

**Item 1 – Cover Page**

**Studness Research Utility Equity Investment Program**

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### **Item 3 -- Table of Contents**

|                   | <u>Page</u> |
|-------------------|-------------|
| Item 4 . . . . .  | 3           |
| Item 5 . . . . .  | 3           |
| Item 6 . . . . .  | 3           |
| Item 7 . . . . .  | 3           |
| Item 8 . . . . .  | 4           |
| Item 9 . . . . .  | 5           |
| Item 10 . . . . . | 5           |
| Item 11 . . . . . | 5           |
| Item 12 . . . . . | 5           |
| Item 13 . . . . . | 5           |
| Item 14 . . . . . | 5           |
| Item 15 . . . . . | 5           |
| Item 16 . . . . . | 6           |
| Item 17 . . . . . | 6           |
| Item 18 . . . . . | 6           |

#### **Item 4 – Advisory Business**

Studness Research was formed in 1979 and is principally engaged in original fundamental research on electric utilities. It has managed accounts invested in electric utility stocks since 1991.

#### **Item 5 – Fees and Compensation**

Studness Research participates in the wrap program of RBC Wealth Management, its prime broker. The basic fee is one percent (1%) per annum and is paid in quarterly installments (1/4%).

All accounts are segregated, and trades are executed through a prime broker, RBC Wealth Management.

#### **Item 6 – Performance-Based Fees**

Studness Research does not charge a performance-based fee.

#### **Item 7 – Types of Clients and Account Requirements**

The investment clients of Studness Research are individuals and their pension funds.

## **Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss**

Electric utility stocks have unique investment attributes that set them apart from other stocks, and Studness Research has special expertise that enables it to take advantage of the opportunities utility stocks offer.

Electric utility stocks offer yields that are far above those of most stocks and long-term investor returns that rival those of the S&P 500.

Utility stocks have the added advantage of very low long-term risks, which stem from regulation and the essential nature of the infrastructure services utilities provide. The economic health of a utility's service territory depends on reliable electric service, which requires a financially viable electric company. Accordingly, regulators avoid taking action that will compromise the financial integrity of utility for any length of time.

Utilities, on the other hand, are subject to short-term financial disturbances that create excellent recurring investment opportunities. Economic shocks periodically cause spikes in the cost of producing electricity, and regulators invariably respond to them by trying to shield customers from the impact at the expense of the utility. This causes the stock price to decline as investors focus on the short-term distress instead of long-term prospects.

Regulators in due course are forced to come to terms with the economic shock to prevent the utility's financial condition from deteriorating to the point where the local economy is adversely affected. The utility's financial health is restored, and its stock price recovers accordingly. The object for an investor is to buy the utility stock after all of the events causing the distress have occurred, but before the regulatory has provided for recovery.

Studness Research has the experience, training and financial expertise to take full advantage of the opportunities offered by utility stocks. Its highly-trained staff has over 30 years of experience with the electric industry and has taught economics and finance at the graduate level. It has cultivated key relationships with utility managements over the course of these 30 years. It has amassed a huge database on 45 regulated utilities, which it analyzes with proprietary computer models. It makes detailed financial forecasts for each of the 45 utilities for the forthcoming seven years.

The forecasts and an analysis of financial market conditions serve as the basis for constructing investment portfolios of utility stocks for the Studness Research Utility Investment program.

## **Item 9 – Disciplinary Information**

Studness Research has not been subject to any disciplinary proceedings.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Studness Research sells its fundamental research on the electric utility industry to major investment institutions. Studness Research has no affiliations.

## **Item 11 – Code of Ethics, Interest in Client Transactions and Personal Trading**

Studness Research's proprietary investments are long-term holdings. The holding periods are generally of more than one-year duration. Studness Research does not buy or sell a security until after the positions of its clients have been established.

## **Item 12 – Brokerage Practices**

All trades are executed through the prime broker, RBC Wealth Management.

## **Item 13 – Review of Accounts**

All accounts are reviewed after the close of trading on each business day. Each client receives a monthly statement of activity and positions in its account from the prime broker. Studness Research writes a quarterly letter for clients that discusses recent developments and the investment outlook for the utilities.

## **Item 14 – Client Referrals and Other Compensation**

Studness Research has a client referral relationship with RBC Wealth Management.

## **Item 15 – Custody**

All cash and securities reside at the prime broker, RBC Wealth Management.

### **Item 16 – Investment Discretion**

Studness Research has full discretion for the investment of the funds in its advisory accounts.

### **Item 17 – Voting Client Securities**

Studness Research has authority to vote the proxies of the securities held in its advisory accounts.

### **Item 18 – Financial Information**

The returns for the period since 1991 have been audited by the firm of Samuel Herzog, CPA.