

# Eagle Global Advisors, LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Eagle Global Advisors, LLC (“Eagle Global” or the “Company”). If you have any questions about the contents of this brochure, please contact us at 713-952-3550. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about the Company is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

Effective January 2014, Rasool Shaik joined EGA as portfolio manager solely charged with managing the new EMC Alpha Fund, LP (“EMC Alpha Fund”) which was launched on February 10, 2014. There have been no other material changes to report since the previously updated brochure dated October 2013.

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## Advisory Business

The Company was founded in November 1996 and is owned by Thomas Hunt, Edward Allen, Steven Russo, John Gualy, David Chiaro and Malcom Day. As of December 31, 2013 the Company managed \$3,515,069,233 on a discretionary basis, which does not include the EMC Alpha Fund, which launched on February 10, 2014 with \$17 million in assets. Eagle Global also provides investment research and model investment recommendations to accounts of third-party advisors with a value of \$695,685,127.

The Company intends to offer the following investment advisory services to its U.S and foreign clients.

The Company employs a variety of investment strategies to develop an individually managed account customized to each client’s time horizon, lifestyle and investment objectives. Within each strategy the Company has the flexibility to accommodate client portfolio requirements.

The Company offers the following investment strategies that are intended to identify companies with improving growth potential unrecognized by current valuations:

- Domestic Equity Strategy – This portfolio seeks to combine both growth and value factors through investments in large-cap U.S. equities;

- International Equity Strategy – This portfolio seeks to combine both growth and value factors through investments in large-cap international equities;
- Global Equity Strategy – This portfolio seeks to combine both growth and value factors through investments in large-cap U.S. equities and large-cap international equities;
- Fixed Income Strategy – This portfolio seeks capital preservation and low risk total returns through investments in bonds of intermediate maturities (less than 10 years); and
- Master Limited Partnership (“MLP”) Strategy – These portfolios seek tax advantaged income generation, capital appreciation, and lower volatility through investments in master limited partnerships and MLP related corporations. The Company offers Total Return and Quality Core MLP strategies. Eagle Global also manages a registered open-end mutual fund within this strategy.
- Emerging Markets Strategy – This portfolio seeks to capture the positive secular appeal of the emerging markets together with investors’ growing need for income by primarily focusing on high dividend yielding emerging market equities.
- EMC Alpha Fund strategy - This portfolio seeks to invest in attractively valued companies with positive momentum and a stable business, as more specifically described in the EMC Alpha Fund’s private placement memorandum.

The Company may take concentrated positions in various securities if it deems it appropriate across various accounts. There can be no assurance that the investment objective will be achieved or that the Company’s strategies will be successful. In adverse market conditions the Company may use cash as a method for protecting client portfolios.

The Company’s investment advisory services begin on the date that the account is accepted by Eagle Global and initially allocated into the management positions. There are certain instances where a client agreement will be received but be pending for a period of time due to account restrictions, anticipation of an upcoming strategy change or other operational issues. The Company is not responsible for performance prior to the acceptance and establishment of investment advisory services by the Company. Clients and/or their Solicitor’s Agent, Consultant, or Adviser may contact the Company at any time to inquire on the status of their account.

### **Advisory Services**

The Company will provide asset management services to its clients. The program includes the following:

Investor Profile — The Company consults with the client or client’s consultant to obtain their investment objectives profile. The Company works with the client or client’s consultant to determine the appropriate investment guidelines, risk tolerance and other factors that will assist in ascertaining the suitability of managing the account.

Portfolio Management Selection — The Company provides asset management of client’s funds. The Company diversifies and manages the client’s portfolio. Investments are determined based upon the client’s investment objectives, risk tolerance, net worth, net income and other various suitability factors. The Company manages the client’s accounts on an individualized basis. Restrictions and guidelines are

accepted by Eagle Global. When they are imposed by clients, they may affect the composition and performance of their portfolios compared to the average client of the company.

Performance Evaluation and Monitoring Services — The Company will furnish performance measurement services to its clients or clients' consultants, provided by the custodian broker/dealer and through internally generated reports, in the form of quarterly performance evaluation reports. The internal reports are intended to inform clients or the clients' consultants as to how their investments have performed for the selected period.

