

Reaves Asset Management

The Opportunity in Utilities

Why Utilities?

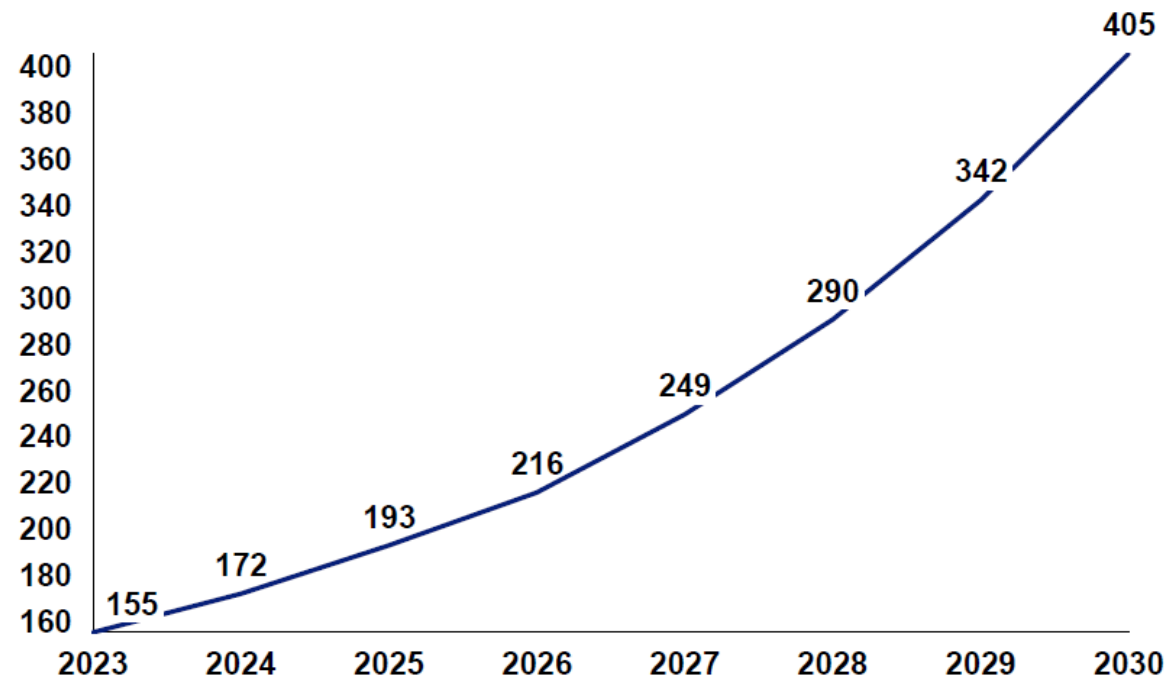
- ✓ Utilities are their own unique asset class
- ✓ Defensive characteristics:
 - ✓ High barriers to entry
 - ✓ Limited competition
 - ✓ Essential businesses providing a non-discretionary service
 - ✓ Historically demonstrate the ability to consistently grow earnings and dividends
- ✓ Comparable long-term performance to the S&P 500 Index
- ✓ One of highest yielding equity sectors
- ✓ Less correlated than any other sector to the S&P 500 Index

Why Now?

- ✓ Strong fundamentals and earnings guidance
- ✓ Demand growth driven by data center and AI expansion
- ✓ Growing transmission investment needs
- ✓ Economic rationale for energy transition

Electricity demand is growing

US data center energy consumption, TWh



Source: McKinsey Energy Solutions Global Energy Perspective 2023; McKinsey data center demand model

Data center electricity consumption was 2.5% of the U.S. total (~130 TWh) in 2022 and is expected to triple to 7.5% (~390 TWh) by 2030.

