



# U.S. Equity Review and Outlook 1Q 2021



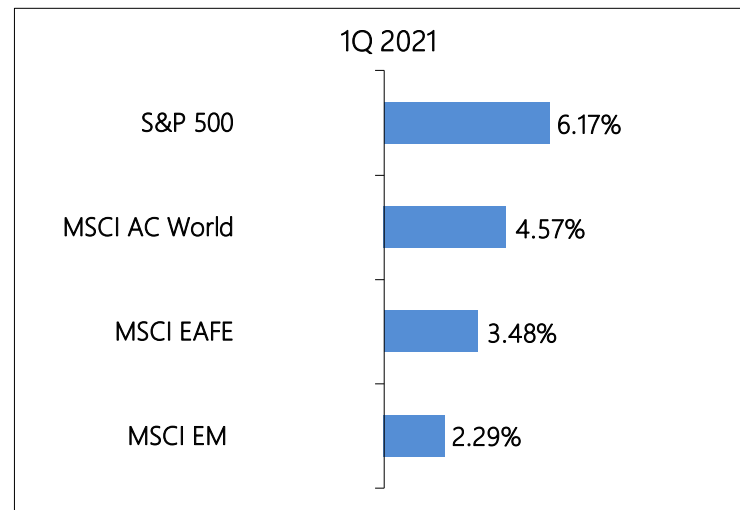
# 1Q 2021 Eagle U.S. Review

- The S&P 500 Index increased an additional 6.2% in the first quarter bringing its 12 month return to 56.4%.
- Eagle portfolios generally kept pace with the S&P 500 Index during the first quarter and outperformed the index for the last 12 months.
- Sector allocation was slightly positive due to the overweight in Communication Services and an underweight in Consumer Staples and Health Care. Stock selection hampered performance due to poor selection in Information Technology and Financials. In the strong upmarket, cash was a drag.
- Equities rallied in March due to the longstanding narrative surrounding stimulus, vaccine developments and stabilizing interest rates and inflows.
- The rally was underpinned by a better-than-expected Q4 earnings season and continued confidence in a central bank backstop, a sign of economic resilience.
- Behaviors are starting to return to normal and the market recovery is ushering in the roaring 2020s with signs of shortages in autos and semiconductor chips.
- 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