### **Wrap Fee Relationships**

Eagle Global serves as a portfolio manager for a variety of wrap fee programs. The advisory services provided to client participating in a wrap fee program ("Wrap Program Clients") are substantially similar to those discussed above. These wrap fee programs are arrangements in which investment advisory services, brokerage execution services and custody are provided by a sponsor for a single predetermined "wrap" fee (regardless of the number of trades completed by a client). Generally, Wrap Program Clients pay this single, all-inclusive fee quarterly in advance to the program sponsor, based on the net assets under management. The Company receives from the program sponsor a portion of the wrap fee for the portfolio management services it provides. Each program sponsor has prepared a brochure which contains detailed information about its wrap fee program, including the wrap fee charged. Copies of each brochure are available from the program sponsor upon request. Each wrap program sponsor has retained the Company through a separate investment advisory contract. Wrap Program Clients should note that the Company will execute transactions for their accounts through the wrap sponsor. Transactions executed through a wrap sponsor may be less favorable in some respects than the Company's clients whose trades are not executed through the wrap sponsor. This is because the Company may have no ability to negotiate price or take advantage of combined orders or volume discounts. The Company may be constrained in obtaining best execution for Wrap Program Clients by sending trades to the wrap sponsor. Please contact Steven Russo for a full listing of Wrap Fee Programs for which Eagle Global serves as a portfolio manager.

### **Research and Model Investment Recommendation Services ("Research Services")**

The Company also provides research and model portfolio investment recommendations to several clients. The Company provides these clients solely with research services and does not provide trading or additional services. These clients use research provided by Eagle Global to implement investment recommendations for their own clients.

### **Sub and Co-Advisory Relationships**

Eagle Global serves as an investment sub and co-advisor to various investment and trust companies as well as other registered investment advisers.

### **Partnerships**

Eagle Global acts as investment adviser to Eagle Income Appreciation Partners, L.P. and Eagle Income Appreciation II, L.P. (the "MLP Partnerships"). The MLP Partnerships are Texas limited partnerships which were formed to invest in master limited partnerships and other securities which are believed to have a high likelihood of producing an attractive rate of return from both capital appreciation and income. Eagle Income Appreciation GP, LLC, a Delaware limited liability company is general partner of the MLP Partnerships. The Company also acts as investment adviser to Eagle EM Dividend Fund, L.P. (together with the MLP Partnerships, the "Partnerships"), also a Texas limited partnership, which was formed to

capture the positive secular appeal of emerging markets by primarily focusing on high dividend yielding emerging market equities. Eagle EM Dividend Fund, GP, LLC (together with Eagle Income Appreciation GP, LLC the “General Partners”), a Delaware limited liability company is the general partner of Eagle EM Dividend Fund, L.P. Eagle Global is the managing member of the General Partners.

Eagle Global also acts as investment adviser to the EMC Alpha Fund, a Delaware limited partnership formed to achieve long-term capital appreciation by investing, under normal market conditions, in equity or equity-related securities (including, but not limited to, exchange-traded funds, equity options, equity index futures, equity index swaps and depositary receipts) of US and non-US traded companies. EMC Asset Management, LLC, a Delaware limited liability company is the general partner of the EMC Alpha Fund, and performs certain administrative duties on behalf of the EMC Alpha Fund. Rasool Shaik serves as the Principal of EMC Asset Management, LLC.

## Fees and Compensation

### Advisory Fees

<b>Domestic Securities</b>	1% on first \$2,000,000 and .6% thereafter Minimum fee \$10,000
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<b>International Equities</b>	\$0 to \$5 million	1%
	\$5 to \$10 million	.90%
	\$10 to \$25 million	.85%
	\$25 to \$50 million	.80%
	\$50 to \$100 million	.70%
	\$100 million and over	negotiable
	Minimum fee \$10,000	

<b>Master Limited Partnerships</b>	0.95% of assets for Quality Core Strategy No minimum fee 1.25% of assets for Total Return Strategy Minimum fee of \$10,000
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Fees are payable in arrears on the last day of each quarter. However, they may be paid quarterly in advance depending on the Company arrangement with the client. Advisory fees are generally directly debited from the client’s custodial account; however, certain clients are invoiced directly for our advisory fees. Clients are afforded the option to select the method of payment they prefer. Either party may terminate the contract at any time with written notice. Fees are prorated to the amount of days in the quarter in which the client received the Company’s services. All fees are negotiable. Fees will be in compliance with SEC Rule 205-3.

Management fees charged are separate and distinct from the fees and expenses charged by mutual funds, which may be recommended to clients. A description of these and other expenses are available in each mutual fund’s prospectus. Clients may incur other additional charges imposed by third parties other than the Company. For example, clients other than Wrap Program Clients are responsible for trading costs and custodial fees. Please refer to the Brokerage Practices section of this brochure for details on the Company’s brokerage arrangements.

## **Wrap Fee Programs**

Wrap Program Client fees and termination policies are agreed upon as stated in the agreement between the wrap fee sponsor and Eagle Global and disclosed in the sponsor's Appendix 1 to Form ADV Part 2A (previously, the Schedule H).

## **Research Services**

The Company's fees for Research and Model Investment Recommendation Services are negotiated on a case-by-case basis.

