EAGLE GLOBAL ADVISORS

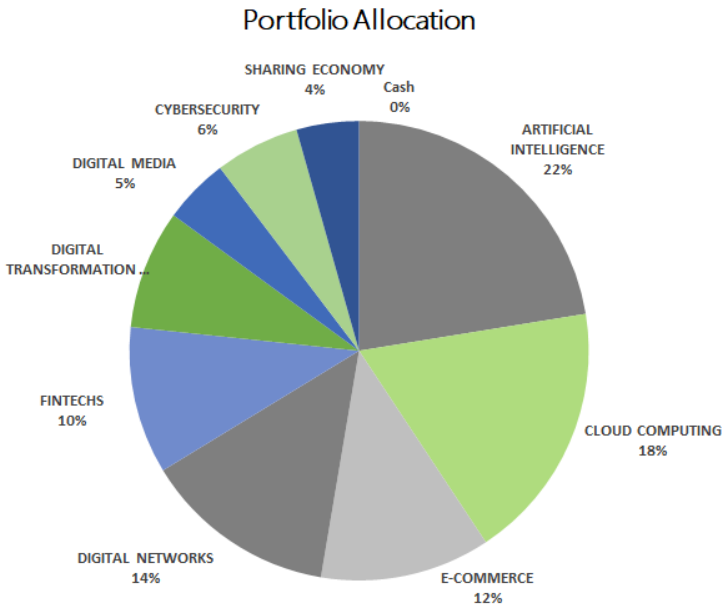
Quarterly Commentary 3Q 2021

EGA Innovation Strategy

From the EGA Portfolio Management Team

Performance Recap And Portfolio Positioning

The Innovation Strategy returned 0.55% (gross, est.)/0.39% (net, est.)* during Q3 and 18.94% (gross, est.)/18.42% (net, est.)* year-to-date. Individual portfolio returns may differ due to cash flows, tax management and other factors. Comparable period returns for the benchmark (Nasdaq Composite) were -0.23%, and 12.66% respectively. Quarterly returns were led by investments in artificial intelligence, cybersecurity and cloud computing.



