

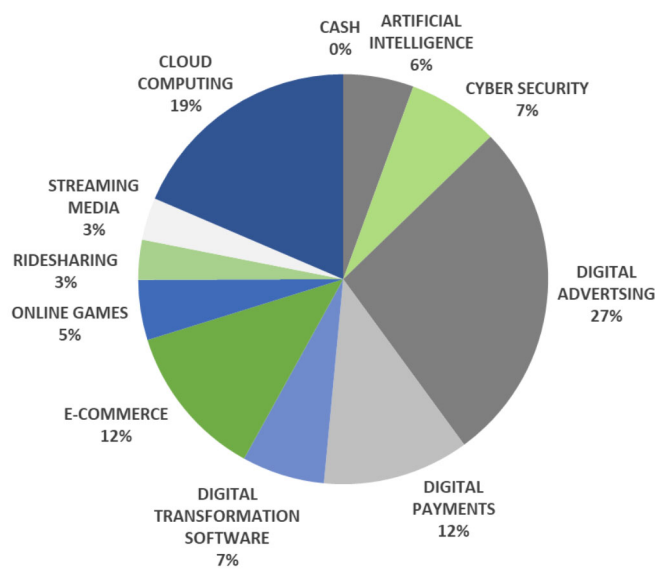
EGA Innovation Strategy

From the EGA Portfolio Management Team

Performance Recap and Portfolio Positioning

The Innovation Strategy returned 2.88% (gross, est.)/ 2.72% (net, est.) during 1Q 2021*. Individual portfolio returns may differ due to cash flows, tax management and other factors. Comparable period return for the benchmark (Nasdaq Composite) was 2.95%.

Quarterly returns were led by investments in digital advertising, cloud computing and online games companies. Our current portfolio themes include the following:



10-year Treasury Yield and Market Volatility

Simply put, value of a company is composed of 3 elements: a) current level of cash flows, b) growth rate of future cash flows and c) discount rate applied to bring future cash flows to present value.

$$\text{Value} = \frac{CF_0 * (1+g)}{(r - g)}$$

- CF₀ = current level of cash flow
- g = growth rate of future cash flows (assumed to remain constant)
- r = discount rate applied to bring future cash flows to present value

The discount rate is directly correlated to long-term bond yields such as the yield on the 10-year Treasury bonds. As long-term bond yield rises, the denominator in the above equation increases. Absent any changes in growth rate, the value of a company decreases.

*See performance disclosures on p. 4 of this document.

Alternatively, as growth rate rises, the numerator in the above equation increases and the denominator decreases. Absent any changes to the discount rate, the value of a company increases. When 10-year Treasury yields rose from 0.6% in August 2020 to 1.7% in March 2021, the discount rate increased proportionally. That increase in denominator for some companies may have been substantially more than the increase in their estimated growth rate. As a result, the value ascribed to those companies declined in investor models. This change impacted high growth companies more than companies with muted growth. High growth companies derive a bigger portion of their value from distant year cash flows and thus are impacted more by increases in the discount rate. Those were the companies that witnessed the most volatility during Q1. The Innovation Strategy takes a balanced approach to allocating between distant year cash flows and near-term cash flows when constructing its portfolio.

The Future of Human Computer Interaction

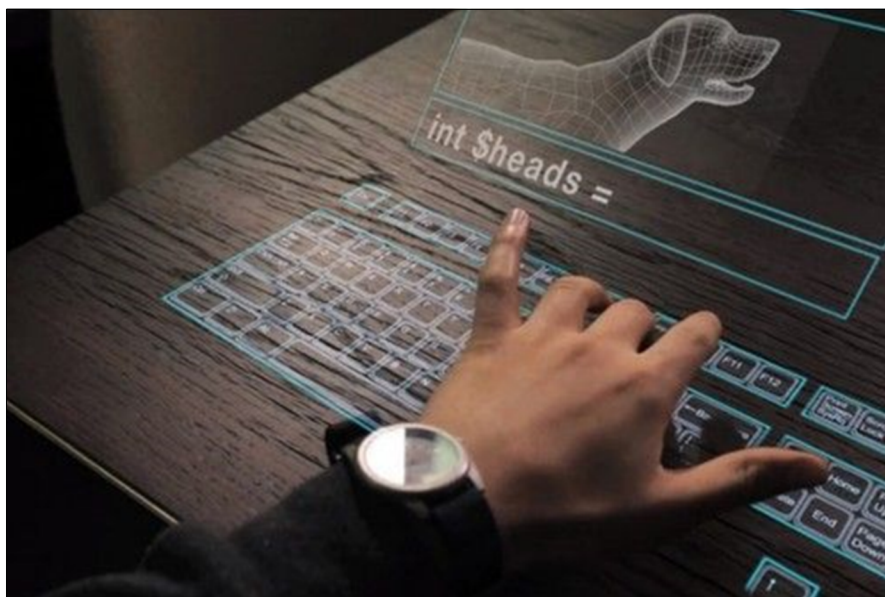
We are hopeful we have now reached the later innings of this pandemic and a recovery is on the horizon if not already in play, but we believe the pandemic will leave us with some lasting lessons. One of those lessons is the convenience, scalability and cost effectiveness of virtual interactions. The pandemic marked an inflection point in adoption of virtual interactions. Just like in e-commerce transactions, the experience of virtual interaction was met with recognition of convenience, increased selection and seamlessness. We believe the acceptance of virtual interactions will only grow from here.



