Miller/Howard INVESTMENTS

Dividend Growth: The Underappreciated Tailwind

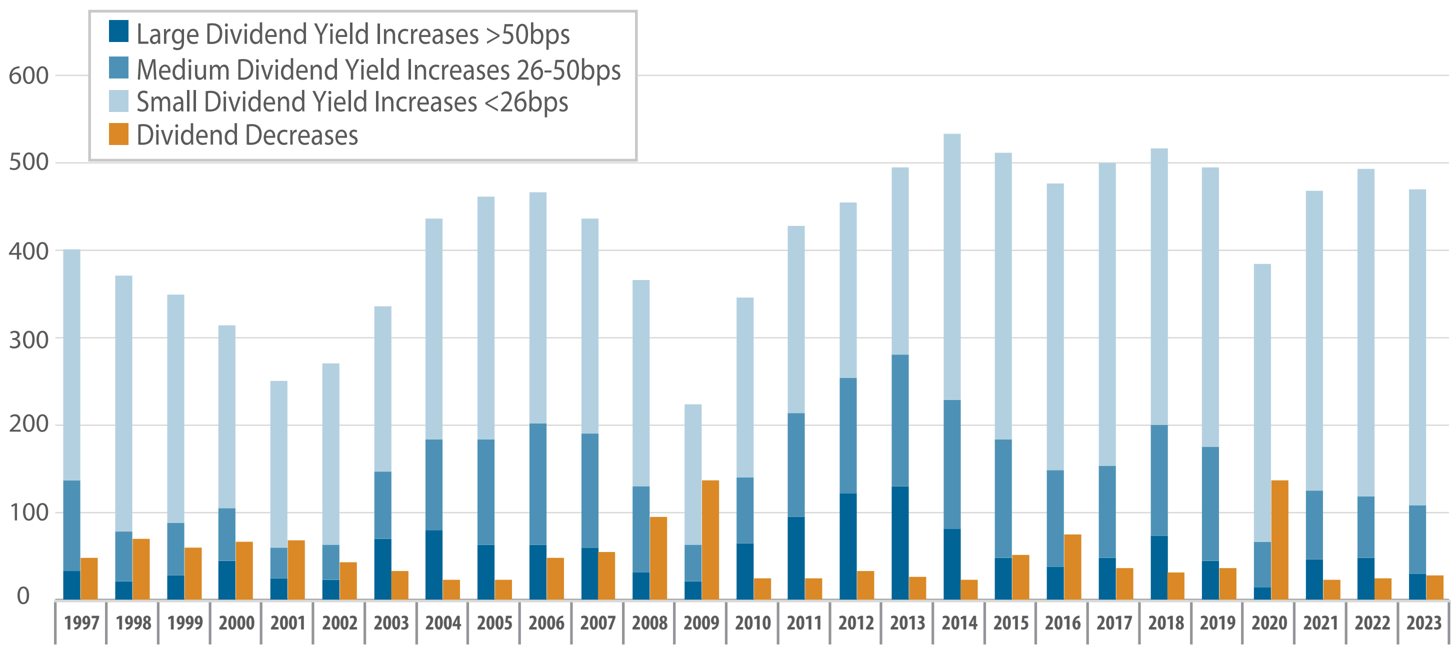
DECEMBER 31, 2023

IN SOME WAYS 2023 WAS A TRULY UNIQUE year—war, social discord, and gyrating financial markets. But from the standpoint of dividend increases, the year was a yawner. Just like in virtually every other year, roughly half of the companies in the Russell 1000 Index raised their dividend. Among 2022 dividend payers, almost three-quarters announced dividend increases in 2023. For those looking to build wealth without drama, dividend increases provide an unappreciated tailwind, gradually driving income higher over time.

Higher interest rates have magnified the importance of dividend increases for investors. For the decade prior to the current Fed tightening cycle beginning in 2022, it was relatively easy to construct an equity portfolio with an initial dividend yield above the interest rate on 10-year Treasury bonds. Now that interest rates are higher, buy-and-hold equity investors must rely on dividend increases to ensure that portfolio income overtakes what they could have earned on a bond portfolio.