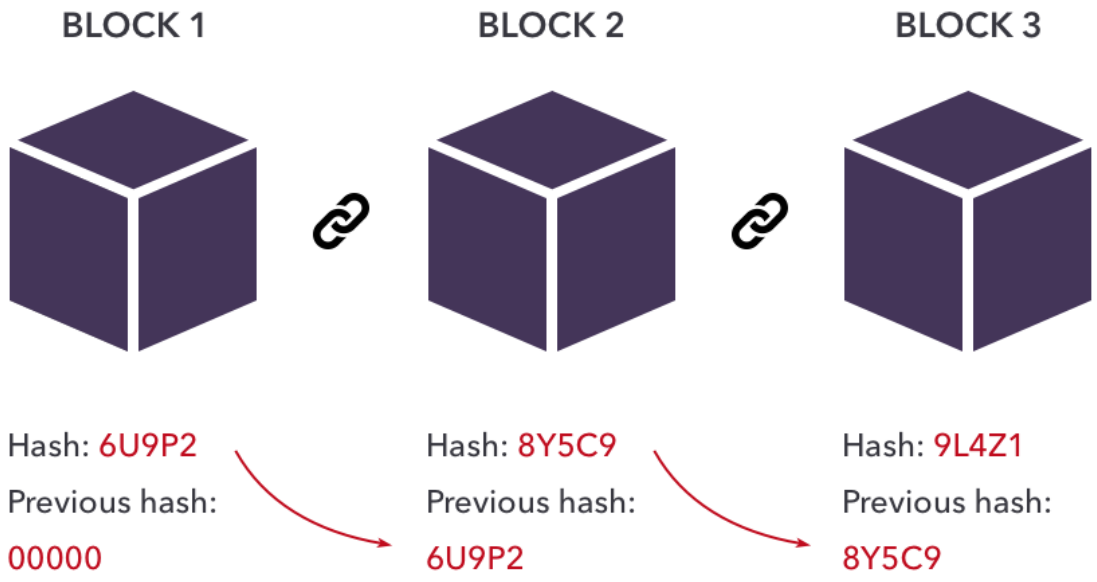
Tilting Towards Satellites

Since the beginning of 2021 the Eagle Innovation strategy has trimmed some of its largest core investments to make room for four new satellite investments. We plan to continue to make this gradual shift from large concentrated core positions to a more balanced core portfolio and an increased representation of satellites from 12% today towards the stated objective of up to 20% of the overall portfolio. We believe valuations of satellite-like companies have now become more reasonable relative to the overall market and we want to use this opportunity to increase our exposure to them. As a reminder, satellite companies are early in their lifecycle, but have convincingly demonstrated their competitive strengths in large underpenetrated markets. They have the potential to be multi-baggers, but carry a higher level of uncertainty in execution, competitive environment and market credibility. The top returning position of the EGA Innovation strategy started as a satellite in 2019 and has now grown more than six times the original investment size. On the other hand, our turnover in satellite positions has historically been higher than the portfolio average because of the above stated uncertainties. This is why we limit satellite exposure to 20% of the overall portfolio.

*See performance disclosures on p. 6 of this document.

