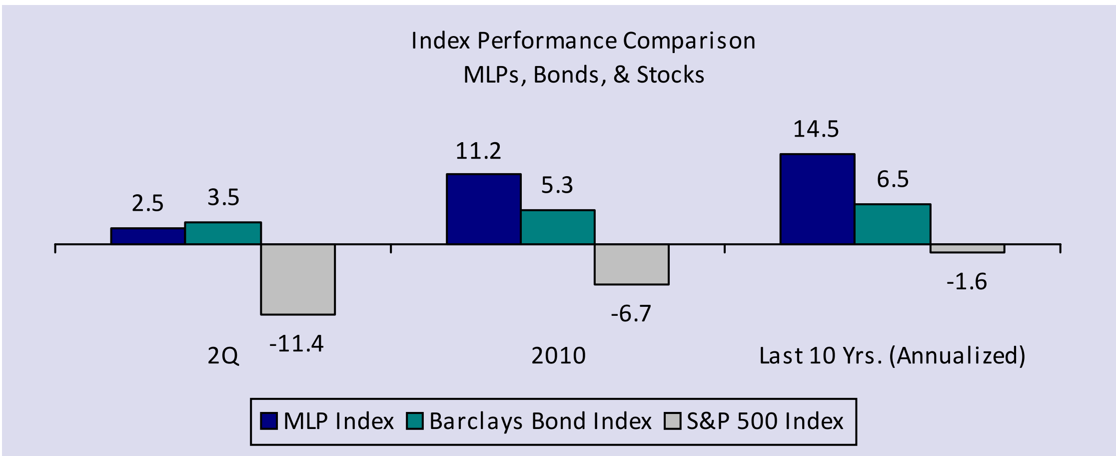
EAGLE GLOBAL ADVISORS

June 30, 2010

Master Limited Partnership Update

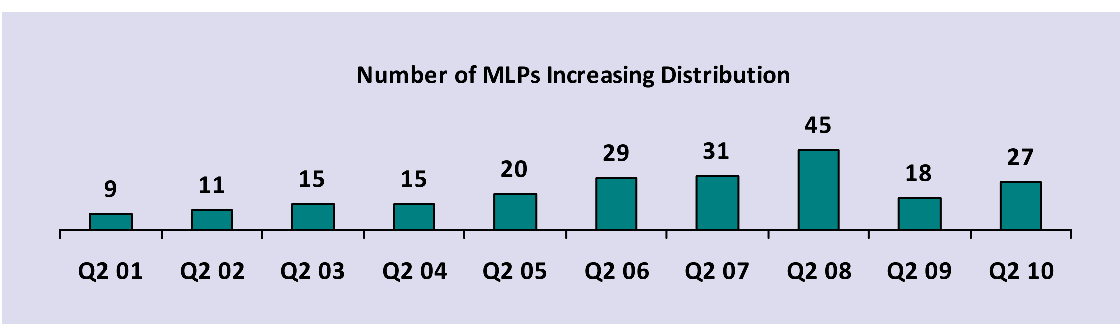
MLPs Outperform Stocks and Bonds in 2010 to Date

During the quarter, Master Limited Partnerships (MLPs) posted modest positive returns, with the unmanaged MLP index gaining 2.5%. MLPs benefitted from improving distribution growth prospects, moderate economic growth, and the continuation of very low short term interest rates. The long term returns from MLP investments remain well above the returns from bonds or stocks as shown below.



Distribution Increases

A key component in long term MLP returns is increases in distributions to limited partners, and last quarter continued the string of quarters with numerous distribution increases. For the quarter, 27 MLPs raised their distribution compared to 18 the year before (see chart). The weighted average distribution increase for all MLPs was 0.9% for the year to date (for Eagle managed portfolios the weighted average increases was 3.5%). Two MLPs cut their distribution during the quarter, as the effects of volatile commodity prices or poor business models took their toll. We expect distribution increases of 3% or greater for the entire MLP market in 2010 (and 7% or greater for Eagle managed portfolios).



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Impact from The BP Spill

The environmental and economic disaster in the Gulf of Mexico that started with the explosion and sinking of the Deepwater Horizon was perhaps the single biggest and most identifiable event that occurred during the quarter. The BP Spill, as it is commonly referred to, is a tragic event, and our hearts go out to the families of the lost crew and the many suffering hardship from the environmental and economic impacts. The events of the BP Spill have been widely reported, so we will not recount them here as we relate the impact of the disaster on MLPs.

The key point is that the spill's impact on MLPs is likely to be very small in both the near term and in the long run. There are less than a handful of MLPs that own or operate infrastructure in the Gulf. For the few MLPs that have Gulf infrastructure, the total amount of cash flow contributed from the assets is less than 5% of the total. The vast majority of Gulf pipelines owned by MLPs carry natural gas, rather than oil, and the volumes on these pipelines will decline gradually while the government's deep water drilling moratorium is in effect. The drilling moratorium will reduce future production in the Gulf, and this will reduce the future opportunities for MLPs to build new underwater pipelines, but the rising costs associated with Gulf pipelines, particularly the cost of insurance following the losses incurred in 2004-2008 had already eliminated interest amongst MLPs in building infrastructure in the Gulf. There are no projects under construction or under development by MLPs anywhere in the Gulf, so none have been impacted by the changed regulatory environment.

We anticipate that the deep water moratorium, and the increased regulatory costs that are likely to be required when the moratorium is removed will increase the amount of capital spent on US onshore development and will increase the amount of crude oil and refined products imported. In most respects, both of these developments should benefit MLPs who will have increased opportunity to build infrastructure to support the change. Additional development of onshore areas such as oil production in the Bakken of North Dakota and the Niobrara of Colorado will require additional pipeline development to support increased volumes. Several MLPs are well positioned to build or expand pipeline systems in these areas. Additional imports of crude oil and refined products will increase the demand for tank storage at coastal terminals, and many MLPs have significant operations that could be expanded to meet this need.

We believe that, at the margin, reduced Gulf and potentially other deep water production will lead to higher crude oil prices. The specific amount will be hard to discern amongst all the factors that influence oil prices, but the combination of reduced supply and higher production costs should increase the market price of crude oil. Higher crude oil prices would likely lead to better economics for natural gas liquids (NGLs) such as ethane and propane, as these commodities are typically priced to compete with crude oil derivatives such as naptha and gas oil. Improved NGL conditions should benefit MLP operators of NGL pipelines, storage, and fractionation. Higher crude oil prices may also lead to greater switching to natural gas over time which would benefit MLPs that operate natural gas pipelines, but if less gasoline and diesel were consumed because of higher prices, that would negatively impact MLPs that operate refined product pipelines.

In summary, we believe that the impacts from the BP Spill for MLPs will be positive at the margin, and we do not expect material impacts to MLP cash flows in the near term. The lasting effects from the BP Spill may provide some additional opportunities for MLPs to develop infrastructure, but the outlook for MLP distribution growth continues to be positive regardless of the impact of the Spill.