

REAVES UTILITY INCOME FUND
Form N-CSR
January 08, 2007

[QuickLinks](#) -- Click here to rapidly navigate through this document

**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)

1625 Broadway, Suite 2200, Denver, Colorado 80202

(Address of principal executive offices) (Zip code)

**Tané T. Tyler, Secretary
Reaves Utility Income Fund
1625 Broadway, Suite 2200
Denver, Colorado 80202**

(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: **October 31, 2006**

Item 1. Reports to Stockholders.

REAVES UTILITY INCOME FUND

Annual Report

[GRAPHIC]

October 31, 2006

SHAREHOLDER LETTER

October 31, 2006

Dear Shareholders,

On behalf of the Board of Trustees, I'm pleased to announce that the Reaves Utility Income Fund has delivered a one-year total return on investment of more than 26% of net asset value per common share, with dividends reinvested. Return on market price was more than 24% per common share, again assuming dividends are reinvested.

Consistent with the Fund's objective to earn and, if possible, increase dividend income, Fund trustees increased the Fund's dividend for the second consecutive year. Following a 3.4% increase in December, 2004, the Fund saw a 5% increase in December, 2005. As a result, the first two dividends of fiscal 2006 were \$0.10 per share while the remaining 10 were at the increased rate of \$0.105 per share. In addition, the Fund paid a special dividend of \$0.255 per share in December, 2005, for a total of \$1.505 per share paid in dividends during fiscal 2006. Those shareholders invested in the Fund since the first dividend record date in April 2004 have received dividend payments totaling approximately \$3.375 per share.

Over the past 12 months, 75.15% of those dividends have been qualified dividend income, which are taxed at a maximum 15% federal rate, as opposed to a rate as high as 35% for non-qualifying and other types of dividend income. This presents a significant tax advantage to our shareholders.

Total assets in the fund have grown to more than \$833 million, up from approximately \$749 million one year ago and \$400 million at the fund's inception in February 2004.

These numbers reflect the fact that utilities remain among the highest yielding sectors of the domestic stock market.

The portfolio managers provide detailed fund commentary and analysis on the pages that follow, along with full holdings and financial statements. Feel free to contact us with any questions about the fund by calling 1-800-644-5571 or visiting www.utilityincomefund.com.

Thank you for being a shareholder.

Sincerely,

/s/ NED BURKE

Ned Burke
President, Reaves Utility Income Fund

MANAGEMENT DISCUSSION & ANALYSIS

October 31, 2006

The Reaves Utility Income Fund is managed to meet two primary objectives: earn dividend income sufficient to pay, and potentially grow, the monthly dividend established by the Fund's Trustees; and second, to grow net asset value which will, in our opinion, over time be reflected in share price appreciation. For the fiscal year ended October 31, 2006 we are pleased to report that we met both objectives. The Trustees periodically review the level of the dividend, and for the second consecutive year the Fund raised its monthly dividend. In December 2005 the dividend was raised 5% to 10.5 cents a month or \$1.26 annually. This represents a current yield of 6.3% on the original issue price of \$20 per share. The dividend is supported by Fund investments, primarily in the common stocks of companies with a history of growing earnings and periodic dividend increases. In addition to the stated dividend, the Fund paid a special year end dividend of 25.5 cents in December 2005. The actual yield was 7.5% on the \$ 20.00 share price based on total dividends of \$1.505 paid throughout the fiscal year. Over the course of the fiscal year, net asset value grew 17.7% from \$22.12 to \$26.04. While share price appreciation did not always accompany net asset value growth, the share price rose 15.4% from \$19.46 to \$22.45 by year end. Share price performance plus dividends produced a total return of 24.2%

To cite one key theme within the utility sector in 2006, we emphasize the growing recognition by federal and state regulators of the need for increased investment in U.S. energy and telecommunications infrastructure. Within the electric utility industry this means incremental investment in generation and transmission assets. Great Plains Energy (GXP) is a good example of how the portfolio may benefit from a generally supportive regulatory climate. At fiscal year end, GXP had produced a total return in excess of 20% and represented 6.3% of the portfolio. Great Plains plans to build an 800 MWH coal plant to serve power requirements in both Kansas and Missouri at a cost of about \$1.2 billion. Recognizing the growing need for power, both states have signed a letter of agreement to approve the investment. By year end we anticipate a favorable rate decision from Missouri regulators supporting the \$1.2 billion investment. We seek total return for Fund investments from a combination of dividend yield and capital appreciation. The investment in Great Plains experienced share price appreciation from \$28.71 to \$32.54 over our holding period and paid a quarterly dividend of \$0.415. The dividend yield at fiscal year end, after price appreciation, was 5.1%.

