Reaves Asset Management

Market Commentary
First Quarter 2023

REVIEW AND OUTLOOK

The Reaves Dividend Income Strategy had a positive net return of 1.6% in the quarter, outperforming the MSCI USA Infrastructure benchmark, but lagging the S&P 500 Index. Growth and high beta stocks bounced nicely in the quarter, after declining sharply in 2022, while defensive sectors went sideways after outperforming for most of last year.

Performance as of 3/31/23	Q1	1 Year	Since Inception*
Reaves DI Strategy, gross of fees[1]	1.70%	-9.98%	7.00%
Reaves DI Strategy, net of fees[1]	1.57%	-10.45%	6.45%
MSCI USA Infrastructure Index[2]	-1.20%	-4.78%	6.51%
S&P 500 Index[3]	7.50%	-7.73%	11.66%

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

The companies in the portfolio are operating as expected. Cash flow remains strong despite a slowdown in economic growth, highlighting the resilience and non-discretionary characteristics of the companies in which we invest. Of the 22 stocks held at quarter's end, 20 raised the dividend in the last year at an average growth rate of more than 6%.

We believe utilities continue to have the ability to grow even as the economy slows and remained the largest sector allocation. Tax-incentivized capital expenditure opportunities in the renewable energy and power infrastructure spaces should drive earnings and dividend growth for many years to come. In the two years ended 3/31/23, the S&P 500 Utilities Index generated a cumulative total return of 12.5% in the face of high inflation and rising interest rates. This, when compared with the S&P 500 Index's return of 6.5%, tells us that investors have begun to recognize the positive attributes of the sector.

PORTFOLIO REVIEW

Top 3 Contributors in Q1	*Symbol*	*Portfolio Impact gross(basis points)*	*Portfolio Impact net(basis points)*
Edison International	EIX	+100 bps	+99 bps
Deutsche Telekom	DTEGY	+90 bps	+89 bps
Cogent Communications	CCOI	+76 bps	+75 bps

EIX: Edison International investors grew increasingly hopeful that it would receive some level of recovery on wildfire damages. Over the last twelve months the company has made steady progress resolving outstanding claims connected to previous wildfires. The company indicated that it expects to make formal filings to collect these costs in customer rates later this year.

DTEGY: Shares of Deutsche Telekom ("DT") performed well during the quarter. DT sources the majority of its cash flows from its subsidiary T-Mobile US ("TMUS"). TMUS has seamlessly integrated its acquisition of Sprint. The resulting cost savings and network quality improvements have led to surplus cash flow that TMUS is using to fund a large share repurchase program. DT has thus far not participated in this buyback, resulting in an increased ownership position in TMUS. We think the strong cash flow visibility from TMUS creates great optionality for DT. Going forward, it can choose to continue to increase its stake in TMUS, or it can monetize the investment by participating in the buyback. Doing so would allow DT to strengthen its balance sheet and accelerate dividend growth while reinvesting in its quality European operations. We think DT is in a particularly enviable position.

CCOI: Shares of Cogent rallied in the quarter as a slow but steady recovery in its corporate segment continued alongside outsized strength in its net-centric business. Meanwhile, management indicated that the acquisition of Sprint's wireline business should close sooner than expected, helping to reduce concerns about leverage and the dividend commitment. Constructive commentary about the Sprint assets also served to enhance investor optimism.

Top 3 Detractors in Q1	*Symbol*	*Portfolio Impact gross(basis points)*	*Portfolio Impact net(basis points)*
NextEra Energy Partners	NEP	-60 bps	-61 bps
Williams Cos	WMB	-40 bps	-41 bps
DTE Energy	DTE	-36 bps	-37 bps

NEP: NextEra Energy Partners declined in value as credit spreads widened following the failure of Silicon Valley Bank. The company should be able to raise its distribution by 15% per year for the next few years, but since it pays out all of the cash generated by its business, the stock is sensitive to financing rates.

WMB: Williams underperformed in the quarter amid the sharp decline in the price of natural gas. The company has little direct exposure to the commodity price, but the drop was significant enough to negatively impact sentiment for the sector. On the positive side, Williams accelerated its rate of dividend growth while continuing to strengthen its balance sheet. Multiple growth projects should support mid-single digit cash flow growth over the long term.

DTE: During the quarter DTE faced regulatory headwinds which we believe will prove to be short term. Notably, the Michigan Public Service Commission denied DTE's electric utility re-hearing in its 2022 general rate case. The company has since filed a new rate case and we expect a constructive outcome. Management will take steps to mitigate the impact on 2023 earnings, but with warm first quarter weather, investors became concerned about the ability of the company to meet its growth targets.

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 S&P 500 Utilities Index is a capitalization-weighted index containing electric and gas utility stocks (including multiutilities and independent power producers). Prior to July 1996, this index included telecommunications equities.

The Top 3 Contributors and Detractors are determined by the stock impact. Stock impact is determined by how much that individual stock either increased or decreased the total performance for a specific time period.

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 First Quarter 2023.

***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.

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