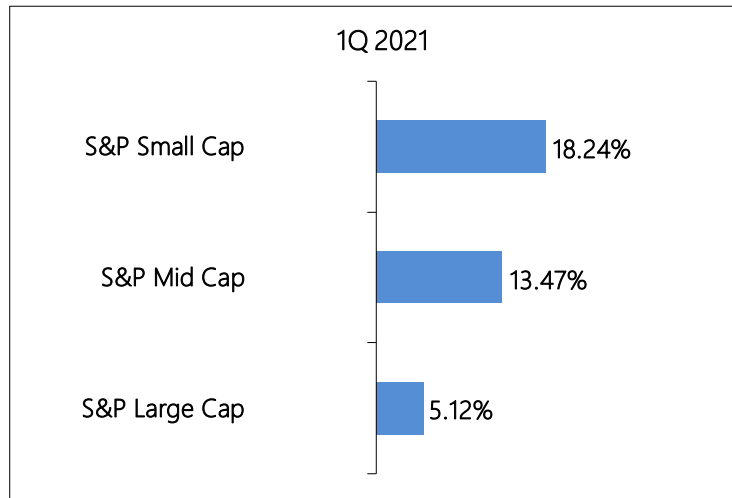
## Broad Market Performance



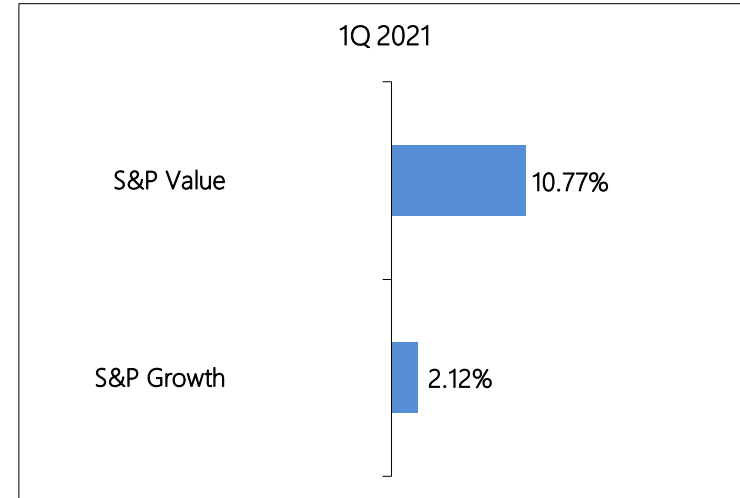
- The S&P 500 led the global equity markets due to a stabilizing interest rates, stronger currency, and increased stimulus.
- Investors are looking to a strong recovery in 2021 and 2022 earnings. The forward 12-month P/E ratio for the S&P 500 is 22.5. The P/E ratio is above the 5-year average (17.8) and above the 10-year average (15.9).

# U.S. Market Scorecard

## Market Cap Breakdown



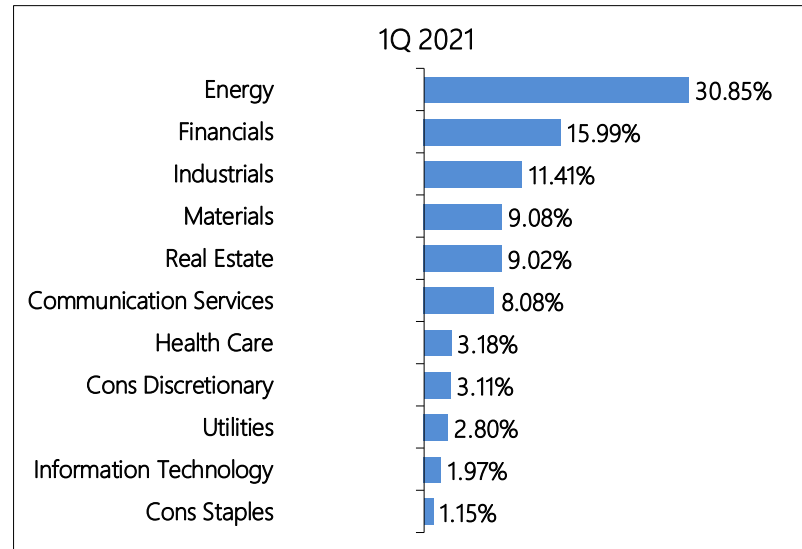
## Growth vs. Value



- Small Cap and Value led for the quarter.
- The Value rally has strengthened as the confidence in the cyclical recovery grows.

# 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.
- Defensive Consumer Staples and former leader Information Technology lags for the quarter.

# 1Q 2021 Performance Attribution

Period	Eagle Return (Gross)	Eagle Return (Net)	S&P 500 Return	Excess Return (Gross)
Quarter	5.59%	5.34%	6.17%	-0.58%

For the quarter ended 3/31/21

Attribute	Impact	Contributors	Detractors
STOCK SELECTION	<i>Negative</i>	+ Communication Services + Health Care + Consumer Staples	- Information Technology - Financials - Industrials
SECTOR ALLOCATION	<i>Positive</i>	+ Underweight Health Care, Consumer Staples + Overweight Financials, Communication Services	- Overweight IT and Cash - Underweight Energy and Materials
LARGE CAP BIAS	<i>Negative</i>	Large Cap underperformed S&P 500 by 105 bps	
GROWTH BIAS	<i>Negative</i>	Growth underperformed S&P 500 by 405 bps	

# 1Q 2021 Stock Review

## OUTPERFORMERS

Amthem, Inc., Amgen Inc.	-	Health Care
Facebook, Inc., Alphabet Inc.	-	Communication Services
Caterpillar Inc., Trane Technologies Inc.	-	Industrials
JPMorgan Chase & Co., Truist Financial	-	Financials

