EAGLE GLOBAL ADVISORS

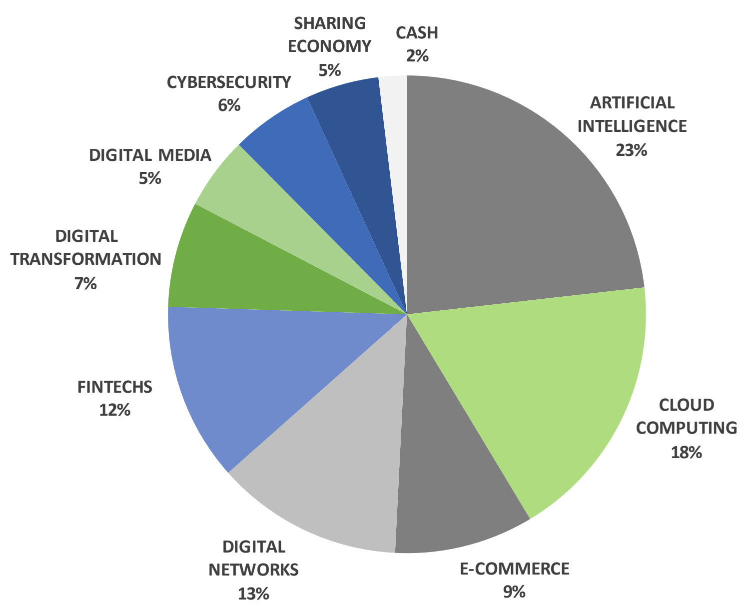
Quarterly Commentary
4Q 2021

EGA Innovation Strategy

From the EGA Portfolio Management Team

Performance Recap And Portfolio Positioning

The Innovation Strategy returned 6.0%/5.8% (gross/net, est.)* during Q4 and 26.5%/25.8% (gross/net, est.)* for 2021. Individual portfolio returns may differ due to cash flows, tax management and other factors. Comparable period returns for the benchmark (Nasdaq Composite) were 8.5%, and 22.2% respectively. Quarterly returns were led by investments in artificial intelligence, cloud computing and digital transformation.



2021 was a volatile year for our peer group. Here's what helped us outperform:

1) Sticking to our process, which lays a strong emphasis on durability of earnings growth while being sensitive to valuation.
2) Refraining from adding new positions solely to gain exposure to disruptive themes.
    a) Picking disruptive themes is easy, but themes do not generate returns on their own.
    b) Despite being disruptive, very few companies can differentiate in the long-term.
    c) Theme baskets are good for trading, not for investing. We focus on the latter.
3) Not participating in IPOs or SPACs.
    a) IPOs are one-sided storytelling events that do not adequately weigh all the risks.
        - These risks often surface a few months or quarters after the listing.

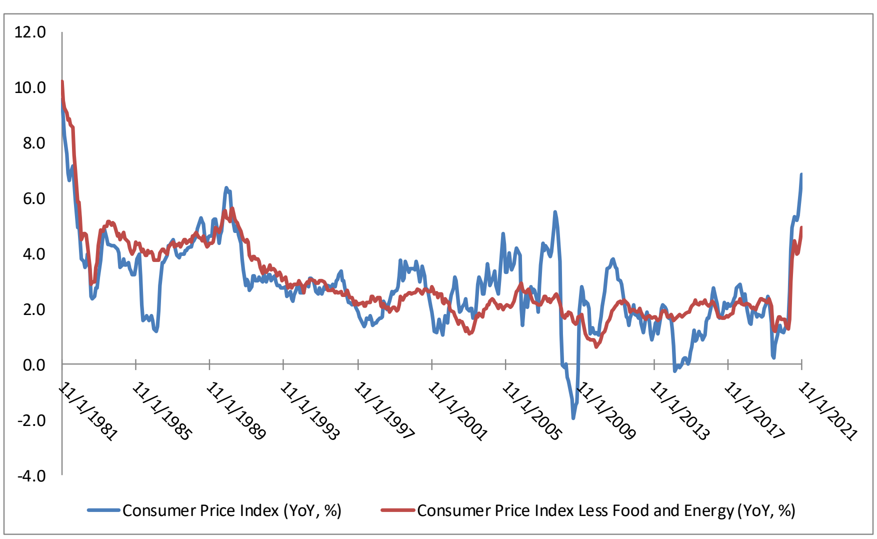
*See performance disclosures on p. 7 of this document.

b) SPAC sponsors aren't usually the most patient or rational buyers.
   i. The risk-reward for a SPAC sponsor is asymmetric.
      - If sponsors fail to create a combination within two years, the SPAC must be dissolved, all funds returned to the original investors and the sponsors lose their risk capital.
      - If they succeed in creating a combination, the sponsors earn shares in the combined corporation, often worth as much as 20% of the equity raised from original investors.
   ii. Rational investors are willing to be patient for a long time. SPAC sponsors are bound by a two year deal clock.
   iii. When SPAC sponsors identify a target, their incentives are to promote the deal to obtain shareholder approval, rather than acting as fiduciaries.
c) Valuations of IPO offerings and SPAC deals were unattractive.