Duke Energy Corporation, which remains our largest electric/gas holding (it was 8.0% of the portfolio at fiscal year end), should also benefit from regulatory support for increased infrastructure investment. Our original investment in Duke was based on a turnaround story. In contrast to the majority of investors we believed that the dividend would be maintained, and the high dividend yield would adequately compensate us while we waited for operations to improve. The new CEO, Paul Anderson, was an executive we knew. He had successfully turned around an Australian natural resources company and prior to that was employed at Duke. It was noteworthy to us that his compensation at Duke was a direct function of the dividend. Like many other utilities Duke had "over invested" in response to deregulation, and Paul Anderson was hired to develop a strategic focus, rationalize assets, and trim costs. Anderson and his team succeeded in restoring earnings sufficiently to permit the dividend to be increased and successfully merge Duke with Cinergy, a major Midwest utility. More recently, Duke announced plans to spin off its natural gas and pipeline businesses into a separate company to be known as Spectra Energy. We continue to hold the shares in the belief that a stand alone Spectra Energy will be better able to take advantage of the opportunities presented by the natural gas industry's growing demand for gathering, processing, storage, and transport services. The surviving electric company, Duke Energy will, in our view, continue to grow through investment to meet the growing demand for power in the Carolinas and the Midwest markets the company serves. Initial indications are that state regulators will support the planned investment needed to sustain economic development within their respective states.

Edgar Filing: REAVES UTILITY INCOME FUND - Form N-CSR

Throughout the year, the common stock of electric utilities averaged about 47% of the portfolio, approximately the same weighting as in 2005. In addition to Duke and Great Plains, other major electric utility holdings at fiscal year end were Ameren Corporation (4.4%) and OGE Energy (4.1%).

The telephone sector, similar to last year, was a major source of dividend income for the Fund. Common stock dividends earned during the fiscal year totaled \$33.1 million. Of that sum, the telephones contributed \$10.4 million or 31.4%. Telephones averaged 21.9% of the common portfolio market value for the fiscal year.

Unlike last year, the telephone sector was also an important contributor to capital appreciation. The story has two facets. The first is the opportunity for sustained earnings growth resulting from consolidation within the industry. Consolidation leads to cost savings and, we think, more rational pricing. The poster child for this trend in 2006 is the "new AT&T", formed by the merger of SBC Communications and original AT&T, which was the old long distance company. We owned SBC and especially the old AT&T for their high dividend yield and periodic dividend growth. The two stocks combined represented 7.9% of the portfolio at the beginning of the fiscal year. We maintained that level of investment in the merged company because we believed that synergies and top line growth at Cingular Wireless (AT&T owns 60% of Cingular) would result in sustainable earnings and cash flow growth. The "new AT&T's" results for the first three calendar quarters of 2006 substantiated our investment decision. AT&T rewarded the Fund with share price appreciation. SBC Communications closed at \$23.85 on October 31, 2005. Subsequent to completion of the merger the market came to appreciate the "new AT&T's earnings growth potential. The "new AT&T" closed at \$34.25 on October 31, 2006, and current yield remained a respectable 3.9%. The actual yield on historical cost is 5.5%. We have yet to sell a single share.

The second facet of the story has been the price appreciation afforded the rural telecom sector. In our view this is a result of the growing investor appreciation for the stable and sustainable cash flows some companies are able to generate along with the opportunities for moderate, disciplined growth via strategic acquisitions. The fund's major rural telecom investment, Citizens Communications, represented 5.0% of the portfolio at fiscal year end. Citizens has grown its top line modestly while trimming costs. In mid September it announced a small acquisition of Commonwealth Telephone, a rural telco in Pennsylvania. Citizens expects the combined companies to produce about \$30 million of synergies and be cash flow accretive in the first year. We don't think this is the last rural telco acquisition, and we will continue to seek investment opportunities in rural telcos.

The Fund's ability to invest up to 20% of assets outside the utility sector produced meaningful dividend income and capital growth from selected investments in the consumer staples sector, primarily tobacco. Litigation risk in tobacco appears to be diminishing, allowing tobacco company earnings multiples to improve. Tobacco companies are characterized by hefty dividends and a history of meaningful dividend growth. Altria Group is our largest non-utility holding. Altria is expected to spin off Kraft Foods and possibly its international tobacco operations. We look for these transactions to enhance shareholder value.

