



# U.S. Equity Review and Outlook Q4 2020

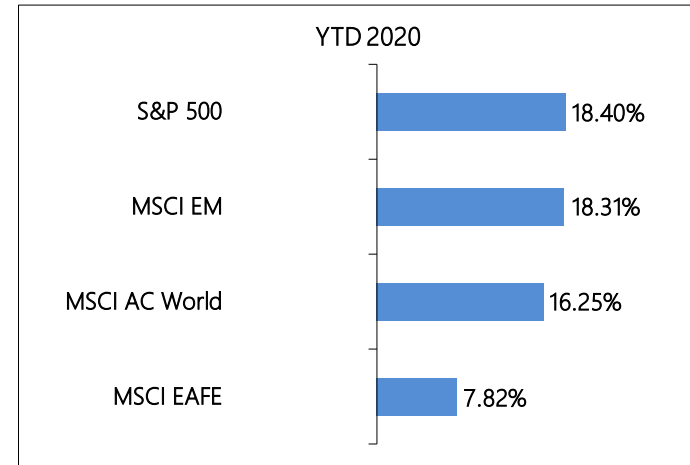
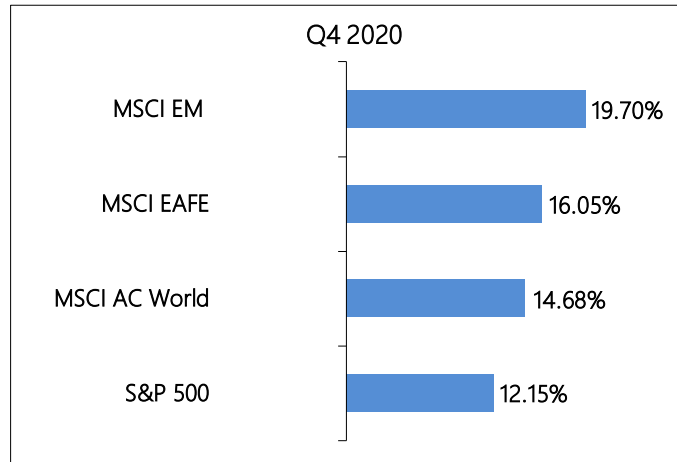
# Q4 2020 Eagle U.S. Review

- The S&P 500 Index increased an additional 12.2% in the fourth quarter bringing its 2020 return to 18.4%.
- Eagle portfolios generally kept pace with the S&P 500 Index during the fourth quarter and outperformed the index for the year.
- Our sector allocation was also slightly positive due to the overweight in Financials, Communication Services and an underweight in Consumer Staples and Health Care. Stock selection hampered performance due to poor selection in Real Estate and Consumer Discretionary. In the strong upmarket, cash was a drag.
- Equities rallied in November and December, with positive vaccine developments playing an outsized role in setting the tone for the markets.
- The rally was underpinned by a better-than-expected Q3 earnings season and continued confidence in a central bank backstop, a sign of economic resilience.
- Political themes were a net positive (at least before the Georgia Senate runoff), with the market comfortable with the prospects of a Biden presidency.
- The additional \$600 a week federal unemployment has been extended. Politicians agreed to a fifth Coronavirus relief package.
- Behaviors are returning to normal and the market recovery is ushering in the roaring 2020s.
- Investors seemed to put much stock in the (FOMO), (TINA), (BTD) mantras *fear-of-missing-out, there-is-no-alternative, buy-the-dip*.



# Global Scorecard

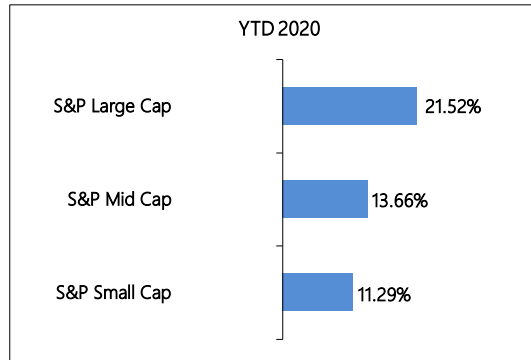
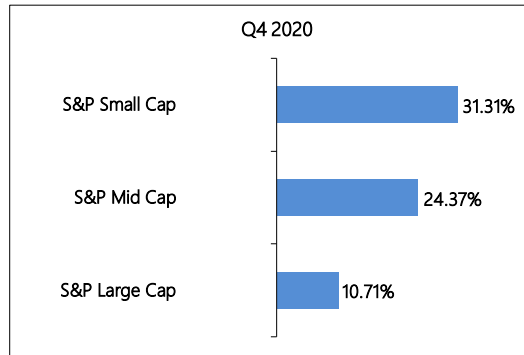
## Broad Market Performance



