

Market Commentary

Third Quarter 2024

REVIEW AND OUTLOOK

The Reaves Long Term Value Wrap Composite increased by 17.83%, before fees, in the third quarter, outperforming the MSCI USA Infrastructure benchmark and the S&P 500 Index. Dividend growth continued to be strong, with the weighted average increase of cash distributions from portfolio companies growing by 9% over the past 12 months.

<i>Performance as of 9/30/24</i>	Q3	1 Year	3-Year*	5-Year*	10-Year*	Since Inception*
LTV Wrap Composite, gross ¹	17.83%	34.33%	6.76%	6.45%	8.01%	10.55%
LTV Wrap Composite, net ¹	17.14%	31.08%	4.13%	3.83%	5.23%	7.49%
MSCI USA Infrastructure ²	17.00%	44.28%	11.08%	7.19%	7.80%	8.73%
Russell 1000 Value Index ³	9.43%	27.76%	9.03%	10.69%	9.23%	9.40%
S&P 500 Index ⁴	5.89%	36.35%	11.91%	15.98%	13.38%	11.17%

¹Annualized ²Composite's inception date is January 1, 2003

Twenty-four of the strategy's twenty-seven 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 will support 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 see increased earnings potential from the expected \$200 billion of annual AI investment from mega-tech companies.

The strategy's defensive characteristics have also 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

<i>Top 5 Contributors in Q3</i>	<i>Symbol</i>	<i>Portfolio Impact gross (basis points)</i>	<i>Portfolio Impact net (basis points)</i>
Constellation Energy	CEG	+276 bps	+270 bps
Cogent Communications	CCOI	+135 bps	+132 bps
Frontier Communications	FYBR	+125 bps	+123 bps
Talen Energy	TLN	+105 bps	+104 bps
NiSource	NI	+93 bps	+90 bps

CEG: Constellation continued to be a standout performer in our portfolio this quarter, gaining approximately 30% and bringing its year-to-date return to roughly 120%. Following the novel one gigawatt nuclear power supply agreement in March between Talen Energy and Amazon—we recognized a substantial opportunity for Constellation, as the owner of over 20 gigawatts of nuclear capacity. This quarter, Constellation announced a landmark agreement with Microsoft to restart a previously closed nuclear plant, helping to address the growing power demands of data centers. We estimate that the 20-year contract comes at a premium nearly double the current market rate, establishing a valuable template for further agreements with Microsoft or other large-scale data center operators. The probability of securing additional deals of this magnitude continues to grow and suggests that Constellation could be poised for earnings and cash flow growth well above that of its peers, the broader market, and current consensus estimates. Given these factors, we believe the stock offers further upside potential.

CCOI: Cogent Communications recovered from deeply oversold conditions throughout the quarter. As we noted in the detractors section of our second quarter commentary, we believe the CCOI 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.

FYBR: Shares of Frontier spiked in early September when Verizon announced a deal to acquire the company at a roughly 35% premium to the unaffected price. We applaud management both for effectively executing its fiber conversion strategy and for its willingness to be unsentimental economically given the reasonably attractive takeout offer.

TLN: Talen Energy rose 60% during the quarter, driven by several favorable developments. The company continued to benefit from greater investor recognition of the value in its baseload dispatchable power assets - both nuclear and non-nuclear. This was reflected most directly in the near 7x growth in the July PJM capacity price auction which increased cash flow expectations by over 50%. Additionally, Talen's July Nasdaq listing significantly expanded its investor base and garnered increased analyst coverage. The company's well-received September Analyst Day provided a clear roadmap for its multi-year priorities, including a substantial share repurchase program, a disciplined capital allocation strategy, and opportunities for continued organic growth. We remain positive on Talen's outlook, as management actively pursues additional data center transactions and continues to benefit from enhanced compensation for the reliability attributes of its generation assets. We continue to see potential for further growth and meaningful shareholder value creation.

NI: NiSource shares advanced 20% during the quarter. Even prior to the surge in data center power demand, the company was well positioned to achieve earnings and dividend growth of around 8% annually over the next several years. However, Indiana’s emergence as a data center growth market presents a compelling opportunity for NiSource. Projections suggest that the peak capacity of its electric system could more than double, from 2.3 gigawatts currently to 5 gigawatts over the next decade. This growing demand for electricity, combined with operating in jurisdictions that are pro-business in a favorable regulatory environment, creates a tailwind to an already strong investment thesis. We look forward to accelerating growth at the company.

<i>Top 5 Detractors in Q3</i>	<i>Symbol</i>	<i>Portfolio Impact gross (basis points)</i>	<i>Portfolio Impact net (basis points)</i>
Vistra Corp	VST	-24 bps	-24 bps
CenterPoint Energy	CNP	-15 bps	-17 bps
Cameco Corp	CCJ	-9 bps	-11 bps
TXNM Energy	TXNM	14 bps	13 bps
Comcast Corp	CMCSA	25 bps	23 bps

VST: The strategy’s Vistra position was sold during the quarter at a slight loss. The proceeds were used to purchase Talen Energy, a merchant power producer, which contributed significantly to performance as the value of excess power capacity and nuclear power continues to be appreciated by the market.

CNP: CenterPoint Energy shares underperformed the sector this quarter, largely due to backlash following Hurricane Beryl, which struck the Houston area directly in early July and created extended electric service outages. We believe the company is taking the right steps to rebuild its relationships with stakeholders and harden the reliability of its system and that significant growth on its system will continue to drive strong long-term earnings and dividend growth. We are encouraged by the actions being taken by the company and remain optimistic that CenterPoint will regain its standing as a high-quality growth story as progress continues.

CCJ: During the quarter we initiated a new position in Cameco, which was a marginal detractor to overall performance. Cameco is a leading player in the nuclear fuel value chain, accounting for 20% of global uranium production with increasing integration across the entire supply chain. Notably, Cameco remains the largest Western source of low-cost uranium situated in geopolitically stable regions. The rising demand for baseload clean power is driving what we view as a secular resurgence of nuclear energy. After a decade of under-investment in supply and complacency among fuel buyers regarding sourcing and price, we see significant new demand emerging. This demand is being driven by plant life extensions, the restart of previously shuttered facilities, and emerging discussions around new nuclear development—all of which contrast with a supply outlook challenged by rising costs, production limitations, and geopolitical uncertainties. As a vertically integrated player in a stable jurisdiction, Cameco is uniquely positioned to benefit from these dynamics, and we anticipate a multi-year acceleration in cash flows as these competitive advantages translate into increasing pricing power and long-term supply contracts.

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.

CMCSA: Shares of Comcast outperformed the broader market, but not the balance of our portfolio, during the third quarter. We continue to hold a core position in the company which we believe is trading at an attractive valuation given its growth prospects, cash flow generation, share repurchase program, and ability to continue increasing its dividend.

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.

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¹Reaves' 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.

²The 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.

³Russell 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.

⁴The 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.

In a weighted average, each data point value is multiplied by the assigned weight, which is then summed and divided by the number of data points.

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 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.

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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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