EAGLE GLOBAL ADVISORS

Eagle U.S. Equity

U.S. Equity markets stumbled in the fourth quarter and then tumbled precipitously after the U.S. announced larger-than-expected tariffs on our trading partners on April 2nd. The S&P 500 Index posted a -4.3% return for the quarter. The U.S. market started the year strongly, reaching an all-time high in February, before selling off due to tariffs when the administration announced these tariffs in February. Despite the Federal Reserve's decision to pause on rate cuts in the first quarter, longer-term interest rates fell on concerns about a slowing economy. Fixed income portfolios showed modest positive returns during the quarter.

ECONOMY: STRONG MOMENTUM UNDERCUT BY FUTURE UNCERTAINTY

The economy exhibited strong momentum in the first quarter, with the job market showing good growth and modestly falling inflation readings. However, as of this writing, in the wake of the dramatic tariff announcement on April 2nd, the outlook for U.S. growth is diminished, and the chances for a recession both in the U.S. and abroad are increased. As of April 6th, a 10% across-the-board tariff on all imports (with a few exceptions like semiconductors and certain goods in the US/Canada/Mexico trade pact) has been imposed. On April 9th, additional significant tariffs were to go into effect on imports from other countries and regions, with the size of the tariff dependent on the size of the trade deficit in goods with that country and region. The various tariff rates set to take effect on April 9th are shown below. Note that the tariffs on Chinese goods will be on top of the two 10% tariffs already announced for that country, bringing the tariff on Chinese imports to 54%. No new tariffs were announced for Mexico and Canada, but a 25% tariff announced at the end of February on imports of some goods without any U.S.-produced content from those countries is in effect. On April 9th, the President announced a 90-day pause on the additional tariffs, except for China, on which he imposed a 125% tariff.

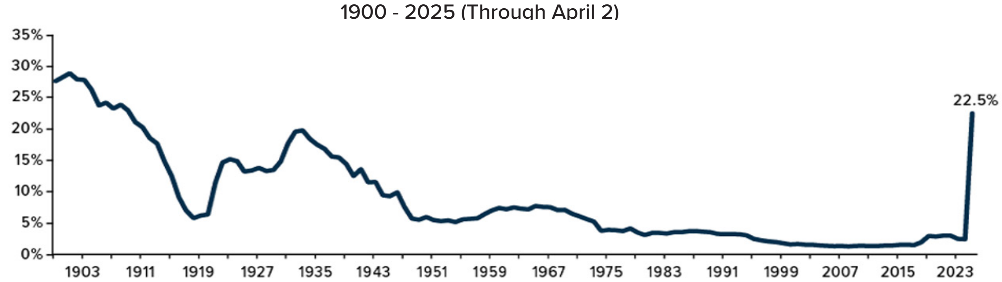
Proposed Tariffs in April 2nd Announcement

Country	Share of U.S. Imports	Tariff
European Union	18.5%	20%
China	13.4%	34%
Japan	4.5%	24%
Vietnam	4.2%	46%
South Korea	4.0%	26%
Taiwan	3.6%	32%
India	2.7%	27%
U.K.	2.1%	10%
Switzerland	1.9%	32%

The impact of these tariffs on world trade and its economies will be significant. The tariffs in the first Trump administration were much smaller and only affected China. These tariffs affect all countries in the world and are dramatically higher. According to some estimates, they exceed the Smoot-Hawley tariffs imposed in the 1930s and approach a level not seen since 1907. The Budget Lab at Yale estimates that the average effective tariff on imports into the U.S. will be 22.5% after these measures are imposed (see below).

AVERAGE EFFECTIVE TARIFF RATE IN THE U.S. AT HIGHEST LEVEL SINCE 1909

1900 - 2025 (Through April 2)



Source: Budget Lab at Yale, U.S. Global Investors

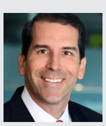
ABOUT US

- Located in Houston, TX
- Founded in 1996
- $2.6B in AUM*
- 23 employees including 10 investment professionals

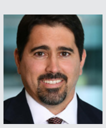
INVESTMENT HIGHLIGHTS

- Focus on companies with global scale
- Industry leaders that possess sustainable competitive advantages
- Optimal combination of proprietary quantitative tools and fundamental research
- Sustainable Growth-oriented businesses trading at attractive valuations (SGARP)
- Allocations driven primarily by stock selection—45 to 60 high conviction holdings
- Benchmark sensitive—R^2 over 90%
- Low turnover—15% to 30% annually
- Long track record of competitive returns since inception