## **Sub and Co-Advisory Relationships**

The fee schedule and termination policies for sub and co-advisory services are negotiated separately by the Company and the investment or trust companies that Eagle Global advises. The fees paid to the Company generally range from .30 % to 1.0 % of assets under management, depending on the strategies employed, the level of assets to be managed and the amount of client servicing required. The fee schedule and termination policies for clients in each sub and co-advisory arrangement will be provided to potential clients by the primary adviser or by Eagle Global along with this disclosure document.

## **Partnerships**

The Company receives a management fee from the MLP Partnerships equal to 1.00% per annum of the value of the limited partner's pre-distribution capital account balance, payable quarterly. The General Partner receives additional performance based fees discussed below.

## **Eagle EM Dividend Fund, L.P.**

The Company receives a management fee equal to an annual rate of 1% of the value of each limited partner's pre-distribution capital account balance. The management fee is payable quarterly in arrears and will be prorated for any period that is less than a full quarterly period. Capital contributions made as of the last business day of the quarter will not be taken into account in the calculation of the management fee for that quarter. The General Partner receives a performance allocation as discussed below.

## **EMC Alpha Fund**

The Company receives a management fee from the EMC Alpha Fund based on the management fees charged to the limited partners, which are equal to an annual rate of 1.50% of the value of each limited partner's capital account as of the last day of each calendar month. The management fee is payable monthly in arrears and will be charged pro rata for any withdrawals made prior to the end of a calendar month or for contributions made other than at the beginning of a calendar month. EMC Asset Management, as the general partner, receives additional performance based fees discussed below.

## **Performance Based Fees and Side-by-Side Management**

As compensation for its services to the MLP Partnerships and the Eagle EM Dividend Fund, the General Partner (an Eagle Global affiliate) is entitled to a performance-based profit allocation with respect to each limited partner in the Partnerships equal to 10% multiplied by the amount (if any) by which the pre-distribution capital account balance of such limited partner as of the end of each allocation period exceeds the sum of a high water mark amount plus a hurdle return of 8% per annum on the high water mark

amount for the allocation period where the high water mark amount is the highest value of such limited partner's pre-distribution capital account balance as of the end of any prior fiscal year end (or at inception if the limited partner was admitted to the Partnerships during the current fiscal year) appropriately adjusted for intervening capital contributions, withdrawals and distributions to make such balances comparable.

In addition, EMC Asset Management, the General Partner to the EMC Alpha Fund, may receive an incentive allocation, calculated and applied pursuant to the terms specified in the applicable private placement memorandum. For each fiscal year there will be reallocated to the capital account of EMC Asset Management from the capital account of each limited partner a performance allocation (the "Incentive Allocation") equal to ten percent (10%) of such limited partner's share of any net profits, including realized and unrealized gains and losses, for such fiscal year, provided that the Incentive Allocation shall be subject to a loss carryforward provision or "high water mark," whereby no Incentive Allocation is paid with respect to any Partner's capital account unless the net profits allocated to a limited partner for such fiscal year exceed such limited partner's loss carryforward amount.

Only accredited investors are permitted to invest in the Partnerships and the EMC Alpha fund (collectively "the Funds"). Additionally, only qualified clients within the meaning of Rule 205-3 under the Investment Advisers Act of 1940 are allowed to be limited partners in Eagle Income Appreciation Partners, L.P. and the EMC Alpha Fund. Only qualified purchasers within the meaning of Section 2(a)(51) of the Investment Company Act of 1940 are allowed to be limited partners in Eagle Income Appreciation, II, L.P. and Eagle EM Dividend Fund, L.P.

The fact that the Company is compensated based on the trading profits may create an incentive for the Company to make investments on behalf of clients that are riskier or more speculative than would be the case in the absence of such compensation. In addition, a portion of the performance based fee received by the Company is based on realized and unrealized gains and losses. As a result, the performance based fee earned could be based on unrealized gains that clients may never realize.

Providing advisory services to the Partnerships, which pay performance based fees, and similar accounts that pay asset based fees creates a conflict of interest. Eagle Global may have an incentive to favor accounts for which we receive a performance based fee. To mitigate this conflict, the Company has implemented policies and procedures, including those discussed below regarding the aggregation and allocation of trades.

## **Types of Clients**

Eagle Global generally provides investment advice to high net worth individuals, retirement plans for corporations and unions, financial institutions, trusts, endowments, foundations, and registered and unregistered investment companies.

In general, the minimum account size for a separately managed account is \$1,000,000, unless an exception is agreed by the members of the Company. The minimum account value for the Quality Core MLP strategy is \$250,000 and the minimum account size for the Total Return MLP strategy is \$5,000,000. The minimum investment for each of the Partnerships is discussed in the relevant Partnerships' Private Placement Memorandum.

