Reaves Asset Management

Market Commentary
Third Quarter 2022

REVIEW AND OUTLOOK

Macroeconomic headwinds from persistently high inflation coupled with another quarter of rising interest rates resulted in a challenging quarter for equities. The Reaves Dividend Income Strategy declined by 10.8% before fees, lagging the MSCI USA Infrastructure Index and the broad market S&P 500 Index.

The stock market moved lower after a higher-than-expected CPI report on September 13th, and high-yielding equities were affected disproportionately as investors considered the possibility that interest rates may not have peaked. We believe the fundamentals of the strategy's holdings remain strong, especially in the utility sector, and valuations appear compelling after the September selloff.

The dividend growth of stocks owned in the strategy also remains strong – the weighted average growth rate of cash distributions from portfolio companies was +5.6% over the past 12 months.

Performance as of 9/30/22	Q3 2022	YTD	1 Year	Since Inception*
Reaves DI Composite, gross of	-10.80%	-14.72%	-5.49%	3.75%
Reaves DI Composite, net of fees[1]	-10.91%	-15.04%	-5.96%	3.23%
MSCI USA Infrastructure Index[2]	-8.86%	-8.40%	-2.87%	3.75%
S&P 500 Index[3]	-4.88%	-23.87%	-15.47%	6.53%

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

In the last week of the quarter, utility company executives attended several industry conferences to discuss the impacts from the recently passed Inflation Reduction Act ("IRA") and the outlook for future growth. In our view, executives sounded as optimistic as ever. Tax credits included in the IRA are likely to cause massive investment into renewable power and associated infrastructure; other provisions in the Act may make it economic for regulated utilities to own most of the new renewable power. Electric vehicle tax credits are likely to lead to growing electricity demand for the first time in nearly two decades. Nuclear tax credits mean all currently running plants should continue to operate – and be reliably profitable for the first time in several years. Importantly, the tax credits are in effect until the United States reaches 75% reduction in greenhouse gas emissions, an effort that is likely to take nearly 20 or more years to happen.

The problem was that while executives were discussing the many benefits of the IRA, the stocks of their companies were falling. Rising interest rates seemed finally to dent investor enthusiasm, and utilities fell by more than 10% in the last two weeks of September.

Besides interest rates, there are some other concerns for investors. High power and natural gas prices can crowd out spending on renewable energy infrastructure, while continued supply chain problems affecting renewable power equipment may mean that meaningful acceleration in growth may not happen until 2024 or 2025. We believe the net impact though is positive for the sector, and the market sell-off should provide us with many opportunities.

Investments in stocks in other sectors should also benefit from improving fundamentals. This is best illustrated by looking at changes in consensus estimates. Since the start of 2022, consensus 2023 earnings per share estimates have increased for Williams by (+11%) and Telus (+4%). While there's not a specific catalyst as there is for utility companies with the IRA, we feel confident in the business conditions and fundamentals for most investments in the portfolio, and we believe we will be well positioned when the sell-off ends.

PORTFOLIO REVIEW

Top 3 Contributors in Q3	*Symbol*	*Contribution (basis points)*
Comcast	CMCSA	+2 bps
Exxon Mobil	XOM	+2 bps
Fortis Inc	FTS	-2 bps

Positive contribution was a challenge for much of the strategy in the quarter. Macroeconomic factors impacted the entire market with all but two sectors of the S&P 500 producing negative returns. The high dividend paying stocks held in the strategy saw significant selling pressure from rising interest rates. We sold Fortis and Comcast before the September swoon and avoided those declines. Exxon benefited from strong commodity prices tied to the ongoing conflict in the Ukraine.

Top 3 Detractors in Q3	*Symbol*	*Contribution (basis points)*
Verizon Communications	VZ	-126 bps
BCE Inc	BCE	-84 bps
Duke Energy	DUK	-78 bps

Verizon, BCE, and Duke had negative contributions in the quarter due to the impact of rising interest rates on high dividend paying equities. We believe the fundamentals of these companies remain strong with compelling valuations after the September selloff and that they will continue to deliver the dividend income the strategy seeks.

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.

Weighted average is a calculation that takes into account the varying degrees of importance of the numbers in a data set. In calculating a weighted average, each number in the data set is multiplied by a predetermined weight before the final calculation is made.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

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 2022.

***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.

Reaves Asset Management

10 Exchange Place, 18th Floor
Jersey City, NJ 07302
www.reavesam.com

For further information, please contact:
Tom Grimes, Director of Investor Relations
Email: tgrimes@reavesam.com • Phone: 201.793.2384