Now imagine a world where a lightweight, stylish pair of glasses could replace your need for a computer or smartphone that you currently use to make all your virtual interactions. These glasses would let you look up and stay present in the world around you rather than pulling your attention away to the periphery in the palm of your hand that holds a smartphone. Unlike smartphones, these glasses wouldn't force you to choose between the real world and the digital world. They would overlay the digital world on top of the real world. That technology is called Augmented Reality (AR) and one of the largest holdings in the Innovation Strategy is investing in such AR glasses. Later this year, this company will unveil some groundbreaking work on this new device.



In order for AR to become truly ubiquitous, it needs low-friction, always-available technology that's so intuitive to use that it becomes an extension of your body. That's a far cry from where human computer interaction is today with a smartphone, smartwatch or any digital device that pulls your attention away from the real world into a digital world. Another difference is that most existing interfaces are not seamless. For instance, before you go for a run, you open your running app and set your running choices. Then you switch from your running app to your music app to set your music choice. If you receive a text or an email during your run, you have to pause to pull out your smartphone. That's a high-friction experience where the context of what you're doing at any given moment is lost as you move from one task to next. AR glasses address this problem by operating seamlessly using an ultra-low-friction input, so when you need to act, the path from thought to action is as short and intuitive as possible. Your mile tracker, your music and your messages are all shown intuitively on your screen unobtrusively while you continue your run. Additionally, the use of AI, context, and personalization allows the AR glasses to present you with a simple set of choices, without having you navigate through menu after menu of options to find the information you might be looking for. Then you use a simple finger flick to approve the right choice. There are no transitions, breaks or pauses. Let's take another example:



Say you decide to walk to your local cafe to get some work done. You're wearing a pair of AR glasses and a soft wristband. The virtual assistant software in your AR glasses offers to place an order of your regular cappuccino. You confirm it with a flick of your finger. The wristband captures that flick using electromyography (EMG), an approach that uses electrical signals travelling between the spinal cord and the hand to communicate to the AR glasses. Behind the scene, the glasses connect to the café's ordering app via 5G and place the order using your default payment wallet. You head to a table, but instead of pulling out a laptop, you pull out a pair of soft, lightweight haptic gloves. When you put them on, a virtual screen and keyboard show up in front of you. They are visible only to your glasses and you begin to edit a document. But the noise from the cafe makes it hard to concentrate. Recognizing what you're doing, the virtual assistant prompts you to activate noise cancellation in your earbuds to soften the background noise. You confirm with a finger flick. A server passing by your table asks if you want a refill. The glasses know to let her voice through, even though the ambient noise is still muted. A friend calls, and your assistant automatically silences the call so as not to interrupt your current conversation. As your server steps away, you flick the finger to answer that call. Finally, when it's time to leave to pick up the kids based on your calendared event, you get a gentle visual reminder so you won't be late due to the current traffic conditions.

Building the AR interface is a difficult, long-term undertaking, and there are years of research yet to do. But by planting the seeds now, we believe this company will solidify its position in building a new computer interface, which people will use for decades to come.

It is truly exciting to be at the forefront of this technological breakthrough. To be able to create wealth for our clients while navigating such breakthroughs in our investments 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 world 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

EGA Innovation Composite

July 1, 2018 through December 31, 2020

	2020	2019	2018
Total Return (%) Net	44.13	36.96	(14.69)
Nasdaq Composite Benchmark Total Return (%)*	44.92	36.69	(11.20)
Composite 3 Year Std. Dev.	N/A	N/A	N/A
Benchmark 3 Year Std. Dev.	21.05	14.52	13.81
Number of Portfolios	5	5	5
Composite Dispersion (%)	0.61	0.20	0.08
Composite Assets at End of Period (US\$ 000)	1,100	678	434
% Non Fee Paying Accounts in the Composite	100%	100%	100%
Composite Assets as Percentage of Firm Assets	0.1	0.0	0.0
Total Firm Assets (US\$ 000)	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.

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- 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

Years	Cumulative Fee		Years	Cumulative Fee	
	1	2		3	4
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%		