Dividend Growth—The Underappreciated Tailwind

Russell 1000 Index Calendar Year Dividend Changes

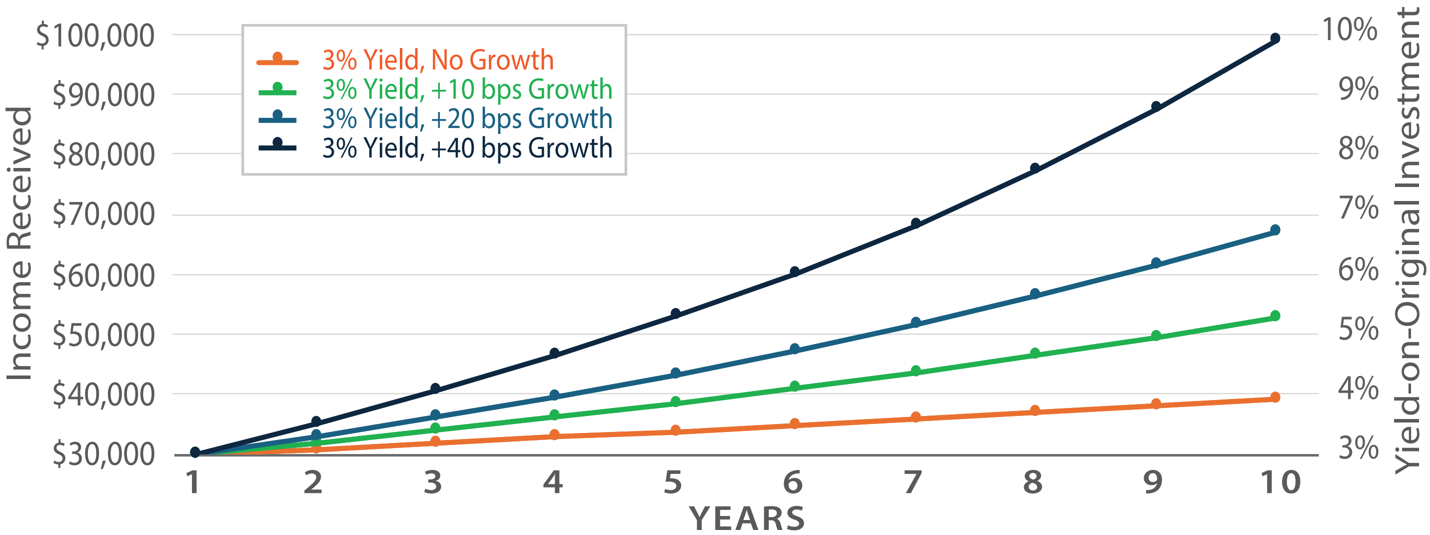


As of December 31, 2023. Sources: Refinitiv; Miller/Howard Research & Analysis. Analysis based on Russell 1000 Index dividend payers, defined as stocks in the Russell 1000 as of the prior year-end that paid a dividend in the 4th quarter of that prior year. To calculate dividend action in basis points, we subtracted the prior-year 4th quarter dividend from the current-year 4th quarter, and then multiplied by 4 to annualize. The result was divided by the stock price at the prior year-end and then multiplied by 10,000 to convert to basis-points (bps). (Semi-annual payers were adjusted accordingly. Specials were excluded from our calculations.)

The investment strategies described herein are those of Miller/Howard Investments. These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these Miller/Howard Investments materials are preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your Financial Advisor.

INVESTMENT PRODUCTS: ARE NOT FDIC INSURED • MAY LOSE VALUE • ARE NOT BANK GUARANTEED

The Power of Compounding Growth
Dividends Received Over Time with Dividend Reinvestment*



Source: Miller/Howard Research & Analysis. * Hypothetical $1 million initial investment with a 3.0% yield, at various basis points (bps) growth rates.

