

REAVES UTILITY INCOME FUND

Form N-CSR

January 06, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number: 811-21432

REAVES UTILITY INCOME FUND

(Exact name of registrant as specified in charter)

1290 Broadway, Suite 1100, Denver, Colorado 80203

(Address of principal executive offices) (Zip code)

JoEllen L. Legg, Esq.

ALPS Fund Services, Inc.

1290 Broadway, Suite 1100

Denver, Colorado 80203

(Name and address of agent for service)

Registrant's telephone number, including area code: 303-623-2577

Date of fiscal year end: October 31

Date of reporting period: November 1, 2014 - October 31, 2015

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Item 1. Reports to Stockholders.

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Section 19(b) Disclosure

October 31, 2015 (Unaudited)

Reaves Utility Income Fund (the "Fund"), acting pursuant to a Securities and Exchange Commission ("SEC") exemptive order and with the approval of the Fund's Board of Trustees (the "Board"), has adopted a plan, consistent with its investment objectives and policies to support a level distribution of income, capital gains and/or return of capital (the "Plan"). In accordance with the Plan, the Fund currently distributes \$0.15125 per share on a monthly basis.

The fixed amount distributed per share is subject to change at the discretion of the Fund's Board. Under the Plan, the Fund will distribute all available investment income to its shareholders, consistent with its primary investment objectives and as required by the Internal Revenue Code of 1986, as amended (the "Code"). If sufficient investment income is not available on a monthly basis, the Fund will distribute long-term capital gains and/or return of capital to shareholders in order to maintain a level distribution. Each monthly distribution to shareholders is expected to be at the fixed amount established by the Board, except for extraordinary distributions and potential distribution rate increases or decreases to enable the Fund to comply with the distribution requirements imposed by the Code.

Shareholders should not draw any conclusions about the Fund's investment performance from the amount of these distributions or from the terms of the Plan. The Fund's total return performance on net asset value is presented in its financial highlights table.

The Board may amend, suspend or terminate the Fund's Plan without prior notice if it deems such action to be in the best interest of the Fund or its shareholders. The suspension or termination of the Plan could have the effect of creating a trading discount (if the Fund's stock is trading below net asset value) or widening an existing trading discount. The Fund is subject to risks that could have an adverse impact on its ability to maintain level distributions. Examples of potential risks include, but are not limited to, economic downturns impacting the markets, increased market volatility, companies suspending or decreasing corporate dividend distributions and changes in the Code.

Please refer to Additional Information for a cumulative summary of the Section 19(a) notices for the Fund's current fiscal period. Section 19(a) notices for the Fund, as applicable, are available on the Reaves Utility Income Fund website [www.utilityincomefund.com](http://www.utilityincomefund.com).

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## Reaves Utility Income Fund Shareholder Letter

October 31, 2015 (Unaudited)

To our Shareholders:

## 2015 Investment Portfolio Returns

Total net assets of the Fund were \$878,952,144 at October 31, 2015, or \$30.29 of net asset value (NAV) per common share. One year ago net assets totaled \$949,088,110 representing \$32.71 of net asset value per common share. The changes include the monthly payments to shareholders totaling \$1.7875. Changes in the market price of the Fund can and do differ from the underlying changes in the net asset value per common share. As a result the market return to common shares can be higher or lower than the NAV return.

In a very volatile year for utilities, the fiscal 2015 market return for shareholders was 1.91% as is reflected in the table to follow. For the year, the share price of the Fund decreased more slowly than the net asset value, thereby shrinking the discount. As a result, the common stock of the Fund was trading at a 2.05% discount to the NAV at year end, a decrease from the 5.59% discount at the beginning of the fiscal year.

## Performance

	Period Ended October 31, 2015				
	One Year	Three Years <sup>+</sup>	Five Years <sup>+</sup>	Ten Years <sup>+</sup>	Since Inception <sup>+</sup> <sup>^</sup>
Total investment return – Net Asset Value*	1.78%	12.19%	13.81%	10.99%	11.64%
Total investment return – Market Price*	1.91%	11.96%	12.88%	12.19%	11.00%
S&P Utilities Index	0.29%	10.00%	11.03%	7.51%	9.39%
Dow Jones Utility Average	0.64%	10.70%	11.79%	7.85%	10.61%

+ Annualized

\* Assumes all dividends being reinvested

<sup>^</sup> Index data since 2/29/2004

## Distributions to Common Shareholders

The Trustees of the Fund regularly review the amount of the monthly distribution. Since the Fund's first distribution in April 2004, the monthly distribution has been increased on eight occasions from the initial monthly amount of \$0.0967 to the current amount of \$0.15125, a cumulative increase of 56.4%. For calendar 2014, all distributions from the Fund were paid from net investment income, including realized capital gains. We anticipate that all distributions for the 12 months ended December 31, 2015 will be characterized as paid from net investment income, including realized capital gains.

## Overview

Utilities were the best performing S&P sector for calendar 2014, and the Fund's portfolio participated accordingly. The new year told a very different story. In the first calendar quarter of 2015, investor anticipation of Fed tightening by mid year (which as we know now never materialized) fueled a massive rotation out of the sector. In fact, in February 2015, utilities had their worst month relative to the broad market, as represented by the S&P 500 Index, in over a decade. For the month of February, the S&P 500 Utilities Index was down 6.40% assuming dividend re investment while the S&P 500 Index was up 5.75% on the same basis. Volatility in utilities' share prices continued

throughout the year as investors alternatively expressed concern over Fed tightening and then relief when it failed to materialize. As I write this report, we are at a familiar juncture, with the market anticipating that Federal Funds rate will be raised for the first time in nearly ten years at the Fed's December meeting.\* As we discuss below, we do not think a gradual rise in interest rates will have a long term negative impact on utilities valuation. Throughout the year utility dividend yields continued to be at least 100 basis points higher than the 10 year U.S. Treasury. Energy and Energy MLPs together totaled less than 10% of the Fund's portfolio, but their negative return weighed on the portfolio's performance. Telecommunication and broadband providers had positive returns for the year. The yield on the 10 year U.S. Treasury ended fiscal year 2015 17 bps lower (2.14% vs 2.31%).

