

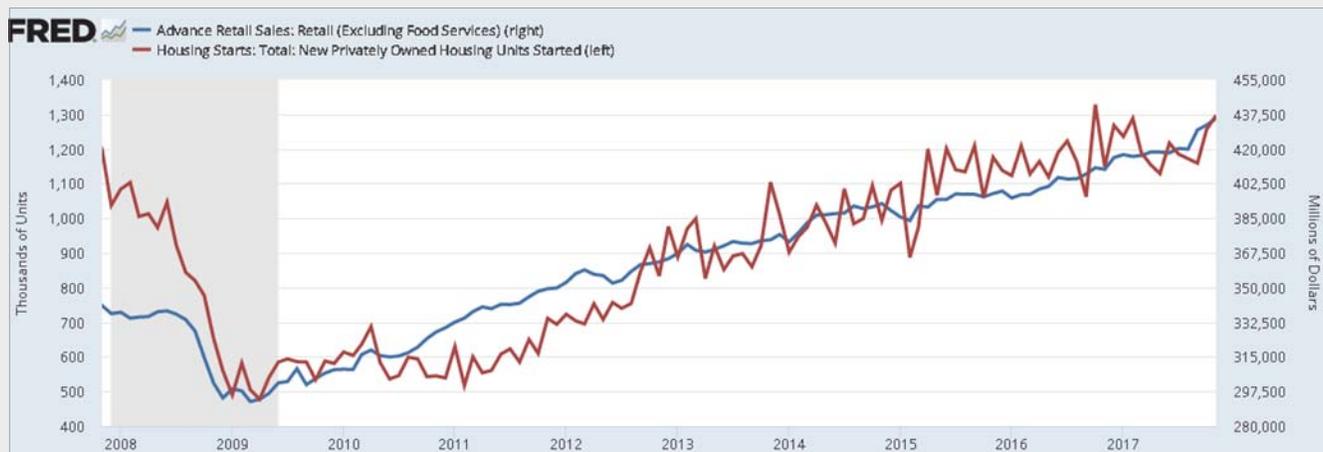
EGA U.S. Equity

From the EGA Portfolio Management Team

U.S. stocks posted exceptional gains in 2017 with the S&P 500 Index generating a positive return in every single month of the year. A strong earnings season, continued healthy economic growth and U.S. tax cuts helped equity markets during the fourth quarter. The S&P 500 Index returned 6.6% for the quarter, bringing its yearly return to 21.8%. International equity markets, represented by the MSCI EAFE Index, returned 4.2% for the quarter and 25% for the year. The Federal Reserve raised rates again in December, leading to mixed returns for fixed income. We believe a synchronized acceleration in global growth, coupled with the near-term boost from U.S. tax cuts has added new legs to the current market cycle.

Economy: *Economic Growth Accelerates*

U.S. Real GDP grew at a 3.2% annual rate in the third quarter. This was the fastest pace of growth since the first quarter of 2015, despite disruptions from back-to-back hurricanes during the quarter.