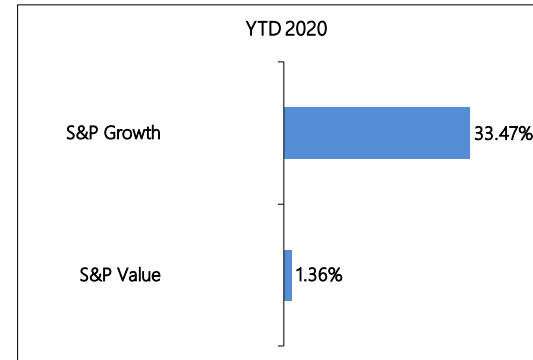
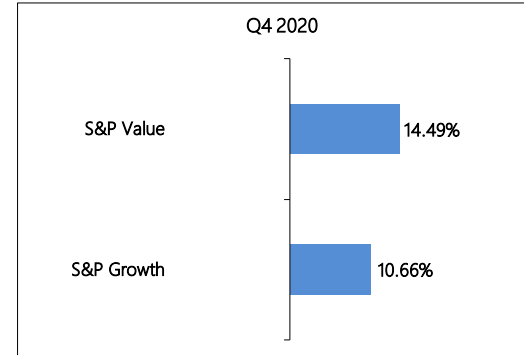
- The S&P 500 trailed the global equity markets due to a weak currency and U.S. political uncertainty for the fourth quarter but lead for the YTD period.
- Investors are looking through 2020 and forward to 2021. The forward 12-month P/E ratio for the S&P 500 is 22.1. The P/E ratio is above the 5-year average (17.4) and above the 10-year average (15.7).

# U.S. Market Scorecard

## Market Cap Breakdown



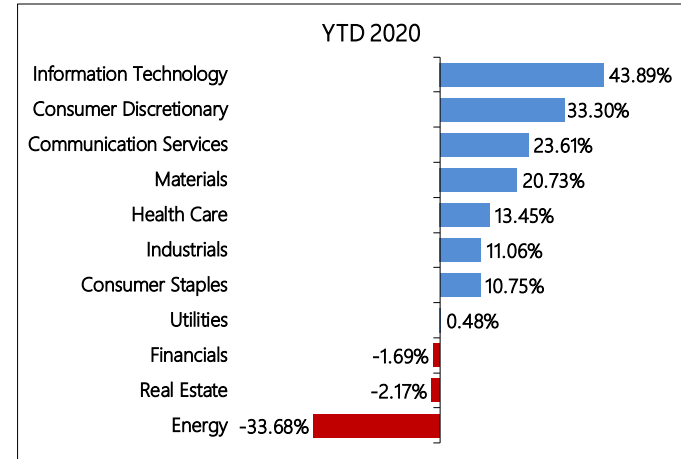
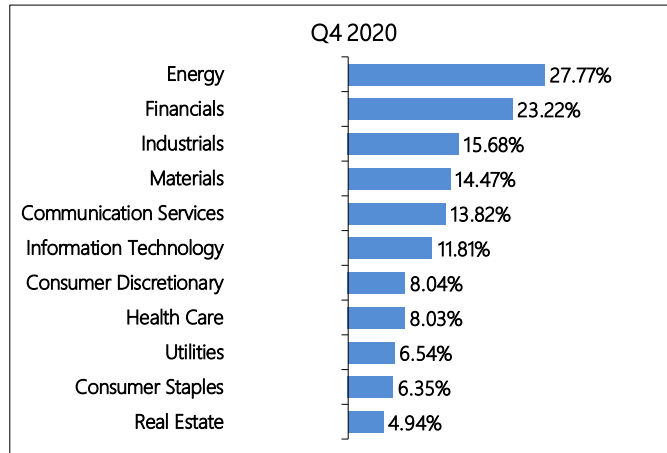
## Growth vs. Value



- Small Cap and Value led for the quarter.
- Growth and Large Cap led Year-to-Date.

# U.S. Market Scorecard

## S&P Sector Performance



- Most sectors increased during the quarter led by Energy, Financials, Industrials and Materials as cyclical sectors continued to rebound off the March lows.
- Real Estate lags for the quarter and the year.