The Fund has some exposure to the Energy sector (6.1% at fiscal year end). Stock price performance was essentially flat given the impact of declining oil prices in the latter part of the fiscal year. Energy companies will continue as Fund investments because they have the ability to grow dividends and buy back stock with their large free cash flows. The volatility in the sector provides opportunities to realize some capital gains.

To boost dividend income we look for special dividend distributions which qualify for favorable tax treatment. During the fiscal year the Fund received a special \$1.30 dividend from AT&T, and a special \$2.83 dividend from Vodafone. Shortly after the period closed, the Fund received a special \$10.20 per share dividend from Ashland Inc. Subsequent to receipt of the dividend Ashland's share price more than recovered the amount of the dividend, and the shares were sold to realize a capital gain.

Edgar Filing: REAVES UTILITY INCOME FUND - Form N-CSR

During the course of the fiscal year we trimmed the preferred stock holdings to 4.1% of the portfolio as preferred dividend yields were not sufficiently in excess of common stock alternatives. We deployed the proceeds into common stocks with growth potential. The yield on the preferred portfolio at the end of the period was 6.6%.

The cost of leverage, represented by dividends on the auction market preferred stock, rose in tandem with the rise in short-term rates. The preferred stock yield rose from about 3.9% to about 5.1%. The preferred stock dividend yield increase was expected. We may be near the top of this interest rate cycle and expect the cost of leverage to remain stable or decline in 2007. The Fund met the year's dividend comfortably without hedging the cost of leverage from the auction market preferred stock.

The top five holdings of the Fund as of October 31, 2006 were AT&T, 9.3%. Duke Energy, 8.0%, Great Plains Energy, 6.3%, Altria Group, 5.3%, and Citizens Communications, 5.0%

As we position the portfolio for 2007, we remain focused on regulation, interest rates, commodity prices, and industry trends. We expect there will be meaningful investment to upgrade electric and gas infrastructure for companies that seek opportunities where the regulatory environment is supportive. Historically, stable or declining interest rates have been favorable to utilities stocks. We expect to see continued commodity price volatility and will monitor the portfolio actively for the impact of changing commodity prices. In our opinion consolidation will continue to be a major trend within the telecom and utility sectors despite the recent terminations of the FPL-Constellation merger and the Exelon Public Service Enterprise Group merger.

Active management of the portfolio will focus on identifying opportunities to grow the Fund's monthly dividend along with the net asset value.

Respectfully submitted,

Ronald J. Sorenson

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

October 31, 2006

To the Board of Trustees and Shareholders of Reaves Utility Income Fund Denver, Colorado

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, 2006, and the related statement of operations for the year then ended, the statements of changes in net assets and the financial highlights for each of the two years in the period then ended. The financial highlights of Reaves Utility Income Fund for the period ended October 31, 2004 were audited by other auditors whose report, dated December 17, 2004 expressed an unqualified opinion on that statement. 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, 2006, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Fund as of October 31, 2006, the results of its operations for the year then ended, the changes in its net assets and the financial highlights for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP

Denver, CO
December 18, 2006

STATEMENT OF INVESTMENTS

October 31, 2006

	SHARES	VALUE
COMMON STOCKS 127.33%		
Chemicals 1.00%		
Ashland, Inc.	100,000	\$ 5,910,000
Consumer Staples 10.91%		
Altria Group, Inc.	540,300	43,942,599
Reynolds American, Inc.	146,400	9,246,624
UST, Inc.	210,000	11,247,600
		64,436,823
Electric 63.44%		
Ameren Corp.	680,000	36,788,000
Consolidated Edison, Inc.	242,000	11,700,700
Duke Energy Corp.	2,105,000	66,602,200
Edison International	27,000	1,199,880
Enel S.P.A. ADR	329,500	15,789,640
Exelon Corp.	435,000	26,961,300
Great Plains Energy, Inc.	1,600,000	52,064,000
ITC Holdings Corp.	115,650	4,107,888
National Grid PLC ADR	7,000	444,150
OGE Energy Corp.	880,000	33,950,400
Pinnacle West Capital Corp.	120,000	5,737,200
PPL Corp.	660,000	22,783,200
Public Service Enterprise Group, Inc.	411,800	25,140,390
TECO Energy, Inc.	1,300,000	21,437,000
TransAlta Corp.	300,000	6,345,000
TXU Corp.	40,000	2,525,200
WPS Resources Corp.	587,500	31,260,875
Xcel Energy, Inc.	445,000	9,821,150
		374,658,173
Energy 7.31%		
BP Amoco PLC ADR	175,000	11,742,500
Eni S.P.A. ADR	110,000	6,678,100
Halliburton Co.	347,000	11,225,450
Occidental Petroleum	45,000	2,112,300
Petrochina LTD ADR	30,000	3,311,700
Todco*	102,000	3,481,260
Transocean, Inc.*	64,000	4,642,560
		43,193,870
Financials 0.29%		
Lloyd TSB Group PLC ADR	40,000	1,714,400
Gas 10.99%		
AGL Resources, Inc.	15,000	562,500
Equitable Resources, Inc.	177,000	7,172,040
ONEOK, Inc.	840,000	34,969,200
Sempra Energy	309,700	16,426,488