Source: U.S. Bureau of the Census

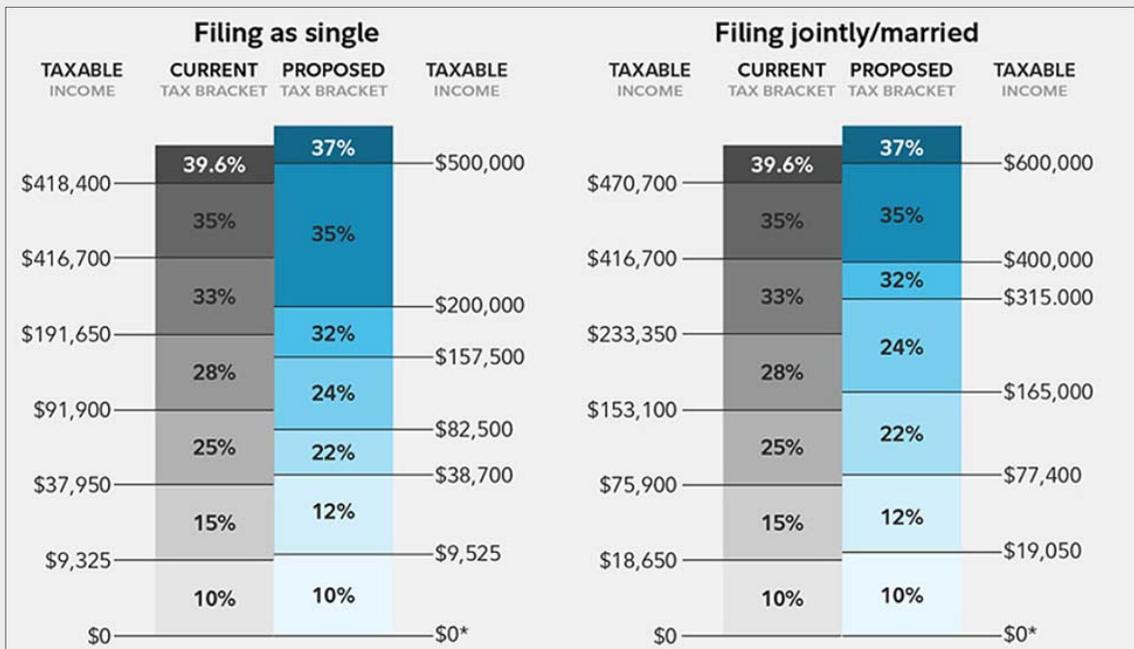
Retail sales jumped 0.8% in November, the second greatest increase this year, and above the consensus figure of 0.3%. Additionally, the previous month was revised up to 0.5% from 0.2%. On a three-month average basis, retail sales were up 1.1%, the most since April, 2014. Housing starts increased 3.3% in November to a 1.297 million unit annual rate, contrary to the consensus for a 3.1% decline to a 1.250 million unit rate. It is the highest level in starts in over a year and the second best level since August 2007.

The ISM Manufacturing Index rose 1.5 points in December to 59.7, its second highest reading since February, 2011 and near its best level since mid-2004, as factory activity accelerated. The NFIB Small Business Optimism Index soared 3.7 points in November to 107.5, the second highest level on record, outdone only by a stronger reading in September, 1983. The surge in optimism reflects great expectations that fiscal policy will create more

favorable business conditions and that the economy will strengthen. Total nonfarm payroll employment increased by 228,000 in November and the unemployment rate was unchanged at 4.1%. A broad measure of unemployment and underemployment known as the U-6, which includes people stuck in part time jobs and others, ticked up to 8% in November. Though the November rate is up from October's decade-low reading of 7.9%, it's still well below summer levels of 8.6%. The Conference Board's Consumer Confidence Index fell 6.5 points in December, the most in over two years, to 122.1. Despite the pullback this month, the current level of confidence is historically consistent with above-trend economic expansion. All signs point to consumers remaining a driving force of growth into 2018.

Tax Cuts and Jobs Act: A Boost To The Economy

At the end of the year, President Trump signed into law a new tax bill, paving the way for sweeping changes in the tax code. The bill calls for new income tax rates, corporate tax rates, and modifications to many deductions. The new tax code will reduce several of the marginal income tax rates (see chart below). Those new tax brackets and the other changes to the individual tax code will all be temporary - Congress will need to act or the rules will revert to current law after December 31, 2025. The new bill will combine the personal exemption and standard deduction into a single higher standard deduction of \$12,000 for singles, \$18,000 for heads of households, and \$24,000 for married couples.



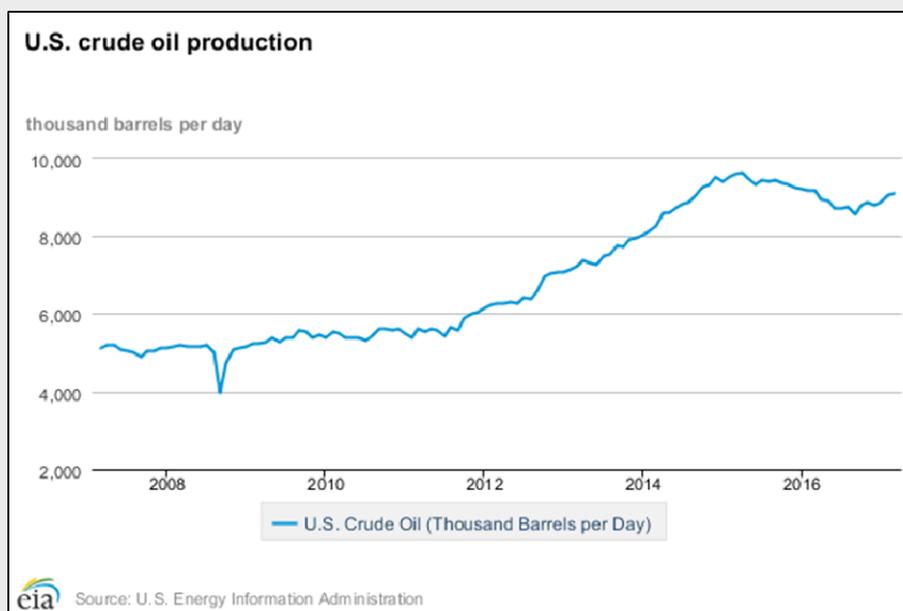
Source: House of Representatives, Tax Cuts and Jobs Act, December 16, 2017