# Q4 2020 Performance Attribution

Period	Eagle Return (Gross)	Eagle Return (Net)	S&P 500 Return	Excess Return (Gross)
Quarter	12.44%	12.19%	12.15%	0.29%

For the quarter ended 12/31/20

Attribute	Impact	Contributors	Detractors
STOCK SELECTION	<i>Negative</i>	+ Industrials + Consumer Staples + Utilities	- Real Estate - Health Care - Consumer Discretionary
SECTOR ALLOCATION	<i>Positive</i>	+ Underweight Health Care, Consumer Staples + Overweight Financials, Communication Services	- Overweight Cash - Underweight Materials
LARGE CAP BIAS	<i>Negative</i>	Large Cap underperformed S&P 500 by 144 bps	
GROWTH BIAS	<i>Negative</i>	Growth underperformed S&P 500 by 149 bps	

# Q4 2020 Stock Review

## OUTPERFORMERS

Apple, Palo Alto Networks	-	Information Technology
Walt Disney, Alphabet Inc.	-	Communication Services
Honeywell International, Uber Tech	-	Industrials
JPMorgan Chase & Co, Truist Financial	-	Financials

## UNDERPERFORMERS

Amazon, Home Depot	-	Consumer Discretionary
Lockheed Martin, Boeing	-	Industrials
SBA Communications Corp.	-	Real Estate
Amgen, Merck	-	Health Care
Salesforce.com, Inc.	-	Information Technology

The securities listed above do not represent all of the securities purchased, sold, or recommended to clients. A complete list of each security that contributed to the performance of the U.S. Equity Composite is available upon request. Please contact Eagle Global Advisors at 713-952-3550 for additional information. Past performance is no guarantee of future results.

# Changes Made In The 4<sup>th</sup> Quarter

## New Purchases/Increases

Action	Security	Sector
Bought	AT&T Corp.	Communication Services
Bought	Boeing	Industrials
Increased	Salesforce.com	Information Technology

The securities listed above represent all of the securities purchased or increased during the quarter. This is not a recommendation to buy or sell any security. There can be no assurance that the portfolio will continue to hold the same position in companies described herein, and the portfolio may change any portfolio position at any time.



# Changes Made In The 4<sup>th</sup> Quarter

## Full Sells/Trims

Action	Security	Sector
Sold	iShares Aerospace & Defense ETF	Industrials
Sold	Twitter Inc.	Communication Services

The securities listed above represent all of the securities sold or decreased during the quarter. This is not a recommendation to buy or sell any security. There can be no assurance that the portfolio will continue to hold the same position in companies described herein, and the portfolio may change any portfolio position at any time.

# Q4 2020 Purchases/Increases

**AT&T Corp. (T):** We initiated a position in AT&T keeping with our barbell approach on valuation of portfolio constituents. Over the last six years, acquisitions (DirectTV and Warner Bros.) and capital expenditures have added debt to the balance sheet and put pressure on the dividend. At the current price, we believe investors are underappreciating the value of HBO streaming assets in combination with the content studios of Warner Bros. Warner Bros. recently announced that its entire 2021 slate would arrive simultaneously in theaters and its sibling streaming service. With that announcement, AT&T has flipped the script on streaming and carved a differentiation that gives them a chance to accelerate subscriber growth.

**Boeing (BA):** Boeing is one of two major global airframers, manufacturing aircraft for both commercial and military applications. In addition to producing aircraft, Boeing provides various defense-related products and services as well as various aftermarket products and services. While Covid-19 and the grounding of the 737-MAX have led to significant underperformance for Boeing over the last twenty months, we believe that recent vaccine news and the FAA's rescission of the grounding order both remove significant headwinds to Boeing's future operations. With successful vaccines, we expect a resurgence in global air travel and a return to secular GDP-plus growth for the commercial aerospace industry as demand in emerging economies increases global per capita air traffic. This trend, coupled with Boeing's leading position in a duopolistic business, should allow the company to regain its status as a compounder of profitable growth. We believe the dislocation between the company's share performance and economic outlook provides an attractive entry into the shares.

**Salesforce.com (CRM):** Salesforce.com is the leader in business applications delivered on the web using a software-as-a-service (SaaS) delivery model. Its products are focused on customer relationship management applications used by sales reps, marketing agents, service professionals, and others. We like its exposure to attractive secular trends around digital transformation initiatives with a strong defensible competitive position given its sizable first-mover advantage and aggressive innovation focus. We believe the acquisition of Slack, albeit expensive, is built on a sound strategic rationale of building an operating system for its backend system of record. Salesforce.com's historical track record in MuleSoft and Tableau lends it the credibility for making value accretive large strategic acquisitions. We also believe the recent underperformance of Salesforce.com's stock price adequately prices the dilution of the announced acquisition of Slack.