PORTFOLIO MANAGEMENT



John F. Gualy, CFA
Senior Partner,
Portfolio Manager
33 Years of Experience



Brian Quattrucci, CFA
Portfolio Manager
29 Years of Experience

CONTACT US

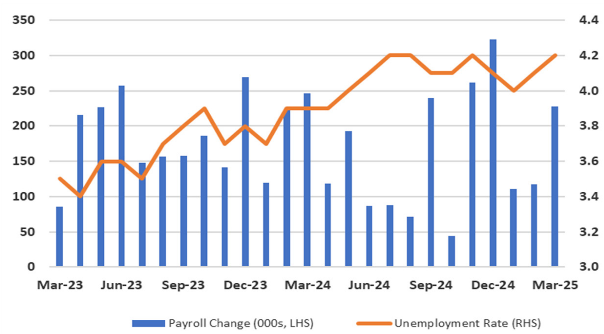
Steven Russo
713.952.3550
srusso@eagleglobal.com

**AUM data is inclusive of both discretionary and non-discretionary client assets.*

One difficulty with estimating the effects of these tariffs is their potential to spark a trade war, where other economies impose retaliatory tariffs on U.S. exports to their countries. China has already announced a 34% tariff on U.S. exports to their country, matching the rate that we just announced on their exports to us. A trade war has the potential to reduce world trade, hurting all economies affected dramatically.

This is a shame since we believed the economy was gaining momentum. In March, the economy added a robust 228 thousand new jobs. The unemployment rate ticked up modestly to 4.2%, but that was mainly due to new entrants into the job market being attracted by employment opportunities. (See below.) One caveat, the payroll number widely reported does not include government employees, as this measure is only of private payrolls. The unemployment statistics to date do not reflect the government layoffs, as many government employees are currently only furloughed with pay and have not been officially terminated from employment.

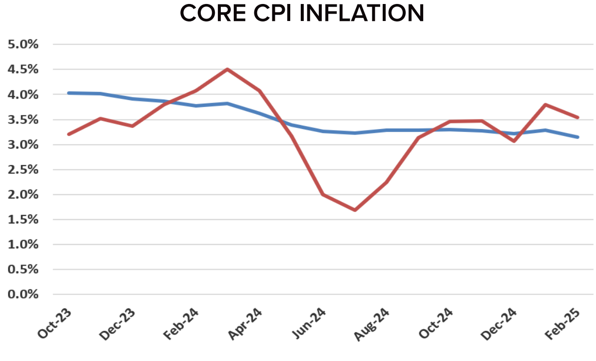
LABOR MARKET STATISTICS



Source: U.S. Bureau of Labor Statistics

The news on inflation has been mixed but supportive of slowing price rises. The Core CPI in February slowed to 3.1% year-over-year. While the 3-month change in Core CPI was higher at 3.5%, that too was down from its rate in January at 3.8%. Wage inflation in March slowed to 3.8% year-over-year, the slowest reading seen in this recovery. Post the end of the quarter, concerns about future growth and a larger than expected increase in oil production from OPEC saw oil prices drop materially to $60 a barrel for WTI, the lowest price seen since 2021, and down 16% so far this year.

CORE CPI INFLATION



Source: Bureau of Economic Analysis

Another significant area of policy uncertainty is fiscal policy: taxes and spending. Despite the dramatic headlines of government worker layoffs, grant cuts, and other spending cuts spearheaded by the Elon Musk-driven DOGE, the aggregate amount of savings has not been near the trillions of dollars originally promised by Musk and others. As of March 3rd, DOGE claimed savings of $105 billion from lease terminations, contract cancellations, and federal worker firings. However, DOGE has not provided documentation to back up their claims, and the amounts that have been detailed are well below that amount. Part of the issue is that personnel costs only make up 4% of government spending. Social Security, Medicare, and defense spending have largely avoided cuts, with defense and border security spending set to increase under this administration.

This administration has also been focused on delivering tax cuts. The Senate and House have both just passed budget blueprints. Both bills proposed deficits in the trillions for the next 10 years, with the House bill stricter than the Senate bill. Both bills would allow for extending the current tax rates passed in Trump's first administration. Still, it is up to various committees to determine how other tax and spending priorities would be accommodated. Neither bill balances the budget on current forecasts; the difference is in the amount of deficit, with estimates of the House bill allowing a budget deficit of $4 trillion over the next 10 years, while the Senate bill currently allows a cumulative deficit of $5.7 trillion. Importantly, this is before taking account of any future tariff revenues, which have been estimated to be between $2 and $4 trillion over the next 10 years, using the current proposed rates. These numbers are highly uncertain and will be intensely scrutinized in the coming months.

