

Mid Cap Growth

First Quarter | 2024

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Market Overview

Mid-cap stocks carried over some of the strength from the end of last year, posting solid returns during the first quarter. Among the style indexes, the Russell Midcap® Growth Index (up 9.49%) outperformed the Russell Midcap® Value Index (up 8.23%) by a modest margin. All sectors in the Russell Midcap® Growth Index produced positive gains during the quarter, with utilities (up 24.11%) leading the way by a wide margin. Financials (up 14.58%), consumer discretionary (up 12.92%), and materials (up 11.59%) followed behind generating returns that outperformed the overall index return and outpaced their value index counterparts. Industrials (up 11.17%) also outpaced the growth index, but lagged its value counterpart slightly. Consumer staples (up 8.97%) posted a positive return ahead of real estate (up 8.25%) and communication services (up 7.74%). Healthcare (up 7.73%) wasn't too far behind with energy (up 6.08%) and information technology (up 5.98%) finishing as the worst-performing sectors.

Portfolio Review^{1,2}

The Eagle Mid Cap Growth portfolios underperformed the benchmark Russell Midcap Growth Index on a gross and net basis during the first quarter. The largest source of positive return was contributed by industrials, where strong stock selection benefited the portfolio. Stock selection in consumer staples helped produce strong performance relative to index counterparts. Stock selection in information technology helped to a similar but lesser degree. An overweight allocation in materials, the second-best performing sector in the portfolio on an absolute basis, was accretive to the portfolio. Energy was the only other sector in the portfolio to post

strong performance relative to the index. The performance of healthcare holdings in the portfolio lagged while contributing a positive return. The only sector finishing with a negative return was real estate, but the loss was marginalized due to the smaller weighting of the sector in the portfolio. Consumer discretionary and financials notably lagged owing to less than ideal stock selection.

Top-performing securities

Celsius develops, markets, sells, and distributes functional fitness and lifestyle beverages. The stock performed well during the quarter driven by strong financial results, which meaningfully surpassed expectations. The company's strategic initiatives have driven it to achieve an impressive market share, a difficult feat in the energy drink space that has helped solidify Celsius as a notable contender in the industry.

CrowdStrike, a security software provider, reported strong earnings results, driven by strength in endpoint security, cloud security, and identity protection. Revenue growth and profitability metrics exceeded investor expectations for the quarter, and the forward guidance was ahead of expectations as well. The cyber threat environment remains elevated, and it is likely that the rise of artificial intelligence will make it easier for criminals and threat actors to design and launch sophisticated attacks, increasing the need for CrowdStrike.

Vertiv is a global leader in the design, manufacturing and servicing of critical infrastructure for data centers and communication networks. The company is well-positioned to benefit from the acceleration in data center spending, which

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10 Largest Holdings

U.S. dollar
Synopsis
Dexcom
CrowdStrike
Baker Hughes
Entegris
Waste Connections
Ross Stores
RB Global
Wabtec

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is being driven by the rapid growth in high-performance computing and artificial intelligence. This backdrop is resulting in both new and retrofitted data centers that require significantly more power and cooling content. Vertiv has leading positions in data center power and thermal management, as well as key relationships with both the largest semiconductor companies providing the next-generation chip technology and the hyperscaler companies that are at the forefront of deploying artificial intelligence.

Shockwave Medical is a medical device company focused on developing products to treat calcified cardiovascular disease. The company beat consensus estimates, delivering solid revenue growth in the quarter driven largely by notably strong results in its intravascular lithotripsy (IVL) cardiovascular franchise. We remain positive on the company's outlook given its growing international footprint and plan to introduce new products, one which was recently approved ahead of schedule. Additionally, a large pharmaceutical company was just reported in the news as being in talks to potentially acquire the company.

Martin Marietta Materials is a building materials company that supplies primarily aggregates, as well as cement and downstream products, to infrastructure and construction-related end markets. The stock was a notable performer in the quarter, as it enjoyed a period of extraordinary pricing gains while simultaneously seeing internal cost inflation moderate from previously elevated levels. Accelerating levels of infrastructure spending and a continuation of improving trends in residential construction activity are providing a runway for a potential inflection in volume growth as well. Additionally, the company's healthy balance sheet, coupled with the current robust

mergers and acquisition (M&A) backdrop within its core aggregates offerings, could provide an additional tailwind for growth.

Bottom-performing securities

Unity Software, a leading provider of mobile game development and monetization software, saw shares decline as the company detailed a restructuring strategy that will take some time to realize. Unity plans to divest its unprofitable and lower-margin segments such as professional services and to reaccelerate growth rates through product development and new partner distribution strategies. We expect the company to be largely through the transition by late 2024, and we believe investors should begin to anticipate the positive 2025 outlook well in advance.