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Reaves Utility Income Fund Shareholder Letter

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October 31, 2015 (Unaudited)

Utilities

The fundamental investment case for utilities remains sound. The negative 4.83% return for the S&P Utilities Index in 2015 to date reflects a contraction in price earnings multiples while earnings and dividends have continued to rise. As a result price earnings multiples are now below the S&P 500 and dividend yields are well above the approximately 2.12% dividend yield of the S&P 500.

With the Environmental Protection Agency's issuance of final rules for the Clean Power Plan, an initiative designed in part to lower carbon emissions from electricity generating stations, we think that the utilities industry stands at the beginning of a new investment cycle. The plan will benefit selected utilities in states with favorable return on equity regimes. It will create a significant investment opportunity over the coming years as utilities move toward compliance. We see continued investment in new generation, renewables, electric grid infrastructure improvements, new transmission, and gas distribution infrastructure that will sustain rate base growth. In many states regulatory support for new investment is quite strong and recovery mechanisms are improving, enabling utilities to earn a return on their investments more quickly than in the past. Rate base growth, coupled with continued emphasis on cost controls and increasing mergers and acquisition activity to generate further synergies, translates into reliable earnings and dividends growth for selected regulated utilities.

Utility stock price volatility, in response to investor concerns over the direction of short term interest rates, may well continue. However, over the longer term, the impact of rising interest rates on utilities' share prices will be quite muted in our view, given our fundamental outlook on earnings and dividend growth. It has been our experience that stock prices rise in response to growing earnings and dividends. We expect the longer term rise in earnings to more than offset the short term contraction in utilities' price earnings multiples. The relative predictability of utility revenues, earnings, dividends, dividend growth and the absence of foreign exchange risk are sound reasons for investors to remain committed to utility investments.

Telecommunications

The positive performance in Telecommunications, broadly defined to include cable and tower companies, was attributable to T Mobile US, Charter Communications and Time Warner cable. Charter Communications, agreed to acquire both Time Warner Cable and Bright House Networks. Collectively, "New Charter" should prove better positioned to realize scale based content rights and procurement benefits. Given its lack of media assets and smaller scale, we think Charter has a much better chance of receiving regulatory approval than did Comcast, which had to abandon the planned acquisition of Time Warner Cable. An additional positive event was the successful completion of the AT&T – DIRECTV merger. The combined entity became the leading provider of pay tv services in the U.S. and should benefit from significant economies of scale. In particular, AT&T now has better bargaining power with content providers.

\*On December 16, 2015 the Federal Reserve increased the Federal Funds Rate by 0.25 percent.

Reaves Utility Income Fund Shareholder Letter

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October 31, 2015 (Unaudited)

Leverage Facility

Prior to the end of the fiscal year the principal amount of the loan facility was increased by \$30,000,000 to \$320,000,000. The leverage facility increased to 39.1% of net assets at October 31, 2015. Subsequently, the terms of the loan were renegotiated, including reducing the financing rate from 110 basis points to 80 basis points over 30 day LIBOR.

Outlook

Fears of deflation persist in the Eurozone leading investors to expect, in contrast to the U.S., continued European Central Bank easing. Consensus opinion for the U.S. is that the Federal Reserve will likely raise interest rates in December 2015. Interest rate increases resulting in U.S. dollar strength will reduce revenues and earnings for U.S. multinational corporations, a risk largely absent from the Fund's portfolio.

Our confidence in the earnings growth for selected utilities derives from their planned investment in regulated assets to comply with the Clean Power Plan. As a result, we think selected utilities have the opportunity to grow earnings and dividends in the 5% to 6% range. This growth rate, coupled with the average utility dividend yield (3.4% for the Fund's utilities investments) suggests an overall potential total return of 8% to 10%.

Given the characteristics of the Fund's holdings: moderate earnings growth; dividend yields above the S&P 500 and the 10 year U.S. Treasury; and annual dividend growth; any price earnings contraction in response to what we expect will be a moderate rise in interest rate increase should be short lived.

We appreciate the opportunity to serve you and look forward to your continued support.

Sincerely,

Ronald J. Sorenson  
Portfolio Manager of the Reaves Utility Income Fund  
Chief Executive Officer and Chief Investment Officer of Reaves Asset Management

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Reaves Utility Income Fund Shareholder Letter

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October 31, 2015 (Unaudited)

Sources of distributions to shareholders may include net investment income, net realized short-term capital gains, net realized long-term capital gains and return of capital. If a distribution includes anything other than net investment income, the Fund provides a Section 19(a) notice of the best estimate of its distribution sources at that time. Please refer to Additional Information for a cumulative summary of the Section 19(a) notices for the Fund's current period. The actual amounts and sources of distributions for tax reporting purposes will depend upon the Fund's investment experience during the remainder of its fiscal year and may be subject to changes based on tax regulations. The estimates may not match the final tax characterization (for the full year's distributions) contained in the shareholder's Form 1099-DIV. Distribution payments are not guaranteed; distribution rates may vary.

Definitions:

bps (basis points) – a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

LIBOR – The London Interbank Offered Rate (LIBOR) is the average interest rate estimated by leading banks in London that they would be charged if borrowing from other banks. It is one of the primary benchmarks for short-term interest rates around the world.

S&P 500<sup>®</sup> Index – A large cap U.S. equities index that includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

S&P Utilities Index – The S&P Utilities Index comprises those companies included in the S&P 500 Index that are classified as members of GICS<sup>®</sup> (Global Industry Classification Standard) utilities sector.

Dow Jones Utility Average – The Dow Jones Utility Average is a price-weighted average of 15 utility stocks traded in the United States.

You cannot invest directly in an index.

