Reaves Asset Management

Market Commentary
Third Quarter 2024

REVIEW AND OUTLOOK

The Reaves Dividend Income Strategy, net of fees, appreciated 17.2% in the third quarter, outperforming the MSCI USA Infrastructure benchmark and the S&P 500. 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 9/30/24	Q3	YTD	1 Year	3 Years*	Since Inception*
Reaves DI Strategy, gross of fees[1]	17.31%	22.84%	35.48%	8.51%	9.97%
Reaves DI Strategy, net of fees[1]	17.16%	22.35%	34.80%	7.96%	9.40%
MSCI USA Infrastructure Index[2]	17.00%	31.10%	44.28%	11.08%	11.17%
S&P 500 Index[3]	5.89%	22.08%	36.35%	11.91%	17.36%

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

All of the strategy's 20 holdings advanced in the quarter as macroeconomic headwinds that had previously impacted the portfolio abated. Improving inflation data and the Federal Reserve's first rate cut since beginning its tightening cycle in March of 2022 helped close the relative performance gap between many of the strategy's holdings and the broad market. Fundamentals remain strong for the strategy's holdings, and the potential for further rate cuts and a lower interest rate environment, we expect, should be constructive to valuations.

We continue to believe AI expansion should drive power growth in the United States for the first time in nearly 20 years. The strategy's allocation to defensive beneficiaries of AI expansion in the utility, communication and industrials sectors, are likely to benefit from the expected $200 billion of annual AI investment from mega-tech companies.

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

PORTFOLIO REVIEW

Top 3 Contributors in Q3	*Symbol*	*Portfolio Impact net(basis points)*
Cogent Communications	CCOI	+200 bps
Edison International	EIX	+141 bps
Deutsche Telekom AG	DTEGY	+118 bps

CCOI: Cogent recovered from deeply oversold conditions throughout the quarter. As we noted in the detractors section of our second quarter commentary, we believe the Cogent story requires patience as management integrates the Sprint acquisition and begins to position a significant array of unmonetized assets for the marketplace. While the company has yet to reap the benefits of these, the updates throughout the quarter were supportive.

EIX: Edison International had a strong quarter relative to its peers and settled a significant case to recover costs in rates from wildfire claims made against the company.

DTEGY: Ongoing strength at T-Mobile US, which makes up a material portion of parent Deutsche Telekom's enterprise value, drove shares higher. We expect strong performance and outsized capital returns from T-Mobile US to benefit DTEGY for years to come. Additionally, a long-anticipated sale of a stake in the company by the German government in June removed an overhang for DTEGY as we moved into the third quarter. We continue to be positive on the stock given the outlook for its U.S. subsidiary and what looks to us to be a deeply discounted set of quality assets in Germany.

Top 3 Detractors in Q3	*Symbol*	*Portfolio Impact net(basis points)*
Northwest Natural Holdings	NWN	23 bps
TXNM Energy	TXNM	25 bps
BCE Inc	BCE	45 bps

NWN: Northwest Natural Holdings had a successful quarter with the completion of a large Oregon rate case. However, in a strong quarter for utilities, smaller capitalization stocks such as NWN lagged the performance of the larger stocks in the sector.

TXNM: TXNM Energy, formerly known as PNM Resources, was a relative underperformer during what was a quiet quarter for the stock. Nonetheless, we remain optimistic about the growth potential in its New Mexico and Texas footprint. We believe the company is nearing the completion of its regulatory strategy, which will help validate, de-risk and support its multi-year growth plan. Looking ahead, we expect positive developments over the next two quarters that should help the stock gain traction with investors.

BCE: BCE underperformed utilities during the quarter despite a rally off the late second quarter bottom. Canadian telecom has been challenging of late, characterized by heightened competition and some incrementally unhelpful regulation. While we think the valuation in Bell is somewhat fair, we believe the competitive situation has stopped worsening and the proposed sale of its sports properties will ultimately help to alleviate concerns about the dividend's sustainability.

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 Third 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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