MarketAxess operates an electronic trading platform that allows institutional investors to trade corporate bonds and other forms of fixed-income securities. Shares lagged during the quarter due to the benign credit environment weighing down on the company's ability to gain market share. Consequently, forward earnings estimates have been revised downward.

Lululemon designs, distributes and retails athletic apparel and accessories. The company reported financial results that were ahead of estimates, but forward guidance came in slightly below what investors expected. The stock posted lackluster performance as the market priced in expectations that Lululemon's U.S. business will slow down a bit more than initially anticipated.

SBA Communications operates as a real estate investment trust (REIT) with a focus on wireless communications infrastructure. The company continues to face revenue

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Performance² as of March 31, 2024

| | | First Quarter | Year to Date | One Year | Three Years | Five Years | 10 Years | Since Inception (April 1, 2004) |
|--|-------|---------------|--------------|----------|-------------|------------|----------|---------------------------------|
| Eagle Mid Cap Growth | Gross | 9.30% | 9.30% | 22.76% | 4.12% | 12.37% | 12.16% | 11.11% |
| Eagle Mid Cap Growth | Net | 8.51% | 8.51% | 19.18% | 1.05% | 9.07% | 8.87% | 7.85% |
| Russell Midcap [®] Growth Index | | 9.50% | 9.50% | 26.28% | 4.62% | 11.82% | 11.35% | 10.41% |

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 professional or visit eagleasset.com.

Past performance is not a guarantee of future results. 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). The net returns reflect the application of the highest wrap fee of 3% annum.

Performance Disclosures²

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headwinds due to a leading wireless provider decommissioning surplus towers following its merger with another provider. This strategic move has adversely impacted the outlook of the company's future financial performance.

Planet Fitness franchises and operates fitness centers. The stock lagged as forward guidance on both new unit development and member growth slightly disappointed. It has been a difficult operating environment where building costs have increased notably due to higher interest rates and certain inflationary pressures.

Outlook

The equity market posted strong gains in the first quarter of 2024 as the economy continues to prove surprisingly resilient and inflationary pressures continue to subside generally. As

the U.S. Federal Reserve maintains its "wait and see" posture, bond market volatility also has subsided. The equity market's focus has keyed in on corporate earnings and the initial 2024 guidance provided by companies during fourth quarter earnings calls, which broadly have supported higher stock prices. Encouragingly, the market broadened out from the "Magnificent Seven" – the largest seven companies in the S&P 500 Index by market capitalization – that drove much of the index's gains in 2023. During the first quarter, price momentum proved to be a notable factor driving outperformance. The shares of companies exposed to the AI investment theme continued to post strong gains as their acceleration in growth became more evident. The pause between the Fed's last hike and its first cut has historically been a sweet spot for strong equity market returns.

In this context, we believe the consternation of market strategists over the precise timing and magnitude of the Fed's first cut is largely misplaced. A longer Fed stay "in limbo" will likely extend the current rally. In our opinion, a slower-moving Fed would prove supportive for the market as a resilient economy will further confound market skeptics.

Despite this constructive outlook, we remain acutely aware of the risks associated with a momentum-driven market. We are actively managing our exposure to the momentum factor in the portfolio and remain alert to risks associated with high-fliers during market drawdowns. The slope and the duration of the AI investment cycle are crucial variables that will determine if many of the current winners can continue to lead the market higher. We are closely monitoring the

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adoption of newly developed AI applications to determine the sustainability of the AI investment cycle, which will play a key role in determining market leadership from here. Cyclically oriented sectors also have posted solid gains on the prospects of continued economic expansion but could be vulnerable if inflationary pressures are rekindled and the Fed is forced to change course. Against this backdrop, we remain focused on companies with strong secular growth prospects that we believe can outperform over the course of an economic cycle.

Cyclically oriented stocks in the energy, industrials and materials sectors posted solid gains during the first quarter. Interest rates, the dominant driver of share price performance in 2023, were subdued due to largely favorable trends in economic growth and inflationary data. Oil prices were also supported by improving demand trends from China, heightened geopolitical risks, and supply discipline from the Organization of the Petroleum Exporting Countries (OPEC). Notably, Saudi Arabia continues to hold excess supply off the market, which has actually proven to be a net benefit as the impact of higher oil prices has more than offset lower volumes. Multiples have expanded as investors gravitated toward the industrial sector given solid growth prospects due to re-shoring and automation initiatives, infrastructure stimulus, and a significant ramp-up in spending to support AI-driven data centers. Broadly speaking, the profit outlook for industrials has been supported by sticky price increases supporting revenue growth combined with margin improvement opportunities due to higher labor productivity as well as improved supply chains. In particular, the planned build-out of AI data centers is expected to drive a step change in energy demand that will require significant investments from utilities on both renewable power and

transmission infrastructure. Despite this attractive investment backdrop, we remain cognizant of the current risks associated with bullish investor sentiment in light of the current strong stock price momentum. Specifically, we believe that industrial stocks may consolidate recent gains as investor focus shifts to the uncertainty surrounding the presidential election as well as to the risk of a potential backup in interest rates.