Industry Allocation as of 10/31/15

\*Includes Mutual Funds and Money Market Funds

Holdings are subject to change

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Reaves Utility Income Fund      Report of Independent  
Registered  
Public Accounting Firm

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To the Board of Trustees and Shareholders of Reaves Utility Income Fund:

We have audited the accompanying statement of assets and liabilities of Reaves Utility Income Fund (the "Fund"), including the statement of investments, as of October 31, 2015, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2015, by correspondence with the custodian, partnership administrators, and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, such financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Reaves Utility Income Fund as of October 31, 2015, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP

Denver, Colorado  
December 22, 2015

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## Reaves Utility Income Fund Statement of Investments

October 31, 2015

	SHARES	VALUE
COMMON STOCKS 130.32%		
Diversified Telecommunication Services 19.44%		
AT&T, Inc. <sup>(1)</sup>	1,103,900	\$36,991,689
BCE, Inc. <sup>(1)</sup>	930,000	40,185,300
BT Group PLC	1,400,000	10,035,827
BT Group PLC - Sponsored ADR	70,000	5,016,900
CenturyLink, Inc.	143,000	4,034,030
Level 3 Communications, Inc.* <sup>(1)</sup>	264,000	13,450,800
TELUS Corp., Canadian Shares	230,000	7,676,047
Verizon Communications, Inc. <sup>(1)</sup>	1,140,000	53,443,200
		170,833,793
Electric Utilities 30.17%		
Duke Energy Corp. <sup>(1)(2)</sup>	574,999	41,095,179
Edison International <sup>(1)</sup>	170,000	10,288,400
Entergy Corp.	65,000	4,430,400
Eversource Energy <sup>(1)</sup>	535,000	27,252,900
ITC Holdings Corp. <sup>(1)</sup>	1,750,000	57,260,000
NextEra Energy Partners LP	30,000	787,800
NextEra Energy, Inc. <sup>(1)(2)</sup>	592,000	60,774,720
Pinnacle West Capital Corp. <sup>(1)</sup>	139,940	8,887,589
PPL Corp. <sup>(1)(2)</sup>	880,000	30,272,000
The Southern Co. <sup>(1)</sup>	535,000	24,128,500
		265,177,488
Food Products 2.93%		
The Kraft Heinz Co. <sup>(1)(2)</sup>	330,000	25,730,100
Gas Utilities 2.24%		
National Fuel Gas Co.	55,000	2,889,150
ONE Gas, Inc. <sup>(1)</sup>	290,000	14,163,600
South Jersey Industries, Inc.	100,000	2,651,000
		19,703,750
Independent Power and Renewable Electricity Producers 0.37%		
Pattern Energy Group, Inc.	90,000	2,105,100
Talen Energy Corp.*	130,780	1,135,171
		3,240,271

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Reaves Utility Income Fund Statement of Investments

October 31, 2015

	SHARES	VALUE
<b>Media 12.43%</b>		
Charter Communications, Inc., Class A <sup>*(1)(2)(3)</sup>	205,000	\$39,142,700
Comcast Corp., Class A <sup>(1)</sup>	293,000	18,347,660
Liberty Global PLC, Class A <sup>*</sup>	100,000	4,452,000
Time Warner Cable, Inc. <sup>(1)</sup>	250,000	47,350,000
		109,292,360
<b>Multi-Utilities 34.15%</b>		
Ameren Corp.	70,000	3,057,600
CMS Energy Corp. <sup>(1)</sup>	170,000	6,131,900
Dominion Resources, Inc. <sup>(1)(2)</sup>	560,000	40,000,800
DTE Energy Co. <sup>(1)(2)</sup>	745,000	60,784,550
Infraestructura Energetica Nova SAB de CV	575,000	2,763,640
National Grid PLC	350,000	4,989,856
National Grid PLC - Sponsored ADR <sup>(1)(2)</sup>	425,000	30,430,000
NiSource, Inc. <sup>(1)</sup>	830,000	15,902,800
PG&E Corp.	60,000	3,204,000
SCANA Corp. <sup>(1)</sup>	860,000	50,929,200
Sempra Energy <sup>(1)</sup>	450,000	46,084,500
WEC Energy Group, Inc. <sup>(1)</sup>	695,300	35,849,668
		300,128,514
<b>Oil, Gas &amp; Consumable Fuels 7.40%</b>		
Chevron Corp.	12,500	1,136,000
Columbia Pipeline Group, Inc. <sup>(1)</sup>	730,000	15,162,100
Occidental Petroleum Corp.	20,000	1,490,800
Royal Dutch Shell PLC, Class A - Sponsored ADR <sup>(1)</sup>	360,000	18,885,600
The Williams Cos., Inc. <sup>(1)</sup>	720,000	28,396,800
		65,071,300
<b>Real Estate Investment Trusts (REITS) 6.06%</b>		
American Tower Corp.	260,000	26,579,800
Annaly Capital Management, Inc.	1,650,000	16,417,500
Crown Castle International Corp. <sup>(1)</sup>	120,000	10,255,200
		53,252,500
<b>Road &amp; Rail 5.39%</b>		
Union Pacific Corp. <sup>(1)(2)</sup>	530,000	47,355,500
<b>Water Utilities 6.36%</b>		
American Water Works Co., Inc. <sup>(1)(2)</sup>	880,000	50,476,800
Aqua America, Inc.	190,000	5,434,000
		55,910,800

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## Reaves Utility Income Fund Statement of Investments

October 31, 2015

	SHARES	VALUE		
Wireless Telecommunication Services 3.38%				
T-Mobile US, Inc.* <sup>(1)(2)</sup>	555,000	\$21,028,950		
Vodafone Group PLC - Sponsored ADR <sup>(1)</sup>	264,411	8,717,631		
		29,746,581		
<b>TOTAL COMMON STOCKS</b>				
(Cost \$868,457,203)		1,145,442,957		
<b>PREFERRED STOCKS 0.08%</b>				
Electric Utilities 0.08%				
Entergy Mississippi, Inc., 6.250%	10,000	252,188		
Entergy New Orleans, Inc., 4.360%	4,500	410,485		
		662,673		
<b>TOTAL PREFERRED STOCKS</b>				
(Cost \$548,125)		662,673		
<b>LIMITED PARTNERSHIPS 4.84%</b>				
Oil, Gas & Consumable Fuels 4.84%				
Bastion Energy LLC (Anglo Dutch)* <sup>(4)(5)</sup>		7,000,000		
Enbridge Energy Partners LP	150,000	4,191,000		
Enterprise Products Partners LP	950,000	26,248,500		
MarkWest Energy Partners LP	60,000	2,620,800		
Talara Opportunities II, LP* <sup>(4)(5)(6)</sup>		2,431,161		
		42,491,461		
<b>TOTAL LIMITED PARTNERSHIPS</b>				
(Cost \$34,909,438)		42,491,461		
	<b>BOND RATING MOODY/S&amp;P</b>	<b>PRINCIPAL</b>	<b>VALUE</b>	
	<b>(UNAUDITED)</b>	<b>AMOUNT</b>		
<b>CORPORATE BONDS 0.20%</b>				
Diversified Telecommunication Services				
0.20%				
Frontier Communications Corp., 7.125%,				
01/15/2023	Ba3/BB-	\$2,000,000		1,795,000
<b>TOTAL CORPORATE BONDS</b>				
(Cost \$1,896,906)				1,795,000