## UNDERPERFORMERS

Amazon	-	Consumer Discretionary
Intercontinental Exchanges, Inc., Arthur J. Gallagher	-	Financials
SBA Communications Corp.	-	Real Estate
Merck	-	Health Care
Apple Inc., Palo Alto, Salesforce	-	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 1<sup>st</sup> Quarter

## New Purchases/Increases

Action	Security	Sector
Bought	American Tower Corporation	Real Estate
Bought	Thermo Fisher Scientific	Health Care
Bought	Wells Fargo	Financials
Increased	American Express	Financials

## Full Sells/Trims

Action	Security	Sector
Sold	Arthur J. Gallagher	Financials
Sold	CVS Health Corporation	Health Care
Sold	SBA Communications Corp.	Real Estate

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.



# 1Q 2021 Purchases/Increases

**American Express Co. (AXP):** American Express is a leading issuer of personal, small business, and corporate credit cards. The company will benefit from the reopening of the economy and the wide vaccine distribution as it should enable more Travel and Entertainment (T&E), a key driver for its earnings growth. It also benefits from lower unemployment and a better economy leading to an improving customer spend, higher balances and faster card spend as well as lower reserve build and/or reserves release.

**American Tower Corporation (AMT):** The sale of SBA Communications was motivated by tax loss harvesting. We monetized the loss in SBAC and put the proceeds into AMT, which is another tower company.

**Thermo Fisher Scientific (TMO):** Thermo Fisher Scientific, Inc. engages in the provision of analytical instruments, equipment, reagents and consumables, software and services for research, analysis, discovery, and diagnostics. The modest guidance for 2021 and market related “sell the winners” put pressure on the stock allowing us to buy at an attractive entry price. Share repurchases in January and March signal underlying value for long-term holders. By redirecting coronavirus-related cash flow windfall toward M&A, TMO is likely to emerge stronger post pandemic.

**Wells Fargo (WFC):** Wells Fargo & Co. is the third largest U.S. bank by deposits with significant market share in commercial banking, mortgage banking, and retail brokerage. It is a turnaround story with upside potential on the costs savings program as well as capital deployment given the excess capital on the balance sheet. We believe the efficiency ratio could decrease from 77% (2021) to around 60% over next 5 years. The bank is asset sensitive and benefits from the improving outlook for rates. Its strong balance sheet with good asset quality should lift net income through reserve release. Also, we are seeing steady improvement on the regulatory front even though there is no clarity on the timing of the removal of the asset cap and consent order. Valuation is attractive at 0.8x P/B.



# Q1 2021 Sells/Trims

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**Arthur J. Gallagher (AJG):** We believe AJG's stock is fairly valued at current expectations. The current valuation is near historical highs and above the levels of peers. The high valuation is pricing in strong execution during the pandemic, robust margin expansion and a resilient organic growth trend.