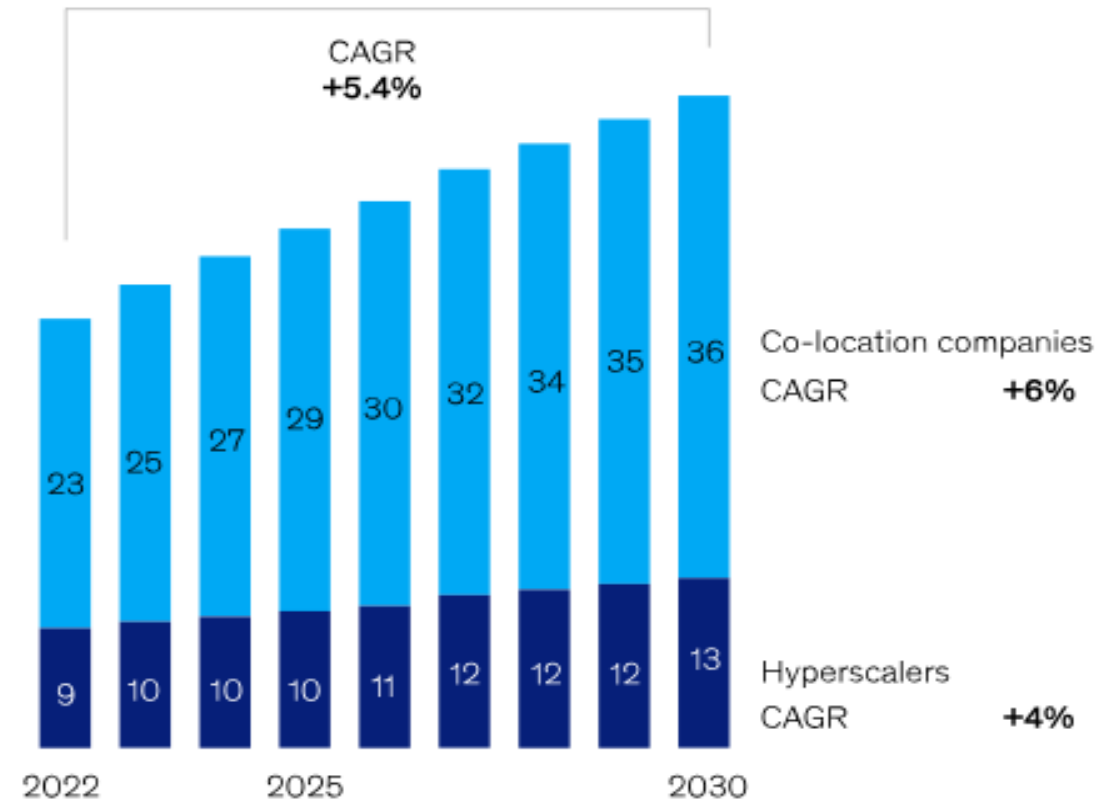
That's the equivalent of the electricity used by about 40 million U.S. houses – almost a third of the total homes in the U.S.

–Boston Consulting Group (BCG) Sept 13, 2023

Utilities powering AI

- Demand for power is growing rapidly as AI use cases expand
- Data center cooling requirements create need for generation
- Capacity must expand
- IPPs stand to benefit
- Nuclear as a solution

Data center construction spending forecast to reach \$49 billion by 2030



Source: McKinsey & Co.

What's happened?

- ✓ Worst relative performance year in history for the sector versus the S&P 500 in 2023
- ✓ Utilities have underperformed the S&P 500 in 4 of the last 5 years
- ✓ Lowest relative forward price/equity ratio to the S&P 500 in over a decade
- ✓ Second highest yielding sector in the S&P 500

Why?

