Reaves Asset Management

Market Commentary
Second Quarter 2024

REVIEW AND OUTLOOK

The Reaves Dividend Income Strategy, net of fees, appreciated 2.82% in the second quarter, lagging the benchmark infrastructure index. Dividend growth of equities owned in the strategy increased in the quarter, with the weighted average growth rate of cash distributions from portfolio companies growing by 4.6% over the past 12 months.

Performance as of 6/30/24	Q2	1 Year	3 Years*	Since Inception*
Reaves DI Strategy, gross of fees[1]	2.96%	7.16%	2.64%	5.97%
Reaves DI Strategy, net of fees[1]	2.82%	6.62%	2.12%	5.42%
MSCI USA Infrastructure Index[2]	4.81%	14.20%	5.46%	7.29%
S&P 500 Index[3]	4.28%	24.56%	10.01%	16.81%

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

The strategy's utility and pipeline holdings continued to drive performance in the quarter as the market anticipated the potential impact of artificial intelligence (AI) on future power demand. The reshoring of manufacturing and electrification of transportation are also factors that we expect will contribute to higher demand for both electricity and natural gas. Many utilities should benefit in the medium to long term from infrastructure investment opportunities necessary to support electric demand growth and pipeline companies will be helped by a growing backlog of transmission projects and more demand for natural gas.

We believe the current setup for the utility sector is attractive. The sector has underperformed the S&P 500 in four of the last five years, with 2023 being the worst relative performance of utilities versus the broad market ever. Despite this, fundamentals have remained strong throughout this period, with utility sector EPS growth slightly higher than the S&P 500 over the last five years. Utility valuations are near the lowest point in the last two decades and we believe pipeline companies also remain undervalued with ample cash flows to repurchase shares opportunistically.

The rest of the portfolio struggled in the second quarter as much of the market did. While the S&P 500 was up nearly 7% in the quarter, the performance was driven by several large technology companies. The average company in the S&P 500 fell 2.4%. Outside of the incredible growth in AI, uncertainty about US and European elections, stubborn inflation, and signs of a slowing global economy impacted most non-AI stocks, as it did those in our portfolio.

The strategy's defensive characteristics have historically benefited in periods of uncertainty. We expect that earnings, cash flow, and dividends will continue to grow, and continue to believe a diversified portfolio of essential infrastructure businesses can generate compounded growth over the long term.

PORTFOLIO REVIEW

Top 3 Contributors in Q2	*Symbol*	*Portfolio Impact net(basis points)*
DT Midstream	DTM	+103 bps
Williams Companies	WMB	+65 bps
Deutsche Telekom AG	DTEGY	+45 bps

DTM: Gas pipeline companies were especially strong in the quarter, faring better than underlying oil and gas prices with which they are typically correlated. This is largely due to investor recognition that demand for natural gas is likely to remain stronger for longer driven by near-shoring/industrialization and LNG growth over the next few years. Moreover, there is growing likelihood that AI driven data center growth will also be a positive demand driver, although the extent to which this is the case remains unclear. DTM was an especially strong performer in this context because the company's expansion projects in Appalachia and Haynesville shale producing areas have largely come in ahead of schedule and budget. This time last year investors were concerned about balance sheet strain as a result of the construction program. That is no longer the case.

WMB: Like DTM, Williams benefited from an improving outlook for natural gas demand. Investors have also come to appreciate the value of natural gas storage acquired in recent acquisitions. Williams' acquisition of 115 bcf of storage facilities at the beginning of the year was criticized for the debt required to finance the purchase, but commodity price volatility and scarcity of high quality storage assets have helped to reassess its value.

DTEGY: Deutsche Telekom benefitted from strength in shares of its U.S. subsidiary T-Mobile US. Those shares were bid up due to enthusiasm for a deal to consolidate regional player US Cellular. Additionally, DTEGY completed wage negotiations with its labor union, while the German government executed an expected sale of its stake in the company. Both issues had created some concern for investors and resolution was favorably received by the market.

Top 3 Detractors in Q2	*Symbol*	*Portfolio Impact net(basis points)*
Cogent Communications	CCOI	-83 bps
Crown Castle	CCI	-31 bps
Telus	TU	-19 bps

CCOI: Ongoing delays in standing up the nascent wavelengths business led to a material sell-off in shares of Cogent Communications. The timing issue seemed to renew investor concerns about the sustainability of dividend growth and the future health of the balance sheet. While we find the wavelength timing and messaging to be frustrating, we continue to believe that Cogent has a material trove of unmonetized assets that create a favorable asymmetric setup for the shares in the medium to long-term.

CCI: The subdued customer leasing environment continued to be an overhang on tower stocks in the quarter. The quality and long-term durability of the tower business model are not in question, and we are maintaining our patience with the stock. However, the lack of near-term catalysts continues to weigh on the sector.

TU: Heightened promotional activity continued to negatively impact Canadian telecom operators during the quarter. Given that its network investments are complete, we think Telus is particularly well positioned to compete in the current environment while maintaining its compelling dividend growth model. That said, while we question the sustainability of some of the offers in the marketplace, we don't doubt that the environment will remain challenging relative to its history in the near term.

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.

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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 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 Second Quarter 2024.

***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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