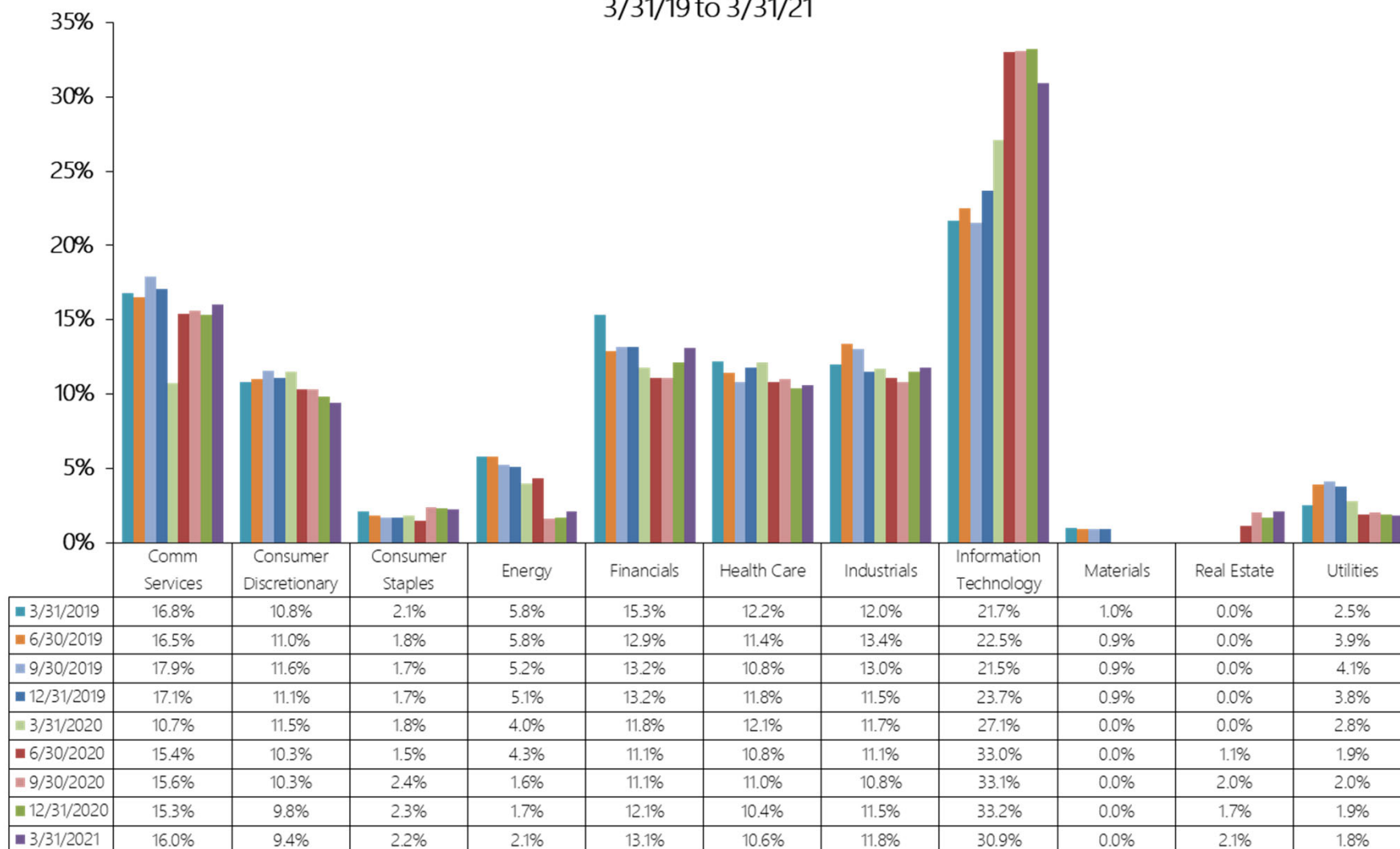
**CVS Health Corp (CVS):** The recent outperformance of CVS provided Eagle an attractive exit price helping reduce our overweight in health care providers and service companies also called MCOs. We are maintaining our investments in UNH and ANTM, which are competitors to Aetna, the MCO "Managed Care Organization" division of CVS. The proceeds were invested in TMO, a leading Life Science Tools & Service Health Care Company.

**SBA Communications Corp (SBAC):** The sale of SBA Communications was motivated by tax loss harvesting. We monetized the loss in SBAC and put the proceeds into AMT, which is another tower company.



# Sector Analysis

EGA U.S. Equity Sector Weights  
3/31/19 to 3/31/21



# Eagle Outlook For 2021

- Eagle believes earnings for 1Q 2021 will be in the 30% range, well above the 5-year average of 4.1%.
- Eagle believes earnings growth will be in the range of 28% and revenue growth above 10% for 2021 and fully recover by 2022 exceeding \$200 on the S&P 500.
- GDP growth will strongly rebound in 2021 and interest rates will trend higher.
- Fears of a Covid-19 resurgence is largely negated by vaccine optimism.
- Massive government fiscal and Federal Reserve monetary responses have supported the rebound.
- Improving economics and earnings battle with Covid-19, interest rates spike, and China hegemony leading to increased volatility.
- Estate tax rollbacks, income tax increases, corporate tax increases and wealthy investor tax increase may weigh on fourth quarter market sentiment as tax law changes move forward.
- Studies from the CSFB forecast show an average decline of 7.0% 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 over \$1m could rise to 39.6% under Biden/Democrats potentially increasing investors equity and bond discount rates currently near all time lows.