Edgar Filing: REAVES UTILITY INCOME FUND - Form N-CSR

South Jersey Industries, Inc.	42,500	\$	1,314,525
Southern Union Co.	9,000		249,120
Southwest Gas Corp.	24,300		871,884
Vectren Corp.	115,000		3,341,900
			64,907,657

Oil & Gas Services 0.29%

Schlumberger Ltd.	27,000		1,703,160
-------------------	--------	--	-----------

Telephone 32.59%

Alltel Corp.	10,000		533,100
AT&T Corp.	2,255,965		77,266,801
BCE, Inc.	727,834		20,583,146
Citizens Communications Co.	2,812,700		41,234,182
Embarq Corp.	203,000		9,815,050
Telecom Corp. of New Zealand ADR	830,000		20,550,800
Telecom Italia S.P.A. ADR	5,000		151,250
Verizon Communications	60,000		2,220,000
Vodafone Group PLC ADR	98,750		2,552,687
Windstream Corp.	1,282,126		17,590,769
			192,497,785

Water 0.51%

United Utilities PLC ADR	110,000		2,992,000
--------------------------	---------	--	-----------

TOTAL COMMON STOCKS

(Cost \$599,276,448) 752,013,868

PREFERRED STOCKS 5.71%

Electric 3.47%

AES Trust III, 6.75%, 10/15/29	133,100		6,435,385
BGE Capital Trust II, 6.20%, 10/15/43	195,000		4,783,350
Entergy Gulf States Inc., Series A, 7.00%, 9/15/13(a)	3,140		317,336
Entergy Mississippi Inc., 4.56%	3,520		282,260
Georgia Power Capital Trust V, 7.125%, 3/31/42	141,400		3,580,248
Great Plains Energy Inc., 8.00%, 2/16/07	50,000		1,249,000
PSEG Funding Trust II, 8.75%, 12/31/32	90,100		2,366,026
Public Service Co. of New Mexico Series 1965, 4.58%	11,667		992,060
Southern Cal Edison, 4.32%	24,300		481,140
			20,486,805

Financials 2.19%

GMAC, 7.375%, 12/16/44	50,000		1,198,500
Merrill Lynch & Co., Series H, 6.05%(a)	455,000		11,725,350
			12,923,850

Gas 0.05%

Southern Union Co., 7.55%	13,100		342,172
---------------------------	--------	--	---------

Edgar Filing: REAVES UTILITY INCOME FUND - Form N-CSR

TOTAL PREFERRED STOCKS (Cost \$33,263,584)	33,752,827
	7

Edgar Filing: REAVES UTILITY INCOME FUND - Form N-CSR

	SHARES	VALUE		
LIMITED PARTNERSHIPS 1.13%				
ONEOK Partners LP	110,000	\$	6,671,500	
TOTAL LIMITED PARTNERSHIPS (Cost \$5,620,259)			6,671,500	
DUE DATE, RATE		BOND RATING MOODY/S&P	PRINCIPAL AMOUNT	
CORPORATE BONDS 5.19%				
Electric 3.90%				
Calpine Generating Co.(b) 11.50%, 4/1/2011		WR/D	\$ 22,000,000	23,045,000
Gas 0.09%				
Copano Energy LLC(b) 8.125%, 3/1/2016		B2/B	500,000	511,250
Telephone 1.20%				
US West Communications 6/15/2023, 7.50%		Ba2/BB	7,000,000	7,105,000
TOTAL CORPORATE BONDS (Cost \$28,695,108)				30,661,250
	SHARES			
MUTUAL FUNDS 0.90%				
Loomis Sayles Institutional High Income Fund	424,929		3,531,162	
Goldman Financial Square Money Market Fund	1,764,498		1,764,498	
TOTAL MUTUAL FUNDS (Cost \$4,764,498)			5,295,660	
Total Investments (Cost \$671,619,897) 140.26%			828,395,105	
Other Assets in Excess of Liabilities 0.40%			2,389,181	
Liquidation Preference of Auction Market Preferred Shares: Series M7, F7, W28 (included dividends payable on preferred-shares) (40.66%)			(240,184,536)	
TOTAL NET ASSETS 100.00%		\$	590,599,750	