- ✓ Macroeconomic factors have negatively impacted the sector
- ✓ Risk-on, stimulus-fueled bull market beginning in late 2020
- ✓ Inflation increasing to levels not seen since the early 1980s
- ✓ Largest increase of the Federal Funds Rate since 2004
- ✓ Significant increase in Treasury yields. U.S. 10-Year Bond yield moved from 0.6% to over 5.0% from 2020-2023

Utility Sector Performance: Jan 2020–Mar 2024 (annualized)

Dow Jones Utility Average	S&P 500 Index	Bloomberg US Intermediate Treasury Index
3.7%	14.0%	-0.1%

Utility Sector EPS Growth: 2019–2024 (annualized)

Dow Jones Utility Average	S&P 500 Index
8.4%	8.3%

Source: Bloomberg

Competitive historical performance

<i>as of Mar 31, 2024</i>	Dow Jones Utility Average	S&P 500 Index	Bloomberg US Intermediate Treasury Index
50 Years	10.8%	11.5%	6.1%
20 Years	9.8%	10.2%	2.4%
10 Years	8.9%	13.0%	1.1%

Note: Index data is annualized total return

Source: Bloomberg

Historically Better than bonds

<i>25-year periods ended</i>	Dow Jones Utility Average	S&P 500 Index	Bloomberg US Intermediate Treasury Index
Mar 31, 1999	13.2%	15.3%	9.1%
Mar 31, 2024	8.5%	7.8%	3.2%

**annualized total return*

Source: Bloomberg

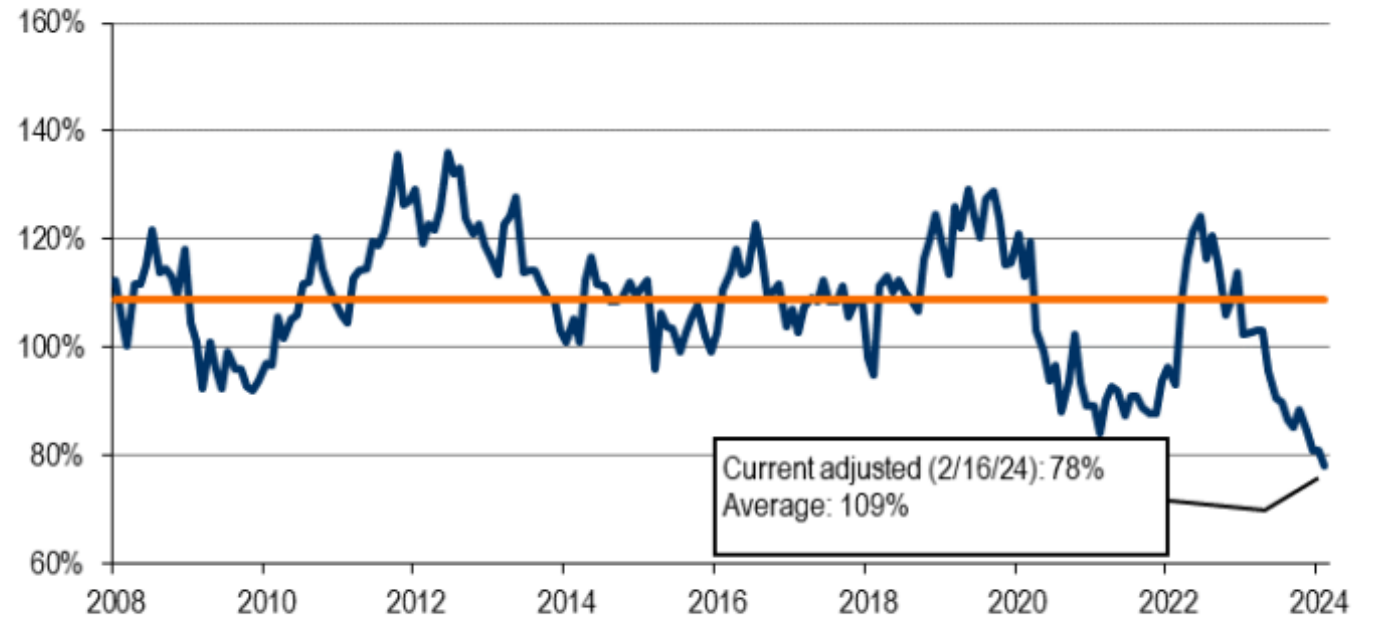
Lowest correlation to the S&P 500

<i>20 Years Ended March 31, 2024</i>	
Utilities	0.50
Energy	0.64
Communications Services	0.69
Real Estate	0.73
Consumer Staples	0.74
Health Care	0.79
Financials	0.86
Materials	0.88
Information Technology	0.90
Consumer Discretionary	0.90
Industrials	0.93