# Proposed Individual Tax Changes

Tax Provision	Current	Proposed
Tax rate above \$400 k income	37%	39.6%
Itemized deductions above \$400 k income	No overall limitation on itemized deductions; SALT cap at \$10 k	Cap benefit at 28% of value; Restore Pease limit on itemized deductions
Long term capital gains & qualified dividends	20% top rate	Ordinary tax rate for income above \$1 million
Unrealized capital gains at death	Generally exempt	Tax as ordinary income
Carried Interest	20% rate on carried interest	Tax as ordinary income
Qualified business income deduction	Up to 20% of QBI + 20% REIT dividends & PTP income	Phase out after \$400 k income
Retirement credits	N/A	Automatic IRAs; small business start-up credit
IRA deductibility	Deduction phased out Between \$65k and \$75k AGI if covered by work plan	Replace with 26% refundable credit

Source: MUFG. (1) Tax Policy Center "TPC Finds the Ways & Means Pandemic Relief Plan Mostly Helps Low and Moderate Income Households, But Higher Income Families Benefit as Well". Howard Gleckman. Tax Policy Center "An Unpaid Analysis of Former Vice President Biden's Tax Proposals". Tax Foundation "Details and Analysis of President-elect Joe Biden's Tax Proposals, October 2020 Update. PWC "2021 Tax Policy Outlook: The Changing Horizon" January 2021.

# Proposed Individual Tax Changes

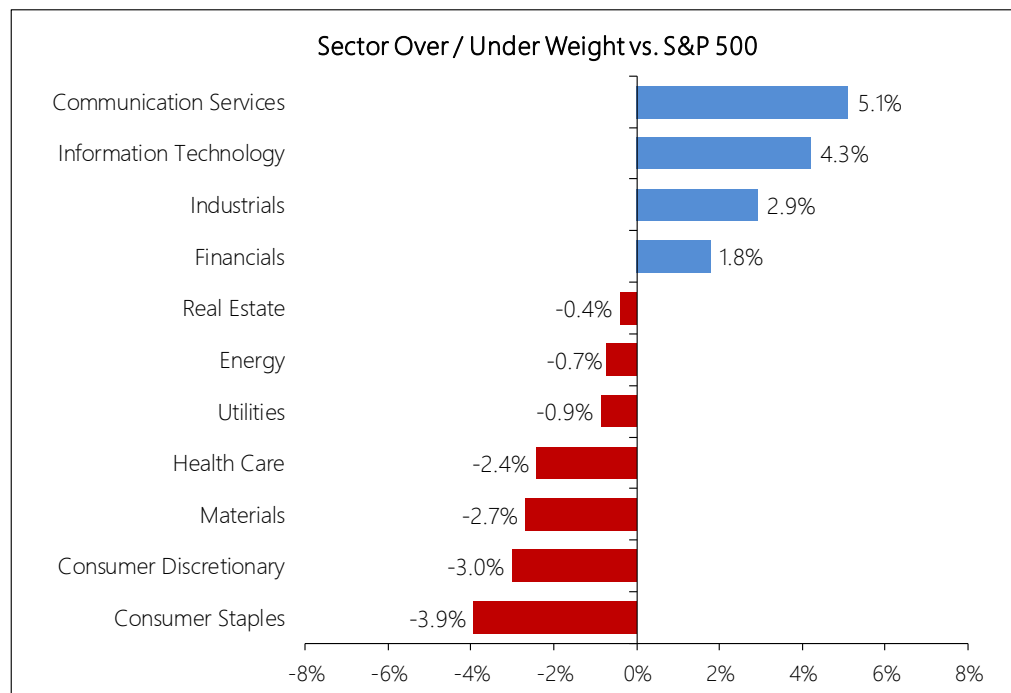
Tax Provision	Current	Proposed
Estate tax	\$11.6 million exemption; 40% top rate	\$3.5 million exemption; 45% top rate
Renters' credit	N/A	Provide refundable credit
First time homebuyers	N/A	\$15,000 refundable credit
Old-Age, Survivors & Disability Insurance payroll tax	12.4% Social Security tax applies to annual adjusted wage base limit	Apply payroll tax to income above \$400 k (Does not qualify for budget reconciliation)
Earned Income Tax Credit*	\$538 for childless adults	\$1,500 for childless adults; expanded eligibility
Child Care Tax Credit*	Up to \$2,000	Up to \$3,600 under age 6 / \$3,000 age 6-17
Child and Dependent Care Tax Credit*	Max credit rate 30%	\$8,000 max value; 50% refundability
Family caregivers for those with physical and cognitive needs	N/A	Up to \$5,000
Forgiven student loans	N/A	Exempt from taxable income