## Methods of Analysis, Investment Strategies and Risk of Loss

As discussed in the Advisory Business section above, client accounts are generally managed according to one or several of the followings strategies: domestic equity, international equity, global equity, fixed income, master limited partnerships, emerging market dividend and the EMC Alpha Fund. Domestic, international and global equity strategies seek long-term capital appreciation via investments in premier large capitalization companies in their respective markets. The Total Return MLP strategy seeks a high total rate of return from both tax advantaged income and capital appreciation through investments in master limited partnerships. The Quality Core MLP strategy is designed for greater concentration of holdings and lower turnover. The Emerging Market Dividend strategy seeks a long-term total return through investments in high dividend yielding emerging market equities. The EMC Alpha Fund seeks to invest in attractively valued companies with positive momentum and a stable business. Within each strategy, client accounts are generally managed to a model subject to client imposed investment restrictions and valuations of the securities.

Eagle Global's investment process for domestic, global, and international equities incorporates both top-down and bottom-up elements and is designed to identify companies with improving growth prospects that have not been incorporated into current valuations. The Company employs a series of quantitative multi-factor models that are used to provide both top-down and bottom up analysis. The models provide directional guidance towards countries, sectors and stocks with improving prospects. Additionally, company-specific ideas are subjected to traditional fundamental analysis including a qualitative analysis of a company's competitive strengths, weaknesses and industry positioning as well as the company's management strength and integrity. Eagle Global also performs an analysis of company financials. All portfolio decisions are made by the Investment Committee by a majority vote of the Company's equity partners as identified above.

The Company utilizes various sources of information such as FactSet, Heckman Global Advisors, CSFB HOLT, WONDA, Reuters, InsiderScore, BCA Research, and Bloomberg databases in conducting its analysis.

MLP investments are determined through traditional fundamental analysis. Financial models, analyst research and meetings with company management are used to select attractive MLPs and MLP related corporations. Eagle Global will focus on investing in units of master limited partnerships, corporations that own and invest in MLP related assets, based on each unit's anticipated total return potential and risk characteristics.

Fixed income accounts are intended to provide capital preservation and low risk. For this strategy, the Company will seek exposure to investment grade bonds with intermediate maturities.

Emerging market dividend investments and investments for the EMC Alpha Fund are selected by a quantitative approach that weights variables deemed to be mispriced by the markets with such factors that include dividend yields, dividend sustainability factors, valuation metrics, and top down macro risk variables.

The investment objective of EMC Alpha Fund is to achieve long-term capital appreciation. EMC Alpha Fund pursues its investment objective by investing, under normal market conditions, in equity or equity-related securities (including, but not limited to, exchange-traded funds, equity options, equity index futures, equity index swaps and depositary receipts of US and non-US traded companies.) In managing the EMC Alpha Fund, the Company seeks to invest in attractively valued companies with positive momentum and a stable business. Companies are considered to be good value investments if they appear



cheap based on multiple fundamental measures, including price-to-book and price-to-earnings ratios relative to other securities in its relevant universe at the time of purchase. In assessing positive momentum, the Company favors securities with strong medium-term performance relative to other securities in its relevant universe at the time of purchase. Further, the Company favors stable companies in good business health, including those with strong profitability. The Company may add to or modify the economic factors employed in selecting securities. There is no guarantee that the EMC Alpha Fund's investment objective will be met.

All investing involves a risk of loss and the investment strategies offered by Eagle Global could lose money over short or even long periods. Performance could be hurt by any number of different market risks including but not limited to:

- The identification of securities and other assets believed to be undervalued is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While such investments offer the opportunities for above-average capital appreciation, they also involve a high degree of financial risk and can result in substantial losses. Furthermore, clients may be forced to hold such investments for a substantial period of time before realizing their anticipated value.
- Stock market risk, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- Sector risk, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.

Eagle Global invests in non-U.S. securities for many clients. International securities will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and non- U.S. issuers and markets are subject. These risks include political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels and limitations on the use or transfer of assets. Some international investments are made in emerging markets. Investments in emerging markets may be impacted by economic conditions in which those companies operate. Many developing countries have a history of economic instability and Eagle Global's success may depend on the overall level of economic activity and political stability in these emerging markets.

Clients who invest in Eagle Global's fixed income strategy face risks including:

- The bond issuer's inability to pay interest or repay the bond;
- Changes in market interest rates cause the bond's value to fall;
- Illiquidity in the bond market may make the bond difficult or impossible to sell;
- The bond issuer may repay the bond prior to maturity; or
- Inflation may reduce the effective yield on the bond's interest payments.

Investors in the MLP Partnerships and Clients employing Eagle Global's MLP strategies may incur risks in addition to those discussed above. Most MLP investments are concentrated in the natural resource infrastructure and processing industries. This investment strategy tends to be nondiversified. Thus, clients participating in this strategy will be substantially concentrated in one sector of the economy. Additionally, because of the limited number of MLPs that fit the investment objective, clients and the MLP Partnerships may at certain time hold large positions in a relatively limited number of investments.