*

Non-Income Producing Security

(a)

Floating or variable rate security -rate disclosed as of September 30, 2006. Maturity date represents the next reset date.

(b)

Edgar Filing: REAVES UTILITY INCOME FUND - Form N-CSR

Security exempt from registration under Rule 144A of the securities Act of 1933. This security may be resold in transactions exempt from registration, normally to qualified buyers. At October 31, 2006, these securities amounted to a value of \$23,556,250 or 3.99% of net assets.

ADR American Depositary Receipt

Ratings: Moody's and S&P's ratings are believed to be the most recent as of October 31, 2006. Ratings are not covered by the report of the Independent Registered Public Accounting Firm.

See Notes to Financial Statements

Edgar Filing: REAVES UTILITY INCOME FUND - Form N-CSR

STATEMENT OF ASSETS & LIABILITIES

October 31, 2006

Assets:		
Investments, at value (Cost - see below)	\$	828,395,105
Dividends receivable		1,385,537
Interest receivable		464,177
Receivable for investments sold		3,450,057
Other assets		15
<hr/>		
Total Assets		833,694,891
<hr/>		

Liabilities:		
Payable for investments purchased		2,315,992
Accrued investment advisory fee		356,995
Accrued administration fee		173,362
Accrued trustees fee		19,297
Accrued offering costs		19,167
Accrued S&P Ratings fee		4,079
Accrued Fitch Ratings fee		6,700
Other payables		15,013
<hr/>		
Total Liabilities		2,910,605
<hr/>		

Preferred Stock (unlimited shares authorized):

Auction market preferred shares, Series M7, F7 & W28, including dividends payable on preferred shares (\$25,000 liquidation value per share, no par value, 3,200 shares issued and outstanding for each series)		240,184,536
<hr/>		

Total Preferred Stock		240,184,536
<hr/>		

Net Assets	\$	590,599,750
<hr/>		

Cost of investments	\$	671,619,897
<hr/>		

Composition of Net Assets attributable to Common Shares:

Paid in capital		429,352,814
Accumulated undistributed net investment income		33,719
Accumulated net realized gain on investments		4,438,009
Net unrealized appreciation in value of investments		156,775,208
<hr/>		

Net Assets	\$	590,599,750
<hr/>		

Shares of common stock outstanding of no par value, unlimited shares authorized		22,677,001
<hr/>		

Net asset value per share	\$	26.04
<hr/>		

See Notes to Financial Statements

STATEMENT OF OPERATIONS

For the Year Ended October 31, 2006

Investment Income:

Dividends (Net of foreign withholding taxes of \$865,816)	\$	37,189,870
Interest on investment securities		3,724,386
Other Income		31

Total Income		40,914,287
--------------	--	------------

Expenses:

Investment advisory fee		4,434,255
Administration fee		2,043,613
Trustees fee		94,900
Broker/dealer fees		609,878
S&P Ratings fee		12,001
Fitch Ratings fee		5,001
Auction agent fee		18,002

Total Expenses		7,217,650
----------------	--	-----------

Net Investment Income		33,696,637
-----------------------	--	------------

Net realized gain on:

Investment securities		10,033,233
Options		16,399
Change in net unrealized appreciation/depreciation on investments, options, and translation of assets and liabilities denominated in foreign currencies		90,718,144

Net gain on investments and options		100,767,776
-------------------------------------	--	-------------

Distributions to Preferred Shareholders from Net Investment Income		(11,345,272)
--	--	--------------

Net Increase in Net Assets Attributable to

Common Shares from Operations	\$	123,119,141
-------------------------------	----	-------------

