

EGA Renewables Infrastructure

From the EGA Portfolio Management Team

The Year Renewable Energy “Clicked”

It goes without saying that 2020 will be remembered as one giant crisis, and in many ways the world may have inexorably changed. One of those changes is the acceptance of remote work. It won't be hard for the lay person to recall 2020 as being the year of reconnection, as the family dinner was resurrected, and parents greatly increased their role in their children's education. The lay person also utilized technology to limit interruptions to their productivity. Similarly, many business owners recognized work continuity and productivity can be achieved without the mass oversight of shared workspaces.

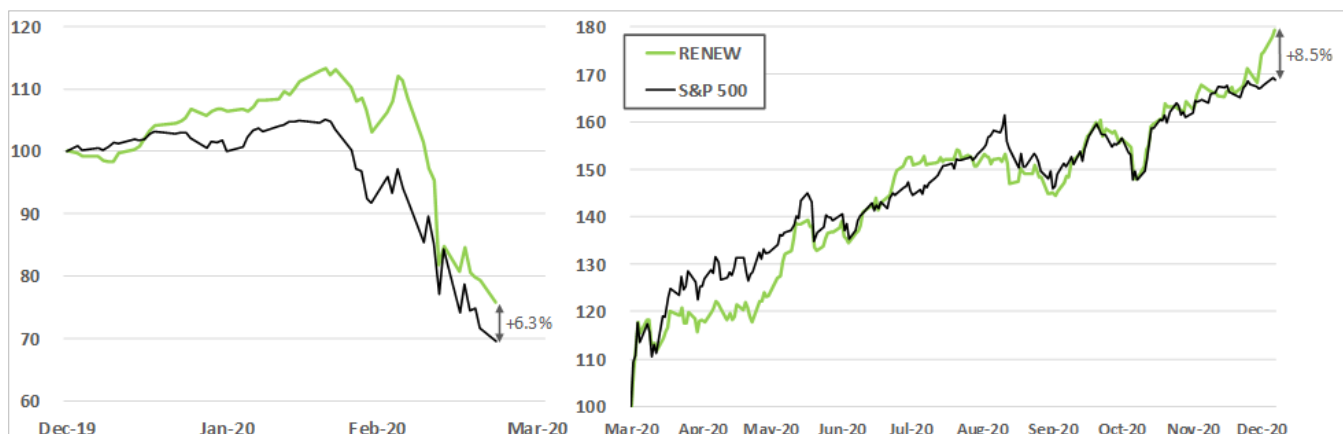
To a lesser extent there was more widespread recognition of renewable energy's potential, especially domestically. For a variety of reasons renewable energy investing “clicked” domestically, and 2020 will be remembered as the year renewable energy stocks hit the mainstream. That is not to say the transition away from hydrocarbons will happen overnight, but instead will likely be a non-linear, multi-decade megatrend with several starts and stops. For that we think 2020 represents a lifetime and life lesson in renewable investing. The lessons learned on the way down earlier in the year are just as valuable as those learned in the furious rally that followed.



2020: A Lifetime Of Lessons Wrapped In A Single Year

Think of the round trip that was 2020. The stock market started the year setting records, then loudly crashed to multi-year lows, before ending the year with a furious rally back to record highs. The hard numbers are astounding, a 30% market crash followed by a 70% rally! This isn't the right forum to debate the implications of how this happened (hint: massive government support), so our focus will be on the performance of our Eagle Renewables Infrastructure Index (RENEW) during a wild year.

Prudent long-term investors have a lower tolerance for risk and prefer to focus on investments that benefit from sunny days but can also weather storms. We prefer to think of these people as “sleep-at-night” investors, and RENEW's focus on owners and operators of renewable energy infrastructure provides this type of risk-reward proposition. Looking at the numbers, the RENEW index outperformed the S&P 500 by 6.3% on its way to the March 23rd trough and outperformed the S&P 500 by 8.5% on its way back to record highs.



Source: Bloomberg. See disclosure information on p. 4 and 5 of this document.

A Walk Down Energy Storage Street

This is all well and good, but WHY did renewables outperform in 2020? An argument could be made the expectation and subsequent election of Democrat Joe Biden was a primary driver, as many believe he will bring with him policies that support incremental investment in renewables. This is a reasonable conclusion, though it's worth mentioning renewable energy has become a bipartisan goal. There are many Republican politicians that support the jobs that come with renewable energy growth. Keep in mind large, utility-scale renewable energy assets are more likely to be found in rural areas, which tend to be Republican strongholds. More likely than not though, the reason why politicians on both sides of the aisle are increasingly supportive of renewable energy is because majorities of their constituents (aka, Main Street) want it.