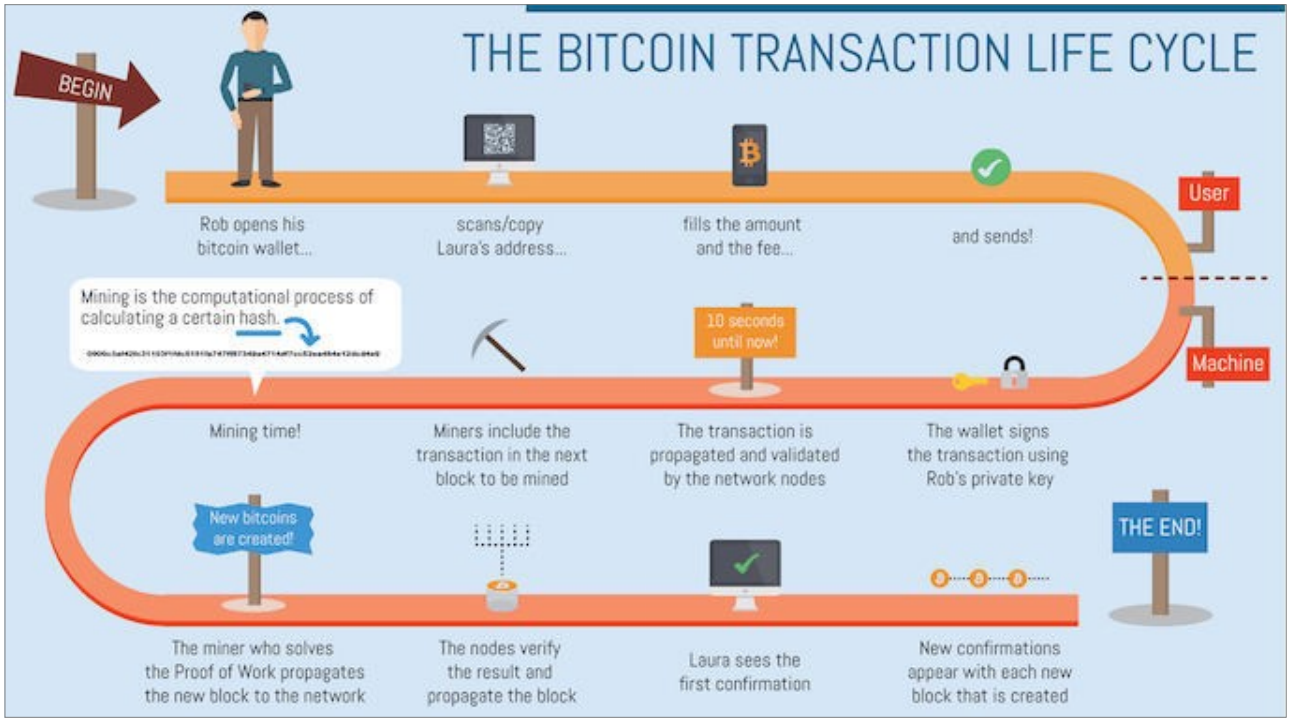
Deciphering Bitcoin

We want to preface this section by saying that the EGA Innovation Strategy does not invest in cryptocurrencies or other digital assets. However, we study these assets to inform our views on potential ramifications for the end markets of the investments we target.



Source: https://www.velotio.com/engineering-blog/introduction-to-blockchain-and-how-bitcoin-works

Bitcoin has now been in existence for almost 13 years. It is the most popular cryptocurrency and the best starting point to learn about the blockchain technology. Bitcoin's blockchain technology involves a network of participants (called nodes) responsible for maintaining a distributed ledger of peer to peer bitcoin transaction data such that each node has its own copy of the ledger. The name blockchain comes from the manner in which bitcoin transaction data is stored. Transaction data is stored in blocks. Each block can store only a limited number of bitcoin transactions (~500 on average). So, multiple blocks need to be chained together to store a growing number of bitcoin transactions. The chained blocks in their entirety form the ledger. The transaction data in each block is tamperproof, such that any manipulation of transaction data in a block would change the unique ID (known as the "hash" of the block) assigned to the block. The "hash" is a cryptographic function that converts bitcoin transaction data into a fixed length character string called the "hash" of the block or the unique ID of the block. Each block, in addition to storing bitcoin transaction data and its own unique ID ("hash" of the block), also stores the "hash" of the previous block (i.e. unique ID of the block preceding it). Assume three blocks (Block 1, 2 and 3) are chained together, as shown in the schematic above. Each block contains bitcoin transaction data. Block 2 contains transaction data, the hash of block 2 (character string "8Y5C9" in the schematic) and hash of Block 1 (character string "6U9P2" in the schematic). If the bitcoin transaction data in block 1 is tampered with, the hash of block 1 will change (from "6U9P2" to "XXXXX"). The updated hash ("XXXXX") of block 1 now does not match with its hash originally recorded ("6U9P2") in Block 2. This discrepancy will get flagged to the bitcoin network and the network will disregard this tampered copy of the blockchain (note that there are thousands of copies of the same blockchain distributed across the network because each node separately maintains a copy of the blockchain). This is how the integrity and the chronological order of a blockchain is protected.



Source: https://www.researchgate.net/publication/318850089_A_Relative_Study_on_Bitcoin_Mining

Bitcoins are stored in digital wallets. Every digital wallet is assigned a private key, which if compromised can result in wallet contents being stolen (think of it as a password to your bank account). When someone initiates a bitcoin transaction, the wallet broadcasts a message to the bitcoin network i.e. the nodes in the network. This message contains a digital signature, which uses a mathematical mechanism to combine (1) the private key with (2) the bitcoin transaction data, such that the private key cannot be extracted out of the digital signature. The message is validated by the network nodes. Certain nodes (called miners) can find new blocks to add them to the blockchain. In bitcoin terminology, the process of finding new blocks is called mining. Upon validating the bitcoin transaction message, these miners include the transaction in the block they are currently mining. The mining process requires "proof of work". Proof of work involves running an algorithm (every miner runs the same algorithm, called the hashing algorithm) that converts transaction data (in the block being currently mined) into a fixed length character string. If this fixed length character string starts with sufficient zeros, the block is considered to be successfully mined and is sent to the network nodes to be added to their respective copies of the blockchain. Performing the "proof of work" alone does not guarantee finding a new block because most of the time the hashing algorithm is unable to convert transaction data into a fixed length character string starting with sufficient zeros. In fact, block finding is a probabilistic outcome. The probability of adding a new block is determined by the computational power deployed by the miner relative to the entire mining network. If a miner contributes one-tenth of the network's computational power (known as hashrate in the bitcoin jargon), it will (on average) find one in every ten blocks found on the network. The difficulty level of finding a block is adjusted periodically so that (on average) a block is found every 10 minutes. The miner who finds the block is handsomely rewarded (in return for its service) with newly created bitcoins. Current reward is set to 6.25 bitcoins or ~$300,000 in today's value. In order to receive the reward, the miner must meet two conditions: a) find the new block by performing proof of work such that the hashing algorithm converts transaction data (in the block) into a fixed length character string starting with sufficient zeros, and b) ensure that its updated ledger (including new transactions added to the newly mined block) matches the ledger agreed on by a consensus reached among the network nodes. In order to match the consensus ledger, every miner strives to maintain the ledger accurately.

