	1.83%
Total % in top 10 holdings	22.33%

Statistical Information

Trailing Price/Earnings	22.40x
Forward Price/Earnings	18.12x
Price Earnings/Growth	0.94x
Price/Book	2.47x
Price/Sales	1.22x
Price/Cash Flow	11.96x
Long-term Growth Rate	19.98%
Long-term Debt/Capital	20.52%
Return on Equity	11.97%

Median market cap	\$1.98 B
Wtd. average market cap	\$2.31 B
Typical number of positions	up to 100
Annual portfolio turnover	50%-80%

Managers:

Bert L. Boksen, CFA
Eric Mintz, CFA

Eagle's Small Cap Growth team seeks to gain a thorough understanding of a company's management, business plan, financials, real rate of growth and competitive threats and advantages. They do that by visiting companies, talking to their suppliers and even questioning competitors.

The goal of this research and analysis is to create a small-cap growth portfolio that will have less risk than the benchmark while outperforming it over a market cycle.

Features

- Equity objective offering small-cap stocks
- Typical market cap: \$100 million to \$2.5 billion at time of purchase
- Weighted-average (dollar-weighted) market cap: \$2.31 billion

Investment Process¹

The Eagle Small Cap Growth team identifies investment opportunities believed to have the following criteria:

Rapid Growth...

- High or accelerating earnings growth rate
- Positive catalyst such as a new product, acquisition, divestiture, restructuring or change in the marketplace
- High or expanding return on equity
- A management team with insider ownership and a compensation program that encourages strong stock performance

...at a Reasonable Price

- Price-to-earnings ratio less than or equal to the projected earnings growth rate
- Market capitalization below the company's enterprise value
- Reasonable debt-to-capital ratio

Risk Management

- Buy reasonably priced stocks
- Diversify sectors
- Stay with winners
- Actively monitor earnings quality and anticipate potential problems

Sell Discipline

- A company becomes a candidate for sale if fundamentals deteriorate or there is a significant change in the competitive landscape;
- If original thesis proves incorrect; and/or
- Position size becomes too large relative to total portfolio

Points of Differentiation

- Experienced Team:** Portfolio managers have more than 50 years of investment experience and dedicated team collectively has more than 100 years of investment experience
- Culture of Investment Excellence:** Written reports, monthly updates, objective performance measurement
- Bottom up, Fundamentally Driven Research Process:** Use proprietary screen for accelerating earnings growth
- Intense Focus on Risk Management:** Continuously gather industry data to support/challenge investment thesis and monitor relative strength to identify potential problems
- Long-term track record of consistent outperformance on a relative and risk-adjusted basis**

Performance² as of March 31, 2012

		First Quarter	Year to Date	One Year	Three Years	Five Years	Since Inception (Jan. 1, 1994)
Eagle Small Cap Growth	Gross	15.03%	15.03%	5.62%	32.73%	8.97%	12.63%
Eagle Small Cap Growth	Net	14.69%	14.69%	4.37%	31.13%	7.59%	10.83%
Russell 2000 Growth Index		13.27%	13.27%	0.66%	28.35%	4.15%	5.95%

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	Seven Years	10 Years	Since Inception (Jan. 1, 1994)
Eagle Small Cap Growth	Gross	24.43%	26.16%	22.67%	23.46%	24.00%
Eagle Small Cap Growth	Net	24.37%	26.12%	22.63%	23.41%	23.92%
Russell 2000 Growth Index		25.42%	26.98%	23.64%	24.20%	25.77%

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

Manager Outlook

The first-quarter's rally was broad-based with virtually every sector participating. Corrections are likely but historically, the sharp first-quarter rally suggests 2012 will prove to be a strong year for equities. The rally reflected a positive change in most economic data as autos were strong, housing has at last finally bottomed, unemployment is trending modestly down and gross domestic product (GDP) forecasts have been moving modestly higher. Sovereign-debt remains a big long-term issue but some resolution of the Greek situation also helped. We believe the European crisis interrupted a strong bull market that began off the March 2009 bottom. Retail investors stung by the 2008 financial crisis remain, for the most part, on the sidelines but we believe there are signs indicating asset flows into fixed income could reverse as interest rates trend higher. Some of that money likely will flow into the equity market. And as we move closer to the presidential election, government policy should continue to be pro-growth. The possible reversal of the restrictive healthcare law as well as the increasing probability both houses of Congress will go Republican should serve as positive catalysts.