4) Compounding the time invested. We sold out of only 2 of our ~22 positions (including one for tax loss harvesting) during the entire year.
   a) We place a high bar on adding a new position.
   b) For the positions we add, we believe in their durability for the long-term.
      i. Selling them on short-term events would result in us forfeiting a chance to participate in future opportunities.
   c) We believe half the battle in investing is to look at the right companies. A churn in portfolio holdings makes it harder to win that battle.

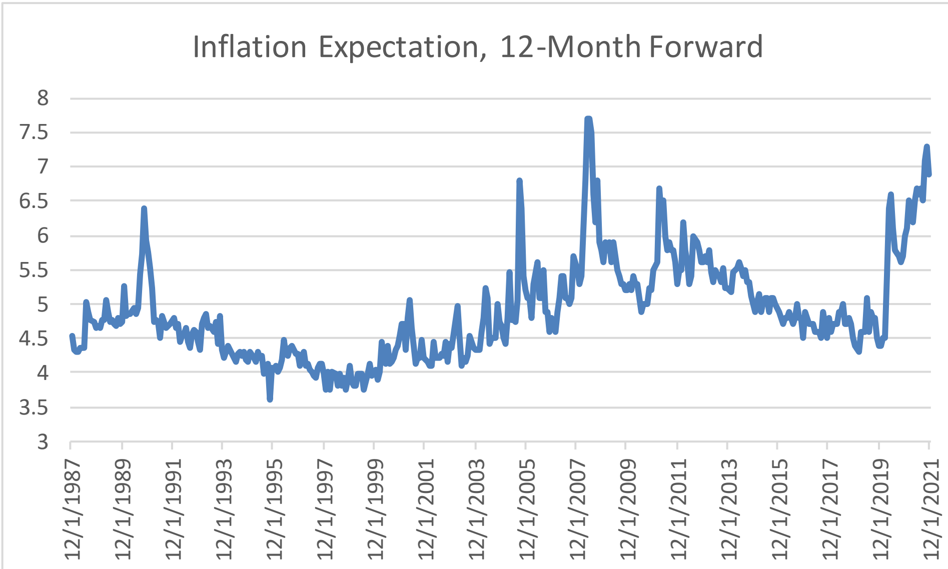
The Risk Of A Wage-Price Spiral

In the EGA Innovation Strategy, we do not manage investments based on macroeconomic analysis, but we pay attention to macroeconomics for pivotal events. One such potential macro event that we believe could be pivotal to the returns of equity markets is the risk of a wage-price spiral. Inflation is rising in a manner we haven't seen since the 1980s. Price pressures have expanded from the re-opening of goods and services to broad-based increases across the consumption basket.



Source: Federal Reserve Economic Data, St. Louis Fed

The broad-based nature of inflation, especially in stickier components such as rent, has pushed both inflation expectations and wage growth higher. As households and market participants continue to see strong price increases on a monthly basis, they have increasingly come to expect further increases on a forward looking basis.