See Notes to Financial Statements

STATEMENT OF CHANGES IN NET ASSETS

	For the Year Ended October 31, 2006	For the Year Ended October 31, 2005
Common Shareholder Operations:		
Net investment income	\$ 33,696,637	\$ 30,956,840
Net realized gain from:		
Investment securities	10,033,233	7,207,628
Options	16,399	
Foreign currency transactions		56,689
Change in net unrealized appreciation/depreciation on investments, options, and translation of assets and liabilities denominated in foreign currencies	90,718,144	60,208,576
Distributions to Preferred Shareholders:		
From net investment income	(10,914,272)	(7,228,407)
From net realized gains	(431,000)	
Net increase in net assets attributable to common shares from operations	123,119,141	91,201,326
Distributions to Common Shareholders:		
From net investment income	(34,128,887)	(27,062,732)
Net decrease in net assets from distributions to common shareholders	(34,128,887)	(27,062,732)
Capital Share Transactions:		
Costs from issuance of preferred shares	(8,631)	
Net decrease in net assets from capital share transactions	(8,631)	
Net increase in Net Assets		
Attributable to Common Shares	88,981,623	64,138,594
Net Assets Attributable to Common Shares:		
Beginning of period	501,618,127	437,479,533
End of period*	\$ 590,599,750	\$ 501,618,127
* Includes undistributed net investment income of: See Notes to Financial Statements	\$ 33,719	\$ 3,590,155

FINANCIAL HIGHLIGHTS

	For the Year Ended 10/31/06	For the Year Ended 10/31/05	For the Period 2/24/04 (inception) to 10/31/04
Per Common Share Operating Performance			
Net asset value beginning of period	\$ 22.12	\$ 19.29	\$ 19.10
Income from investment operations:			
Net investment income	0.99	1.05	0.85
Net realized and unrealized gain on investments	4.94	3.29	0.24
Distributions to preferred shareholders from:			
From net investment income	(0.50)	(0.32)	(0.06)
Total from investment operations	5.43	4.02	1.03
Distributions to common shareholders:			
From net investment income	(1.51)	(1.19)	(0.68)
Total distributions to common shareholders	(1.51)	(1.19)	(0.68)
Capital Share Transactions:			
Common share offering costs charged to paid in capital			(0.04)
Preferred share offering costs and sales load charged to paid in capital			(0.12)
Total capital share transactions			(0.16)
Net asset value per common share end of period	\$ 26.04	\$ 22.12	\$ 19.29
Market price per common share end of period	\$ 22.45	\$ 19.46	\$ 18.00
Total Investment Return Net Asset Value⁽¹⁾:	26.75%	21.63%	4.93%
Total Investment Return Market Price⁽¹⁾:	24.21%	14.67%	(6.50)%
Ratios and Supplemental Data			
Net assets attributable to common shares, end of period (000)	\$ 590,600	\$ 501,618	\$ 437,480
Ratio of expenses to average net assets attributable to common shares ⁽³⁾	1.38%	1.41%	1.64% ⁽²⁾
Ratio of net investment income to average net assets attributable to common shares ⁽³⁾	6.42%	6.21%	6.96% ⁽²⁾
Ratio of expenses to average managed assets ⁽⁴⁾	0.94%	0.95%	1.02% ⁽²⁾
Portfolio turnover rate	43%	55%	63%
Preferred Shares			
Liquidation value, end of period, including dividends on preferred shares (000)	\$ 240,185	\$ 240,171	\$ 240,000 ⁽⁷⁾
Total shares outstanding (000)	9.6	9.6	9.6
Asset coverage per share ⁽⁵⁾	\$ 86,539	\$ 77,270	\$ 70,571
Liquidation preference per share	\$ 25,000	\$ 25,000	\$ 25,000
Average market value per share ⁽⁶⁾	\$ 25,000	\$ 25,000	\$ 25,000

- (1) 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 on net asset value excludes a sales load of \$0.90 per share for the period, effectively reducing the net asset value at issuance from \$20.00 to \$19.10. 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. Total investment returns do not reflect brokerage commissions on the purchase or sale of the Fund's common shares. Total investment returns for less than a full year are not annualized. Past performance is not a guarantee of future results.
- (2) Annualized
- (3) Ratios do not reflect dividend payments to preferred shareholders.
- (4) Average managed assets represent net assets applicable to common shares plus liquidation value of preferred shares.
- (5) Calculated by subtracting the Fund's total liabilities (excluding Preferred Shares) from the Fund's total assets and dividing by the number of preferred shares outstanding.

(6)

Based on weekly prices.