We believe both coal and natural gas appear to have begun a bottoming process that could set the stage for a cyclical rally given overwhelmingly negative investor sentiment. We have recently initiated modest positions that would benefit from any upside while limiting our downside risk in the event we are premature. This shift represents a slight departure from our longstanding preference for companies with exposure to oil. Importantly, this does not diminish our conviction in the outlook for "oily" names in the space, which should post accelerating earnings growth as business picks up commensurate with the sharp rise in the oil-rig count.

Within the industrials space, we see several attractive end markets that are in the midst of cyclical upturns. The outlook for aerospace, a longstanding overweight, remains robust. Improving consumer confidence may help spur a long-awaited upgrade cycle for residential air-conditioning units and a recovery in commercial and residential construction, which should drive significant growth for equipment manufacturers.

In healthcare, we continue to believe that those companies focused on reducing costs for the healthcare industry will enjoy strong demand and solid profits for their products and services. As such, we continue to hold companies that offer healthcare information systems to physicians and/or hospitals. The key to making money in healthcare going forward will be to locate firms that are benefiting from government-mandated initiatives or to focus on consumer-oriented parts of healthcare, such as dentistry or aesthetics.

A strong performance driver in technology has been acquisition activity, which not only moves the acquired company's stock sharply higher but tends to raise all ships. The ingredients for continued acquisition activity – such as a relatively low-growth environment, strong balance sheets and low interest rates – remain in place. Specific takeovers are hard to predict so we focus on companies that have strong fundamentals and operate in spaces that we believe are likely to see acquisition activity. We continue to focus on growth opportunities such as security software, which is mission-critical for both commercial and government customers, along with analytics software, which can generate a strong return on investment for customers.

Consumer stocks led the charge in the strong first quarter. We have two themes within our consumer space: health/nutrition and the continued expansion of gaming. Within health and nutrition, we own Vitamin Shoppe and The Fresh Market. Both stocks have been strong performers benefitting from favorable demographics and consumer preferences for a healthy lifestyle. The continued expansion of gaming globally is sure to continue, in our view, as states scramble to balance budgets.

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 Small Cap Growth 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.

Descriptions and Definitions

The Russell 2000 Growth Index represents a segment of the Russell 2000 Index with a greater-than-average growth orientation. Whereas the Russell 1000 style indices (growth and value) are categorized as being either entirely value or growth, the Russell 2000 style indices use a probability methodology that places many securities in both styles. As a result, a company’s available market capitalization can be split between value and growth in proportion to its respective probabilities. With this methodology, the combined market capitalization of the Russell 2000 Growth and Value indices will add up to the total market cap of the Russell 2000. Indices are unmanaged, and one cannot invest directly in an 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.

Risks Associated with Small Cap Growth Investing

Investing in small companies is based on the premise that relatively small companies will increase their earnings and grow into larger, more valuable companies. However, as with all equity investing, there is the risk that a company will not achieve its expected earnings results, or that an unexpected change in the market or within the company will occur, both of which may adversely affect investment results. Historically, small-cap stocks have experienced greater volatility than other equity asset classes, and they may be less liquid than larger-cap stocks. Thus, relative to larger, more liquid stocks, investing in small-cap stocks involves potentially greater volatility and risk. The biggest risk of equity investing is that returns can fluctuate and investors can lose money.

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Management

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Not FDIC Insured

May Lose Value

No Bank Guarantee