Clients and the MLP Partnerships could be subject to significant losses if they hold a large position in a particular investment that declines in value. Additional risks of the MLP strategies include:

- Management risk - the risk associated with ineffective or underperforming management. For example, management may elect or overleverage or invest in volatile or under-maintaining assets.
- Acquisition risk – the MLPs may not be able to access capital, thus limiting the growth prospect of the MLP.
- Structure risk – investors generally have fewer rights in a limited partnership structure and general partners of the entity may have conflicts of interest with the limited partners.
- Interest Rate risk – large changes in interest rates of alternative income instruments can affect MLP returns.
- Regulatory risk – changes in U.S. tax regulations could negatively affect the treatment of MLP distributions.

Investors in the Eagle EM Dividend Fund, L.P. may also incur risks in addition to those discussed above.

Investors in the EMC Alpha Fund may also incur the following additional risks, as more fully described in the applicable private placement memorandum:

- The Investment Manager's Methodology. Trading decisions are on a discretionary basis using quantitative and/or fundamental analysis and no assurances can be given that such trading strategies used by the Company will be successful or that losses will not occur.
- Securities Investment Risks. Assets will be invested primarily in publicly traded securities. The identification of investment opportunities in securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired.
- Small Capitalization Companies. The EMC Alpha Fund may invest a portion of its assets in small and/or unseasoned companies with small market capitalizations. While smaller companies generally have greater potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies
- Micro Capitalization Companies. The EMC Alpha Fund may invest all or a significant portion of its assets in micro-cap and/or unseasoned companies with very small market capitalizations. While micro-cap companies generally have greater potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of even smaller-cap companies.
- Short Sales. Short sales are transactions where an investor sells a security it does not own in anticipation of a decline in the market value of that security. To complete such a transaction, the investor must borrow the security to make delivery to the buyer. The investor then is obligated to replace the security borrowed by purchasing it at the market price at the time of replacement. The price at such time may be more or less than the price at which the security was sold by the Fund. Until the security is replaced, the investor is required to pay to the lender of the security amounts equal to any dividends or interest which accrue during the period of the loan of the security. To borrow the security, the investor also may be required to pay a premium or fee to the broker from whom the Fund borrows the security sold short. The proceeds of the short sale will be retained by the broker, at least to the extent necessary to meet margin requirements, until the short position is closed out.

- **Writing, Purchasing, and Selling Options and Utilizing Swaps, Caps, Floors, and Collars.** The EMC Alpha Fund may write, purchase, and sell options, the prices of which are often very volatile. Price movements of options contracts are influenced by, among other things, interest rates, changing supply and demand relationships, international trade, fiscal, monetary, and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of options agreements also depends in part upon the price of the securities underlying them. Accordingly, options on highly volatile securities may be more expensive than options on other securities. Put options and call options typically have similar structural characteristics and operational mechanics, regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, or other instrument at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price. If a put or call option purchased by the Fund were permitted to expire without being sold or exercised, the Fund would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying security caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying security would then be sold to the Fund at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying security caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying security would then be sold by the Fund at a lower price than its current market value. Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security or currency above the exercise price of the option. This risk is enhanced if the security being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the Fund of all or a substantial portion of its assets. Writing, purchasing, and selling options are highly specialized activities and entail greater than ordinary investment risks. Options are subject to the risk of nonperformance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.
- **Derivatives.** The EMC Alpha Fund may invest in a number of different types of financial derivatives, each of which involves a degree of risk of financial loss. In general, a derivative contract typically involves leverage, i.e., it provides exposure to potential gain or loss from a change in the level of the market price of a security, currency or commodity (or a basket or index) in a notional amount that exceeds the amount of cash or assets required to establish or maintain the derivative contract; accordingly, the value of derivative instruments are highly volatile. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary, and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of government intervention may be particularly significant at certain times in the global derivatives markets, and such intervention (as well as other factors) may cause

these markets and related investments to move rapidly, affecting global financial markets. Investments in derivatives and related financial instruments are also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses. Another risk of the Fund's use of derivatives is that the fluctuations in their values may not correlate perfectly with the overall securities markets

Additional risks involving an investment in the Partnerships are discussed in each Partnership's Private Placement Memorandum.

## **Disciplinary Information**

The Company and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

## **Other Financial Industry Activities and Affiliations**

Affiliates of the Company are the General Partners of the Partnerships in which clients are solicited to invest. Because the Partnerships have performance based fees, in addition to management fees, the fee structure presents an apparent conflict of interest. To address this apparent conflict of interest, Eagle Global has implemented trade allocation and aggregation policies, which are discussed in the Brokerage section of this brochure. In addition, certain employees of the Company also have investments within the Partnerships. These employees pay the same management and performance fees as the other limited partners. An exception to this is the Eagle EM Dividend Fund, LP whose initial tranche of investors received an abatement of the performance allocation fee. Some employees participated in the initial tranche.