Naturally, not all dividend increases are equal. Portfolios with larger dividend increases will grow their income faster.

But how should we measure the size of a dividend increase?

Percentage increases are commonly used, but that can be very misleading, particularly for expensive stocks. Nvidia (not held) pays a dividend of $0.04 per quarter. If Nvidia doubled its dividend, its dividend yield would rise from 0.03% to 0.06%—a trivial increase. We prefer using bond conventions to describe increases. A dividend going from 0.03% to 0.06% is a 3 basis point increase, which is indeed small. In 2023, the median dividend change in the Russell 1000 was 11 basis points. If an investor managed to avoid dividend cutters and those companies holding the dividend flat (no easy feat!), the median dividend increase would rise to 16 basis points. On a million dollar portfolio, a 16-basis-point hike generates a $1,600 increase in income. At Miller/Howard, our income growth goals are higher.

Fortunately, every year there are dividend increases that are much larger than 16 basis points. We define increases as “large” (exceeding 50 basis points), “medium” (between 26-50 basis points), and “small” (less than 26 basis points). Every year, there are medium and large increases, and those sizeable increases provide a strong tailwind to overall portfolio income.

To demonstrate the power of dividend increases, let’s start with a portfolio that has a 3% yield and no increases. If dividends are reinvested, the portfolio will yield 3.9% on the original investment after 10 years. (Note, the result would be same for a bond portfolio with a 3% yield.) If dividends increase by a measly 10 basis points per year, by the tenth year, with reinvested dividends, portfolio income would be 5.3% of the original investment. With 20 basis points of dividend increases, the yield on original investment would be 6.7%, more than double the beginning yield. A portfolio with 40 basis points of annual dividend increases would see annual income rise to 9.9% of the original investment, more than tripling the beginning yield.

Annual dividend increases can compound up to substantially higher income, but that requires successfully tilting a portfolio towards larger dividend increases and, importantly, *avoiding dividend cuts*. Most cuts are to zero, meaning full elimination of the dividend. Every year offers opportunities for both significant dividend increases and income-destroying cuts, so what stock characteristics give us the best chance to grow dividends and stay clear of cuts?

What Characteristics Best Forecast Good Dividend Growth?

To answer this question, we have compiled the dividend paying behavior of Russell 1000 Index stocks going back to 1997. Every year, typically 600-700 of the companies paid a dividend in the previous year.

What best predicts the chance of those companies either increasing or cutting their dividend?

- ***Higher free cash flow (FCF) yields historically have been associated with a greater likelihood of dividend increases and a lower chance of cuts. Moreover, companies with higher FCF yields have tended to announce larger dividend increases.***