# Q4 2020 Sells/Trims

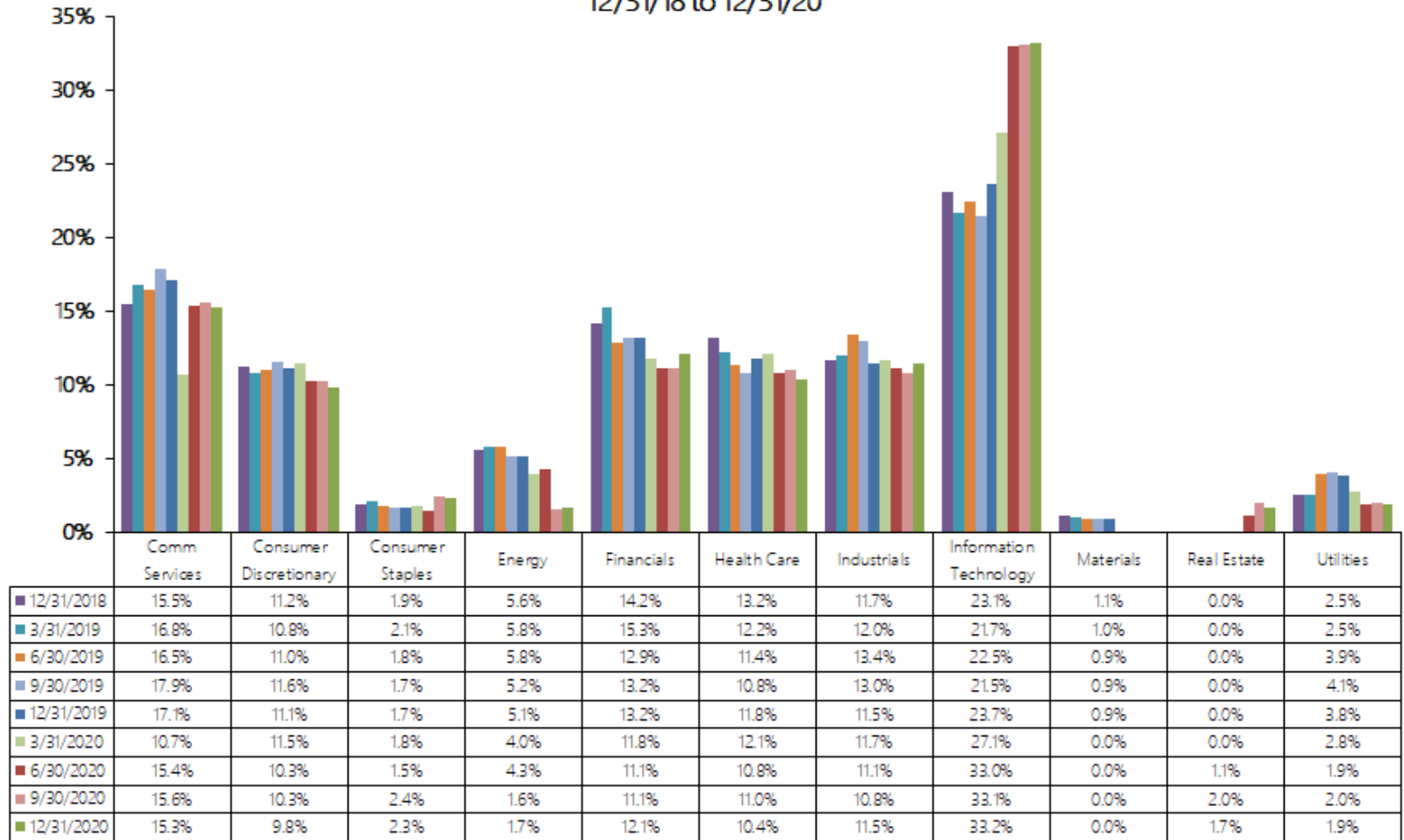
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**iShares Aerospace & Defense ETF (ITA):** With positive news on vaccines and the announcement of the Boeing 737 MAX's return to service, we decided to sell out of this diversified aerospace ETF and redeploy proceeds directly into Boeing following its improving risk reward profile.

**Twitter Inc. (TWTR):** We consolidated our holdings in digital advertising linked businesses within the Communication Services sector to limit to companies that we believe are the best of breed in their ad technology, resilience to economic fluctuations and nimbleness to pivot in trying times. That resulted in the sale of our remaining Twitter position.