The permanent corporate tax rates will decline to 21% beginning in 2018. Pass-through businesses, businesses structured as sole proprietorships, partnerships, and S-corporations, will be taxed at individual tax rates, but will be able to deduct 20% of income (for those filing jointly with incomes below \$315,000). The plan will also let businesses fully expense new equipment right away, but this provision will eventually expire.

Tax reform is estimated to lift S&P 500 earnings by at least 5% for 2018 and beyond. Companies with the highest tax rates and greatest domestic exposure stand to benefit most from the reform. This earnings benefit does not include the impact of tax cuts to the private economy. The legislation results in a tax cut of 0.9% of GDP in 2018 and 1.1% of GDP in 2019. According to some economists, these cuts will boost GDP growth by 0.3-0.4 percentage points in both 2018 and 2019, primarily through increased consumption. Economists also expect stronger job growth, which will send the unemployment rate down faster, likely to 3.5-3.8% by end of 2018. The bears will be quick to point out that while tax reform should provide a material boost to 2018 earnings growth, there are several reasons to expect it to be a headwind to growth in subsequent years. First, stronger growth could result in more aggressive Federal Reserve tightening, which could eventually weigh on overall economic growth. Second, with more fiscal stimulus comes larger deficits (\$1.45tn over the next 10 years), which will also weigh on long-term growth.

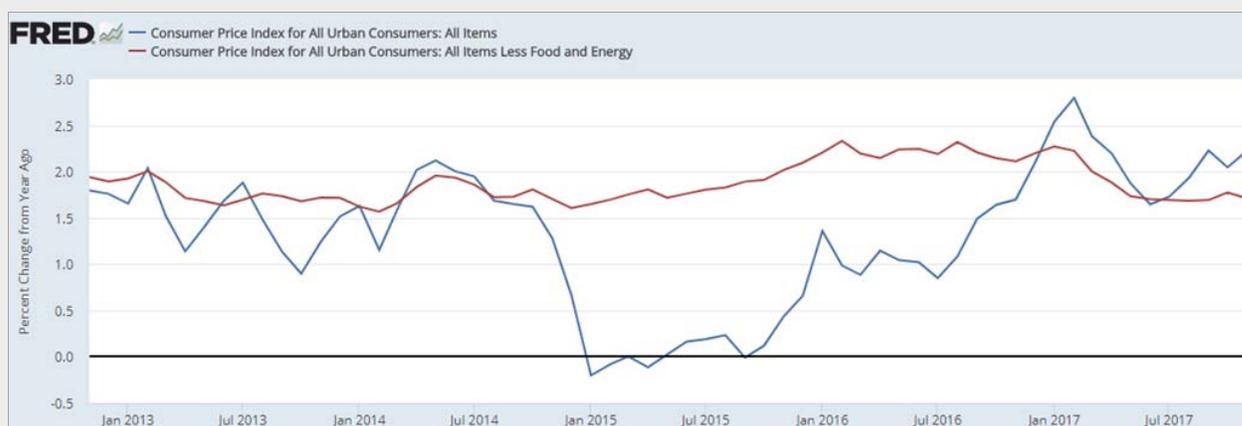
Oil: *WTI Continues To Rally*

West Texas Intermediate, the U.S. crude benchmark, ended the quarter 17% higher with U.S. futures closing out 2017 above \$60 a barrel for the first time since mid-2015. In the first half of the year, the OPEC/Russian production cut seemed to have little effect, but as the year progressed global crude inventories dropped. By the third quarter, higher demand and lower inventories led to a rally in oil prices, which left WTI futures 12% higher for the quarter. Prices are up by about 30% since OPEC and Russia agreed to cut production in late 2016. During the past year, U.S. shale oil production has increased by 16% and total U.S. oil production is expected to top 10 million b/d in the next few weeks. However, this increase has not been enough to offset the OPEC/Russian production freeze and a series of interruptions to oil production that have taken place in recent weeks. While the OPEC/Russian production freeze and the course of U.S. shale oil production will be important in the coming year, geopolitical events could still play an important role in price and production stability.



