

REAVES UTILITY INCOME FUND

Form N-Q

March 27, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED

MANAGEMENT INVESTMENT COMPANY

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)

Jennifer T. Welsh

Reaves Utility Income Fund

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 - January 31, 2015

Item 1. Schedule of Investments.

REAVES UTILITY INCOME FUND**STATEMENT OF INVESTMENTS**

January 31, 2015 (Unaudited)

	SHARES	VALUE
COMMON STOCKS 120.21%		
Diversified Telecommunication Services 17.10%		
AT&T, Inc. ⁽¹⁾	1,053,900	\$34,694,388
BCE, Inc. ⁽¹⁾⁽²⁾	985,000	45,260,750
BT Group PLC	1,845,000	11,613,194
BT Group PLC - Sponsored ADR	80,000	5,022,400
CenturyLink, Inc.	280,000	10,407,600
TELUS Corp., Canadian Shares	330,000	11,320,296
Verizon Communications, Inc. ⁽¹⁾⁽²⁾	1,056,150	48,276,616
		166,595,244
Electric Utilities 32.41%		
Duke Energy Corp. ⁽¹⁾	589,999	51,412,513
Edison International	75,000	5,111,250
Energy Corp. ⁽¹⁾⁽²⁾	230,000	20,127,300
Exelon Corp.	150,000	5,406,000
Hawaiian Electric Industries, Inc.	25,000	857,500
ITC Holdings Corp. ⁽¹⁾⁽²⁾	1,525,000	64,873,500
NextEra Energy Partners LP	30,000	1,202,700
NextEra Energy, Inc. ⁽¹⁾⁽²⁾	610,000	66,636,400
Northeast Utilities ⁽¹⁾	560,000	31,124,800
Pinnacle West Capital Corp.	139,940	9,820,989
PPL Corp. ⁽¹⁾	750,000	26,625,000
SSE PLC	50,000	1,211,739
The Southern Co. ⁽¹⁾	615,000	31,192,800
		315,602,491
Gas Utilities 2.09%		
National Fuel Gas Co.	55,000	3,488,650
ONE Gas, Inc. ⁽¹⁾⁽²⁾	290,000	12,815,100
South Jersey Industries, Inc.	70,000	4,077,500
		20,381,250
Independent Power and Renewable Electricity Producers 0.54%		
NRG Energy, Inc.	53,000	1,306,980

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NRG Yield, Inc., Class A	47,500	2,511,800
Pattern Energy Group, Inc.	50,000	1,461,000

5,279,780

Media 6.09%

Charter Communications, Inc., Class A ^{*(1)(2)}	148,000	22,365,020
Comcast Corp., Class A	115,000	6,111,675
Liberty Global PLC, Class A*	20,000	934,400
Time Warner Cable, Inc.	220,000	29,948,600

59,359,695

	SHARES	VALUE
Multi-Utilities 34.07%		
Ameren Corp. ⁽¹⁾⁽²⁾	290,000	\$13,131,200
Dominion Resources, Inc. ⁽¹⁾⁽²⁾	610,000	46,902,900
DTE Energy Co. ⁽¹⁾⁽²⁾	730,000	65,451,800
Infraestructura Energetica Nova SAB de CV	575,000	2,730,094
Integrus Energy Group, Inc. ⁽¹⁾	440,000	35,684,000
National Grid PLC	350,000	4,931,679
National Grid PLC - Sponsored ADR ⁽¹⁾⁽²⁾	425,000	29,894,500
NiSource, Inc. ⁽¹⁾	730,000	31,579,800
PG & E Corp.	100,000	5,881,000
SCANA Corp. ⁽¹⁾	800,000	51,016,000
Sempra Energy ⁽¹⁾	290,000	32,456,800
TECO Energy, Inc.	45,000	959,850
Wisconsin Energy Corp. ⁽¹⁾⁽²⁾	200,000	11,154,000
		331,773,623
Oil, Gas & Consumable Fuels 7.96%		
Kinder Morgan, Inc.	200,000	8,210,000
Pioneer Natural Resources Co.	180,000	27,095,400
Royal Dutch Shell PLC, Class A - ADR	188,000	11,552,600
The Williams Cos., Inc. ⁽¹⁾	700,000	30,702,000
		77,560,000
Real Estate Investment Trusts (REITS) 3.37%		
American Tower Corp. ⁽¹⁾	235,000	22,783,250
Annaly Capital Management, Inc.	330,000	3,484,800
Crown Castle International Corp.	75,000	6,488,250
		32,756,300
Road & Rail 6.71%		
Canadian Pacific Railway, Ltd. - ADR	25,000	4,366,750
Union Pacific Corp. ⁽¹⁾⁽²⁾	520,000	60,949,200
		65,315,950
Water Utilities 5.60%		
American Water Works Co., Inc. ⁽¹⁾	880,000	49,403,200
Aqua America, Inc.	190,000	5,139,500
		54,542,700