So, the handsome reward acts as an incentive for each miner to maintain a ledger that agrees with the consensus. When applied across all miners in operation, this takes the form of a consensus based distributed ledger. There are two more nuances about the bitcoin blockchain: a) the blockchain is publicly accessible, but the identity of individuals making bitcoin transactions is (pseudonymously) concealed, and b) the system is designed to maintain the store of value of bitcoin by limiting the maximum number of bitcoins that can be created to 21 million. These properties together form the basis of bitcoin's superior payment characteristics over other payment methods:

I. **Immutability:** once confirmed, bitcoin transaction data cannot be tampered with. If tampered with, the unique ID (hash) of the block will change and it will not match the ID stored in subsequent blocks, rendering that copy of the blockchain inaccurate and consequently rejected from consensus (and bitcoin rewards)

II. **Secure:** the sender of payment never reveals his bank account number or his credit card number. The private key to his wallet is embedded inside the digital signature for verification, but it cannot be unmasked

III. **Decentralized and Trustless:** There are tens of thousands of copies of the blockchain distributed across network nodes, which overcomes the need to rely on one central entity such as a bank, a payment network, a government or a coalition of governments, corporations, individuals etc. Any entity or a coalition of entities lacks the ability to sway the consensus

IV. **Anonymous, but Transparent:** The identity of the transacting individuals is (pseudonymously) concealed but the transaction data is accessible to anyone who can connect to the internet because the blockchain is a shared public ledger

V. **Speed:** A bitcoin transaction can usually be confirmed within 10-20 minutes. While that may seem longer than a credit card transaction, the actual time it takes to settle a credit card transaction is ~2 days because of the number of parties involved

VI. **Efficient:** Assuming bitcoin can successfully scale to the size of credit card networks, bitcoin transactions are likely to be cheaper because of the automation involved in transaction processing and a decrease in number of intermediaries involved compared to credit card transactions

Although these traits suggest bitcoin is a superior payment token compared to traditional payment alternatives, they do not help ascribe an investment value to bitcoin. Should its superior payment traits make bitcoin an investment asset? Payment transactions alone cannot create demand for bitcoin. If two parties were using bitcoins only to transact, the payer would purchase a certain number of bitcoins and send them to the recipient. Upon receiving the payment, the recipient would sell the same number of bitcoins. This transaction results in a net zero new demand for bitcoin (bitcoin bought = bitcoin sold). But price appreciation of bitcoin suggests people are buying bitcoin with intent to hold it as an investment. Bitcoin is promoted as an alternative to gold, as a protection against inflation and as a portfolio diversifier. Growing adoption of bitcoin for these investment cases is driving price appreciation. By limiting the total number of bitcoins to 21 million, the creators of bitcoin have attempted to give it the characteristic of having a store of value. In reality, the value of bitcoin (like any other asset class) is solely driven by demand and supply.

Without any underlying fundamentals of income generation or a utility of consumption, bitcoin's store of value is speculatively driven by beliefs of buyers and sellers. As the belief of 'bitcoin as an investment class' gains increased adoption, the price will appreciate to the point of equal buyers and sellers of bitcoin. If that adoption reverses, the price will decline. Although there are some methods to predict bitcoin's price, their predictive power is weak, less defensible and unproven.