Source: Bloomberg

Valuations are compelling

Exhibit 6: Utility Sector 2-Year Forward (CY25) P/E Relative to the S&P 500



Source: Wolfe Utilities & Power
Research. Factset 2/17/24
Excludes EIX and PCG

With the second highest dividend yield in the S&P 500

<i>as of March 31, 2024</i>	
Real Estate	3.68%
Utilities	3.52%
Energy	3.24%
Consumer Staples	2.56%
Materials	1.84%
Industrials	1.80%
Financials	1.72%
Health Care	1.64%
S&P 500 Index	1.40%
Consumer Discretionary	0.68%
Communications Services	0.68%
Information Technology	0.68%

Source: Bloomberg

Active Versus Passive

Annualized Total Return as of March 31, 2024						
	QTD	YTD	1 Year	3 Year	5 Year	Since Inception
UTES NAV	9.21%	9.21%	8.74%	7.85%	7.72%	10.73%
UTES Market	9.24%	9.24%	8.76%	7.84%	7.71%	10.73%
S&P 500 [®] Utilities Index	4.57%	4.57%	0.42%	4.14%	5.87%	9.02%

UTES: The Virtus Reaves Utilities ETF Inception Date: 09/23/15

Returns for periods of less than one year are cumulative total returns.

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit virtus.com for performance data current to the most recent month end.

The Total Expense Ratio represents the Fund's Total Annual Fund Operating Expenses, which includes the management fee and other expenses where applicable, except for certain payments that are paid directly by the Fund, as described in the Prospectus.

Index: The S&P 500[®] Utilities Index is a free-float market capitalization-weighted index comprised of companies included in the S&P 500[®] utilities sector. The index is calculated on a total return basis with dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

UTES

Virtus Reaves Utilities ETF

Risk Considerations: Exchange-Traded Funds (ETF): The value of an ETF may be more volatile than the underlying portfolio of securities it is designed to track. The costs of owning the ETF may exceed the cost of investing directly in the underlying securities. **Equity Securities:** The market price of equity securities may be adversely affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small or medium-sized companies may enhance that risk. **Utilities Sector Concentration:** The fund's investments are concentrated in the utilities sector and may present more risks than if the fund were broadly diversified over numerous sectors of the economy. **Market Volatility:** Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, recessions, or other events could have a significant impact on the fund and its investments, including hampering the ability of the fund's portfolio manager(s) to invest the fund's assets as intended. **Prospectus:** For additional information on risks, please see the fund's prospectus.

Past performance is not a guarantee of future results.

Your clients should carefully consider the Fund's investment objectives, risks, charges, and expenses before investing. For this and other information about any Virtus mutual fund, call 1-800-243-4361 or visit www.Virtus.com for a prospectus or summary prospectus. Read it carefully before investing.

Not insured by FDIC/NCUSIF or any federal government agency. No bank guarantee. Not a deposit. May lose value.

ETFs distributed by **VP Distributors, LLC**, member FINRA and subsidiary of Virtus Investment Partners, Inc

Endnotes/ Disclosures

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.

Reaves Asset Management claims compliance with the Global Investment Performance Standards (GIPS). A list of Reaves’ composite descriptions and/or a presentation that complies with the GIPS standards is available upon request.

The **S&P 500 Index** is a capitalization-weighted, composite index of 500 stocks designed to measure performance of the broad domestic (broad market) 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. However, Reaves’ portfolios are far less diversified, resulting in higher sector concentrations than found in the broad-based S&P 500 index.

The **Dow Jones Utility Average** aims to represent the stock performance of large, well-known U.S. companies within the utilities industry.

The **Bloomberg US Treasury Index** measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury.

Correlation, a statistic that measures the degree to which financial variables move in relation to each other over a given period.

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 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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