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Wireless Telecommunication Services 4.27%

T-Mobile US, Inc.* ⁽¹⁾⁽²⁾	530,000	15,995,400
Vodafone Group PLC	1,090,909	3,853,136
Vodafone Group PLC - Sponsored ADR ⁽¹⁾⁽²⁾	619,411	21,759,908
		41,608,444

TOTAL COMMON STOCKS

(Cost \$834,013,869)

1,170,775,477

	SHARES	VALUE
PREFERRED STOCKS 0.43%		
Electric Utilities 0.18%		
Entergy Louisiana Holdings LLC, 6.950%	7,900	\$798,887
Entergy Mississippi, Inc.:		
6.250%	10,000	249,375
4.560%	3,520	333,080
Entergy New Orleans, Inc., 4.360%	4,500	417,516
		1,798,858
Gas Utilities 0.15%		
Union Electric Co., 4.560%	4,738	436,784
Washington Gas Light Co., 4.800%	10,671	1,050,761
		1,487,545
Multi-Utilities 0.10%		
Ameren Illinois Co., 4.250%	10,300	951,463
TOTAL PREFERRED STOCKS		
(Cost \$3,731,687)		4,237,866
LIMITED PARTNERSHIPS 5.00%		
Enbridge Energy Partners LP	150,000	5,904,000
Enterprise Products Partners LP	975,000	33,579,000
MarkWest Energy Partners LP	60,000	3,535,800
Shell Midstream Partners LP	25,000	1,000,500
Talara Opportunities II, LP ⁽³⁾⁽⁴⁾		2,990,536
Williams Partners LP	40,000	1,696,400
TOTAL LIMITED PARTNERSHIPS		
(Cost \$31,122,099)		48,706,236
	BOND RATING	PRINCIPAL
	MOODY/S&P	AMOUNT
		VALUE
CORPORATE BONDS 0.11%		
Diversified Telecommunication Services 0.11%		
Frontier Communications Corp., 7.125%, 01/15/2023	Ba3/BB-	\$1,000,000
		1,042,500
TOTAL CORPORATE BONDS		
(Cost \$1,044,331)		1,042,500
	SHARES	VALUE
MUTUAL FUNDS 0.41%		
Loomis Sayles Institutional High Income Fund	548,386	3,959,347

TOTAL MUTUAL FUNDS

(Cost \$4,000,000)

3,959,347

	SHARES	VALUE
MONEY MARKET FUNDS 3.96%		
Federated Treasury Obligations Money Market Fund, 0.010% (7-Day Yield)	38,544,374	\$ 38,544,374
TOTAL MONEY MARKET FUNDS		
(Cost \$38,544,374)		38,544,374
TOTAL INVESTMENTS - 130.12%		
(Cost \$912,456,360)		\$ 1,267,265,800
LEVERAGE FACILITY - (29.78%)		
		(290,000,000)
OTHER LIABILITIES IN EXCESS OF ASSETS - (0.34%)		
		(3,334,517)
NET ASSETS - 100.00%		
		\$ 973,931,283

*Non Income Producing Security.

(1) Pledged security; a portion or all of the security is pledged as collateral for borrowings as of January 31, 2015. (see Note 3)

(2) Loaned security; a portion or all of the security is on loan at January 31, 2015. (see Note 3)

(3) Restricted security. Investment represents a non-public partnership interest and is not unitized.

(4) Security fair valued by management, pursuant to procedures approved by the Board of Trustees. (See Note 1) Excludes an unfunded commitment of \$1,481,722 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.

Common Abbreviations:

ADR - American Depositary Receipt.

Co. - Company.

Corp. - Corporation.

Inc. - Incorporated.

LLC - Limited Liability Company.

LP - Limited Partnership.

LTD. - Limited.

PLC - Public Limited Company.

SAB de CV - A variable rate company.

See Notes to Quarterly Statement of Investments.

Notes to Quarterly Statement of Investments

January 31, 2015 (Unaudited)

1. SIGNIFICANT ACCOUNTING AND OPERATING POLICIES

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 was previously registered as a non-diversified investment company for purpose of the 1940 Act. As a result of ongoing operations, the Fund became a diversified company. The Fund may not resume operating in a non-diversified manner without first obtaining shareholder approval. 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 diversified investment.

The following is a summary of significant accounting policies followed by the Fund in the preparation of its Statement of Investments. The preparation of the Statement of Investments 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).