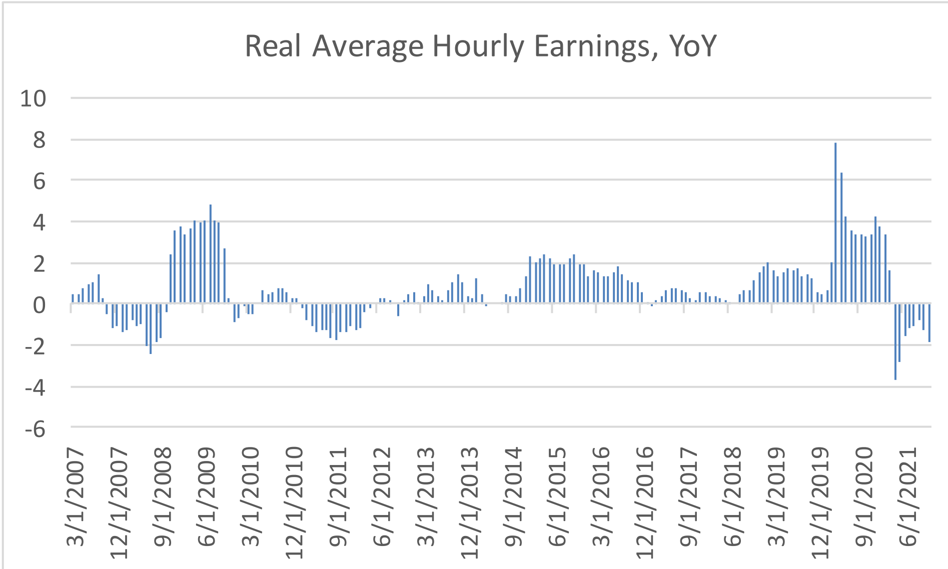


Source: The Conference Board

The expectation of higher inflation appears to be resulting in a demand for higher wages. Wage growth continues to push toward a 20-year high as labor supply remains tight and bargaining power has shifted to job-switching employees who are demanding higher wages, partly on account of higher prices. Businesses, in turn, are attempting to pass-through higher expenses by raising the price of goods or services they provide, further feeding to the inflationary pressure. The flywheel of higher wages feeding into higher inflation creates a key tail risk in unleashing an inflationary spiral.

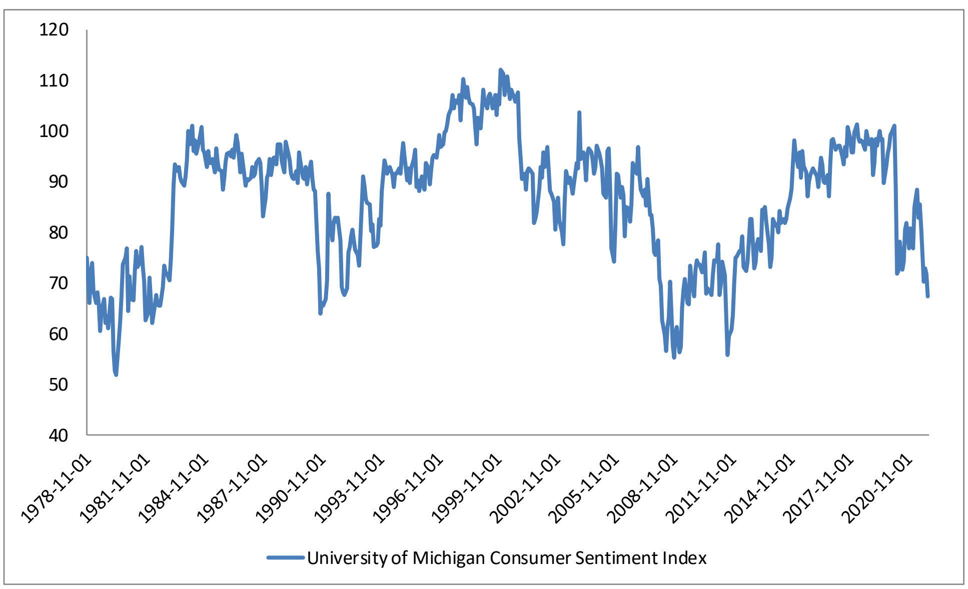
Source: Current population survey, Bureau of Labor Statistics and Federal Reserve of Atlanta calculations.

The higher wage growth is currently unable to make up for higher inflation. Adjusted for inflation, real average hourly earnings have been declining for the last 3 quarters.



