

The Case for Reaves as a Bond Substitute

Reaves – A History of Favorable Risk/Return Performance

Reaves is dedicated to providing investors with a low-correlated, conservative, dividend generating portfolio to compliment other investment classes. For over 30 years the Reaves ERISA Composite has consistently outperformed the S&P 500 Index while maintaining a disciplined consistent approach to risk management.

See endnotes for important index definitions and disclosures with ERISA comparisons.

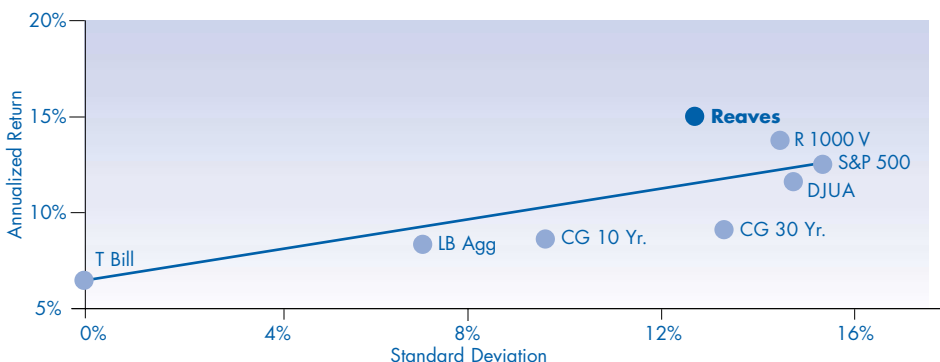
Annualized Rates of Return¹ (%) as of 3/31/08

	1 Yr	5 Yrs	10 Yrs	30.25 Yrs
Reaves (gross of fees)	5.55	20.81	10.03	15.89
Reaves (net of fees)	5.02	20.19	9.47	15.06
S&P Utilities Index	-1.62	19.75	6.27	12.44
S&P 500 Index	-5.08	11.32	3.50	12.48

See endnotes for important disclosures and index definitions including ERISA comparisons.

As the chart below illustrates, Reaves has outperformed the Russell 1000, the S&P 500 and the DJUA with a standard deviation less than the Citigroup 30 Year Treasury Index.

Risk/Return² (net of fees) 1/1/78 – 3/31/08



CG 10 Yr. = Citigroup 10 Year Treasury. Inception of Index is 1/1/80.

CG 30 Yr. = Citigroup 30 Year Treasury. Inception of Index is 1/1/80.

R 1000 V = Russell 1000 Value Index. Inception of Index is 1/1/79.

Reaves = W. H. Reaves & Co., Inc. ERISA Composite

DJUA = Dow Jones Utility Average

S&P 500 = S&P 500 Equity Index

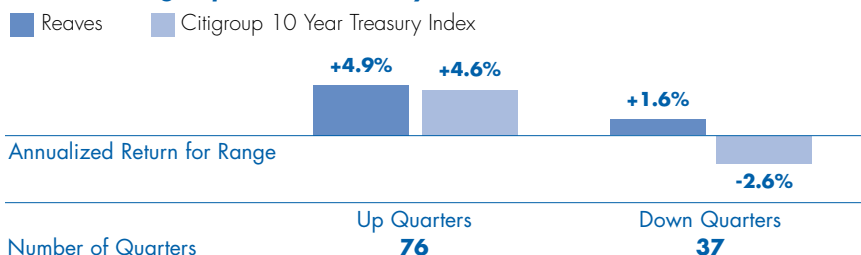
LB Agg = Lehman Brothers U.S. Aggregate Index

T Bill = Ibbotson U.S. Treasury Bill

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A study of up/down capture ratios³ shows that Reaves' superior long-term performance has resulted in their ability to outperform the indexes in periods of down markets. As the chart below demonstrates, this is even true in comparisons with the Citigroup 10 Year Treasury Index, making it, we believe, a good fit as a low correlation partner to many bond portfolios.

Reaves vs Citigroup 10 Year Treasury Index (net of fees) 1/1/80 – 3/31/08



Number of Quarters
(113 Total)

Inception of Citigroup 10 Year Treasury is 1/1/80. See endnotes for important disclosures and index definitions including ERISA comparisons.

Effect of Inclusion of Reaves in a \$500,000 Bond Portfolio⁴

The following 15-year (from 1/1/92 through 12/31/07) hypothetical example explores the effect the inclusion of Reaves, as 50% of the total, could have on an income portfolio represented by the Lehman Brothers U.S. Aggregate Index. For purposes of the example, it is assumed that a 6% withdrawal is made on the last business day of each year.