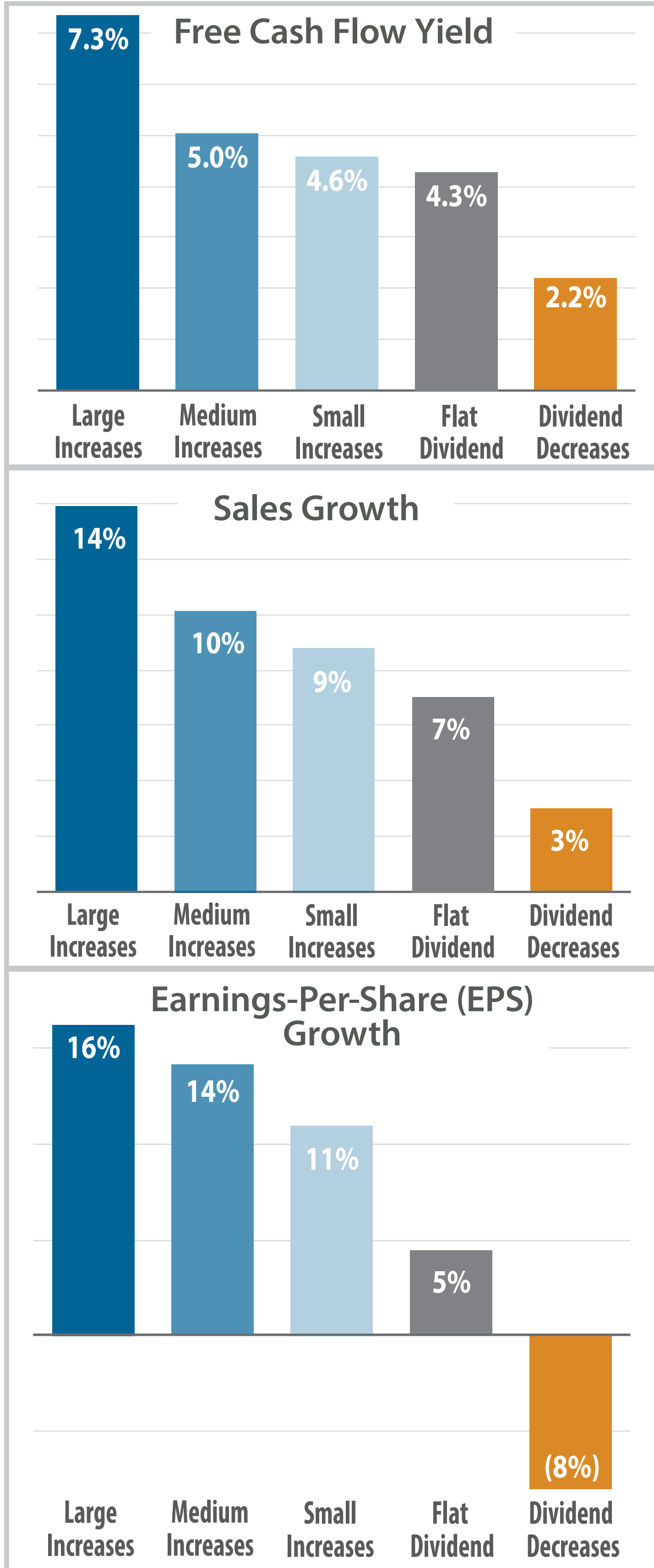
Free cash flow is the amount of cash flow a company generates after capital spending. Dividends require cash, so it is no surprise that it is linked to good dividend behavior. FCF yield is defined as free cash flow per dollar of market capitalization. It's a valuation metric, as a high FCF yield means that investors are getting more free cash flow per dollar invested.

- ***Higher sales and earnings-per-share growth historically have led to larger dividend increases and a lower chance of dividend cuts.***

These results simply say that, based on historical trends, buying healthy, growing businesses at reasonable prices is the best route to seeing meaningful dividend increases in your portfolio.

At Miller/Howard, we combine fundamental research with quantitative analysis that focuses on the same themes of free cash flow, revenue growth, and EPS growth—but from a forecasting perspective. Will high free cash flow continue? Will revenue and EPS grow in the coming years? The details vary by firm and industry, but our focus remains on finding healthy, growing companies.

Forecasting Dividend Growth Historically (1997-2023)



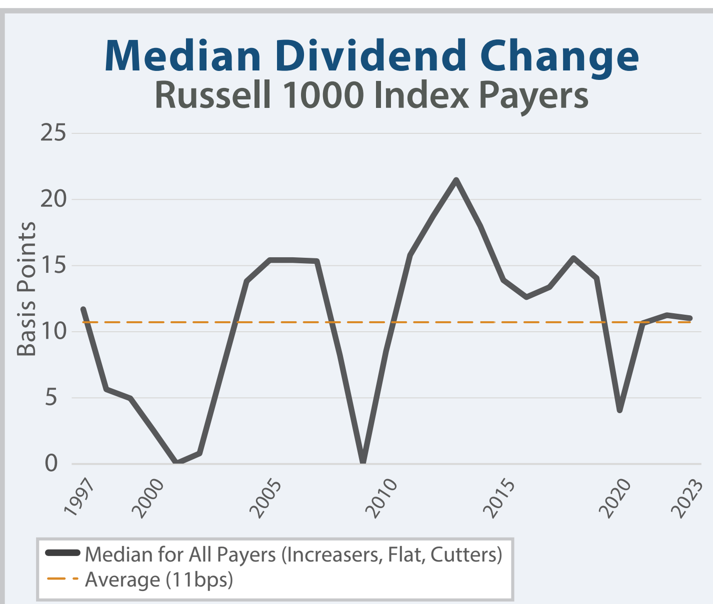
As of December 31, 2023. Sources: Bloomberg; Refinitiv; Miller/Howard Research & Analysis. Free cash flow yield excludes financials, real estate & utilities. Sales growth and earnings-per-share (EPS) growth have been winsorized +/- 100%. See methodology on page 1.

