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 LTV Wrap Composite, before fees, appreciated 9.2% in the fourth quarter, bringing the calendar year return to 3.4%, lagging the MSCI USA Infrastructure Index in the quarter but outperforming the benchmark for the full year.

Performance as of 12/31/23	Q4	1 Year	3-Year*	5-Year*	10-Year*	Since Inception*+
LTV Wrap Composite, gross[1]	9.17%	3.39%	1.45%	7.38%	7.02%	9.86%
LTV Wrap Composite, net[1]	8.51%	0.84%	-1.06%	4.74%	4.23%	6.80%
MSCI USA Infrastructure[2]	10.05%	-2.02%	3.17%	6.00%	6.25%	7.65%
Russell 1000 Value Index[3]	9.50%	11.46%	8.86%	10.91%	8.40%	8.95%
S&P 500 Index[4]	11.69%	26.29%	10.00%	15.69%	12.03%	10.53%

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

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 6.8% compared to a year ago, with only one company not paying a dividend.

Utility stocks continue to be the largest allocation within the strategy, with 14 companies, or 51% 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 and dividends through all market cycles can produce high single digit returns over the long term.

PORTFOLIO REVIEW

Top 5 Contributors in Q4	*Symbol*	*Portfolio Impact gross(basis points)*	*Portfolio Impact net(basis points)*
Cogent Communications	CCOI	+112 bps	+109 bps
SBA Communications	SBAC	+96 bps	+94 bps
Union Pacific	UNP	+83 bps	+81 bps
Rogers Communications	RCI	+79 bps	+77 bps
T-Mobile US	TMUS	+66 bps	+63 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.

SBAC: Declining interest rates fueled a rally in tower stocks. The move higher helped reverse some of the year-to-date underperformance in the sector. SBA Communications is particularly sensitive to rates given its leverage and its shorter-duration fixed income maturities. Additionally, the presence of an activist investor in peer tower operator Crown Castle served as a friendly reminder of SBAC's long history of favorable capital allocation. The activist is encouraging Crown Castle to consider replicating SBAC's strategy.

UNP: Union Pacific shares rallied in the quarter as shipping volumes stabilized and the company started to show progress in cost cutting efforts. For the most part 2023 was a poor volume year for the industry as retailers reduced inventories and elevated prices of goods and services reduced overall shipment demand. These trends, however, appeared to have stabilized in the quarter with the industry seeing flat year-on-year volumes in many shipping segments and improvement in the economically sensitive intermodal segment. Additionally, a new management team took over in early Fall and started to implement measures that should help more than offset recent labor and material cost pressures. Jim Vena, the company's new CEO, comes with a strong industry pedigree in efficiency and operating margin improvement, which have fallen below some peers in recent years.

RCI: Rogers continues to demonstrate strong momentum in the wireless segment as it pulls forward cost savings from the Shaw deal. Meanwhile, the combination of improved cash flow and non-core asset sales has helped to deleverage the balance sheet faster than expected. This latter dynamic is challenging a major component of the bear narrative following the debt-funded acquisition of Shaw. We continue to view the setup in the stock favorably – volumetric growth is healthy, industry pricing has been more constructive than feared, the cost structure is being improved, and the balance sheet is getting healthier.

TMUS: Wireless stocks performed well during the fourth quarter amidst a falling interest rate environment, declining industry capital expenditures, and improving sentiment related to the competitive environment. The rally helped T-Mobile US to breach a technical milestone that resulted in the issuance of new shares to Softbank Group. These shares were part of a prior agreement associated with T-Mobile's acquisition of Sprint. While the equity dilution from this event always seemed manageable for existing shareholders, the overhang they created acted as something of a mechanical ceiling for the stock in recent years. Thus, removal of this overhang was well-received.

Top 5 Detractors in Q4	*Symbol*	*Portfolio Impact gross(basis points)*	*Portfolio Impact net(basis points)*
Charter Communications	CHTR	-42 bps	-44 bps
Rexford Ind'l Realty	REXR	-27 bps	-27 bps
DTE Energy	DTE	-14 bps	-14 bps
Exelon	EXC	-13 bps	-15 bps
Comcast	CMCSA	-2 bps	-5 bps

CHTR & CMCSA: After a strong start to the year, cable stocks did not participate in the broader market's fourth quarter rally. Notably, shares of Charter Communications were punished when management announced at an early December industry conference that broadband subscriber trends were a bit worse than expected. The announcement bred renewed life into the sector's primary bear narrative. Shares of Comcast were relatively more durable, but also underperformed. Notably, Comcast sold its remaining stake in Hulu to Disney, fortifying an already robust balance sheet situation. For our part, we continue to think cable operators will be able to 1) take price in broadband, 2) see steady growth in business services, and 3) exploit a cost advantage in the wireless market. Together, we think these growth drivers should more than offset concerns associated with limited volumetric growth in broadband.

REXR: We exited the position in Rexford following the third quarter earnings report which showed weakness in industrial leasing metrics that is likely to persist into 2024. While we believe the long-term thesis is intact, the company will likely have to weather a more difficult 2024 before returning to an environment of higher growth. Given this, we sold the position for tax loss purposes and intend to revisit it in the future.

DTE: In early October the position in DTE Energy was sold following receipt of a disappointing Administrative Law Judge decision in the company's General Rate Case.

EXC: Shares of Exelon sold off in mid-December as the company received an unfavorable decision from the Illinois Commerce Commission in a long-anticipated rate case. The multi-year rate plan was set to incorporate a climate related legislative mandate codified in 2021 known as CEJA. The law set the state on an aggressive decarbonization plan and called for significant investment from utilities to comply with and meet state goals. However, when it came time to approve rate increases associated with planned investments, the Commission believed the plan lacked sufficient detail in several areas related to customer benefit & cost. They rejected the filing and requested the company to comply with requests for additional information. Investors quickly perceived risk to company growth expectations.

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]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]Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. These stocks are selected from the 1,000 largest companies in the Russell 3000 Index. Reaves' portfolios are far less diversified, resulting in higher sector concentrations than found in the broad-based Russell 1000 Value Index.

[4]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 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: reavesam.com.

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