FEDERAL RESERVE: FED RATE CUTS TO THE RESCUE?

The Fed stayed put at their two meetings in the first quarter, enacting no rate cuts, keeping within investor expectations of their actions. At the end of the first quarter, Fed fund futures forecast only one to two rate cuts for this year, reflecting the go-slow comments by the Fed in response to sticky inflation and a relatively robust economy. This was the state of expectations until the Trump administration made its hawkish actions on tariffs. In the wake of the tariff announcements in April and heightened concerns about a recession, Fed Funds futures forecast four to five rate cuts this year, which would bring the Fed funds from 4.3% currently to near 3.0% by the end of the year.

Various Fed governors stated in the first quarter that progress toward the 2% inflation goal had slowed and merited a wait-and-see stance by the Fed. Fed Chair Powell noted that the Fed expects tariffs to cause prices to increase and growth to slow in the short-term, but that the

Fed would not tighten policy in response to tariff-related price increases. After the tariffs were announced, Powell stated that it was too soon to say the appropriate path for monetary policy. Trump urged the Fed to cut rates, but Powell said that the economy is good and the labor market is in balance.

CORPORATE PROFITS: ESTIMATES GOING DOWN

Analysts expected earnings to report double-digit growth for 2025 and 2026 before the tariff announcements. Earnings were expected to be up 11.5% for the full year 2025 and up 14.3% again in 2026, according to FactSet. However, in the wake of the tariff announcements, analysts are reducing their expectations for earnings this year and next. Roughly 41% of the revenue generated by companies in the S&P 500 Index comes from international markets. Other than China, we do not know which countries might impose retaliatory tariffs against U.S. companies, but if they do, this will negatively impact expected earnings. The current valuation of the U.S. market was at the high end of its recent 10-year range. Current uncertainty about future earnings, economic volatility, and brand degradation of U.S. companies in international markets due to the tariff announcements might weigh negatively on domestic valuation metrics.

FIXED INCOME: SHORT-TERM RATES STEADY, LONG-TERM RATES FALL

The Fed stayed on hold during the quarter, which led to flat short-term interest rates; however, concerns mounted that tariffs would damage growth, and longer-term interest rates fell. The 10-year Treasury started the year at 4.6% and quickly went to nearly 4.8% by the time of Trump's inauguration in January. That proved to be a high-water mark for the 10-year, and it has fallen to 3.9% by the time of this writing in early April. This flattening of the yield curve is consistent with diminished expectations for growth and rising prospects of a recession. Credit spreads blew out after the April tariff announcements, as concerns about a future recession rose.

One aspect of the trade issue that is not well appreciated is that the other side of a trade deficit is a capital surplus, and measures like tariffs that reduce the trade deficit also result in reducing the capital surplus. The capital account measures the amount of foreign savings that come into the U.S. to invest in factories and our financial assets like Treasury bonds. If the trade deficit declines, that will also reduce the pool of foreign savings available to be invested in our markets and will help put upward pressure on our interest rates. Due to these concerns, we maintain durations on our fixed income portfolios shorter than the market and seek yield in higher-quality instruments.

STOCK AND PORTFOLIO HIGHLIGHTS

Eagle portfolios slightly outperformed the S&P 500 during the quarter due to stock selection. Sector allocation was positive, helped by an overweight to Financials and underweights to Information Technology. Stock selection in Consumer Discretionary (not owning Tesla), Consumer Staples (owning Philip Morris), and Health Care (Elevance, AbbVie) was favorable but holdings in Communications Services (Google), Industrials (Builders FirstSource, Trane) hurt returns.

PURCHASES / ADDITIONS IN THE QUARTER

BLACKROCK, INC. (BLK): We increased our position in BlackRock, one of the world's largest asset managers, with US$11.6 trillion in assets under management as of 2024. BlackRock is the manager of the iShares group of exchange-traded funds and is considered one of the Big Three index fund managers. Blackrock is growing faster than its peers as it benefits from the shift to passive investing, and migration to alternatives remains strong. BLK's acquisitions (GIP, Preqin, HPS) are set to drive revenue growth across private markets and data/technology. We expect BLK can sustain 5% organic base fee growth, which, combined with expense control and deal accretion, justifies a +16% EPS growth outlook.

