Reaves Asset Management

Market Commentary
Fourth Quarter 2023

REVIEW AND OUTLOOK

The macroeconomic headwinds that have negatively impacted the strategy over the past two years eased significantly in the quarter, highlighted by a sharp move higher in bonds off the mid-October lows. The 10-year US Treasury yield moved from a high of nearly 5% to below 4% by year end, and the 2-year Treasury yield declined from over 5.1% to less than 4.3% in the same period. Inflation data also continued to improve, with the latest CPI report indicating inflation is now at levels not seen since early 2021. Additionally, the Federal Reserve indicated its recent tightening program is likely over but cautioned that they remain data dependent on potential rate cuts as the risk of recession remains.

The Reaves Dividend Income Strategy, net of fees, appreciated 10.2% in the fourth quarter, slightly lagging the benchmark infrastructure index. The strategy outperformed the benchmark for the 1-year, and since inception periods.

Performance as of 12/31/23	Q4	1 Year	3 Years*	Since Inception*
Reaves DI Strategy, gross of fees[1]	10.29%	1.99%	3.70%	5.39%
Reaves DI Strategy, net of fees[1]	10.18%	1.48%	3.18%	4.86%
MSCI USA Infrastructure Index[2]	10.35%	-1.75%	3.26%	4.74%
S&P 500 Index[3]	11.69%	26.29%	10.00%	14.46%

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

The portfolio remains well positioned in essential infrastructure businesses, many with growing earnings and dividends. The stocks held as of year-end grew their Q4 dividends by 4.7% compared to a year ago.

Utility stocks continue to be the largest allocation within the strategy with 11 companies, or 49% of the portfolio, invested in the sector. Themes such as renewable energy transition, grid expansion and enhancement, and the potential for growing demand from data centers and electric vehicles remain in place. We expect them to support growth in earnings and dividends for years to come.

Outside of our utility positions, the strategy's holdings in communications infrastructure led performance in the quarter. This segment in particular benefited from the decline in interest rates as well as optimism about positive value creation coming out of several industry acquisitions. Looking forward, we continue to believe a concentrated portfolio of utility and utility-like companies with common characteristics such as limited competition and the ability to grow earnings through all market cycles can produce an attractive balance of current dividend income and capital appreciation over the long term.

PORTFOLIO REVIEW

Top 3 Contributors in Q4	*Symbol*	*Portfolio Impact net(basis points)*
Cogent Communications	CCOI	+169 bps
Crown Castle International	CCI	+113 bps
Edison International	EIX	+86 bps

CCOI: Shares of Cogent rallied on continued positive earnings revisions. Investors have gained increasing levels of comfort with management's targeted cost savings from the Sprint wireline deal. Also, data points associated with new business services that the deal has enabled have been compelling. We acknowledge near-term execution risks inherent in this deal integration, but we believe consensus underestimates the value creation potential in the combination of assets.

CCI: Declining interest rates fueled a rally in tower stocks. The move higher helped reverse some of the year-to-date underperformance in the sector. Additionally, activist Elliot Investment Management renewed its efforts to force a strategic shift at Crown Castle Inc. Investors have long been concerned that Crown's investments in fiber would yield relatively unattractive returns. The company's quick response, highlighted by a departing CEO and a strategic review of the fiber business, was well-received in the marketplace.

EIX: Edison International outperformed following continued positive momentum in California utility regulation. Peer Pacific Gas and Electric received a constructive rate case outcome, while the Commission approved higher equity returns for all three electric and gas utilities following the recent sustained period of high interest rates.

Top 3 Detractors in Q4	*Symbol*	*Portfolio Impact net(basis points)*
NextEra Energy	NEE	-18 bps
Pinnacle West	PNW	-8 bps
Northwest Natual Holding	NWN	6 bps

NEE: NextEra struggled in October in the face of higher interest rates. Beyond the traditional relationship between utilities and bonds, higher rates pushed NextEra's MLP out of the financing market and potentially softened the market for renewables. A solid third quarter earnings report helped matters, but the shares were unable to fully close the gap and underperformed in the quarter.

PNW: Pinnacle West underperformed as investors await a decision in its general rate case. The company was able to gain critical Commission staff support for accelerated recovery of new generation investment, but the legacy of delayed recovery has been an overhang on the stock.

NWN: Northwest Natural underperformed after a slightly disappointing Q3 earnings report involving a delay in the startup of its renewable natural gas facilities. While the stock produced a positive return for the quarter, the delay was enough to cause a relatively disappointing result.

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 Fourth 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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