Reaves Asset Management

Market Commentary
First Quarter 2023

REVIEW AND OUTLOOK

The Reaves Long-Term Value Strategy finished nearly flat for the first quarter, outperforming the MSCI USA Infrastructure 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	5-Year*	10-Year*	Since Inception*+
LTV Wrap Composite, gross[1]	0.31%	-11.11%	6.76%	7.45%	10.07%
LTV Wrap Composite, net[1]	-0.32%	-13.33%	4.13%	4.61%	7.00%
MSCI USA Infrastructure Index[2]	-1.20%	-4.78%	7.12%	6.63%	7.99%
S&P 500 Index[3]	7.50%	-7.73%	11.19%	12.24%	10.06%

**Annualized   +Composite's inception date is January 1, 2003*

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 26 stocks held at quarter's end, 23 raised the dividend in the last year at an average growth rate of just over 7.0%.

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.

Our non-utility holdings, consisting of telecommunications, wireless tower, data center, railroad, and industrial gas companies, rebounded in the quarter after mostly struggling last year. Earnings results have shown cash flows to be non-cyclical, so the sell-off last year created attractive valuations for many companies in those industries.

PORTFOLIO REVIEW

Top 5 Contributors in Q1	*Symbol*	*Portfolio Impact gross(basis points)*	*Portfolio Impact net(basis points)*
Cogent Communications	CCOI	+51 bps	+49 bps
Equinix	EQIX	+47 bps	+45 bps
Linde	LIN	+39 bps	+36 bps
Comcast	CMCSA	+30 bps	+28 bps
Edison International	EIX	+25 bps	+23 bps

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.

EQIX: A favorable supply/demand imbalance continues to positively impact data center operators. For Equinix, in particular, the demonstrated ability to exploit this dynamic through price increases in its densely interconnected facilities has led to durable growth trends. We continue to believe that Equinix has a powerful business moat that should distinguish the company for years to come.

LIN: Linde rallied after issuing strong 2023 guidance. The outlook was underpinned by modest assumptions about economic recovery expectations, especially for China, and thus seemed credible. Longer term, carbon sequestration and hydrogen production remain a positive secular driver of growth. The company announced a $1.8 billion project on the U.S. Gulf Coast, and we believe more projects of this kind will be forthcoming. Such projects are underpinned by the Inflation Reduction Act (IRA) rules that create incentives for carbon sequestration and storage. The EU is considering its own version of the IRA which could further drive long-term growth.

CMCSA: Shares of Comcast have rallied somewhat steadily off the October bottom. Investor concern about cable's future persists, but valuation appears to take this risk into account. The company's profile as an A-rated debt issuer, with persistent cash flow growth, and healthy dividend and share repurchase activity, make the stock compelling in uncertain times. Additionally, management has eased some investor concerns around future capital expenditures and peak cash flow losses at NBC Universal's streaming unit. Comcast also continues to behave disruptively and gain market share in the U.S. wireless market. We continue to think the stock offers upside potential from here.

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.

Top 5 Detractors in Q1	*Symbol*	*Portfolio Impact gross(basis points)*	*Portfolio Impact net(basis points)*
Constellation Energy	CEG	-41 bps	-44 bps
NextEra Energy	NEE	-40 bps	-43 bps
SBA Communications	SBAC	-30 bps	-33 bps
DTE Energy	DTE	-20 bps	-22 bps
Duke Energy	DUK	-16 bps	-17 bps

CEG: Constellation partially reversed some of its 2022 outperformance during a volatile first quarter. Natural gas and power prices continued to slide into the first few months of 2023 as favorable weather eased concerns of widespread energy shortages. More importantly, the long-awaited capital allocation update provided in February left investors wanting a bit more. The update was long-term constructive, but the company will need to continue to execute on growth and cost management. We are confident in the path that management is on, the importance of nuclear to decarbonization goals, and the value of the existing nuclear assets. We believe that one quarter of underperformance is not cause for concern.

NEE: NextEra fell after a disappointing earnings call. The company is the subject of an investigation into potential election rule violations but was unable to give investors an update. Exacerbating matters, the company coincidently announced the retirement of the head of its utility subsidiary. While the company stated that there was no connection between the two events, the announcement added considerable uncertainty. The long-term outlook remains strong. We believe the company is the best utility operator in the country and is a leading renewable energy developer. Its growth rate should continue to be at the high end of the sector for many years.

SBAC: Tower stocks underperformed in the quarter and SBA Communications, with its premium multiple and relatively high financial leverage, was negatively impacted. Additionally, investor optimism around the 5G wireless investment cycle has waned as wireless carriers have pulled back on spectrum deployment plans in the absence of new monetization opportunities. We acknowledge the slowdown but view the pause to be more of a temporary right-sizing of capital commitments on the part of the carriers than a structural change. Our expectation is that long-term investors will be rewarded for their patience with towers.

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.

DUK: In its fourth quarter call the company announced a significant impairment associated with its unregulated renewables business. As the company had previously announced its intention to offer these assets for sale, investors grew concerned about the possible proceeds and the impact on the company's balance sheet.

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]Reaves' Long Term Value Strategy (Reaves LTV) seeks a high risk-adjusted total return. The strategy tends to be invested in relatively larger companies with strong balance sheets, good cash flow and a history of dividend growth. Core positions are accumulated in financially strong, high-quality companies and generally have the following characteristics: strong management, above industry-average growth rates, large/mid-market capitalization and low price-earnings multiples.

Beginning December 2019 Reaves Long Term Value Strategy (LTV) is represented by the LTV SMA Wrap Composite. This composite contains those LTV discretionary portfolios with wrap (bundled) fees. Wrap accounts are charged a bundled fee which includes the wrap sponsor fee, as well as Reaves' investment advisory fee. Due to compliance requirements, the net-of-fees calculation is computed based on the highest annual fee assigned by any wrap sponsor who utilizes this portfolio in an investment wrap program (300 basis points from 1/1/03 through 12/31/16 and, effective 1/1/2017, 250 basis points). LTV SMA Wrap Composite performance consists of money-weighted, time-weighted returns and it includes the reinvestment of all dividends and other earnings. The inception date of the composite is December 2002; however, the composite was created in January 2013. This composite has been managed in a similar manner to the Reaves LTV ERISA Composite which ended in December of 2019. The LTV SMA Wrap Composite 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.

During the third quarter of 2021, we began using the MSCI USA Infrastructure Index as the new benchmark for the Reaves LTV Strategy. We believe the MSCI USA Infrastructure Index, with its large weightings in companies that operate in the Utilities and Communications Services sectors, will provide a better way to measure the relative performance of the Reaves LTV Strategy.

[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 5 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.

Reaves' portfolio characteristics, holdings and sector weightings are subject to change at any time and, unless otherwise noted, are based on our Long Term Value Strategy. Holdings, sector weightings and portfolio characteristics of individual client portfolios may differ, sometimes significantly, from those shown. Portfolio holdings are rounded to the nearest whole percent, and returns are rounded to the nearest tenth of a percent. This information does not constitute, and should not be construed as, investment advice or recommendations with respect to the securities and sectors listed. The securities mentioned in this commentary does not represent all the securities held in the Reaves LTV SMA Wrap Strategy. Reaves' LTV SMA Strategy does not represent all of Reaves' assets under management.

This document is a supplement to the Fact Sheet for the Reaves LTV 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.

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