Clients sometimes push back on conclusions based on averages over multiple decades, asking whether the highlighted factors still work in the current market. Looking back, the patterns for 1997-2023 largely held for 2023, albeit with a bit of noise. Companies announcing large dividend increases in 2023 entered the year with the best free cash flow yield, the best sales growth, and the second-best EPS growth. Medium dividend increasers had the second-best FCF yield and sales growth, and the best EPS growth.

The remainder of the results were largely in line, but with a few wrinkles. Small dividend increasers entered the year with better sales and EPS growth than those companies that held dividends flat. Free cash flow yield for small increasers was slightly below those holding the dividend flat, contrary to long-term experience.

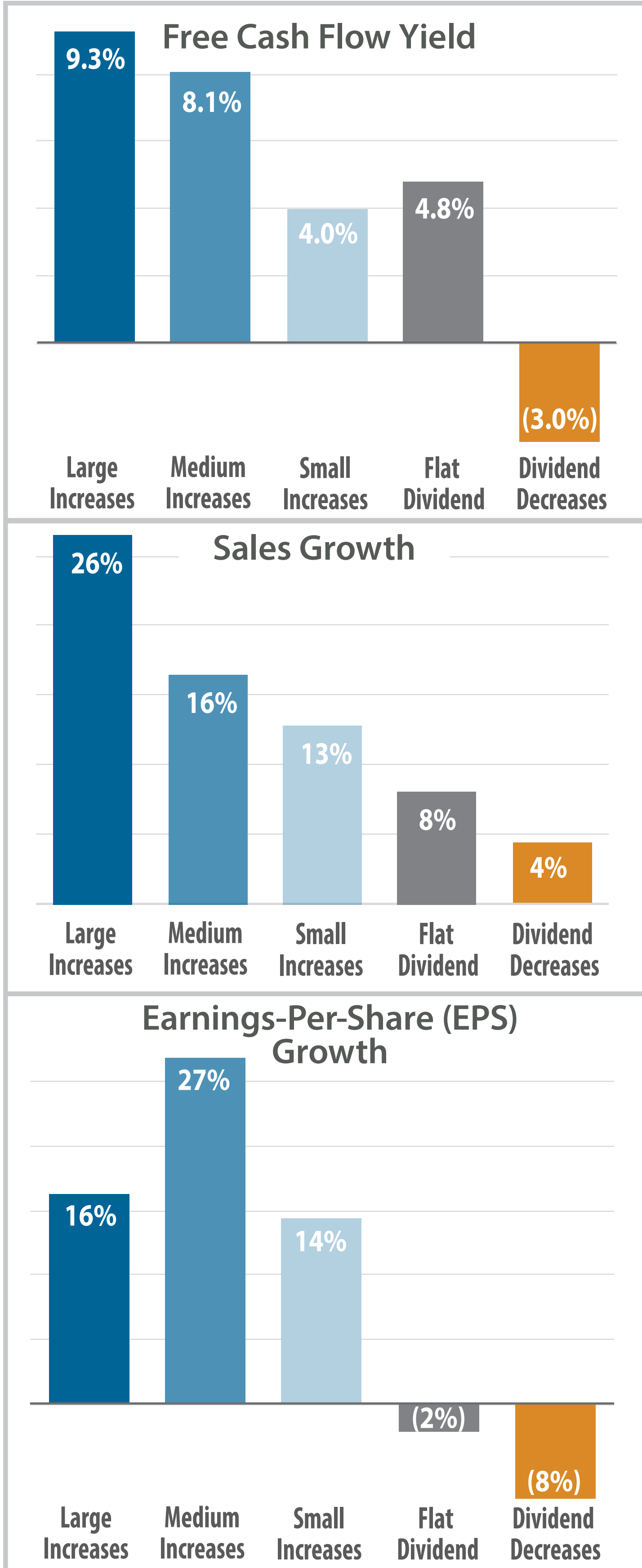
There were 29 dividend cutters in the Russell 1000 in 2023. Those companies entered 2023, on average, with negative free cash flow (worse than companies that raised or held dividends flat), consistent with our long-term conclusions. Dividend cutters entered the year with lower sales and EPS growth than those companies that raised dividends, again consistent with the long-term results.