## Reaves Utility Income Fund Statement of Investments

October 31, 2015

	SHARES	VALUE
MUTUAL FUNDS 0.43%		
Loomis Sayles Institutional High Income Fund	548,386	\$3,800,315
TOTAL MUTUAL FUNDS (Cost \$4,000,000)		3,800,315
MONEY MARKET FUNDS 0.83%		
Federated Treasury Obligations Money Market Fund, 0.010% (7-Day Yield)	7,267,682	7,267,682
TOTAL MONEY MARKET FUNDS (Cost \$7,267,682)		7,267,682
TOTAL INVESTMENTS - 136.70% (Cost \$917,079,354)		\$1,201,460,088
LEVERAGE FACILITY - (36.41%)		(320,000,000 )
LIABILITIES IN EXCESS OF OTHER ASSETS - (0.29%)		(2,507,944 )
NET ASSETS - 100.00%		\$878,952,144

\* Non Income Producing Security.

(1) Pledged security; a portion or all of the security is pledged as collateral for borrowings as of October 31, 2015. (See Note 4)

(2) Loaned security; a portion or all of the security is on loan at October 31, 2015. (See Note 4)

(3) This security is marked to cover the unfunded commitment.

(4) Restricted security. Investment represents a non-public partnership interest and is not unitized. (See Note 5)

(5) Security fair valued by management, pursuant to procedures approved by the Board of Trustees. (See Note 1)

(6) Represents funded portion of total outstanding commitments. See Note 1 for information on any unfunded commitments.

## Common Abbreviations:

ADR - American Depositary Receipt

Co. - Company

Corp. - Corporation

Cos. - Companies

Inc. - Incorporated

LLC - Limited Liability Company

LP - Limited Partnership

PLC - Public Limited Company

SAB de CV - A variable rate company

See Notes to Financial Statements.

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## Reaves Utility Income Fund Statement of Assets and Liabilities

October 31, 2015

## ASSETS:

Investments, at value (Cost \$917,079,354)*	\$1,201,460,088
Dividends receivable	1,985,828
Interest receivable	45,338
Prepaid renewal fees on loan outstanding	344,376
Total Assets	1,203,835,630

## LIABILITIES:

Loan payable	320,000,000
Interest payable on loan outstanding	37,235
Payable for investments purchased	3,933,978
Accrued investment advisory fees	581,649
Accrued administration fees	268,064
Accrued trustees' fees	28,330
Accrued chief compliance officer fees	3,250
Other payables and accrued expenses	30,980
Total Liabilities	324,883,486
Total Commitments for Contingencies (Notes 1 and 9)	
Net Assets Applicable to Common Shareholders	\$878,952,144

## COMPOSITION OF NET ASSETS ATTRIBUTABLE TO COMMON SHARES:

Paid-in capital	\$581,914,921
Overdistributed net investment income	(7,061,946 )
Accumulated net realized gain on investments and foreign currency transactions	19,733,707
Net unrealized appreciation on investments and translation of assets and liabilities denominated in foreign currencies	284,365,462
Net Assets Applicable to Common Shareholders	\$878,952,144

Shares of common stock outstanding of no par value, unlimited shares authorized	29,014,294
Net asset value per common share	\$30.29

\* Securities Loaned, at value \$275,377,882

See Notes to Financial Statements.

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## Reaves Utility Income Fund Statement of Operations

For the Year Ended October 31, 2015

## INVESTMENT INCOME:

Dividends (Net of foreign withholding taxes of \$565,334)	\$38,946,058
Interest on investment securities	75,228
Securities lending income	248,236
Total Investment Income	39,269,522

## EXPENSES:

Interest and renewal fees on loan	4,336,146
Investment advisory fees	6,978,394
Administration fees	3,216,130
Chief compliance officer fees	39,000
Trustees' fees	136,723
Miscellaneous fees	126,629
Total Expenses	14,833,022

Net Investment Income	24,436,500
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## Net realized gain/(loss) on:

Investment securities	25,259,098
Foreign currency transactions	(26,167 )
Long-term capital gains from other investment companies	168,021
Change in unrealized appreciation/(depreciation) of:	(68,110,367)
Investment securities	(68,099,334)
Translation of assets and liabilities denominated in foreign currencies	(11,033 )
Net loss on investments and foreign currency transactions	(42,709,415)

Net Decrease in Net Assets Attributable to Common Shares from Operations	\$(18,272,915)
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See Notes to Financial Statements.

