Reaves Asset Management

Market Commentary
Fourth Quarter 2022

REVIEW AND OUTLOOK

The Reaves Dividend Income Composite closed out a volatile year on a positive note with a net return of 7.8% in the fourth quarter. For the year, the composite lagged its infrastructure benchmark but outperformed the broad market as represented by the S&P 500 Index. The 10-year U.S. Treasury yield declined from 4.3% in late October to 3.5% in December as economic data suggested slowing inflation which propelled markets higher.

Performance as of 12/31/22	Q4	1 Year	Since Inception*
Reaves DI Composite, gross of fees[1]	7.96%	-7.94%	7.03%
Reaves DI Composite, net of fees[1]	7.82%	-8.40%	6.49%
MSCI USA Infrastructure Index[2]	9.84%	0.61%	7.89%
S&P 500 Index[3]	7.56%	-18.11%	9.37%

**Annualized; Inception date: 10/31/20*

Utilities performed well in the quarter and were one of the few asset classes to generate positive returns in a challenging year for the U.S. equity market. The better news on inflation in the October CPI report allowed investors to once again focus on the stability of utility earnings, their steady dividend growth, and the significant new investment and growth opportunities ahead of them in the wake of recent favorable legislation.

The composite's holdings in other essential infrastructure businesses also made positive contributions during the quarter with the exception of communication REITs which were modestly lower. Overall, the portfolio regained more than two thirds of the decline experienced last quarter.

Looking forward, we expect investor focus on inflation, Federal Reserve policy, interest rates, and recession fears to continue, and choppy markets to persist. While 2022 was a challenging year, the composite's performance in the fourth quarter and into the start of 2023 has been encouraging. We remain confident that our defensively positioned portfolios, focused on essential service infrastructure companies with durable earnings and dividend growth, have the potential to perform well in all types of economic environments.

PORTFOLIO REVIEW

Top 3 Contributors in Q4	Symbol	Contribution (basis points)
Edison International	EIX	+123 bps
Duke Energy	DUK	+73 bps
Cogent Communications	CCOI	+63 bps

EIX: Edison International gained 13.7% in the fourth quarter. The company made it through wildfire season without major incident, giving investors confidence to purchase the discount utility. Further, the company continued to make progress on reducing past wildfire liabilities.

DUK: Duke Energy performed well in the fourth quarter as investors began to appreciate the ability of a large, multi-state utility to fight inflation better than smaller, single-state companies. Dividend yield and valuation is also attractive relative to the average publicly-traded utility.

CCOI: After the initial selloff following the acquisition of Sprint's legacy wireline business from T-Mobile, Cogent rallied as management explained the complicated but accretive deal to investors. T-Mobile is paying Cogent to "purchase" the money-losing assets so the street was skeptical of the benefits, but it seems Cogent could have success cross-selling wave and dark fiber on the new network and can generate meaningful cost savings. The end result could be a cash-flow accretive acquisition that improves dividend coverage.

Top 3 Detractors in Q4	Symbol	Contribution (basis points)
Crown Castle	CCI	-13 bps
NextEra Energy Partners	NEP	-11 bps
Telus	TU	-9 bps

CCI: Crown Castle Inc. underperformed the broader market, as well as REIT and tower peers, during the quarter. The company issued uninspiring guidance for 2023 due to churn from the T-Mobile US acquisition of Sprint and macroeconomic uncertainty associated with its enterprise fiber business. Qualitative commentary on new leasing was less favorable than tower peers as well. Given the significant visibility inherent in the tower business model, we were a bit surprised by the market's reaction to these forecasts. We continue to view towers favorably and we expect them to outperform broader market benchmarks over the long term.

NEP: NextEra Energy Partners lagged with other renewable companies after issuing a convertible security during the quarter, causing sale pressure from arbitrageurs. The company is well-positioned to benefit from the Inflation Reduction Act, and as the market absorbs the short-term dilution of the issuance, we believe it may focus on the long-term benefits of the legislation.