Eagle Global and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The Company has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act, to ensure that securities transactions by Company employees are consistent with the Company's fiduciary duty to its clients and to ensure compliance with legal requirements and the Company's standards of business conduct. The Code requires that employees obtain prior approval for personal securities transactions and requires transaction confirmation and quarterly reporting of such transactions. A written copy of the Company's Code of Ethics is available upon request.

The Company's employees are permitted to invest in the same securities that are recommended for client accounts, subject to the following restrictions. Investment Professionals may not purchase securities for their personal account until at least one day after they have purchased that security for Client portfolios that they manage. They may not sell any Security for their personal account until at least one day after they have sold that Security for Client portfolios that they manage. To prevent conflicts of interest, all employees of the Company must comply with the Company's Compliance Manual and Code of Ethics, which imposes restrictions on the purchase or sale of securities for their own accounts and the accounts of certain affiliated persons.

Records will be maintained of all securities bought or sold by the Company, employees or related entities. Such records will be available for client inspection upon request. Files of Securities transactions effected for employees of the Company will be maintained for review should there be a conflict of interest. All Securities transactions of related persons of the Company will be reviewed by the Chief Compliance Officer to ensure no conflicts exist with client executions.

Additionally, certain of Eagle Global's employees or related parties will have an investment in the Partnerships. For example, the general partner for each Partnership is 100% owned by Eagle Global. Therefore, Eagle Global, its employees, or a related entity participate in transactions effected for Partnerships. Eagle Global will also solicit clients to invest in the Partnerships. Recommendations will only be made to clients who are qualified to invest in the Partnerships and the investment is suitable with the client's investment objectives.

## **Brokerage Practices**

### **Selection of Brokers**

In the allocation of brokerage business, the Company may give preference to those brokers or dealers who provide research or brokerage services to the Company, either directly or through third parties. Research services may include advice, either directly or through publications or writings, as to the value of securities, the advisability of investing in, purchasing, or selling securities, and the availability of securities or purchasers or sellers of securities; and analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy, earnings estimate databases, valuation databases, and the performance of accounts. Thus the Company may be able to supplement its own information and to consider the views and information of other organizations in arriving at investment decisions. Brokerage services may include a dedicated trading desk that services Eagle Global's clients, a dedicated service group and an account services manager dedicated to the Company's accounts, access to a real time order matching system, ability to block client trades, electronic download of trades, portfolio management software, access to an electronic interface, and duplicate and batched client statements. If such information and services are received and are in fact useful to the Company, it may tend to reduce the Company's normal and customary need to devote resources to brokerage and research activities. All products and services received will benefit all client accounts.

The Company participates in such arrangements only under the safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" for investment managers who use commission dollars of their advised accounts to obtain investment research or brokerage services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities and executing client transactions. Payment for such services with commission dollars is in all events limited to the portion of the costs of such services that are relevant to the investment decision-making and execution processes of the Company. However, using commission dollars to obtain these products and services provides the Company a benefit because it does not have to produce or pay for the research, products or services. When the Company uses soft dollars to pay for a service used for different purposes, the portion of the service used in the investment decision-making or execution processes is determined through a survey of employees regarding their use of the service. The Company pays for portion of the service falling outside the Section 28(e) safe harbor with hard dollars; alternatively the Company may pay for such services entirely with hard dollars. Currently only agency trades and no principal trades are used in connection with payment for these services. Soft dollar arrangements give the Company an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than our clients'

interest in receiving the most favorable execution.

### **Client Directed Brokerage**

In a few instances, clients have directed the Company to use a specified broker or dealer for portfolio transactions for such client's account, even though such broker or dealer charges commission rates in excess of the institutional rates generally available to the Company. The Company will follow the client's direction as long as the client understands that under such an arrangement (i) the ability of the Company to negotiate commissions on the client's behalf will be limited and as a result, the client will pay higher commission rates and disparate commission rates depending on the client's commission arrangement with such broker or dealer, and (ii) the ability of the Company to "batch" the client's order with the orders of other clients will be limited so that the opportunity to achieve reduced commission rates or better executions may be lost to the client. The client using such an arrangement must understand that should the Company be free to select a broker or dealer, to negotiate for institutional commission rate and to "batch" orders, the client might pay rates below customary retail brokerage rates and might achieve better executions. In certain situations, the Company may seek to meet directed brokerage mandates by stepping out trades batched with other client orders for execution to a directed broker for settlement. The Company is under no obligation to execute directed brokerage trades through the use of step-out trades, and will not do so if it determines that the practice is detrimental to execution costs or quality of clients that do not direct brokerage.