Overall, 2023 was a typical year for dividend increases, both in frequency and the fact that the median dividend change for the Russell 1000 was only 11 basis points, well below the level in all Miller/Howard strategies.



As of December 31, 2023.
Sources: Bloomberg; Refinitiv; Miller/Howard Research & Analysis.

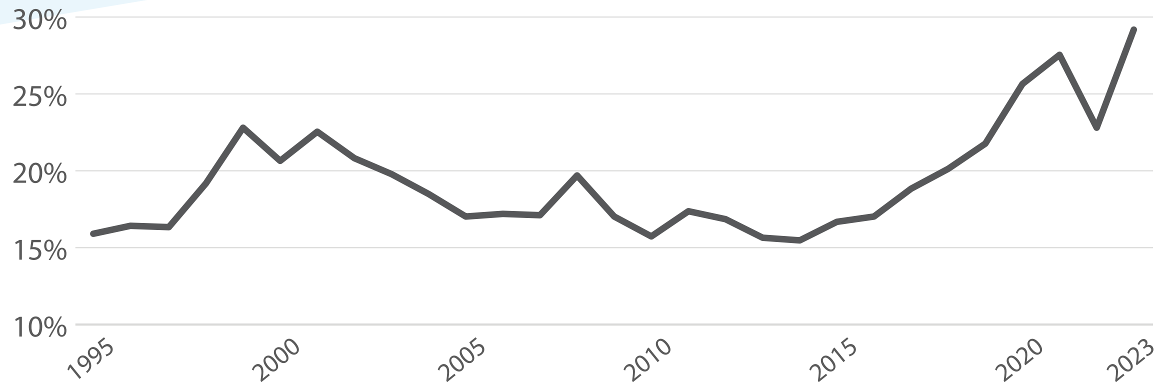
Forecasting Dividend Growth: 2023



As of December 31, 2023.
Sources: Refinitiv; Miller/Howard Research & Analysis. Free cash flow yield excludes financials, real estate & utilities. Sales growth and earnings-per-share (EPS) growth have been winsorized +/- 100%. See methodology on page 1.

Unusually High Concentration Risk in the Market

Weight of the Russell 1000 Index Top 10 Holdings



As of December 31, 2023. Source: Bloomberg. Note: We ran two screens for members of the Russell 1000 Index by calendar year end date. Members were ranked by market capitalization where 1 was the highest. The first screen was limited to the top 10 by market cap. The second screen was all other members. The total market cap of each selection period was used to calculate top ten percent totals. Stocks with multiple classes (e.g., Alphabet) were combined so as to include their market captilization once in the total sum.

Dividend increases were in line with historical norms in 2023, but the total performance of dividend-paying stocks lagged the market significantly. We have shown in the past that high-yield-dividend stocks, defined as deciles 7-9 of dividend yields, have usually outperformed the broad market over long holding periods. (See for example, Miller/Howard 1Q 2022 Quarterly Report.) In 2023, however, the broad market outperformed high-yield-dividend stocks significantly.