# Sector Analysis

EGA U.S. Equity Sector Weights  
12/31/18 to 12/31/20



# Eagle Outlook For 2021

- Eagle believes earnings will begin to recover in 2021 and fully recover by 2022.
- GDP growth will strongly rebound in 2021 and interest rates will trend higher.
- Fears of a Covid-19 resurgence largely negated by vaccine optimism.
- Massive government fiscal and Federal Reserve monetary responses have supported the rebound. Bi-partisan effort moves forward with the fifth stimulus package.
- Improving economics and earnings battle with Covid-19 spikes and China hegemony leading to increased volatility.
- Political themes so far were a net positive (at least before the Georgia Senate runoff), with the market comfortable with the prospects of a Biden presidency.
- The blue wave election concerns for estate tax rollbacks, income tax increases, corporate tax increases and wealthy investor tax increase that might impact investments.
- Studies from CSFB forecast an average of 7.0% decline in S&P 500 earnings if Democrats increase corporate tax rates to 28.0% from current 21.0% and change corporate tax rules.
- Capital Gains and Dividend tax rates for wealthy could rise to 39.6% under Biden/Democrats potentially increasing investors equity and bond discount rates currently near all time lows.

# Summary: Current Tax vs. Biden Tax Proposals

	Trump Tax Cut & Jobs Act	Biden Tax Proposals
<b>Corporate Tax Rate</b>	Reduced from 35% to 21%	Increase to 28%
<b>Minimum Tax on "Book" Profit (MTB)</b>	No	Yes @ 15%
<b>Multinational Reforms</b>	Repatriation and Territorial tax relief Minimum tax on foreign earnings (GILTI, BEAT)	Increase tax on foreign earnings (GILTI) and end "Trump" offshoring loopholes
<b>Encourage U.S. Investment</b>	FDII (a lower tax rate on U.S. based export sales)	Made in America tax credit; Offshoring tax penalty
<b>Immediate Expensing (Capex)</b>	Yes	Not clear; but could introduce new limits; impacted by MTB
<b>Limits on Interest Deduction</b>	Yes, but some relief under CARES Act	Not clear
<b>Limits on NOL Carrybacks</b>	Yes, but temporary relief under CARES Act	Yes, reverse CARES Act provisions
<b>Investor Taxes</b>	No	Increase Capital Gains and Dividend tax to 39.6% for high earners > \$1M
<b>Estimated 10 yr. revenue impact to the U.S. Gov't (billions)</b>	~(\$300)	~\$2,000

# Tax Cut And Jobs Act

Ordinary Income Tax Brackets					
<u>2020 Brackets</u>			<u>2019 Brackets</u>		
Tax Rate	Single Filer	Married / Joint Filer	Tax Rate	Single Filer	Married / Joint Filer
Taxable income over:			Taxable income over:		
10%	\$0	\$0	10%	\$0	\$0
12%	\$9,875	\$19,750	12%	\$9,700	\$19,400
22%	\$40,125	\$80,750	22%	\$39,475	\$78,950
24%	\$85,515	\$171,000	24%	\$84,200	\$168,400
32%	\$163,300	\$326,600	32%	\$160,725	\$321,450
35%	\$207,550	\$419,700	35%	\$204,100	\$408,200
37%	\$518,400	\$622,000	37%	\$510,300	\$612,350

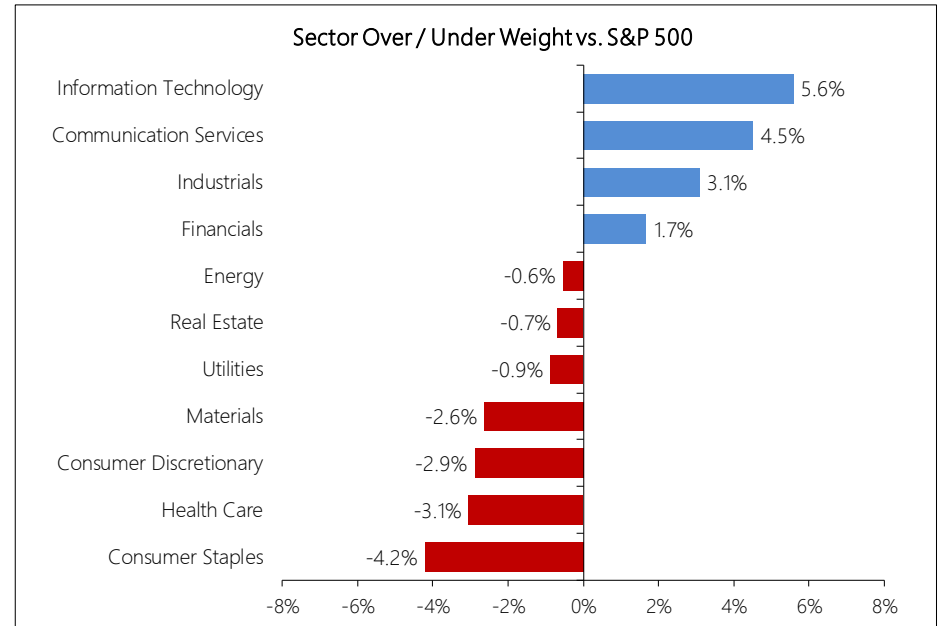
Capital Gain Tax Brackets					
<u>2020 Brackets</u>			<u>2019 Brackets</u>		
Tax Rate	Single Filer	Married / Joint Filer	Tax Rate	Single Filer	Married / Joint Filer
Taxable income over:			Taxable income over:		
10%	\$0	\$0	10%	\$0	\$0
12%	\$40,000	\$80,000	12%	\$39,375	\$78,750
22%	\$441,500	\$49,600	22%	\$434,550	\$488,850

