Reaves Asset Management

Market Commentary
Fourth Quarter 2024

REVIEW AND OUTLOOK

The Reaves Dividend Income Strategy, net of fees, appreciated 1.20% in the fourth quarter, outperforming the MSCI USA Infrastructure benchmark. 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 5.1% over the past 12 months.

Performance as of 12/31/24	Q4	1 Year	3 Years*	Since Inception*
Reaves DI Strategy, gross of fees[1]	1.31%	24.45%	5.31%	9.68%
Reaves DI Strategy, net of fees[1]	1.20%	23.83%	4.78%	9.13%
MSCI USA Infrastructure Index[2]	-2.74%	27.51%	7.92%	9.73%
S&P 500 Index[3]	2.41%	25.02%	8.94%	16.91%

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

The rapid advancement of artificial intelligence is leading to a transformative surge in data center utilization. The energy demands associated with powering and cooling high-performance chips for AI learning models are projected to grow significantly. According to McKinsey, data center power consumption is forecast to reach nearly 600 terawatt-hours by 2030 - a nearly 300% increase from today and 50% higher than their 2023 estimate of 400 terawatt-hours by the same year. The surge is fueled by mega-cap technology companies which are collectively investing approximately $200 billion annually.

Supporting this growth will require approximately seven gigawatts of new electric generation per year, equivalent to the energy required to power Miami. This demand is expected to be met by a combination of energy sources, including natural gas, renewable, and nuclear power.

The expansion of AI has created significant opportunities for several portfolio companies across the utility and natural gas pipeline industries. Despite the robust performance seen in 2024, valuations remain attractive, and we anticipate further recognition of this growth potential.

On the negative side, tough macroeconomic conditions affected certain segments of the portfolio. Rising interest rates weighed on high-yield and heavily leveraged names in the communications sector, while Canadian telecom companies were further negatively impacted by concerns about rising competition.

As we enter 2025, we remain cautious about the potential for continued increases in interest rates and renewed inflationary pressures. Nonetheless, we are optimistic about the long-term growth opportunities presented by the expansion of AI.

PORTFOLIO REVIEW

Top 3 Contributors in Q4	*Symbol*	*Portfolio Impact net(basis points)*
DT Midstream	DTM	+177 bps
Williams Companies	WMB	+127 bps
Entergy	ETR	+82 bps

DTM: The company's strong performance in the quarter was driven by a renewed appreciation for the value of gas pipeline and midstream assets. The group stands to benefit from increasing gas usage for power generation as data center capacity grows to serve artificial intelligence needs. DTM's assets are uniquely situated in the Marcellus/Utica and Haynesville basins, key gas production areas in the US. These areas are where large-scale data center operations are likely to be sited, making the company one of the more leveraged beneficiaries to this theme. Additionally, the company has managed the execution of growth projects in Louisiana and Pennsylvania well.

WMB: Like DTM, Willams rose significantly in the quarter thanks to optimism about the gas pipeline and midstream industries. As the owner of the single most critical natural gas pipeline in the country, Transco, Williams has a unique opportunity to benefit from increased natural gas transportation volumes.

ETR: Entergy was the best performing regulated utility in the quarter. The majority of its outperformance came the day of its third quarter earnings call where the company substantially increased its long term earnings guidance following an agreement with Meta to locate one of the largest data centers in the world in its service territory. The terms of the deal are very constructive to Entergy customers & shareholders. Notably the guidance increase came from reaching just this one agreement. The company has the opportunity to reach several comparable deals over the next few months, quarters and years as they are increasingly well positioned to benefit from improving regulation, stakeholder relationships and an attractive service territory.

Top 3 Detractors in Q4	*Symbol*	*Portfolio Impact net(basis points)*
BCE	BCE	-134 bps
Crown Castle	CCI	-78 bps
Telus	TU	-58 bps

BCE: Shares of Bell underperformed during the quarter as investor concerns about heightened competition and elevated leverage led to increased focus on dividend sustainability. Bell's pivot towards investing in US fiber via the Ziply acquisition worsened the cash flow situation near term and introduced investor concern as to its appetite to deploy more capital outside of its domestic footprint. Given the unfavorable impact to cost of equity of all these dynamics, the pending initiation of a dividend reinvestment program proved an unwelcome solution to managements' effort to avoid a dividend cut. For all these reasons, we exited the position in the quarter.

CCI: The tower stocks were negatively impacted by rising interest rates in the fourth quarter. CCI was the worst performer in the group. The company faces a well-understood, yet nonetheless significant customer churn event in 2025 stemming from the T-Mobile/Sprint merger. More importantly, press reports indicate that the strategic review of its fiber business is reaching a conclusion, and prospective buyers have emerged at valuations that would prove materially dilutive to per share cash flow. The associated concerns about dividend sustainability led us to sell the stock during the quarter..

TU: Investor angst caused by rising competitive intensity in Canadian telecom weighed on valuations during the quarter. Heightened promotional activity during the holiday season exacerbated the trend. Telus's peers added to investor concern, Rogers confused its investors by withholding details of a novel financing transaction that the market took for desperation, while Bell made a strategic pivot to deploy incremental capital to the US. Despite its uniquely compelling dividend proposition, Telus was dragged down by the related negative sentiment and we exited the position.

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 Fourth 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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