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Reaves Utility Income Fund Statements of Changes in Net Assets

	For the Year Ended October 31, 2015	For the Year Ended October 31, 2014
<b>COMMON SHAREHOLDER OPERATIONS:</b>		
Net investment income	\$24,436,500	\$52,239,726
Net realized gain/(loss) on:		
Investment securities	25,259,098	(34,205 )
Foreign currency transactions	(26,167 )	(29,692 )
Long term capital gains from other investment companies	168,021	225,200
Change in unrealized appreciation/(depreciation) on investments and translation of assets and liabilities denominated in foreign currencies	(68,110,367 )	134,466,583
Net increase/(decrease) in net assets attributable to common shares from operations	(18,272,915 )	186,867,612
<b>DISTRIBUTIONS TO COMMON SHAREHOLDERS:</b>		
From net investment income	(25,822,773 )	(43,533,047 )
From net realized gains	(26,040,278 )	(3,977,860 )
Net decrease in net assets from distributions to common shareholders	(51,863,051 )	(47,510,907 )
Net Increase/(Decrease) in Net Assets Attributable to Common Shares	(70,135,966 )	139,356,705
<b>NET ASSETS ATTRIBUTABLE TO COMMON SHAREHOLDERS:</b>		
Beginning of year	\$949,088,110	\$809,731,405
End of year*	\$878,952,144	\$949,088,110
* Including undistributed/(overdistributed) net investment income of:	\$ (7,061,946 )	\$ 229,048

See Notes to Financial Statements.

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## Reaves Utility Income Fund Statement of Cash Flows

For the Year Ended October 31, 2015

## CASH FLOWS FROM OPERATING ACTIVITIES:

Net decrease in net assets from operations	\$(18,272,915 )
Adjustments to reconcile net increase in net assets from operations to net cash provided by operating activities:	
Purchase of investment securities	(379,442,306)
Proceeds from disposition of investment securities	381,252,314
Net purchases of short term investment securities	(5,289,016 )
Net realized gain on investment securities	(25,259,098 )
Long term capital gains from other investment companies	(168,021 )
Change in unrealized depreciation on investments and translation of assets and liabilities denominated in foreign currencies	68,110,367
Premium amortization	4,389
Discount accretion	(1,404 )
Decrease in dividends receivable	1,149,143
Increase in interest receivable	(23,554 )
Increase in prepaid renewal fees on loan outstanding	(344,376 )
Increase in interest payable on loan outstanding	15,001
Increase in accrued investment advisory fees	330
Increase in accrued administration fees	152
Increase in accrued trustees' fees	8,830
Increase in other payables and accrued expenses	17,748
Net Cash Provided by Operating Activities	21,757,584

## CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from bank borrowing	30,000,000
Cash distributions paid on Common Shares	(51,863,051 )
Net Cash Used in Financing Activities	(21,863,051 )

Effect of exchange rates on cash	(11,033 )
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Net Decrease in cash	(116,500 )
Cash, beginning of year	\$116,500
Cash, end of year	\$-

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for interest and renewal fees from bank borrowing	\$4,665,521
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See Notes to Financial Statements.

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Reaves Utility Income Fund

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PER COMMON SHARE OPERATING PERFORMANCE:

Net asset value per share, beginning of period

INCOME/LOSS FROM INVESTMENT OPERATIONS:

Net investment income<sup>(1)</sup>

Net realized and unrealized gain/(loss) on investments and foreign currency

Distributions to preferred shareholders:

From net investment income

From net realized gains

Total income/(loss) from investment operations

DISTRIBUTIONS TO COMMON SHAREHOLDERS:

From net investment income

From net realized gains

Total distributions to common shareholders

Change due to rights offering<sup>(3)</sup>

Total distributions and rights offering

Net asset value per common share, end of year

Market price per common share, end of year

Total Investment Return Net Asset Value<sup>(4)</sup>

Total Investment Return Market Price<sup>(4)</sup>

RATIOS AND SUPPLEMENTAL DATA

Net assets attributable to common shares, end of year (000s)

Ratio of expenses to average net assets attributable to common shares

Ratio of expenses excluding interest expense to average net assets attributable to common shares

Ratio of net investment income to average net assets attributable to common shares Portfolio turnover rate

BORROWINGS AT END OF PERIOD

Aggregate amount outstanding (000s)

Asset coverage per \$1,000 (000s)

Footnotes to the Financial Highlights are listed on page 18.

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## Financial Highlights

For the Year Ended 10/31/15	For the Year Ended 10/31/14	For the Year Ended 10/31/13	For the Year Ended 10/31/12	For the Year Ended 10/31/11
\$32.71	\$27.91	\$25.66	\$23.70	\$21.75
0.84 (1.47 )	1.80 4.64	1.14 2.69	1.21 3.02	1.40 2.02
—	—	—	—	(0.02 )
—	—	—	—	(0.00 ) <sup>(2)</sup>
(0.63 )	6.44	3.83	4.23	3.40
(0.89 )	(1.50 )	(1.51 )	(1.37 )	(1.45 )
(0.90 )	(0.14 )	(0.07 )	(0.47 )	—
(1.79 )	(1.64 )	(1.58 )	(1.84 )	(1.45 )
—	—	—	(0.43 )	—
(1.79 )	(1.64 )	(1.58 )	(2.27 )	(1.45 )
\$30.29	\$32.71	\$27.91	\$25.66	\$23.70
\$29.67	\$30.88	\$25.92	\$25.29	\$25.05
(1.78 )%	24.24 %	15.73 %	16.57 %	15.99 %
1.91 %	26.29 %	9.05 %	8.70 %	20.15 %
\$878,952	\$949,088	\$809,731	\$744,401	\$545,023
1.62 %	1.71 %	1.71 %	1.83 %	1.93 % <sup>(5)</sup>
1.15 %	1.16 %	1.21 %	1.19 %	1.27 % <sup>(5)</sup>
2.67 %	6.10 %	4.33 %	4.91 %	6.08 % <sup>(5)</sup>
32 %	26 %	30 %	27 %	34 %
\$320,000	\$290,000	\$290,000	\$290,000	\$185,000
\$3,747	\$4,273	\$3,792	\$3,567	\$3,946

Reaves Utility Income Fund Financial Highlights (continued)

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*(1) Calculated using average common shares outstanding.*

*(2) Less than \$(0.005) per share.*

*(3) Effect of rights offerings for common shares at a price below market price.*

*Total investment return is calculated assuming a purchase of a common share at the opening on the first day and a sale at closing on the last day of each period reported. Total investment return excludes any sales charges.*

*(4) Dividends and distributions, if any, are assumed for purposes of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan.*

*(5) Ratios do not reflect dividend payments to preferred shareholders.*

See Notes to Financial Statements.