Inflation: Still Muted, But Outbreak Signals Appear

CPI increased 2.2%, while core CPI, which excludes food and energy prices, was up 1.7%. Core CPI ex-shelter was up 0.6% year-over-year, close to its slowest pace since January, 2004. However, several other inflation measures are pointing upwards. The U.S. core Producer Price Index (PPI) rose at an annual rate of 3.2% in November. Additionally, the U.S. inflation expectations, measured by the breakeven inflation rate implied from Treasury Inflation Protected Securities (TIPS), have made an upside breakout. While the Federal Reserve may accommodate inflation above 2%, given that it's been below target for a long time, nominal long-term rates will follow a rise in the breakeven inflation rate. Consequently, we view inflation to be one of the most important variables to watch in the coming year.



Source: Bureau of Labor Statistics

Corporate Profits: Profits Expected To Rise Sharply

According to Facset, earnings for the S&P 500 Index will grow (versus a year ago), by 11% in the first quarter of 2018. All sectors are predicted to report year-over-year earnings growth, led by the Energy, Materials and Information Technology sectors. With the S&P 500 Index currently near 2695, the Price-to-Earnings Ratio of the market is around 18.3 times the 2018 mean earnings estimate, above its long-term average. While valuations are a bit above average levels, stocks do not appear expensive relative to bonds and inflation, which are still at historically low levels. Also supporting valuations is robust expected earnings growth. According to Factset, S&P 500 earnings are expected to grow a solid 12% in 2018, after a projected increase of 10.5% in 2017.

Interest Rates: Upside Risk To Policy Rates

The Federal Reserve anticipates continued monetary tightening in 2018, as it seeks to match 2017's pace of interest rate hikes with another three quarter-point moves. Additionally, balance sheet roll-offs are scheduled to increase to \$20 billion a month from \$10 billion a month starting in January. Job growth, which has averaged a monthly rate of 170,000 over the past three months, remains sufficient to put downward pressure on unemployment. Yet, the Federal Reserve anticipates just a 0.2 percentage-point decline in the unemployment rate, compared with a 0.6 percentage-point decline last year. Federal Reserve officials began adding the impact of tax cuts into their forecasts shortly after Republicans took control of Congress and the White House. This, combined with the stronger than expected activity of

the last three quarters, altered the Fed's 2018 GDP forecasts from 2.1% to 2.5% over the past year. The U.S. economy is looking to finish the year on a strong note with a third consecutive quarter of greater than 3% growth. It doesn't take much imagination to see the tax cut producing a temporary, but greater than expected, boost to 2018 numbers. If the Federal Reserve's estimates prove to be too low, the policy makers may lean toward the hawkish side of their projections.

Fixed Income

Eagle fixed income portfolios outperformed their typical benchmarks during the fourth quarter as our short duration and overweight to credit performed relatively well in a rising rate environment with falling credit spreads. We believe plans by the Federal Reserve to increase Fed Funds rates and reduce its balance sheet should put upward pressure on interest rates over the next few years. With a synchronized global expansion under way, and a strengthening U.S. economy about to get an additional boost from the newly passed tax reform, it is unlikely that the Fed will be deviating from their planned tightening moves.

Given the high likelihood that interest rates will trend higher over the next few years, we think it is appropriate to maintain a duration that is shorter than the index to help protect the value of our fixed income portfolios and provide the opportunity to reinvest the proceeds from maturing bonds at higher rates. In taxable accounts, we continue to favor corporate bonds over lower yielding government bonds.

Stock and Portfolio Highlights

Outperformers: Eagle domestic equity portfolios performed well for the quarter on an absolute basis, but trailed the S&P 500 Index. Information Technology and Materials were the top performing sectors, with performance entirely driven by stock selection. Sector allocation was positive for the portfolio, with positive allocation effect in a majority of the sectors. The portfolio's Information Technology stocks performed best on an absolute level in the quarter, followed by Financials, Consumer Discretionary and Health Care.

Disappointments: Stock selection was negative for the portfolios during the quarter. Selection in the Consumer Discretionary and Health Care sectors weighed on the overall stock selection of the portfolio.