Source: MUFG (1) Tax Policy Center "TPC Finds the Ways & Means Pandemic Relief Plan Mostly Helps Low and Moderate Income Households, But Higher Income Families Benefit as Well". Howard Gleckman. Tax Policy Center "An Unpaid Analysis of Former Vice President Biden's Tax Proposals". Tax Foundation "Details and Analysis of President-elect Joe Biden's Tax Proposals, October 2020 Update. PWC "2021 Tax Policy Outlook: The Changing Horizon" January 2021.

# Sector Allocation

As of 3/31/2021

Sector	Eagle	S&P 500
Communication Services	16.0%	10.9%
Information Technology	30.9%	26.6%
Industrials	11.8%	8.9%
Financials	13.1%	11.3%
Real Estate	2.1%	2.5%
Energy	2.1%	2.8%
Utilities	1.8%	2.7%
Health Care	10.6%	13.0%
Materials	0.0%	2.7%
Consumer Discretionary	9.4%	12.4%
Consumer Staples	2.2%	6.1%



# Holdings and Characteristics

As of 3/31/2021

Characteristic	Eagle	S&P 500
Weighted Average Market Cap	\$569 Billion	\$413 Billion
Weighted Median Market Cap	\$270 Billion	\$159 Billion
12M Trailing Price/Cash Flow	21.44	20.40
12M Trailing P/E	36.78	32.60
12M Fwd P/E	22.81	21.63
Yield	1.3%	1.5%
P/B	4.82	4.44
Return on Equity (ROE)	14.5%	13.0%
12M FWD EPS Growth	21.94%	20.80%
Earnings Growth Next 5 Years	17.10%	15.40%
Number of Holdings	46	500
Turnover Rate	25%-30%	NA

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

EGA's top ten holdings represent our 10 largest holdings as of March 31, 2021. 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%	12.38%	12.12%	23.05%	21.89%	18.40%
2021	5.59%*	5.34%*							5.59%*	5.34%*	6.17%

\*Preliminary

	MRQ*	YTD*	1 Year*	Annualized Returns		
				3 Years*	5 Years*	10 Years*
EGA US Equity (% gross)	5.6	5.6	60.4	17.0	16.7	13.6
EGA US Equity (% net)	5.3	5.3	58.9	15.9	15.6	12.5
S&P 500	6.2	6.2	56.4	16.8	16.3	13.9

\*Preliminary

# U.S. Equity Composite

## EGA U.S. Equity Composite January 1, 2010 through December 31, 2020

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total Return (%) Gross	23.05	30.92	(6.21)	20.51	11.86	(0.01)	17.02	31.53	13.49	1.00	14.18
Benchmark Total Return (%)*	18.40	31.49	(4.38)	21.83	11.96	1.38	13.69	32.39	16.00	2.11	15.06
Composite 3 Year Std. Dev.	19.54	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.	18.79	12.10	10.95	10.07	10.74	10.62	9.10	12.11	15.30	18.97	22.16
Number of Portfolios	76	49	55	60	61	65	64	94	99	98	105
Composite Dispersion (%)	1.03	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)	402,967	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
Percentage of Firm Assets	25.6	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)	1,571,232	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.19 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 or quality 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 ( $\leq 5$ ) 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

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.	Years	Cumulative Fee	Years	Cumulative Fee
	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%