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October 31, 2015

## 1. SIGNIFICANT ACCOUNTING AND OPERATING POLICIES

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Reaves Utility Income Fund (the "Fund") is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a closed end management investment company. The Fund was organized under the laws of the state of Delaware by an Agreement and Declaration of Trust dated September 15, 2003. The Fund's investment objective is to provide a high level of after tax income and total return consisting primarily of tax advantaged dividend income and capital appreciation. The Fund is a diversified investment company for purpose of the 1940 Act. The Declaration of Trust provides that the Trustees may authorize separate classes of shares of beneficial interest. The Fund's common shares are listed on the NYSE MKT ("Exchange") and trade under the ticker symbol "UTG".

The Fund may have elements of risk, including the risk of loss of equity. There is no assurance that the investment process will consistently lead to successful results. An investment concentrated in sectors and industries may involve greater risk and volatility than a more broadly diversified investment.

The Fund invests a significant portion of its total assets in securities of utility companies, which may include companies in the electric, gas, water, telecommunications sectors, as well as other companies engaged in other infrastructure operations. This may make the Fund particularly susceptible to adverse economic, political or regulatory occurrences affecting those sectors. As concentration of the Fund's investments in a sector increases, so does the potential for fluctuation in the net asset value of common shares.

The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements. The preparation of financial statements is in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The Fund is considered an investment company for financial reporting purposes under U.S. GAAP.

**Investment Valuation:** The net asset value per common share ("NAV") of the Fund is determined no less frequently than daily, on each day that the Exchange is open for trading, as of the close of regular trading on the Exchange (normally 4:00 p.m. New York time). The NAV is determined by dividing the value of the Fund's total assets less its liabilities by the number of shares outstanding.

The Board of Trustees (the "Board") has established the following procedures for valuation of the Fund's asset values under normal market conditions. For domestic equity securities, foreign equity securities and funds that are traded on an exchange, the market price is usually the closing sale or official closing price on that exchange. In the case of a domestic and foreign equity security not traded on an exchange, or if such closing prices are not otherwise available, the mean of the closing bid and ask price will be used. The fair value for debt obligations is generally the evaluated mean price supplied by the Fund's primary and/or secondary independent third party pricing service, approved by the Board. An evaluated mean is considered to be a daily fair valuation price which may use a matrix, formula or other objective method that takes into consideration various factors, including, but not limited to: structured product markets, fixed income markets, interest rate movements, new issue information, trading, cash flows, yields, spreads, credit quality and other pertinent information as determined by the pricing services evaluators and methodologists. If the Fund's primary and/or secondary independent third party pricing services are unable to supply a price, or if the price supplied is deemed to be unreliable, the market price may be determined using quotations received from one or more broker dealers that make a market in the security. Investments in non exchange traded funds are fair valued at their respective net asset values.

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Reaves Utility Income Fund Notes to Financial Statements

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October 31, 2015

Securities, for which market quotations or valuations are not available, are valued at fair value in good faith by or at the direction of the Board. When applicable, fair value of an investment is determined by the Fund's Fair Valuation Committee as a designee of the Board. In fair valuing the Fund's investments, consideration is given to several factors, which may include, among others, the following: the fundamental business data relating to the issuer, borrower, or counterparty; an evaluation of the forces which influence the market in which the investments are purchased and sold; the type, size and cost of the investment; the information as to any transactions in or offers for the investment; the price and extent of public trading in similar securities (or equity securities) of the issuer, or comparable companies; the coupon payments, yield data/cash flow data; the quality, value and saleability of collateral, if any, securing the investment; the business prospects of the issuer, borrower, or counterparty, as applicable, including any ability to obtain money or resources from a parent or affiliate and an assessment of the issuer's, borrower's, or counterparty's management; the prospects for the industry of the issuer, borrower, or counterparty, as applicable, and multiples (of earnings and/or cash flow) being paid for similar businesses in that industry; one or more non-affiliated independent broker quotes for the sale price of the portfolio security; and other relevant factors.

The Fund discloses the classification of its fair value measurements following a three-tier hierarchy based on the inputs used to measure fair value. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability that are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability that are developed based on the best information available.

Various inputs are used in determining the value of the Fund's investments as of the end of the reporting period. When inputs used fall into different levels of the fair value hierarchy, the level in the hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The designated input levels are not necessarily an indication of the risk or liquidity associated with these investments. These inputs are categorized in the following hierarchy under applicable financial accounting standards:

Level 1 – Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Fund has ability to access at the measurement date;

Level 2 – Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and

Level 3 – Significant unobservable prices or inputs (including the Fund's own assumptions in determining the fair value of investments) where there is little or no market activity for the asset or liability at the measurement date.

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Reaves Utility Income Fund Notes to Financial Statements

October 31, 2015

The following is a summary of the Fund's investments in the fair value hierarchy as of October 31, 2015:

Investments in Securities at Value*	Valuation Inputs			Total
	Level 1	Level 2	Level 3	
Common Stocks	\$1,145,442,957	\$-	\$-	\$1,145,442,957
Preferred Stocks	-	662,673	-	662,673
Limited Partnerships	33,060,300	-	9,431,161	42,491,461
Corporate Bonds	-	1,795,000	-	1,795,000
Mutual Funds	3,800,315	-	-	3,800,315
Money Market Funds	7,267,682	-	-	7,267,682
Total	\$1,189,571,254	\$2,457,673	\$9,431,161	\$1,201,460,088

\*See Statement of Investments for industry classification.

During the year ended October 31, 2015, there were no transfers between Level 1 and 2 securities. The Fund evaluates transfers into or out of Level 1, Level 2 and Level 3 as of the end of the reporting period.