- 2020 Annual gift tax exclusion \$15,000 per individual \$30,000 per couple
- 2020 Estate and Gift Tax Exclusion \$11.6 M per individual \$23.2 M per couple rate is 40%
- 2020 Generation-Skipping tax (GST) exemption \$11.6 million
- 2020 IRA contribution limits \$7,000

# Sector Allocation

As of 12/31/2020

Sector	Eagle	S&P 500
Information Technology	33.2%	27.6%
Communication Services	15.3%	10.8%
Industrials	11.5%	8.4%
Financials	12.1%	10.4%
Energy	1.7%	2.3%
Real Estate	1.7%	2.4%
Utilities	1.9%	2.8%
Materials	0.0%	2.6%
Consumer Discretionary	9.8%	12.7%
Health Care	10.4%	13.5%
Consumer Staples	2.3%	6.5%



Source: S&P



# Holdings and Characteristics

As of 12/31/2020

Characteristic	Eagle	S&P 500
Weighted Average Market Cap	\$599 Billion	\$437 Billion
Weighted Median Market Cap	\$286 Billion	\$165 Billion
12M Trailing Price/Cash Flow	19.10	19.00
12M Trailing P/E	36.30	33.59
12M Fwd P/E	23.75	22.40
Yield	1.3%	1.5%
P/B	4.76	4.23
Return on Equity (ROE)	15.1%	13.7%
12M FWD EPS Growth	22.60%	20.64%
Earnings Growth Next 5 Years	21.90%	19.20%
Number of Holdings	46	500
Turnover Rate	25%-30%	NA

Top 10 Holdings	Sector
1 Apple Inc.	Information Technology
2 Amazon.com, Inc.	Consumer Discretionary
3 Microsoft Corporation	Information Technology
4 Facebook, Inc. Class A	Communication Services
5 Invesco QQQ Trust	Information Technology
6 Alphabet Inc. Class A	Communication Services
7 JPMorgan Chase & Co.	Financials
8 Honeywell International Inc.	Industrials
9 Alphabet Inc. Class C	Communication Services
10 PayPal Holdings Inc	Information Technology

EGA's top ten holdings represent our 10 largest holdings as of December 31, 2020. This is not a recommendation to buy or sell any security. There can be no assurance that the portfolio will continue to hold the same position in companies described herein, and the portfolio may change any portfolio position at any time.