GE VERNOVA (GEV): We added to our position in GE Vernova, the world's largest manufacturer and servicer of equipment used to generate, transfer, convert, and store electricity. The company's products include gas turbines and nuclear reactors used in power plants, wind turbines used onshore and offshore, and grid solutions used in the transmission, distribution, conversion, and storage of power. GEV's installed base helps generate 25% of the world's electricity. We believe that GEV's businesses – especially its Power and Electrification segments – are well positioned to take advantage of Artificial Intelligence and associated datacenter growth trends, reshoring trends in the U.S. that will require more power, and global demand driven by industrialization and grid modernization. We believe that GEV offers some of the best exposure to accelerating electricity demand and the energy transition. Longer-term, GEV should benefit from two key drivers: first, its growing installed base will enable GEV to continue to grow its high-margin services businesses; second, GEV's continuous investment in R&D should enable a strong presence in the provision of new, cleaner power technologies such as small modular nuclear reactors (SMRs). We took advantage of the AI-driven pullback to add to our GEV position, as we believe GEV offers strong growth via multiple end markets.

LANTHEUS HOLDINGS, INC. (LNTH-US): We initiated a position as Lantheus is a leading radiopharmacological company, providing agents primarily used in PET scans used to manage the treatment of prostate cancer. Through first mover advantage, Lantheus has built an integrated firm, from production through distribution, and leads the industry in market share. The key to Lantheus' growth is the expansion of the target addressable market for prostate cancer-related scans. We expect strong scan growth through at least the end of the decade, driven by mid-single-digit prostate cancer occurrence growth and augmented by a notable increase in scans per patient as new treatments and drugs are adopted by the healthcare industry. In addition to their core prostate cancer business, Lantheus has developed – through R&D, partnerships, and acquisitions – a compelling pipeline of new potential diagnostic agents. These agents could help in the treatment of diseases ranging from heart disease to Alzheimer's and have the potential to further enhance Lantheus' growth story.

LINDE (LIN-US): Linde is the largest industrial gas supplier in the world, with operations in over 100 countries. We added to our position as we continue to see an attractive long-term opportunity in Linde and chose to add to the position on a pullback.

META PLATFORMS, INC (META): We initiated a position in Meta, the largest social media company worldwide, has nearly four billion monthly active users. It monetizes free user access by selling ads tailored to digital advertisers' needs. Meta's lineup includes Facebook, Instagram, WhatsApp, and Messenger, granting it unmatched scale. Its strategy focuses on improving user engagement and monetization. We view Meta as carefully leveraging its investments in artificial intelligence to improve both its content recommendation and ad-monetization models, with the firm's strong ad sales supporting the argument that these investments are already bearing fruit. We are already seeing Meta's generative AI tools garner adoption on the advertising side, with more than four million advertisers using the firm's AI tools to create ad campaigns, up from one million six months ago.

SELLS / TRIMS IN THE QUARTER

APPLE INC. (AAPL): We reduced our position in Apple due to weak orders for the newly launched iPhone models. The generative AI features were expected to boost iPhone sales, but early reviews of the launch suggested that Apple will need more time to refine these models for a seamless upgrade experience. Delays in model collaborations in China at a time when the competitors in the region are ramping up their AI devices was also a source of concern. Finally, delays in Siri's integration with Apple Intelligence due to technical complexities indicated that Apple had overpromised its capabilities at the Worldwide Developers Conference in June 2024. This is uncharacteristic of a company known for keeping things secret and surprising users upon launch. Given this, along with its premium valuation, we decided to trim the position.

INTERCONTINENTAL EXCHANGE, INC. (ICE): Intercontinental Exchange, Inc. is an American multinational financial services company formed in 2000 that operates global financial exchanges and clearing houses and provides mortgage technology, data, and listing services. We reduced our position in ICE given the drag on Revenue growth from the mortgage technology business which represents 22% of overall revenues. Higher rates for longer have been negatively impacting mortgage originations and refinancing activity. We still like ICE for its strong exchange volumes and steady Fixed Income & Data Services performance.

MICRON TECHNOLOGY, INC. (MU-US): We sold Micron due to a downturn in memory prices caused by an oversupply from Chinese manufacturers (for lagging edge technology to which Micron has a small exposure) and reduced demand for leading-edge memory products from consumer electronics device makers. Considering the uncertainty of this price recovery and weak consumer electronics market outlook, we decided to replace this investment with a position in a company that showed better near-term potential. Although we still believe in constrained memory production capacity on the leading edge, the unpredictable memory prices decline indicates that supply and demand are less imbalanced than we initially thought.

DISCLOSURES

The indices shown are for informational purposes only and are not reflective of any investment. They are unmanaged and shown for illustrative purposes only. The volatility of the indices are likely materially different than the strategy depicted. Eagle Global's U.S. Strategy includes buying and selling various U.S. equity companies. Holdings will vary from period to period and U.S. equity companies can have a material impact on the performance.

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