The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value:

Investments in Securities at Value	Balance as of 10/31/2014	Return of capital	Change in		Sales Proceeds	Transfer in and/or (out) of Level 3	Balance as of 10/31/2015	Net change in unrealized appreciation/ (depreciation) attributable to Level 3 investments held at 10/31/2015	
			Realized gain/ (loss)	Unrealized appreciation/ (depreciation)					
Limited Partnerships	\$2,990,536	\$ -	\$ -	\$(1,093,033)	\$7,533,658	\$ -	\$ -	\$9,431,161	\$(1,093,033)
TOTAL	\$2,990,536	\$ -	\$ -	\$(1,093,033)	\$7,533,658	\$ -	\$ -	\$9,431,161	\$(1,093,033)

The table below provides additional information about the Level 3 fair value measurements as of October 31, 2015:

Investment Type	Fair Value as of 10/31/2015	Valuation Technique*	Unobservable Input**	Amount
Limited Partnership	\$ 7,000,000	Purchase Cost Adjusted	Purchase Cost Liquidity	\$ 7,000,000
Limited Partnership	2,431,161	Purchase Cost	Discount	40 %
Total	\$ 9,431,161			

\*The fair valuation procedures used to value the Level 3 investments are in accordance with the Fund's Board-approved fair valuation policies.



## Reaves Utility Income Fund Notes to Financial Statements

October 31, 2015

\*\* A change in the unobservable input may result in a significant change to the value of the investment as follows:

Unobservable Input	Impact to Value if Input Increases	Impact to Value if Input Decreases
Purchase Cost	Increase	Decrease
Liquidity Discount	Decrease	Increase

Commitments for Contingencies: As of October 31, 2015, the Fund has an unfunded capital commitment of \$948,064 representing an agreement which obligates the Fund to meet capital calls in the future. Capital calls can only be made if and when certain requirements have been fulfilled; thus, the timing and the amount of such capital calls cannot readily be determined. The unfunded commitment is fair valued by management and any unrealized appreciation or depreciation is included in the Statement of Assets and Liabilities and any change in unrealized appreciation or depreciation is included in the Statement of Operations.

Foreign Securities: The Fund may directly purchase securities of foreign issuers. Investing in securities of foreign issuers involves special risks not typically associated with investing in securities of U.S. issuers. The risks include possible revaluation of currencies, the inability to repatriate foreign currency, less complete financial information about companies and possible future adverse political and economic developments. Moreover, securities of many foreign issuers and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. issuers.

Foreign Currency Translation: The books and records of the Fund are maintained in U.S. dollars. Investment valuations and other assets and liabilities initially expressed in foreign currencies are converted each business day the Exchange is open into U.S. dollars based upon current exchange rates. Prevailing foreign exchange rates may generally be obtained at the close of the New York Stock Exchange (normally, 4:00 p.m. Eastern time). The portion of realized and unrealized gains or losses on investments due to fluctuations in foreign currency exchange rates is not separately disclosed and is included in realized and unrealized gains or losses on investments, when applicable. As of and during the year ended October 31, 2015, the Fund had no outstanding forward foreign currency contracts.

Distributions to Shareholders: The Fund intends to make a level distribution each month to common shareholders after payment of interest on any outstanding borrowings. The level dividend rate may be modified by the Board of Trustees from time to time. Any net capital gains earned by the Fund are distributed at least annually. Distributions to shareholders are recorded by the Fund on the ex dividend date.

Income Taxes: The Fund's policy is to comply with the provisions of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable income and gains to its shareholders. Therefore, no federal income tax provision is required.

Investment Transactions: Investment security transactions are accounted for as of trade date. Dividend income is recorded on the ex dividend date, or as soon as information is available to the Fund. Interest income, which includes amortization of premium and accretion of discount, is accrued as earned. Realized gains and losses from investment transactions and unrealized appreciation and depreciation of securities are determined using the first in first out basis for both financial reporting and income tax purposes.

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## Reaves Utility Income Fund Notes to Financial Statements

October 31, 2015

**2. INCOME TAXES AND TAX BASIS INFORMATION**

The Fund complies with the requirements under Subchapter M of the Internal Revenue Code applicable to regulated investment companies and intend to distribute substantially all of its net taxable income and net capital gains, if any, each year. The Fund is not subject to income taxes to the extent such distributions are made.

As of and during the fiscal year ended October 31, 2015, the Fund did not have a liability for any unrecognized tax benefits in the accompanying financial statements. The Fund files U.S. federal, state, and local tax returns as required. The Fund's tax returns are subject to examination by the relevant tax authorities until expiration of the applicable statute of limitations, which is generally three years after the filing of the tax return but which can be extended to six years in certain circumstances. Tax returns for open years have incorporated no uncertain tax positions that require a provision for income taxes.

Net investment income (loss) and net realized gain (loss) may differ for financial statement and tax purposes. The character of distributions made during the year from net investment income or net realized gains may differ from its ultimate characterization for federal income tax purposes. Also, due to the timing of dividend distributions, the fiscal year in which amounts are distributed may differ from the fiscal year in which the income or realized gain was recorded by the Fund.

The tax character of the distributions paid by the Fund were as follows:

	For the Year Ended October 31, 2015	For the Year Ended October 31, 2014
Distributions paid from:		
Ordinary Income	\$25,822,773	\$43,533,047
Long Term Capital Gain	26,040,278	3,977,860
Total	\$51,863,051	\$47,510,907

As of October 31, 2015, the components of distributable earnings on a tax basis were as follows:

Accumulated Capital Gain	2,818,543
Unrealized Appreciation	301,429,629
Other Cumulative Effect of Timing Differences	(7,210,949 )
Total	\$297,037,223

The tax components of distributable earnings are determined in accordance with income tax regulations which may differ from composition of net assets reported under accounting GAAP. Accordingly, for the year ended October 31, 2015, certain differences were reclassified. The Fund decreased accumulated net investment income by \$(5,904,721), increased accumulated net realized gain by \$5,920,502 and decreased paid in capital by \$(15,781).



## Reaves Utility Income Fund Notes to Financial Statements

October 31, 2015

The tax basis components of capital differ from the amounts reflected in the Statement of Assets and Liabilities due to temporary book/tax differences primarily arising from wash sales and the tax treatment of investments in partnerships.

As of October 31, 2015, net unrealized appreciation/depreciation of investments based on federal tax cost were as follows:

Gross appreciation (excess of value over tax cost)	\$310,333,311
Gross depreciation (excess of tax cost over value)	(8,888,410 )
Net depreciation of foreign currency	(15,272 )
Net unrealized appreciation	301,429,629
Cost of investments for income tax purposes	\$900,015,187

### 3. CAPITAL TRANSACTIONS

Common Shares: There are an unlimited number of no par value common shares of beneficial interest authorized.