For 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 equity securities not traded on an exchange, or if such closing prices are not otherwise available, the mean of the closing bid and asked price will be used. The market price for debt obligations is generally the price supplied by an independent third-party pricing service approved by the Board of Trustees (the Board), which may use a matrix, formula or other objective method that takes into consideration market indices, yield curves and other specific adjustments. Short-term debt obligations that will mature in 60 days or less are valued at amortized cost, unless it is determined that using this method would not reflect an investment's fair value. If vendors 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 brokers-dealers that make a market in the security. Investments in non-exchange traded funds are fair valued at their respective net asset values. 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. Various factors may be reviewed in order to make a good faith determination of a security's fair value. These factors may include, but are not limited to, the type and cost of the security; the fundamental analytical data relating to the investment; an evaluation of the forces which influence the market in which the security is sold, including the liquidity and depth of the market; information as to any transactions or offers with respect to the security; price, yield and the extent of public or private trading in similar securities of the issuer or comparable companies.

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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.

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

Investments in Securities at Value*	Valuation Inputs			Total
	Level 1	Level 2	Level 3	
Common Stocks	\$ 1,170,775,477	\$	\$	\$ 1,170,775,477
Preferred Stocks		4,237,866		4,237,866
Limited Partnerships	45,715,700		2,990,536	48,706,236
Corporate Bonds		1,042,500		1,042,500
Mutual Funds	3,959,347			3,959,347
Money Market Funds	38,544,374			38,544,374
Total	\$ 1,258,994,898	\$ 5,280,366	\$ 2,990,536	\$ 1,267,265,800

* See Statement of Investments for industry classification.

As of January 31, 2015, the Fund applied the cost approach to value its Level 3 securities, with a 15% liquidity discount. The fair valuation procedures used to value the Level 3 investment are in accordance with the Fund's Board approved fair valuation policies.

During the three months ended January 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 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	Balance as of 10/31/2014	Realized gain/(loss)	Change in unrealized	Purchases	Transfer in and/or (out) of Level 3	Balance as of 1/31/2015	Net change in unrealized
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at Value*	appreciation/ (depreciation)				appreciation/ (depreciation) attributable to Level 3 investments held at 1/31/2015		
Limited Partnerships	\$ 2,990,536	\$	\$	\$	\$	\$ 2,990,536	\$
Total	\$ 2,990,536	\$	\$	\$	\$	\$ 2,990,536	\$

* See *Statement of Investments for industry classifications.*

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 reevaluation 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. New York 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.

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.

2. UNREALIZED APPRECIATION / (DEPRECIATION)

As of January 31, 2015, the cost of securities on a tax basis and gross unrealized appreciation/(depreciation) on investments for federal income tax purposes were as follows:

Gross appreciation (excess of value over tax cost)	\$	381,451,856
Gross depreciation (excess of tax cost over value)		(13,419,925)
Net unrealized appreciation		368,031,931
Cost of investments for income tax purposes	\$	899,233,869

3. BORROWINGS

In December 2010, as approved by the Board of Trustees, all Auction Market Preferred Shares (Preferred Shares) were redeemed at their liquidation value plus accrued dividends. Concurrently, 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 is permitted, with 180 days advance notice (the Notice Period), to reduce or call the entire 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.

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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% on the Variable Commitment on October 25, 2013.

For the three months ended January 31, 2015, the average amount borrowed under the Agreement for the Fixed Commitment was \$72,500,000 and \$217,500,000 for the Variable Commitment. The average interest rate on the Variable Commitment was 1.26%. The interest rate applicable to the Variable Commitment on January 31, 2015 was 1.27%. As of January 31, 2015, the amount of outstanding borrowings was \$290,000,000 and the amount of pledged collateral was \$633,804,102.

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*.

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 January 31, 2015, the value of securities on loan was \$248,542,089.

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 three months ended January 31, 2015.

4. RESTRICTED SECURITIES

As of January 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 January 31, 2015 were as follows:

Description	Acquisition Date	Cost	Market Value	
			Market Value	as Percentage of Net Assets

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Talara Opportunities II, LP	8/30/2013	10/30/2014	\$	3,518,278	\$	2,990,536	0.31%
TOTAL			\$	3,518,278	\$	2,990,536	0.31%

Item 2. Controls and Procedures.

- (a) The Registrant's principal executive officer and principal financial officer have evaluated the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act) (17 CFR 270.30a-3(c)) within 90 days of the filing date of this report and have concluded that the Registrant's disclosure controls and procedures were effective as of that date.

- (b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the Registrant's last fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 3. Exhibits.

Separate certifications for the Registrant's principal executive officer and principal financial officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and Rule 30a-2(a) under the 1940 Act, are attached as Exhibit 99.Cert.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REAVES UTILITY INCOME FUND

By: /s/ Jeremy O. May
Jeremy O. May
President (principal executive officer)

Date: March 27, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Jeremy O. May
Jeremy O. May
President (principal executive officer)

Date: March 27, 2015

By: /s/ Jill A. Kerschen
Jill A. Kerschen
Treasurer (principal financial officer)

Date: March 27, 2015