TU: Shares of the company began to weaken during the second half of the quarter as investors increasingly priced greater likelihood that Rogers Communications would win approval to acquire Shaw Communications. Shaw is the incumbent cable operator in western Canada, where it competes with Telus for subscribers. Shaw has long been thought of as a subscale competitor, and thus Rogers represents a greater competitive threat. With deal uncertainty hanging in the balance, we value the natural hedge of owning both Rogers and Telus. That said, we believe both operators can thrive with time as Rogers benefits from enhanced scale, while Telus reaps the rewards of significant investment in its network during this time of uncertainty for its competitors. To that point, capital expenditures at Telus are set to materially decline this year. This will enable balance sheet improvement from a position of strength and enhance an already compelling dividend yield and growth story.

Thank you for your continued support of our investment management services. Please let us know if you have any questions about the market developments and stocks discussed in this commentary. We look forward to hearing from you.

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[1]Performance is based on the Reaves Dividend Income Global Composite and includes the reinvestment of dividends and other earnings. Reaves' portfolio characteristics, holdings and sector weightings are subject to change at any time and, unless otherwise noted, are based on our Dividend Income Strategy. Holdings, sector weightings and portfolio characteristics of individual client portfolios may differ, sometimes significantly, from those shown. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the securities and sectors listed. The inception date of the Reaves Dividend Income Global Composite is 10/31/20. The securities mentioned in this commentary does not represent all the securities held in the Reaves Dividend Income Strategy. Reaves' Dividend Income Strategy does not represent all of Reaves' assets under management.

[2]The MSCI USA Infrastructure Index captures the opportunity set of U.S. companies that are owners or operators of infrastructure assets. Constituents are selected from the equity universe of the MSCI USA Index, the parent index, which covers large and mid-cap securities in the U.S. All index constituents are categorized in one of thirteen sub-industries, which MSCI aggregates and groups into five infrastructure sectors: Telecommunications, Utilities, Energy, Transportation and Social. Reaves' portfolios may at times be more diversified by including companies classified as operating in the Real Estate and Industrials sectors.

The MSCI USA Infrastructure Index was launched on Jan 22, 2008. Data prior to the launch date is back-tested data (i.e., calculations of how the index might have performed over that time period had the index existed). There are frequently material differences between back-tested performance and actual results. Past performance -- whether actual or back-tested -- is no indication or guarantee of future performance.

[3]The S&P 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The typical Reaves portfolio includes a significant percentage of assets that are also found in the S&P 500 Index. However, Reaves' portfolios are far less diversified, resulting in higher sector concentrations than found in the broad-based S&P 500 Index.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

The 10-Year U.S. Treasury Note (UST) is a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance. A 10-Year U.S. Treasury Note pays interest at a fixed rate once every six months and pays the face value to the holder at maturity. The U.S. government partially funds itself by issuing 10-Year U.S. Treasury Notes.

An annualized total return is the geometric average amount of money earned by an investment each year over a given time period. The annualized return formula is calculated as a geometric average to show what an investor would earn over a period of time if the annual return was compounded.

This document is a supplement to the Fact Sheet for the Reaves Dividend Income Strategy Fourth Quarter 2022.

***Past results do not guarantee future performance.** Further, the investment return and principal value of an investment will fluctuate; thus, investor's equity, when liquidated, may be worth more or less than the original cost. This document provides only impersonal advice and/or statistical data and is not intended to meet objectives or suitability requirements of any specific individual or account.*

All investments involve risk, including loss of principal.

All data is presented in U.S. dollars.

Cash is cash and cash equivalents.

An investor cannot invest directly in an index.

***Important Tax Information:** Reaves Asset Management and its employees are not in the business of providing tax or legal advice to taxpayers. Any such taxpayer should seek advice based on the taxpayer's own individual circumstances from an independent tax adviser.*

***Fees:** Net performance reflects the deduction of advisory fees which are described in detail in our Form ADV Part 2A.*

Please contact your financial professional, or click the following links, for a copy of Reaves' Form ADV Part 2A and Form CRS.

Additional information about Reaves may be found on our website: www.reavesam.com.

Reaves Asset Management

10 Exchange Place, 18th Floor
Jersey City, NJ 07302
www.reavesam.com

For further information, please contact:
Tom Grimes, Director of Investor Relations
Email: tgrimes@reavesam.com • Phone: 201.793.2384