David G. Shell, CFA

Goldman Sachs
Asset Management

Portfolio Co-manager

Steven M. Barry

Goldman Sachs
Asset Management

Portfolio Co-manager

Top Holdings

American Tower

Apple

PepsiCo

Schlumberger

Crown Castle International

Microsoft

Johnson & Johnson

Qualcomm

Baxter International

Cisco Systems

Market Overview | U.S. and international equities broke a four-quarter winning streak with a sharp drop in the second quarter that erased gains from the previous quarter and sent most major indices into negative territory for the year-to-date period. Broad-based weakness produced negative returns for all sectors in the S&P 500 Index, although more defensive sectors such as consumer staples, telecommunication services and utilities fared slightly better than the overall Index. While global markets reflected continued investor concern that Europe's sovereign debt dilemma would spark another financial crisis, attention increasingly focused on evidence that the global economy was losing steam. In the United States, the Federal Reserve Board remained cautious on growth, consumers were wary and private sector payroll growth was weaker than expected. Additional fears of slowing Chinese demand hit commodity prices, while high crude oil inventory levels and BP's disastrous oil spill in the Gulf of Mexico further pressured energy stocks. The financials sector was among the weakest in the quarter, as significant financial reform legislation neared the final stages and investors contemplated the impact to margins, earnings and multiples of banks.

Portfolio Review | Stock selection in the telecommunications services and consumer staples sectors positively contributed to relative returns while select healthcare and consumer discretionary businesses detracted from performance.

Wireless tower companies American Tower and Crown Castle contributed to relative performance during the quarter as both companies reported strong revenue and earnings growth. We believe the tower companies are well-positioned in a growing industry with high barriers to entry. Specifically, as the wireless communication industry continues to evolve from primarily voice to more data usage, the demands on the networks increases. In our view, this should lead to a greater need for more antennae to be placed on the towers, thereby increasing leasing revenues. Furthermore, we believe that the contracts used in the towers' business model are attractive as they provide a very predictable stream of revenue and recurring cash flow.

Broadcom, a global leader in semiconductors for wired and wireless communications, contributed to relative performance during the quarter. Shares of Broadcom outperformed the market as the company reported first-quarter earnings that beat consensus estimates. In addition, it provided a better-than-expected outlook for the second quarter. The results were driven by strength in the company's mobile/wireless and enterprise networking business segments. In our view, Broadcom has significant growth opportunities in the wireless connectivity markets, as it currently ships to five of the six largest cellular handset manufacturers. Specifically, the company recently signed agreements with Samsung and Nokia, which are providing a tailwind to unit sales growth.

Baxter International detracted from relative returns as the company trimmed its guidance for 2010 due to a weaker outlook for its bioscience (blood plasma) business. Competition in the blood plasma market has increased, making it more difficult for Baxter to price its products at a premium. While we expect uncertainty in the plasma business to remain an overhang in the near term, we continue to believe the company trades at an attractive valuation due to its robust product pipeline and its market leading franchise.

Qualcomm pulled back after reporting fiscal first-quarter results. While the wireless chipmaker's second-quarter earnings were ahead of consensus, the strong results were overshadowed by a

Past performance is not indicative of future results and investing involves risk, including the risk of loss. All information as of June 30, 2010. 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 Index:

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 subadviser to the Fund.

EFD-0710-464

disappointing outlook due to continued uncertainty around handset pricing and pricing pressure in its chipset business. In our view, the company remains competitively well-positioned given its strong intellectual-property portfolio and dominant position in third and fourth generation (3G & 4G) wireless devices. Furthermore, we believe Qualcomm has significant growth opportunities in emerging markets, new consumer products, and 3G and 4G mobile phones.

Charles Schwab also detracted from performance as persistently low short-term interest rates continue to force the asset manager to waive fees on its money market funds. With global market uncertainty, expectations for higher rates have been pushed out, which extends this headwind. Furthermore, a competitor re-launched its online brokerage offering, which weighed on sentiment. In our view, Charles Schwab continues to execute on what it can control and it remains attractively valued. As interest rates move higher, Charles Schwab is poised to outperform in our view.

Outlook | As we consider equity returns going forward, we believe stock prices should be driven by company-specific fundamentals, specifically free cash flow and margin structure. In our view, the dramatic cost cutting that occurred in 2009 should provide certain companies with significant operating leverage. Our research efforts continue to be focused on companies that can grow revenue by gaining market share and determining whether the cost cutting was sustainable or transient. We believe that it should continue to be a stock-picker's market and an investment manager's ability to identity and purchase those companies best poised for earnings and free-cash-flow growth will be an important component of investor returns.

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.