The first quarter of 2024 showed some improvements in sentiment toward the healthcare sector. That certainly was not the case in 2023, when healthcare significantly lagged several of the most important growth benchmarks, including the S&P 500, the Russell Midcap Growth and the Russell 2000® Growth indices. Last year saw several unanticipated headwinds affect multiple parts of the healthcare industry and caused many investors to stay away. In the early weeks of the first quarter, we were encouraged by a strong uptick in biotechnology financings, healthcare initial public offerings (IPOs), which were mostly in biotech, and even mergers and acquisitions. As the quarter went on, however, it was clear that a return to normalcy for the healthcare sector was going to be bumpy at best. As we look back over the last five years, it is clear that COVID was both a huge boost to healthcare but, unfortunately, left the sector with a “hangover” it is still working off as certain subsidies have been removed. Additionally, labor costs are finally coming down to pre-COVID levels, Americans are once again seeing their doctors on a more regular basis, and finally, hospital and medical procedures are returning to normal levels. Two of the more important bellwether indicators for the healthcare sector, especially in the Russell 2000 Growth Index, are the amount of investment dollars flowing into the biotech industry, and the level of interest that major pharmaceutical companies show

for the biotech industry through the pace of mergers and acquisitions. Both are returning to pre-COVID levels, if not higher. With the recent surge in the level and number of financings for the biotechnology industry, one group of healthcare stocks that benefited was the clinical research organizations (CROs). These companies are contracted mostly by small to mid-sized pharmaceutical and biotechnology companies to manage the clinical trials of the drugs these companies are developing. Certain of our investments benefited from these trends. We also had exposure to GLP-1 weight-loss drugs, formally known as glucagon-like peptide 1 agonists, which have been found to be very effective in treating Type 2 diabetes and obesity. Our investment in one company paid off with impressive trial results for one of its drugs that spurred a dramatic rise in the stock. We are optimistic that as headwinds subside and trends normalize, healthcare will once again take a rightful seat as a sector filled with innovation, growth, large moats, and solid profit margins. The combination of these characteristics is pivotal in producing strong stock returns.

As inflation seems to be stabilizing, we also are seeing interest rates normalize while the economy continues to grow at a healthy pace. Corporations seem to have put behind the excesses of COVID-related spending, and consumer spending has held in given healthy employment figures. This seems to be a nice set up for investment in the information technology sector. After a dearth of mergers and acquisitions as well as lack of IPOs over the last few quarters, activity has picked up and is likely to increase further as the year progresses. Within technology, we continue to find attractive opportunities in durable, strong companies with healthy balance sheets that will benefit from secular themes such as cloud computing, artificial intelligence, mobility

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and telecommunications infrastructure, digital payments, the Internet of Things, smart homes, industrial automation, security software, e-gaming, and alternative energy.

The current outlook for the financials sector has improved and is now more balanced than in prior quarters. With the next move in interest rates likely to be down, the headwind of rising rates appears to be waning. We suspect economic growth is poised to moderate moving forward but remain positive. In this environment, we see the most interesting opportunities outside of the typical banking space. Some areas we are currently excited about are boutique advisory firms poised to benefit from an increase

in M&A activity that will accompany the decrease in interest rates. In addition, while inflation remains above long-term averages, we are constructive on pawn shops helping lower-end customers access credit. Lastly, we see opportunities in the payments space as large invoice-based payments are being digitized.

While the consumer continues to face a number of headwinds, the continued moderation in inflation and steady job market are welcome positives. Against this backdrop, we find a few different dynamics at play:

- Consumers continue to prioritize travel and experiences,

- Consumers are interested in overall health and wellness, and
- Lastly, consumers are, at the same time, quite discerning when looking for value in certain areas.

Some of the areas we are currently excited about and see attractive opportunities in include companies offering unique experiences ranging from cruise vacations to spa treatments while on cruises to trips to amusement parks. Also, we are interested in companies selling food, drinks and fitness products as part of the health and wellness trend. In addition, we are excited about restaurants and specialty retailers offering discount value products.

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3. Source: Bloomberg, Russell. Statistics represent an aggregate of all Mid Cap Growth portfolios.

Investments in mid-cap companies generally involve greater risks than investing in larger capitalization companies. These companies often have narrower commercial markets and more limited managerial and financial resources than larger, more established companies. As a result, their performance can be more volatile and they face greater risk of business failure, which could increase the volatility of a strategy's portfolio. Additionally, small-cap companies may have less market liquidity than larger companies.