# U.S. Equity Composite

Year	Q1		Q2		Q3		Q4		YTD		S&P 500
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	
1997	2.43%	2.18%	19.99%	19.74%	6.93%	6.68%	5.41%	5.16%	38.53%	37.26%	33.36%
1998	15.35%	15.10%	6.56%	6.31%	-8.77%	-9.02%	23.62%	23.37%	38.62%	37.34%	28.57%
1999	4.92%	4.67%	4.84%	4.59%	-3.82%	-4.07%	18.51%	18.26%	25.38%	24.20%	21.03%
2000	4.05%	3.80%	-3.13%	-3.38%	-3.33%	-3.58%	-9.36%	-9.61%	-11.68%	-12.59%	-9.15%
2001	-12.10%	-12.35%	5.89%	5.64%	-11.51%	-11.76%	9.12%	8.87%	-10.12%	-11.05%	-11.91%
2002	-0.53%	-0.78%	-12.02%	-12.27%	-14.03%	-14.28%	7.22%	6.97%	-19.33%	-20.18%	-22.15%
2003	-1.50%	-1.75%	13.30%	13.05%	1.43%	1.18%	9.74%	9.49%	24.22%	23.05%	28.62%
2004	1.71%	1.46%	1.46%	1.21%	-2.84%	-3.09%	9.03%	8.78%	9.32%	8.25%	10.92%
2005	0.67%	0.42%	2.80%	2.55%	6.49%	6.24%	-1.08%	-1.33%	9.01%	7.95%	4.88%
2006	5.65%	5.40%	-0.01%	-0.26%	1.45%	1.20%	6.79%	6.54%	14.45%	13.35%	15.79%
2007	0.60%	0.35%	7.23%	6.98%	4.01%	3.76%	-0.73%	-0.98%	11.38%	10.30%	5.50%
2008	-8.18%	-8.42%	-0.59%	-0.83%	-10.43%	-10.66%	-20.39%	-20.60%	-34.91%	-35.57%	-37.00%
2009	-7.36%	-7.58%	8.29%	8.04%	16.36%	16.09%	5.38%	5.12%	23.01%	21.85%	26.46%
2010	5.29%	5.04%	-12.59%	-12.81%	11.39%	11.12%	11.38%	11.13%	14.32%	13.09%	15.06%
2011	6.21%	5.97%	-0.48%	-0.17%	-15.07%	-15.28%	12.49%	12.23%	1.00%	0.03%	2.11%
2012	11.61%	11.35%	-3.03%	-3.27%	7.35%	7.10%	-2.31%	-2.55%	13.49%	12.42%	16.00%
2013	9.74%	9.49%	3.52%	3.28%	5.25%	5.00%	10.00%	9.74%	31.53%	30.30%	32.39%
2014	1.50%	1.26%	6.47%	6.22%	2.37%	2.12%	5.78%	5.53%	17.02%	15.92%	13.69%
2015	2.25%	2.00%	1.52%	1.28%	-8.29%	-8.52%	5.04%	4.79%	-0.01%	-0.96%	1.38%
2016	-0.82%	-1.06%	1.15%	0.91%	5.16%	4.91%	6.03%	5.78%	11.86%	10.80%	11.96%
2017	5.77%	5.52%	2.84%	2.59%	5.15%	4.90%	5.37%	5.12%	20.51%	19.37%	21.83%
2018	-0.42%	-0.66%	4.22%	3.97%	4.98%	4.73%	-13.89%	-14.10%	-6.21%	-7.11%	-4.38%
2019	11.92%	11.67%	5.89%	5.64%	0.83%	0.59%	9.55%	9.30%	30.92%	29.70%	31.49%
2020	-18.97%	-19.18%	22.63%	22.35%	10.20%	9.94%	12.44%*	12.19%*	23.13%*	21.97%*	18.40%

\*Preliminary

	MRQ*	YTD*	1 Year*	Annualized Returns		
				3 Years*	5 Years*	10 Years*
EGA US Equity (% gross)	12.4	23.1	23.1	14.8	15.3	13.7
EGA US Equity (% net)	12.2	22.0	22.0	13.7	14.2	12.6
S&P 500	12.2	18.4	18.4	14.2	15.2	13.9

\*Preliminary

See p.20 for additional performance calculation information and GIPS performance disclosures.

# U.S. Equity Composite

## EGA U.S. Equity Composite January 1, 2010 through September 30, 2020

	Q3 20	Q2 20	Q1 20	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Total Return (%) Gross</b>	<b>10.20</b>	<b>22.63</b>	<b>(18.97)</b>	<b>30.92</b>	<b>(6.21)</b>	<b>20.51</b>	<b>11.86</b>	<b>(0.01)</b>	<b>17.02</b>	<b>31.53</b>	<b>13.49</b>	<b>1.00</b>	<b>14.18</b>
<b>Benchmark Total Return (%)*</b>	<b>8.93</b>	<b>20.54</b>	<b>(19.60)</b>	<b>31.49</b>	<b>(4.38)</b>	<b>21.83</b>	<b>11.96</b>	<b>1.38</b>	<b>13.69</b>	<b>32.39</b>	<b>16.00</b>	<b>2.11</b>	<b>15.06</b>
Composite 3 Year Std. Dev.	18.49	17.31	15.09	12.01	11.16	9.92	10.88	10.08	8.81	12.12	15.17	16.98	19.11
Benchmark 3 Year Std. Dev.	17.74	16.95	15.21	12.10	10.95	10.07	10.74	10.62	9.10	12.11	15.30	18.97	22.16
Number of Portfolios	49	48	48	49	55	60	61	65	64	94	99	98	105
Composite Dispersion (%)	0.64	0.48	0.50	0.14	0.57	1.17	0.76	1.20	1.07	1.50	0.96	2.08	1.53
Total Assets at End of Period (US\$ 000)	140,418	122,171	100,454	125,885	161,840	190,076	161,543	155,071	159,933	165,578	123,319	128,553	148,071
% Carve-out from Balanced Portfolios	0	0	0	0	0	0	0	0	0	0	0	0	0
Percentage of Firm Assets	10.0	8.6	7.5	5.5	6.1	5.3	4.1	4.7	3.8	4.7	5.5	6.2	5.9
Total Firm Assets (US\$ 000)	1,408,692	1,415,525	1,343,672	2,279,115	2,632,277	3,561,407	3,946,902	3,281,294	4,208,672	3,514,431	2,255,886	2,088,976	2,527,423

\* Benchmark: S&P 500 Index.