Transactions in common shares were as follows:

		For the Year Ended October 31, 2015	For the Year Ended October 31, 2014
Common Stock outstanding	beginning of period	29,014,294	29,014,294
Common Stock outstanding	end of period	29,014,294	29,014,294

### 4. BORROWINGS

The Fund entered into a financing package in December 2010 that includes a Committed Facility Agreement (the "Agreement") with BNP Paribas Prime Brokerage, Inc. ("BNP") that allowed the Fund to borrow up to \$240,000,000 ("Initial Maximum Commitment") and a Lending Agreement, as defined below. Borrowings under the Agreement are secured by assets of the Fund that are held by the Fund's custodian in a separate account (the "pledged collateral"). Under the terms of the Agreement, BNP was permitted, with 180 days advance notice (the "Notice Period"), to reduce or call the entire Initial Maximum Commitment. Interest on the borrowing is charged at the one month LIBOR (London Inter bank Offered Rate) plus 1.10% on the amount borrowed (the "Variable Commitment") and 1.00% on any undrawn balance. The Agreement contained an initial renewal date of May 2, 2012, 540 days after the closing date of the Agreement. On May 2, 2012, the Fund renewed the Agreement and paid a renewal fee, amortized over a 6 month period, of 0.25% on the Initial Maximum Commitment.

The Agreement was amended on September 14, 2012 (the "Amendment") to (i) increase the Initial Maximum Commitment to \$290,000,000 (the "Current Maximum Commitment"), (ii) expand the Notice Period to 270 days and (iii) waive the arrangement fee on the increased borrowing made available under the Current Maximum Commitment.

The Agreement was again amended on October 25, 2013 to allow for fixed rate borrowing along with the Variable Commitment; \$72,500,000 of the Current Maximum Commitment is at a rate of 1.7512% for three years (the "Fixed

Commitment"). The Fund paid a 0.20% arrangement fee on the Fixed Commitment. The terms on the remaining balance of \$217,500,000 remain unchanged. The Fund paid a renewal fee of 0.25%, amortized over 540 days, on the Variable Commitment on October 25, 2013, and again on April 16, 2015. The renewal fee is included in Interest and renewal fees on loan on the Statement of Operations.

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Reaves Utility Income Fund Notes to Financial Statements

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October 31, 2015

The Agreement was amended on October 6, 2015 to increase the Variable Commitment to \$247,500,000, all other terms remain unchanged.

For the year ended October 31, 2015, the average amount borrowed under the Agreement for the Fixed Commitment was \$72,500,000 and \$219,472,603 for the Variable Commitment. The average interest rate on the Variable Commitment was 1.28%. The interest rate applicable to the Variable Commitment on October 31, 2015 was 1.29%. As of October 31, 2015, the amount of outstanding borrowings was \$ 320,000,000 and the amount of pledged collateral was \$728,096,977.

The Lending Agreement is a separate side agreement between the Fund and BNP pursuant to which BNP may borrow a portion of the pledged collateral (the "Lent Securities") in an amount not to exceed the outstanding borrowings owed by the Fund to BNP under the Agreement. The Lending Agreement is intended to permit the Fund to reduce the cost of its borrowings under the Agreement. BNP has the ability to reregister the Lent Securities in its own name or in another name other than the Fund to pledge, re-pledge, sell, lend or otherwise transfer or use the collateral with all attendant rights of ownership. The Fund may designate any security within the pledged collateral as ineligible to be a Lent Security, provided there are eligible securities within the pledged collateral in an amount equal to the outstanding borrowing owed by the Fund. During the period in which the Lent Securities are outstanding, BNP must remit payment to the Fund equal to the amount of all dividends, interest or other distributions earned or made by the Lent Securities. The Fund receives income from BNP based on the value of the Lent Securities. This income is recorded as Securities lending income on the Statement of Operations.

Under the terms of the Lending Agreement, the Lent Securities are marked to market daily, and if the value of the Lent Securities exceeds the value of the then outstanding borrowings owed by the Fund to BNP under the Agreement (the "Current Borrowings"), BNP must, on that day, either (1) return Lent Securities to the Fund's custodian in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings; or (2) post cash collateral with the Fund's custodian equal to the difference between the value of the Lent Securities and the value of the Current Borrowings. If BNP fails to perform either of these actions as required, the Fund will recall securities, as discussed below, in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings. The Fund can recall any of the Lent Securities and BNP shall, to the extent commercially possible, return such security or equivalent security to the Fund's custodian no later than three business days after such request. If the Fund recalls a Lent Security pursuant to the Lending Agreement, and BNP fails to return the Lent Securities or equivalent securities in a timely fashion, BNP shall remain liable to the Fund's custodian for the ultimate delivery of such Lent Securities, or equivalent securities, and for any buy in costs that the executing broker for the sales transaction may impose with respect to the failure to deliver. The Fund shall also have the right to apply and set off an amount equal to one hundred percent (100%) of the then current fair market value of such Lent Securities against the Current Borrowings. As of October 31, 2015, the value of securities on loan was \$275,377,882.

Reaves Utility Income Fund Notes to Financial Statements

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October 31, 2015

The Board of Trustees has approved the Agreement, as amended, and the Lending Agreement. No violations of the Agreement or the Lending Agreement occurred during the year ended October 31, 2015.

5. RESTRICTED SECURITIES

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As of October 31, 2015, investments in securities included issues that are considered restricted. Restricted securities are often purchased in private placement transactions, are not registered under the Securities Act of 1933, may have contractual restrictions on resale, and may be valued under methods approved by the Board of Trustees as reflecting fair value.

Restricted securities as of October 31, 2015 were as follows:

Description	Acquisition Date(s)	Cost	Market Value	Market Value as Percentage of Net Assets
Bastion Energy LLC (Anglo Dutch)	7/30/2015	\$ 7,000,000	\$ 7,000,000	0.80