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. The companies engaged in the technology industry are subject to fierce competition and their products and services may be subject to rapid obsolescence. The values of these companies tend to fluctuate sharply.

Definitions

Accretive, or accretion, describes the process of an investment's value or returns growing gradually or incrementally.

A consensus estimate is a forecast of a public company's projected earnings, the results of a particular industry, sector, geography, asset class, or other category, or the expected findings of a macroeconomic report based on the combined estimates of analysts and other market observers that track the stock or data in question.

Cyclical stocks have prices influenced by macroeconomic changes in the economy and are known for following the economy as it cycles through expansion, peak, recession, and recovery.

Dividend yield, which is expressed as a percentage, is a ratio of the current rate of dividend payout divided by the current stock price.

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.

Factor investing is an approach to investing that selects securities based on characteristics associated with higher returns. These characteristics, or factors, can be macroeconomic factors or style factors. Macroeconomic factors are focused on broad risks across asset classes and include the rate of inflation; growth in gross domestic product; and the unemployment rate. Style factors include differences in growth versus value stocks; market capitalization, and industry sector. Factor performance refers to a focus on performance of securities within a particular factor or between groups of different kinds of factors.

Forward earnings per share is an estimate for the next period's earnings per share for a company's profit divided by the outstanding shares of its common stock.

Forward price-to-earnings (forward P/E) is a version of the ratio of price to earnings that uses forecasted earnings for the P/E calculation. The earnings used in this ratio are an estimate and therefore are not as reliable as current or historical earnings data.

Growth investing is a stock-buying strategy that focuses on companies expected to grow at an above-average rate compared to their industry or the market.

Glucagon-like peptide 1 (GLP-1) agonists comprise a class of type 2 diabetes drugs that improve blood sugar control and may also lead to weight loss. The drugs mimic the action of a hormone called glucagon-like peptide 1 by stimulating the body to produce more insulin when blood sugar levels start to rise after someone eats. The additional insulin helps lower blood sugar levels, which helps in controlling type 2 diabetes. How GLP-1 agonists lead to weight loss is less clear.

Guidance refers statements from the managers of publicly traded companies that indicate whether they expect to realize near-term profits or losses and why.

Hyperscalers refers to the largest cloud computing providers that can provide massive amounts of computing resources and storage at enterprise scale.

The Magnificent Seven refers to the seven largest stocks by market capitalization in the S&P 500 index. As of March 28, 2024, they were Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA and Tesla.

Market capitalization, or market cap, refers to the total dollar market value of a company's outstanding shares of stock.

A moat, in finance, refers to a business's ability to maintain competitive advantages in relation to its competitors and thereby to safeguard its market share and long-term profits. Investor Warren Buffett popularized the term.

Momentum investing is a strategy that aims to capitalize on the continuance of an existing market trend. It is a trading strategy in which investors buy securities that are already rising and look to sell them when they look to have peaked. It entails taking long positions on financial instruments with prices trending up and short positions on instruments with prices trending down.

A multiple, sometimes referred to as the price multiple or earnings multiple, is a measure of a company's value based on the ratio of its current share price to its earnings per share. This ratio is known as the price-to-earnings ratio, or P/E.

The Organization of the Petroleum Exporting Countries, also known as OPEC, was founded in 1960 and is a permanent organization of 13 oil-exporting developing nations that coordinates the petroleum policies of its member countries, which are Iran, Iraq, Kuwait, Saudi Arabia, Venezuela, Libya, the United Arab Emirates, Algeria, Nigeria, Gabon, Angola, Equatorial Guinea, and Congo.

Overweight describes a portfolio position in an industry sector or some other category that is greater than the corresponding weight level in a benchmark portfolio.

Reshoring describes the effort to bring manufacturing and other services back to the United States from overseas operations.

Secular stocks are characterized by having consistent earnings over the long term constant regardless of other trends in the market. Secular companies often have a primary business related to consumer staples most households consistently use whether the larger economy is good or bad.

A step change is a term used to describe changes that are sudden, large, and/or represent an improvement in existing conditions.

Sticky is a term used to describe measured data that is slow to change, in contrast to faster-changing flexible data.

Value investing is an investment strategy that involves picking stocks that appear to be trading for less than their intrinsic or book value.

Indices

The Russell Midcap® Growth Index, the strategy's benchmark index, measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth® Index.

The Russell Midcap® Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value® Index.

The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The S&P 500 Index measures change in stock market conditions based on the average performance of 500 widely held common stocks. It is a market-weighted index calculated on a total return basis with dividend reinvested. The S&P 500 represents approximately 80% of the investable U.S. equity market.

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