Although the Company will attempt to effect directed brokerage transactions in a manner consistent with its policy to seek prompt execution of orders in an efficient manner at a favorable price, its ability to obtain best execution for these transactions may be affected. Some of the Company's clients have selected a broker-dealer to act as custodian for the clients assets and direct the Company to execute transactions through that broker-dealer. It is not the practice of the Company to negotiate commission rates with such broker-dealers. When clients open a custodial account with a bank trust company and grant the Company discretion to select a broker-dealer, the Company will make a best effort to obtain the best brokerage commission rate possible under the circumstances. Clients directing brokerage may pay higher brokerage commissions than would be paid when the Company is free to determine the best available broker and the Company may not be able to aggregate directed brokerage orders with orders for its other client accounts. The Company also may effect directed brokerage transactions after those for client accounts for which it has full discretion.

Accordingly, clients directing brokerage to a particular broker-dealer should consider whether the commissions, executions, clearance and settlement capabilities and fees for custodial or other services provided to the client by that broker-dealer (if applicable) will be comparable to those otherwise obtainable. The Company does expect custodial and brokerage firms to meet minimum requirements for operational efficiency and therefore not all custodial and brokerage firms will be acceptable to the Company. The Company also reserves the right to not accept a designated broker-dealer where it does not already have a working relationship.

### **Trade Aggregation and Allocation**

The Company considers a number of factors when determining to purchase or sell a security for a particular client account. These factors include, but are not limited to:

- Investment objective, policies and strategy of the account
- Appropriateness of the investment to the account's time horizon and risk objectives
- Existing levels of ownership of the investment and other similar securities
- The immediate availability of cash or buying power to fund the investment

The Company utilizes a randomly generated Trade Rotation to determine the trade order when trades are not aggregated. Trade allocation is conducted by the trader based on the trade rotation. Each relationship in the rotation is allocated the average cost per trade as it is completed until the order is entirely filled. The Company maintains records that specify the client accounts that are participating in the rotation and the amount of securities intended to be purchased or sold for each account. Clients who have engaged Eagle Global for Research Services, as discussed above, are generally included in Eagle's randomly generated trade rotation and treated in the same manner as any other client. However, certain clients who engage Eagle Global for Research Services and have American Depositary Receipt ("ADR") conversion restrictions will be traded last in the Trade Rotation. Additionally, clients that have engaged Eagle Global for MLP Research Services will also be traded last in the trade rotation. Also, at certain times, Eagle Global is presented with the opportunity to take advantage of natural liquidity in the marketplace. Eagle Global must act in a timely manner to take advantage of the liquidity. When such situations arise, Eagle Global will generally take advantage of the liquidity in accounts that have not directed the Company to use a specific broker-dealer. Therefore, these accounts may move to the top of the Trade Rotation when the natural liquidity is available. When the natural liquidity is exhausted or is no longer available, Eagle Global will return to the standard Trade Rotation process.

Investments in Initial Public Offerings ("IPO's") are not considered part of the general strategy mandates associated with the separately managed accounts or the sub or co-advised investment companies and therefore they do not receive allocations of initial public offerings ("IPO's"). IPO's are allocated solely to the Partnerships.

The Company may engage in cross-trading between client accounts when such a transaction is in the best interest of both clients involved. Cross transactions are priced by independent brokerage firms and both sides receive the same price and equally split any transactional costs.

### **Trade Errors**

It is the Company's policy that the utmost care is taken in making and implementing investment decisions on behalf of client accounts. To the extent that any errors occur, they are to be (a) corrected as soon as practicable and in such a manner that the client incurs no loss, (b) reported to the CCO or Partner in charge of Trading or designee and (c) scrutinized carefully with a view toward implementing procedures to prevent or reduce future errors, if necessary. Depending on the circumstances of the error, any gain resulting from a trade error may be retained by the client, the broker, or the Company.

### **Review of Accounts**

The Company performs investment advisory security selection and portfolio recommendations for client's advisory accounts. Accounts are typically reviewed monthly or as new transactions are considered, but will be reviewed no less frequently than quarterly. A report will be provided to the client or client's consultant on a quarterly basis. However, clients whose accounts are managed by the Company through a sub or co-advisory relationship may not receive such reports. A more frequent review may also be instigated by a client inquiry due to changes in investment objectives or risk tolerance. Reviews will be performed by the Partners, Portfolio Managers and Senior Vice Presidents of Eagle Global.

With respect to the Partnerships described in Advisory Business section, the holdings of such Partnership are reviewed daily by the personnel of the Company responsible for the Partnerships.