Without Reaves

Over the 15-year period ending 12/31/07, a \$500,000 portfolio consisting exclusively of the Lehman Brothers U.S. Aggregate Index would have produced total withdrawals of \$535,240 (including a 12/31/07 period end 6% withdrawal of \$32,635) and would have a value at 12/31/07 of \$511,285.

50% Reaves, 50% Bonds

With the inclusion of Reaves, the portfolio would have produced \$692,540 in total withdrawals through 12/31/07 (\$157,300 more than the Lehman Brothers U.S. Aggregate Index alone), and would have a value of \$872,742 at 12/31/07 (\$361,457 higher). The 12/31/07 year end withdrawal of \$55,707 would have provided an additional \$23,072. This would have been accomplished with a standard deviation of 6.74 for the Reaves/Bond Portfolio as compared with the standard deviation of 3.70 for the Lehman Brothers U.S. Aggregate Index.

The firm, as defined as Reaves Asset Management, has prepared and presented this report in compliance with the AIMR Performance Presentation Standards (AIMR-PPS®), the U.S. and Canadian version of GIPS. AIMR has not been involved with or reviewed W. H. Reaves' claim of compliance.

¹ Reaves performance data is the W. H. Reaves & Co., Inc. ERISA Composite and unless otherwise noted, all data is **net of fees**. The **WHR ERISA Composite** reflects the dollar-weighted return of all corporate ERISA pension accounts with assets of at least \$1 million under management for all periods presented. Returns are time-weighted and include the reinvestment of all dividends and other earnings, net of commissions. The returns also reflect the deduction of advisory fees which are described in detail in Part II of our Form ADV. The ERISA Composite does not reflect all of the firm's assets under management.

² **Standard deviation** is a measure of the variability of returns – the higher the standard deviation, the greater the range of performance (i.e. volatility). The data shown reflects the deduction of investment management fees and/or transactions costs. Standard deviation is based on quarterly data. The risk/return data shown are based on historical annualized rates of return and standard deviations of the **WHR ERISA Composite**.

³ The **Up Capture Ratio** measures the manager's overall performance to the benchmark's overall performance, considering only quarters that are positive in the benchmark. The **Down Capture Ratio** is the ratio of the manager's overall performance to the benchmark's overall performance, considering only quarters that are negative in the benchmark.

⁴ The **hypothetical portfolio** used in this example is 50% **WHR ERISA Composite(gross of fees)**¹ and 50% Lehman Brothers U.S. Aggregate Index. This illustration is based on an initial investment of \$500,000 and assumes a 6% annual withdrawal on the last business day of each year. All data provided is through 12/31/07. Results are hypothetical.

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.

Index/Term Definitions/Disclosures: The **S&P 500 Index** is a capitalization-weighted, composite 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 W. H. Reaves ("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 **S&P Utilities Index** is a capitalization-weighted index containing 32 Electric and Gas Utility stocks (including multi-utilities and independent power producers). Prior to July 1996, this index included telecommunications equities. This equity index does not currently have telecommunications or energy equities that are contained in the WHR ERISA Composite. The **Dow Jones Utility Average (DJUA)** is a price-weighted average of the 15 utility stocks traded in the United States. This equity index does not have telecommunications or energy equities that are contained in the WHR ERISA Composite. **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, which represents approximately 92% of the total market capitalization of 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.

The debt obligation indexes below are unmanaged and reflect the value of corporate and government bonds whose rates are fixed at issuance. The market value will fluctuate but is designed to equal par at maturity. The WHR ERISA Composite is comprised of equity assets having an indefinite maturity and no fixed interest payments. **Lehman Brothers U.S.**

Aggregate Index is an index comprised of approximately 6,000 publicly traded bonds including U.S. Government, mortgage-backed, corporate, and yankee bonds with an approximate average maturity of 10 years. **T-Bill** is a negotiable debt obligation issued by the U.S. government and backed by its full faith and credit, having a maturity of one year or less.

Citigroup Treasury 10YR is a treasury index that computes returns for the current 1-year, 2-year, 3-year, 5-year, 10-year and 30-year on-the-run Treasury that has been in existence for the entire month. You cannot directly invest in the index.

Citigroup Treasury 30YR is a treasury index that computes returns for the current 1-year, 2-year, 3-year, 5-year, 10-year and 30-year on-the-run Treasury that has been in existence for the entire month. You cannot directly invest in the index.

An investor cannot invest directly in an index. Past performance is no guarantee of future results. All investments involve risk, including loss of principal.

Important Tax Information: W. H. Reaves & Co. 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 particular circumstances from an independent tax advisor.

Fees: Net performance reflects the deduction of advisory fees which are described in detail in Part II of our Form ADV. Gross performance shown does not reflect the deduction of investment management fees and transaction costs which would reduce the performance shown. Actual fees may vary. For fee schedules, please contact your financial professional for a copy of our Form ADV Part II.

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