See p.20 for additional performance calculation information and GIPS performance disclosures.

# Composite Disclosures

**EGA US Equity Composite** - The EGA US Equity Composite consists of those equity-only portfolios invested in US large capitalization growth equities. The Eagle equity investment philosophy focuses on identifying the securities of large capitalization companies with improving growth potential that are not fully recognized by current valuations.

- For GIPS purposes, Eagle Global Advisors, LLC is an independent investment advisor, registered with the SEC, actively managing individual investment portfolios containing domestic equity, international equity, master limited partnerships, and domestic fixed income securities, (either directly or through a sub-advisory relationship), for mutual funds, high net worth individuals, retirement plans for corporations and unions, financial institutions, trusts, endowments and foundations. SEC registration does not imply a certain level of skill or training.
- Eagle Global Advisors, LLC claims compliance with Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with GIPS standards. Eagle Global Advisors, LLC has been independently verified for the periods 1/1/1997 to 12/31/2019. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Only direct trading expenses are deducted when presenting gross of fee returns. In addition to management fees, actual client returns will be reduced by any other expenses related to the management of an account such as trustee fees or custodian fees. The reporting currency is the U.S. dollar. Returns are calculated net of non-reclaimable foreign withholding taxes on dividends, interest, and capital gains. Reclaimable withholding taxes are not accrued, but are cash basis as received. Eagle uses the asset-weighted standard deviation as the measure of composite dispersion of the individual component portfolio gross full period returns around the aggregate composite mean gross return. The 3 year annual standard deviation and internal dispersion are calculated using Gross of Fees returns. If the composite contains 5 portfolios or less (<=5) for the full period, a measure of dispersion is shown as not meaningful (N/A) and the number of portfolios is not reported. Past performance cannot guarantee comparable future results. All investments involve risk including the loss of principal. This presentation is only intended for investors qualifying as prospective clients as defined by GIPS.
- The composite start date is January 1, 1997 and was created in September 1997. The composite includes those US equity portfolios where the firm has full investment discretion, the client pays a fee, the portfolio has over \$250,000 in US securities and the portfolio properly represented the intended strategy at the end of the calendar quarter. Prior to January 1, 2005 the minimum asset level was \$200,000. Portfolios smaller than the minimum are deemed incapable of sufficiently diversifying into this investment style and are excluded from the composite as being not fully discretionary. All performance returns assume the reinvestment of dividends, interest, and capital gains.
- The benchmark is the S&P 500, a float-adjusted market capitalization index that is designed to measure equity performance of the 500 leading companies in leading industries of the U.S. economy. Index constituents have a market capitalization of at least US\$ 4 billion. Indexes are gross of tax.
- The indices shown are for informational purposes only and are not reflective of any investment. As it is not possible to invest in the indices, the data shown does not reflect or compare features of an actual investment, such as its objectives, costs and expenses, liquidity, safety, guarantees or insurance, fluctuation of principal or return, or tax features. Indices do not include fees or operating expenses and are not available for actual investment. Indices presented are representative of various broad based asset classes. They are unmanaged and shown for illustrative purposes only. The volatility of the indices is likely materially different than the strategy depicted.
- The Eagle list of composite descriptions is available upon request. Eagle policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.
- Eagle does not currently use carve-outs. Prior to 1/1/2008, Eagle used carve-out segments including cash to represent a discretionary portfolio and to be included in composite returns. Cash was allocated to the carve-out returns on an equal-weighted basis determined by the number of asset classes.

## US Equity Fee Schedule (minimum annual fee: \$10,000)

Account Size	Under \$2 million	Over \$2 million
Annual Fee	1.00%	0.60%

## Representative Example of Compounded Effect of Investment Advisory Fee

	Years	Cumulative Fee	Years	Cumulative Fee
A maximum 1.00% management fee deducted from a portfolio quarterly (0.25%/quarter) would result in the following cumulative compound reduction of the portfolio time-weighted rate of return.	1	1.004%	6	6.176%
	2	2.018%	7	7.241%
	3	3.042%	8	8.318%
	4	4.076%	9	9.405%
	5	4.121%	10	10.503%