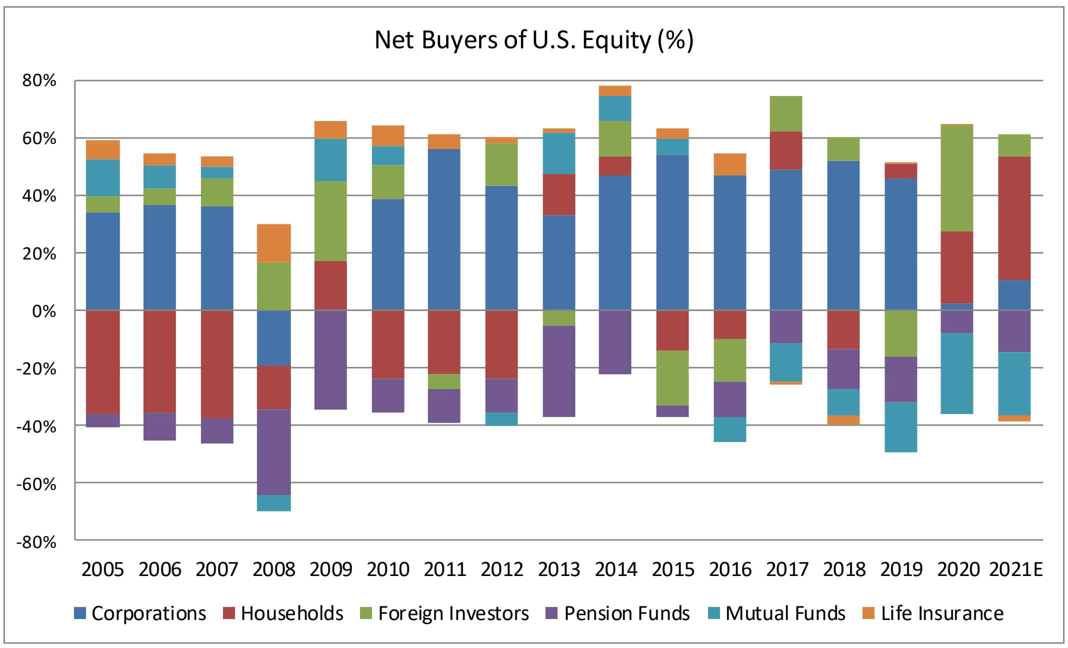
Source: Bureau of Labor Statistics

Declining real wages are denting consumer sentiment and sowing a sense of discontent in the minds of constituents, who attribute deteriorating personal economic conditions to actions of elected and nominated officials.



Source: Federal Reserve Economic Data, St. Louis Fed

The Federal Reserve now believes it would not be able to achieve its employment mandate unless it first controls inflation, suggesting that inflation and wage growth are now hindering the progress towards its employment goals. The Fed has already started removing accommodative monetary policy by accelerating the taper timeline and signaling more rate hikes in 2022 than previously forecasted. It would be a mistake to look at the absolute number of rate hikes currently predicted to extrapolate the impact of monetary tightening on economic growth. The number of rate hikes is an estimate that can change if conditions warrant. The conditions warranting rate hike (i.e. inflation trajectory) are fluid. If the wage-inflation spiral sustains, the Fed will have to go as deep on rate hikes as needed to crush that spiral. The recipe to crushing the spiral would inevitably involve slowing economic expansion and wage growth. This comes at a time when households (and previously corporations) have been the major supporters of net equity demand for the U.S. Additionally, as the Fed raises interest rates, guaranteed return products (e.g. high yield savings accounts) will begin to compete against risk assets (such as equity markets) for capital. Anticipating the upcoming competition from guaranteed returns, risk-averse investors may start withdrawing capital from risk assets well in advance of actual rate hikes. For other investors, the bar for deploying new capital is likely to increase.



Source: U.S. Federal Reserve

On a company level, the impact to fundamentals will be uneven. Companies with substitutes or alternatives will struggle to pass through higher inflation to their customers, taking a hit on profit margins. Companies sensitive to economic growth will face increased uncertainty on their growth trajectory. All in, inflation and tight monetary policy will have an outsized effect on the fundamentals of cyclical companies and companies that lack pricing power. While the Eagle Innovation Strategy won't be immune to the impact of fund flows, inflation and tight monetary policy, our emphasis on competitive moats and sensitivity to free cash flow should help us weather this potential adverse outcome better than the benchmark. As this market volatility ensues we'll continue to look for opportunities to add to our portfolio for the long-term.

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.

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EGA Innovation Composite

July 1, 2018 through September 30, 2021

	Q3 21	Q2 21	Q1 21	2020	2019	2018
Total Return (%) Gross	**0.90**	**14.89**	**2.97**	**44.13**	**36.96**	**(14.69)**
Total Return (%) Net	**0.75**	**14.72**	**2.82**	**43.29**	**36.16**	**(14.96)**
Nasdaq Composite Benchmark Total Return (%)*	**(0.23)**	**9.68**	**2.95**	**44.92**	**36.69**	**(11.20)**
Composite 3 Year Std. Dev.	19.95	19.67	N/A	N/A	N/A	N/A
Benchmark 3 Year Std. Dev.	20.99	20.70	20.54	21.05	14.52	13.81
Number of Portfolios	<6	<6	<6	<6	<6	<6
Composite Dispersion (%)	N/A	N/A	N/A	N/A	N/A	N/A
Composite Assets at End of Period (US$ 000)	3,701	1,302	1,133	1,100	678	434
Total Firm Assets (US$ 000)	1,838,825	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.

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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.
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- 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
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	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%