Reaves Asset Management

Market Commentary
Third Quarter 2023

REVIEW AND OUTLOOK

Rising interest rates were a headwind for equities in the third quarter with the utility and real estate sectors lagging all other industry groups. Income-oriented investors allocated funds into money market and other short duration fixed income securities with higher yields, resulting in lower equity valuations. The Reaves Dividend Income Strategy declined by -7.3% in the third quarter, bringing the year-to-date return to -7.9%, outperforming the MSCI USA Infrastructure Index in both periods.

The yield for the strategy stood at 4.9% at the end of the quarter. Dividends paid by the 21 companies held in the strategy grew by a weighted average of 5.1% over the last 12 months.

Performance as of 9/30/23	Q3	YTD	1 Year	Since Inception*
Reaves DI Strategy, gross of fees[1]	-7.21%	-7.52%	-0.21%	2.37%
Reaves DI Strategy, net of fees[1]	-7.34%	-7.89%	-0.73%	1.85%
MSCI USA Infrastructure Index[2]	-7.39%	-10.97%	-2.21%	1.67%
S&P 500 Index[3]	-3.27%	13.07%	21.62%	11.48%

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

Despite the weak relative performance of the S&P 500 Utilities Index this quarter, we believe that the financial impact of the current macroeconomic backdrop to most companies in the sector will be small. For regulated utilities, expenses are passed through to customers, leaving profitability intact and previously forecasted growth rates achievable. Where higher interest rates have made a difference is in renewable development. These projects are highly contracted, but also highly levered. Elevated cost of capital has led to higher pricing for new wind and solar projects, in stark contrast to the steady decline we saw over the last decade. Development will likely continue at an exponential pace over the next decade, but in the current interest rate environment would-be buyers of renewable power have moved to the sidelines.

The midstream portion of the portfolio performed well in the quarter, with each holding generating a positive return. It was not enough, however, to offset fully the negative environment for the rest of the high-yielding equities in the strategy.

Looking forward, we believe the Federal Reserve is near the end of its tightening cycle. Historically, lower interest rates have followed the last Fed rate hike. While there is no guarantee that we will experience the same this time, we believe that valuations have corrected enough that if rates stabilize, our portfolio is well positioned.

PORTFOLIO REVIEW

Top 3 Contributors in Q3	*Symbol*	*Portfolio Impact gross(basis points)*	*Portfolio Impact net(basis points)*
Williams Companies	WMB	+25 bps	+24 bps
ONEOK, Inc	OKE	+22 bps	+21 bps
DTE Midstream	DTM	+7 bps	+7 bps

WMB: Williams had a strong second quarter, helped by the recovery in the price of natural gas and the debt ceiling deal to allow for the construction of the Mountain Valley Pipeline. While not an owner of the pipeline, once it is in service, it should allow for higher production volumes, helping the company's gathering and other pipeline assets in the Marcellus region.

OKE: ONEOK, a midstream energy infrastructure company, owns and operates a pipeline network connecting key energy supply and demand centers throughout the U.S. OKE completed the acquisition of Magellan Midstream Partners, LP near the end of the quarter which helped further diversify its asset base. The stock is attractively valued at 13x forward earnings with a current dividend yield of 6.0% and a long history of dividend growth.

DTM: DT Midstream recovered in the quarter as the commodity backdrop improved and investors became more confident about its development plans. The company is in the process of expanding its interstate pipeline network in the Haynesville shale areas of Louisiana and Texas. The development is significant for DTM, begetting concerns about execution and capital costs. However, investor confidence has improved as the project has successfully reached the 50% completion milestone. Additionally, improving natural gas prices have helped drive more supply, which ultimately can spur more pipeline demand.

Top 3 Detractors in Q3	*Symbol*	*Portfolio Impact gross(basis points)*	*Portfolio Impact net(basis points)*
BCE, Inc	BCE	-105 bps	-106 bps
Crown Castle International	CCI	-90 bps	-91 bps
Telus Corp	TU	-83 bps	-84 bps

BCE & TU: Canadian telecom stocks have come under pressure as Quebecor has communicated an aggressive posture following its deal to acquire Freedom Mobile. While we acknowledge some increased risk to the status quo, we have thus far observed reasonably benign promotional activity and broadly constructive updates from incumbents. We will continue to monitor the situation but for now we view the weakness to be overdone.

CCI: The rising interest rate environment has proved particularly unkind to tower stocks. This dynamic has been made worse by a slowdown in wireless carrier capital spending. We believe carriers will need to spend significantly more with towers in future years as they continue to make 5G technology and infrastructure ubiquitous, but we acknowledge that a reacceleration in spending may take a few quarters to develop.

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.

Reaves Asset Management is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940. Reaves is a privately held, independently owned "S" corporation organized under the laws of the State of Delaware.

Reaves Asset Management claims compliance with the Global Investment Performance Standards (GIPS®). The verification reports are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

[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 Portfolio Impact of 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 Third 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