Purchases / Additions In The Quarter

Altria Group, Inc.: Altria engages in the production and marketing of tobacco products. In July, the FDA announced a new comprehensive plan for tobacco and nicotine regulation, which triggered a decline in Altria and other tobacco stocks. However, we saw that as a buying opportunity. Additionally, the U.S. corporate tax reform should provide an earnings boost of 22% in 2018 and 2019 to current estimates. The FDA plans to meet in January about iQOS modified-risk application, potentially accelerating approval in the U.S. for Altria's heat (not burn) nicotine delivery product. We also believe that the corporate tax reform and the completion of British American Tobacco's purchase of Reynolds Tobacco creates a fertile ground for a recombination of Altria and Phillip Morris International.

Amazon.com Inc.: Amazon is the world's largest e-commerce and cloud-based infrastructure provider. We believe there remains a significant secular growth opportunity for online retail. Online retail penetration will continue to rise by ~100 bps every year from 11% in the U.S. currently. Amazon already accounts for roughly 20% of U.S. online retail sales, but the company's strong infrastructure advantages (same day or next day delivery) and strong value proposition to a rapidly growing Amazon Prime membership base should allow the company to continue to gain market share.

Bank of America: Bank of America's asset sensitivity makes it a beneficiary of higher rates, especially given its skew to stickier customer deposits. Additionally, we expect margins to improve following cost cuts, digital investments, and improving revenue trends. Finally, the bank has \$27 billion in excess capital, which could be returned to shareholders as industry deregulation takes effect.

Morgan Stanley: The regulatory environment is improving and Morgan Stanley stands to benefit from expected changes to required capital and other regulations over the intermediate-term. Tangible Return On Tangible Common Equity (ROTCE) could improve to 15% in 2019 from 12.5% currently. The stock trades at a discount to peers and could benefit from increased trading activity and stronger equity markets.

Chevron: We bought Chevron due to its 1.1 million acre position in the Permian Basin, significant Australian LNG projects, and a lower than average base decline rate. Chevron is poised to grow production at the top end of their peer group. This production growth, coupled with capital spending that is stabilizing as the result of project timing and a disciplined management team, lead us to expect EPS growth and an expansion in profitability at rates above Chevron's peers.

Facebook: Facebook's large and growing user base that continues to show high engagement levels makes it a key beneficiary of the transfer of marketing dollars from offline to online and from online to social media and video. Additionally, continued growth in Instagram, the potential to monetize Facebook Messenger and WhatsApp, and the optionality created by its new video investments lend confidence in the sustainability of the company's growth.

Sells / Trims In The Quarter

Hanesbrands, Inc.: Channel disruptions from offline to online and increased promotions among active wear brands such as Nike and Under Armour have created a challenging environment for Hanesbrands. Hanes' Champions brand has found it more difficult to grow and could face new headwinds with Amazon's entry into the segment. Finally, Hanes will not benefit from recent tax cuts. The company already reports a single digit tax rate and could actually see an increase in overall tax burden as a result of the tax reform. We felt it was prudent to redeploy assets into more attractive opportunities.

American International Group: We sold AIG after the new CEO indicated that the company would prioritize acquisitions over share repurchases, a move we believe would be dilutive to the company's value. There also remains a concern about the adequacy of reserves on AIG's books after repeated earnings disappointments. In the third quarter of 2017, AIG booked \$836 million to build prior year reserves, a bulk of which came from the 2016 underwriting year. AIG still hasn't completed a comprehensive review of all its reserves. 20% of AIG's loss reserves remain to be comprehensively examined in the fourth quarter of 2017.

CVS Health Corp: CVS Health Corp. operates through the following segments: Pharmacy Services and Retail / Long-Term Care. The Pharmacy Services segment offers pharmacy benefit management solutions. The Retail / Long-Term Care segment includes selling of prescription drugs and an assortment of general merchandise. In an effort to reduce taxable capital gains we sold our high cost tranche of CVS and plan to reevaluate buying our position back after year-end. The announced acquisition of Aetna will also be reviewed once the filing documents are completed prior to making a decision to repurchase CVS.

Schlumberger: We sold Schlumberger due to its outsized exposure to offshore exploration and production activity, which has been a headwind for the company and is likely to continue to hold back this stock. Given this outlook, we chose to capture the available tax loss and reallocate our energy exposure to Chevron.

Wesco Aircraft Holdings: Despite strong underlying market trends in the aerospace industry, Wesco continued to suffer execution issues which led to the loss of market share to competitors. While management believes they are getting close to stabilizing execution, they still expect it will take time to translate into results. Given the length of the aerospace cycle, this delay creates too much risk for the Wesco investment case.