Computer generated transaction and investment reports will be provided on a quarterly basis to inform clients or clients' consultants to the performance of their investments for the selected period. Additional reports will be prepared at the client's discretion. Clients or clients' consultants are provided with a comprehensive annual investment review, including current investment recommendations. The client or clients' consultants will continue to receive statements from the custodian broker/dealer of the accounts.

## **Client Referrals and Other Compensation**

The Company may compensate third parties and employees who refer clients to the Company in compliance with Rule 206(4)-3 under the Advisers Act with respect to the use of solicitors. If the Company accepts a new client who is introduced to the Company by a third party solicitor, the Company will pay such third party solicitor a placement fee that is based upon the assets the client places with the Company. Prior to entering into any investment advisory agreement with a client through these referral agreements, the Company will determine if the solicitor has provided the client with a written disclosure document stating that the solicitor is being compensated for referring the Company and the terms of the compensation arrangement. The placement fee may survive for the duration of such Client's relationship with the Company. Clients introduced by a third party solicitor generally will be subject to the same fee schedule as other clients and generally will bear no additional costs as result of the relationship between the Company and such third party solicitor.

The company may also compensate third parties for distribution of the Partnerships advised by the Company. Compensation under these arrangements will generally be a percentage of the assets raised. To the extent required by federal or state securities law, the Company will verify that any party compensated to distribute unregistered pooled investment vehicles are properly registered.

## **Custody**

All client assets are held in custody by unaffiliated broker/dealers or banks; but the Company can access many client funds though its ability to debit advisory fees. For this reason the Company is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to account information provided by the Company.

Eagle Global is also deemed to have custody over the Partnerships since an affiliate serves as the General Partner of the Partnership. Limited partners of the Partnership will not receive statements from the custodian. Instead the Partnership is subject to an annual audit and the audited financial statements are distributed to each limited partner. The audited financial statements will be prepared in accordance with generally accepted accounting principals and distributed within 120 days of the partnership's fiscal year end.

## **Investment Discretion**

The Company manages client accounts on a discretionary basis, subject to the restrictions (if any) that have been provided by clients. Eagle Global also provides research and model investment recommendations with respect to the assets of third party advisors. For accounts handled on a discretionary basis, the Company typically has the authority to determine the securities to be bought and sold without obtaining client consent to specific transactions. Moreover, in the accounts handled on a discretionary basis, the Company typically has the authority to determine the amount of the securities to



be bought and sold without obtaining client consent to specific transactions. Discretionary authority will be granted through the execution of an investment advisory agreement with each client.

## **Voting Client Securities**

It is the policy of the Company to vote proxies that it receives for all accounts for which it has voting authority in accordance with client instructions and in a manner in which the Company believes it to be in the best interests of its clients. Clients should make reasonable efforts to instruct their custodian to promptly forward all proxy voting ballots to Eagle Global. The Company will also make a reasonable effort to contact a custodian if Eagle Global believes that the custodian may not be appropriately sending relevant proxy ballots to the Company. Nonetheless, Eagle Global can only vote proxies that it receives. The Company generally votes in accordance with the recommendations of the issuer's existing management, unless it is not prudent to do so. A written copy of the proxy policies and procedures are available upon request by calling the number on the cover page of this brochure.

The Company has developed policies and procedures for the identification and resolution of conflicts of interest when voting proxies. The Company's Proxy Administrator periodically reviews client holdings to identify potential conflicts of interest. Potential conflicts of interest will be reported to the Eagle Global CCO for a final determination. If a conflict is determined to exist, the Proxy Administrator will vote in accordance with the Company's Proxy policies or, if intending to vote in a manner inconsistent with the Proxies policies, seek instruction from the client, mutual fund board, or the adviser if the Company serves as sub or co-adviser. The Company will generally abstain from voting the proxy if the client, fund board, or adviser fails to instruct the Company on how to vote.

If "Class Action" documents are received by the Company on behalf of its Partnerships, the Company will ensure that the Partnerships either participate in, or opt out of, any class action settlements received. The Company will determine if it is in the best interest of the Partnerships to recover monies from a class action. Additionally, Eagle Global has entered into an agreement with Chicago Clearing Corporation ("CCC") wherein CCC will provide class action litigation monitoring and securities claim filing services on behalf of certain separately managed account ("SMA") clients. Participation in the program is voluntary on a client-by-client basis and will be offered to existing and future SMA clients. SMA clients' participation in the program will be memorialized in the Investment Advisory Agreement for new SMA clients that choose not to opt-out of the program and in an amendment to the Investment Advisory Agreement for existing SMA clients that choose to avail themselves of CCC's services. Any responsibility for filing securities claims on Class Action notices remains with SMA clients who decline the services of CCC. The Company will not act on behalf of those SMA clients who receive Class Actions notices under any circumstance. However, the Company will, upon client request, provide the client with any requisite information it has relating to the Class Action.

## **Financial Information**

The Company has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.