However, bitcoin is just a start to the various applications built on blockchain technology such as smart contracts for insurance or decentralized finance, tokenization of assets, social networks on blockchain and other decentralized applications. It is truly exciting to be at the forefront of these technological innovations. To be able to mine opportunities to create wealth for our clients while navigating such breakthroughs is simply fulfilling. We believe we are only scratching the surface of the world of potential innovative investment opportunities. The EGA Innovation Strategy travels this universe of innovation for you to invest ahead of the curve and to capitalize on the economy of the future.

Thank you for entrusting us with the management of your assets.

- The EGA Innovation Strategy Team

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 Innovation Strategy includes buying and selling various innovative growth companies. Holdings will vary from period to period and innovative growth companies can have a material impact on the performance.

No Warranties. The accuracy and/or completeness of any Eagle Global Advisors index, any data included therein, or any data from which it is based is not guaranteed by Eagle Global Advisors, and it shall have no liability for any errors, omissions, or interruptions therein. Eagle Global Advisors makes no warranties, express or implied, as to results to be obtained from use of information provided by Eagle Global Advisors and used in this service, and Eagle Global Advisors expressly disclaim all warranties of suitability with respect thereto. You Must Make Your Own Investment Decision. It is not possible to invest directly in an index. Index performance does not reflect the deduction of any fees or expenses. Past performance is not a guarantee of future returns. You should not make a decision to invest in any investment fund or other vehicle based on the statements set forth in this document, and are advised to make an investment in any investment fund or other vehicle only after carefully evaluating the risks associated with investment in the investment fund, as detailed in the offering memorandum or similar document prepared by or on behalf of the issuer. This document does not contain, and does not purport to contain, the level of detail necessary to give sufficient basis to an investment decision. The addition, removal, or inclusion of a security in any Eagle Global Advisors index is not a recommendation to buy, sell, or hold that security, nor is it investment advice.

EGA Innovation Composite

July 1, 2018 through June 30, 2021

	Q2 21	Q1 21	2020	2019	2018
Total Return (%) Gross	**14.89**	**2.97**	**44.13**	**36.96**	**(14.69)**
Total Return (%) Net	**14.72**	**2.82**	**43.29**	**36.16**	**(14.96)**
Nasdaq Composite Benchmark Total Return (%)*	**9.68**	**2.95**	**44.92**	**36.69**	**(11.20)**
Composite 3 Year Std. Dev.	19.67	N/A	N/A	N/A	N/A
Benchmark 3 Year Std. Dev.	20.70	20.54	21.05	14.52	13.81
Number of Portfolios	<6	<6	<6	<6	<6
Composite Dispersion (%)	N/A	N/A	N/A	N/A	N/A
Composite Assets at End of Period (US$ 000)	1,302	1,133	1,100	678	434
Total Firm Assets (US$ 000)	1,850,795	1,691,191	1,571,232	2,279,115	2,632,277

* Benchmark: Nasdaq Composite Benchmark Total Return

EGA Innovation Composite - The EGA Innovation composite consists of those portfolios invested in innovative growth companies.

- 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, 2018 and was created in March 2020. The composite consists of separate account portfolios where the firm has full investment discretion, the portfolio contains over $100,000 in innovative growth 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 NASDAQ Composite, a market capitalization-weighted index that includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based Index. Benchmark returns are calculated using ETF (ONEQ), which tracks the NASDAQ Composite Index
- 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 Innovation strategy includes buying and selling of various innovative growth companies. Such assets can and do include technology, communication services, consumer discretionary and stocks from other sectors of the market. Holdings will vary from period to period and due to the volatile nature of these 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.

EGA Innovation Composite (minimum investment: $100,000)

Account Size	All Assets
Annual Fee	.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	0.953%	6	5.858%
2	1.916%	7	6.868%
3	2.888%	8	7.887%
4	3.868%	9	8.915%
5	4.859%	10	9.954%