What also has helped increase Main Street's acceptance of renewable energy are the technological breakthroughs that provided a pathway to de-carbonization. We've written and spoken many times on the declining cost structure of renewable energy that has seen construction costs decrease by well over 50%. We're now hearing more and more about advancements in battery technology that put it on the cusp of finally solving the reliability issues that come with renewable energy.

Therein lies the point. Perhaps 2020 was the year Main Street realized the sky is not the limit, and not just because astronauts flew for the first time ever on a commercially built and operated spacecraft that ended a nine-year absence of astronauts being launched from U.S. soil. It's because Main Street's faith in science, education, and innovation meant society believed it was only a matter of time before scientists would create a Covid-19 vaccine. This proved to be right, and in record time! Main Street has seen what our scientists and engineers can do when incentivized correctly, and this will continue to push the limits of society's progress.

The sky no longer limits us, and now more than ever the question is "when, not if". If we can develop a vaccine this fast, is it so hard to believe renewable energy (including batteries) will cut their cost structure another 50%?

2020: By The Numbers

The Eagle Renewables Income SMA gained 22.2%/22.0% (gross/net, est.) during the fourth quarter and 55.7%/54.6% (gross/net, est.) for the year, which compares favorably to the Eagle Global Renewables Infrastructure Index (RENEW) that returned +20.5% and +35.5% for the quarter and the year, respectively. More details on the performance of our active SMA strategy are available upon request.

Index Name	4Q20	2020	3 Year*	5 Year*	Std Dev (3-yr)
Eagle Global Renewables Infra Index	20.49%	35.50%	21.74%	18.97%	16.97%
Eagle Renewables Income SMA (gross)	22.22%	55.69%	24.40%	--	19.72%
Eagle Renewables Income SMA (net)	22.00%	54.57%	23.49%	--	--
S&P 500 Index	12.15%	18.40%	14.18%	15.22%	18.26%
MSCI World Index	13.96%	15.90%	10.54%	12.19%	18.21%
PHLX Utility Index	6.63%	2.72%	10.48%	12.30%	13.11%
DJ All REIT Equity Index	8.26%	(4.79%)	5.54%	6.82%	17.50%
Barclays US Corp High Yield Bond Index	6.45%	7.11%	6.24%	8.59%	9.73%

* - annualized

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2021: Steady As She Goes

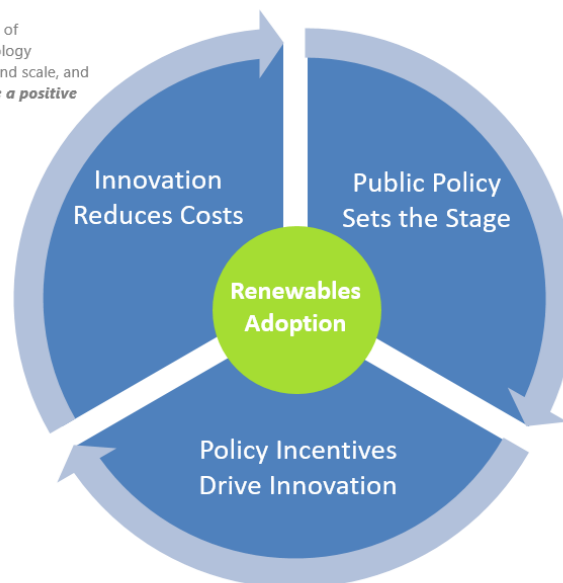
As we enter 2021, the question on everyone's mind is can the current momentum continue? The trader in us believes there will be a period of profit-taking and consolidation before the next upswing, though we do not recommend market timing as a high value-add investment tool. We prefer to maintain a strong foothold in the renewables megatrend and focus our energies around stock selection. For renewable infrastructure (i.e., RENEW) we see 2021 as a steady as she goes kind of year. Much of this is because projects take time to develop, and for infrastructure companies the changing winds at the upper echelons of global governance may not be fully realized until 2022. We therefore expect 2021 growth will mirror historical track records.

