Reaves Asset Management

Market Commentary
First Quarter 2025

REVIEW AND OUTLOOK

The Reaves Long Term Value Wrap Composite rose by 3.5%, before fees, in the first quarter, outperforming the broad market S&P 500 and Russell 1000 Value indices but lagging the benchmark MSCI USA Infrastructure Index. Dividend growth continued to be strong, with the weighted average increase of cash distributions from portfolio companies growing by 7.9% over the past 12 months.

Performance as of 3/31/25	Q1	1 Year	3-Year*	5-Year*	10-Year*	Since Inception*+
LTV Wrap Composite, gross[1]	3.47%	21.01%	4.87%	10.64%	8.08%	10.41%
LTV Wrap Composite, net[1]	2.83%	18.07%	2.28%	7.93%	5.33%	7.37%
MSCI USA Infrastructure Index[2]	9.82%	30.98%	9.76%	12.58%	8.25%	8.84%
Russell 1000 Value Index[3]	2.14%	7.18%	6.64%	16.15%	8.79%	9.19%
S&P 500 Index[4]	-4.27%	8.25%	9.06%	18.59%	12.50%	10.80%

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

PORTFOLIO REVIEW

Increased uncertainty from the new administration's tariff policies and government efficiency efforts negatively impacted equity markets in the first quarter. U.S. GDP estimates moved lower while the 10-year U.S. Treasury yield declined as investors anticipated a slowdown. The Federal Reserve's most recent commentary also suggested concern about the U.S economy.

While we do not expect the level of economic uncertainty to wane in the near term, we believe our defensive investment strategy has the potential to outperform in this environment. Additionally, should the administration's efforts to increase domestic manufacturing be successful, we expect the portfolio's holdings in utility and other essential infrastructure companies to benefit from improving fundamentals in the coming years.

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

Top 5 Contributors in Q1	Symbol	Portfolio Impact gross(basis points)	Portfolio Impact net(basis points)
T-Mobile US	TMUS	+117 bps	+114 bps
Constellation Energy	CEG	+101 bps	+98 bps
AT&T	T	+99 bps	+97 bps
Entergy	ETR	+51 bps	+49 bps
NiSource	NI	+48 bps	+45 bps

TMUS: Telecom shares outperformed during the quarter as macroeconomic uncertainty benefited defensive stocks with historically lower volatility. Shares of T-Mobile US rebounded significantly after declining in December due to concerns about competition in the wireless service sector. The catalysts were a strong fourth quarter earnings report and management's positive outlook for its business in 2025.

CEG: Despite heightened volatility across the power and AI ecosystem, Constellation Energy was a positive contributor to performance this quarter. In late January, developments related to Deep Seek out of China introduced meaningful uncertainty around the trajectory for AI infrastructure demand. Anticipating extended volatility, we took the opportunity to book significant unrealized gains and materially reduced our position. Our conviction in the underlying AI-driven demand for power remains strong, particularly with electricity remaining a key constraint. We are actively evaluating the right time to re-allocate capital to the name.

T: AT&T's stock moved higher as management continued to refocus the business on its core telecom assets after years of misguided investments in other areas. We established a position in January based on better operational execution, an improved balance sheet, the prospect of an increase in shareholder remuneration, and an attractive valuation.

ETR: Entergy continued its strong performance this quarter, supported by management once again raising its long-term earnings growth outlook. This followed the signing of another large-scale data center agreement. With a growing pipeline of opportunities, the company also removed the upper bound of its previous earnings guidance range—signaling potential for substantial upside. We remain highly constructive on Entergy's position to benefit from both large-scale data center development and the onshoring of domestic manufacturing.

NI: NiSource delivered solid results during the period. Northern Indiana is emerging as an increasingly attractive hub for data center development, and management continues to report meaningful progress toward finalizing commercial arrangements with large-scale customers. We view this as a highly accretive opportunity that would complement the company's already compelling earnings and dividend growth trajectory. We expect a meaningful update later this year and believe NiSource is well positioned to outperform, supported by a business plan that will imply earnings growth well above industry peers.

Top 5 Detractors in Q1	Symbol	Portfolio Impact gross(basis points)	Portfolio Impact net(basis points)
Cogent Communiations	CCOI	-78 bps	-80 bps
Quanta Services	PWR	-70 bps	-72 bps
Sempra Energy	SRE	-60 bps	-62 bps
Equinix	EQIX	-59 bps	-62 bps
Cameco	CCJ	-59 bps	-61 bps

CCOI: Shares of Cogent came under pressure during the quarter as investors grew more cautious about the outlook for its nascent, but potentially lucrative, wavelengths business. We believe the market may have misinterpreted the company's update and remain optimistic about the opportunity. Additionally, progress related to the monetization of CCOI's underutilized data center assets could serve as a favorable near-term catalyst.

PWR: Quanta Services underperformed during the quarter as the company was caught up in the broader concerns around a potential slowdown in AI infrastructure buildouts. The company provides specialized construction services to the utility sector—an area where capital expenditure plans have meaningfully increased. Data center expansion and domestic manufacturing onshoring are placing growing strain on an already tight skilled craft labor workforce, where Quanta is the market leader. We remain confident in the company's ability to deliver mid-teens growth over the foreseeable future and view the recent underperformance as temporary.

SRE: Sempra shares underperformed in the quarter. In January, historic wildfires swept across Southern California Edison's service territory. While the fires did not affect Sempra's San Diego Gas and Electric's territory, the potential impact to the California Wildfire Fund raised concerns around the funding of future liabilities for the other California utilities. Later in the quarter, the company issued a disappointing fourth quarter report. In it they stated that Texas utility earnings would be lower than they had expected owing to needing to file a general rate case which, in turn, mandated a suspension of interim rate recovery. Ironically enough, management made this decision to accommodate growth that had been the centerpiece of the Sempra Texas growth story. The company also cited the expectation for weak California results following its general rate case, having told a decided different story to investors only several months ago. The admissions raised issues of management credibility which weighed further on the stock.

EQIX: Data center stocks have struggled year-to-date as several independent research reports have pointed to a less robust leasing environment than what was observed throughout 2024. Most of these reports cite hyperscaler demand specifically – while Equinix has extremely limited exposure to this segment, its shares have fallen in sympathy. Additionally, concerns about the impact of macroeconomic weakness on IT budgets have weighed on shares. We think Equinix provides essential connectivity services that have proved extremely durable across various cycles and the recent selloff appears to be overdone.

CCJ: Cameco shares lagged this quarter amid investor concerns that we believe are misplaced. Questions around tariffs on Canada imports and a potential slowdown in AI-related infrastructure spending triggered unease about the momentum behind nuclear power. Cameco provides roughly 20% of the world's uranium supply—an essential and irreplaceable input for nuclear energy. While buyers may shift the timing of purchases, they cannot substitute the product. We continue to believe Cameco is well positioned to benefit from a favorable contracting environment and structural growth in global nuclear development.

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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[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.

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.

The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at manufacturing firms nationwide.

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 First Quarter 2025.

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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