Eagle News

EAGLE EQUITY HOLDINGS, LLC

Q1 – 2018

Energy Fund II

Looking Back

WTI crude oil price started 2018 at around $60. It tested the $66 high twice, one in late Jan and again in late March. $66 become the short term resistance that WTI need to break thru before heading to higher ground.

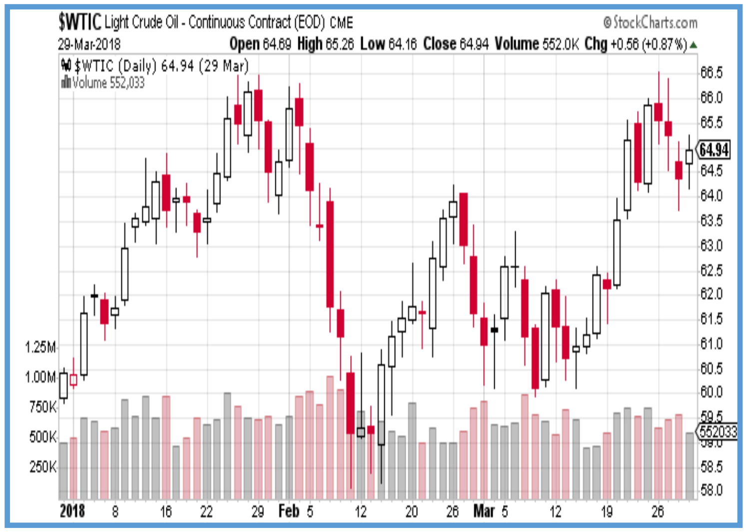
US oil production continues to increase and surpassed $10 mmbpd. This is not a surprise but a key psychologic level.

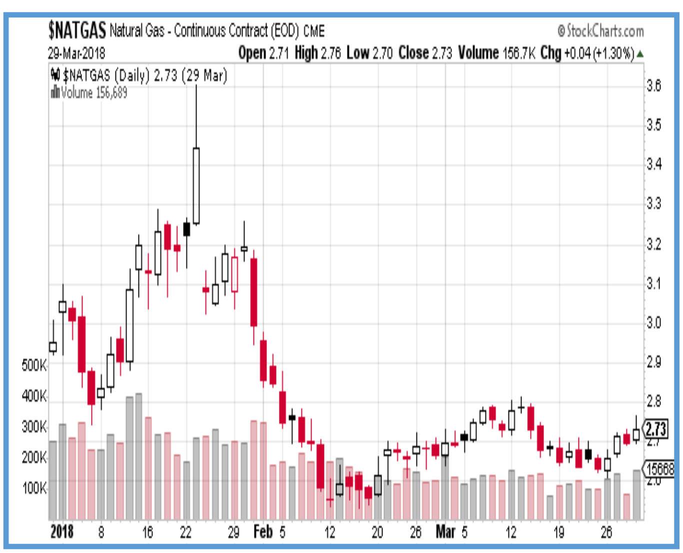
Besides production, US supply has also been strong which provided support to WTI price. Weekly US supply rovers around 19-21 mmbpd, which is around 10% higher than this time last year.

The weekly US rig count (oil and gas) reported by Baker Hughes is steady around 800 oil production rigs.

So far, OPEC and Russia seems to be in agreement to maintain production cut to reduce oil glut.

2017 winter has set record low temp in many parts of the country and kept natural gas storage 20% below last year numbers throughout the entire time. Storage has dropped to 1.3 TCF level. Natural gas price spiked to around $3.50 in late Jan and quickly dropped and stayed below $3 most of this quarter.





Eagle Focus

Looking Back:

- WTI prices rallied against $66 resistance twice
- Natural gas stayed below $3 per mmbtu
- US oil supply is around 10% above last year

Looking Forward:

- We believe oil prices have found the bottom
- A strong global demand, reduced production and inventory have provided support to oils recovery
- Iran and Venezuela continues to be the gray rhinos of oil price
- Lower natural gas end of season storage levels could add volatility to the price

Investment Opportunities:

- Market sentiment is beginning to turn bullish
- Equities and commodities are starting an uptrend
- US rig counts are leveling off
- Strong global economy will push oil demand above supply in H2 2018
- Many factors are supporting the oil markets mov-ing forward
- Natural gas price continue to be volatile

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Looking Forward

Oil price has pushed against $66 resistance twice and bounced off $58 support. Although production is at near time high of 10 mmbpd, a strong global economy, OPEC persistence on eliminating oil glut and early strong US supply ahead of driving season are all pointing at oil price to go higher.

Oil equity has dropped together with the market during Feb bond scare but is the slowest to recover. We expect it will catch back up to the market with support from rising oil price.

On the other hand, natural gas is harder to predict. A cold winter season failed to elevate natural gas price to a much higher level, natural gas price would like start a slow decline as we go into the summer injection season.

Investment Opportunities

We are seeing stronger positive moment with oil and related equities. Both should begin to rally as we go into the summer driving season.

Aside from some seasonal or short term fluctuation, overall natural gas is going to start a slow decline as injection season come upon.

We have focused our investment strategy to profit from rising crude oil and related petroleum prices, and are positioned to benefit from the related impacts to underlying energy equities.

Dear Eagle—Q&A

A battle of bulls and bears—US Oil Production vs Supply

An interesting matrix to watch this year is the rate of rise of US oil production and US oil supply. Both are expected to have a strong showing this year. US oil production is expected to reach 11 mmbpd and strong economic activities could push the summer oil supply level to a record high of 23 mmbpd. These two indicators will be key drivers of WTI price in the next few months.