- We continue to believe higher level themes will drive stock prices, which we believe is consistent with a sector still in the early phases of its evolution:
- A continuation of the virtuous cycle of renewables adoption (see below)
- The United States' accelerating response to the challenges posed by climate change, where we expect the United States will take market share from Europe
- Advancements in battery technology (and green hydrogen) that lower its cost structure so when it is combined with renewable energy can help solve reliability issues
- Integration of grids across states (domestically) and countries (internationally) to further the efficiency of renewable energy
- A greater willingness to invest and build internationally by pure-play renewable infrastructure companies
- Growth in demand for renewable Power Purchase Agreements (PPAs) from big tech companies with zero emission goals
- Accelerated renewable investments by regular US utilities in their rate base as they transition away from coal fired electricity production

Virtuous Cycle Of Renewables Adoption

Economic Fundamentals

The Rapid decline in the delivered cost of Renewables has been driven by technology improvements, developer experience and scale, and industry maturity. **Lower costs provide a positive feedback loop to Public Policy**



Public Policy

World governments rely on a range of policy instruments to reduce CO2 Emissions.

Examples include:

- Carbon Taxes
- Cap-And-Trade
- Tax Incentives
- Renewable Portfolio Standards
- Loan Guarantees

Technological Innovation

Innovation is crucial to reduce costs and accelerate deployment.

- Smart Power Grids
- Electric Vehicles
- Cost-efficient storage solutions

Renewables Infrastructure Team Update

There were no significant team related news items to highlight this quarter. We continue to focus on the research and portfolio execution effort as well as our indexing initiative and are in constant dialogue with industry experts and management teams. The absence of in-person conferences has been made up by the large multitude and great variety of virtual events that have been hosted by the broker community since the pandemic started. We don't believe these virtual events are an effective replacement for meeting with management teams and the investor community in person, though believe we're procuring and analyzing more than enough information to make critical investment decisions.

We look forward to communicating the results of your investment next quarter and thank you for your continued patronage and confidence in Eagle Global Advisors.

- The Eagle Renewables Infrastructure Team

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EGA Renewables Income Composite

October 1, 2017 through September 30, 2020

	Q3 20	Q2 20	Q1 20	2019	2018
Total Return (%) Net	21.41	16.93	(10.27)	33.87	(7.63)
Eagle Renewables Infrastructure Benchmark Total Return (%)[†]	8.14	15.84	(10.23)	33.06	0.08
Composite 3 Year Std. Dev.	18.05	N/A	N/A	N/A	N/A
Benchmark 3 Year Std. Dev.	15.42	N/A	N/A	N/A	N/A
Number of Portfolios	4	4	4	4	4
Composite Dispersion (%)	0.05	0.07	0.01	0.00	0.00
Composite Assets at End of Period (US\$ 000)	1,097	904	773	862	646
% Non Fee Paying Accounts in the Composite	100%	100%	100%	100%	100%
Total Energy Infrastructure Assets at End of Period (US\$ 000)	310,057	392,016	479,585	1,210,714	1,690,132
Composite Assets as Percentage of Firm Assets	0.1	0.1	0.1	0.0	0.0
Total Firm Assets (US\$ 000)	1,408,692	1,415,525	1,343,672	2,279,115	2,632,277

[†] Benchmark: Eagle Renewables Infrastructure

EGA Renewables Income Composite - The EGA Renewables Income composite consists of those equity-only portfolios invested in a concentrated portfolio of renewable infrastructure companies.

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- The composite start date is October 1, 2017 and was created in 2020. The composite consists of separate accounts where the firm has full investment discretion, the portfolio contains over \$100,000 in renewable infrastructure companies, and the portfolio properly represented the intended strategy at the end of the calendar quarter. All performance returns assume the reinvestment of dividends, interest, and capital gains.
- The benchmark is the Renewables Infrastructure Index and is designed to track the performance of renewable infrastructure or renewable-related infrastructure assets, primarily wind, solar, hydro, biomass and electric transmission lines. Constituents are companies whose stocks trade globally in OECD countries. The index is a capped, float-adjusted, capitalization-weighted index developed by Eagle Global Advisors and disseminated real-time on a price-return basis (RENEW) and on a total-return basis (RENEWTR).
- 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. Eagle Global's Renewables Infrastructure strategy include buying and selling various renewables infrastructure companies. Holdings will vary from period to period and non-renewables companies can have a material impact on the performance.
- 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.

Renewables Income Fee Schedule (minimum annual fee: \$2,500)

Account Size	Under \$5 million	\$5 to 25 million	Over \$25 million
Annual Fee	0.95%	0.85%	0.75%

Representative Example of Compounded Effect of Investment Advisory Fee

Years	Cumulative Fee	Years	Cumulative Fee
1	0.953%	6	5.858%
2	1.916%	7	6.888%
3	2.888%	8	7.887%
4	3.868%	9	8.915%
5	4.859%	10	9.954%

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.