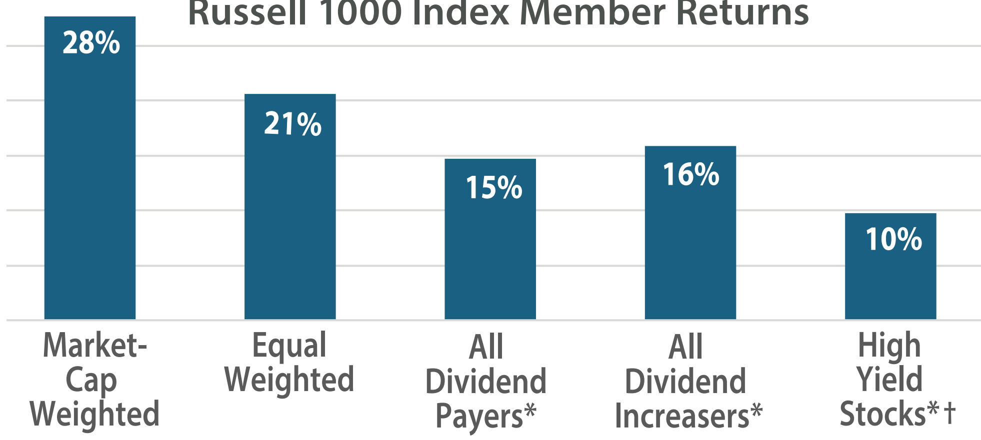
Performance was highly concentrated in 2023, with the Russell 1000 total return largely driven by seven stocks linked to artificial intelligence: Microsoft, Apple, Nvidia, Amazon, Meta, Tesla, and Alphabet.‡ These large-cap tech stocks dominated the Russell 1000 to such an extent that the (normal) market-cap weighted version of the index had a significantly higher total return than the equal-weighted version of the Russell 1000. Same stocks, just different weights.

The combined weight of the top 10 stocks in the Russell 1000 is now over 29%, the highest in decades. This list of stocks is dominated by tech stocks with high price-to-earnings multiples and small or no dividends. Success or failure with these highflyers depends on the companies hitting aggressive financial forecasts for decades to come.

Dividend paying stocks trailed the broad market with high-yield-dividend stocks lagging lower-yielding peers. Higher interest rates may have been a headwind for bond proxy stocks—those with high yields but little or no dividend growth. Dividend growers had roughly the same total return as all dividend payers, a result that is contrary to the long-term superior returns of dividend growers.

2023 Market Performance Driven by Mega Caps

Russell 1000 Index Member Returns



As of December 31, 2023. Sources: Bloomberg; Refinitiv; Miller/Howard Research & Analysis. * Equal weighted. †Deciles 7 through 9. Russell 1000 Index members and weights were determined using market capitalization at December 31, 2022. All Dividend Payers: those stocks that paid a dividend as of the fourth quarter of 2022 (adjusted for annual & semi-annual payers). All Dividend Increasers: See the methodology outlined in the foonote for the chart on page 1. High Yield Stocks: We calculated the indicated yield using the 2022 dividend calculated for "All Dividend Increasers" as the numerator and the last price as of December 31, 2022 as the denominator. The resulting yields were then deciled where 10 was the highest yields and 1 the lowest.

‡As of December 31, 2023, Tesla was held in a Miller/Howard portfolio that is not yet available to investors. The rest of these companies were not held.

Do Dividend Increasers Outperform?

Among dividend-paying stocks, it seems intuitive that dividend increasers would have better total returns, and indeed, historcially that is true. Looking back to 1997, the average total return for companies announcing large dividend increases was highest, followed by companies announcing medium dividend increases, and followed by companies announcing small dividend increases. Companies holding their dividend flat underperformed dividend increasers. Bringing up the rear, dividend cutters had the lowest average total return.

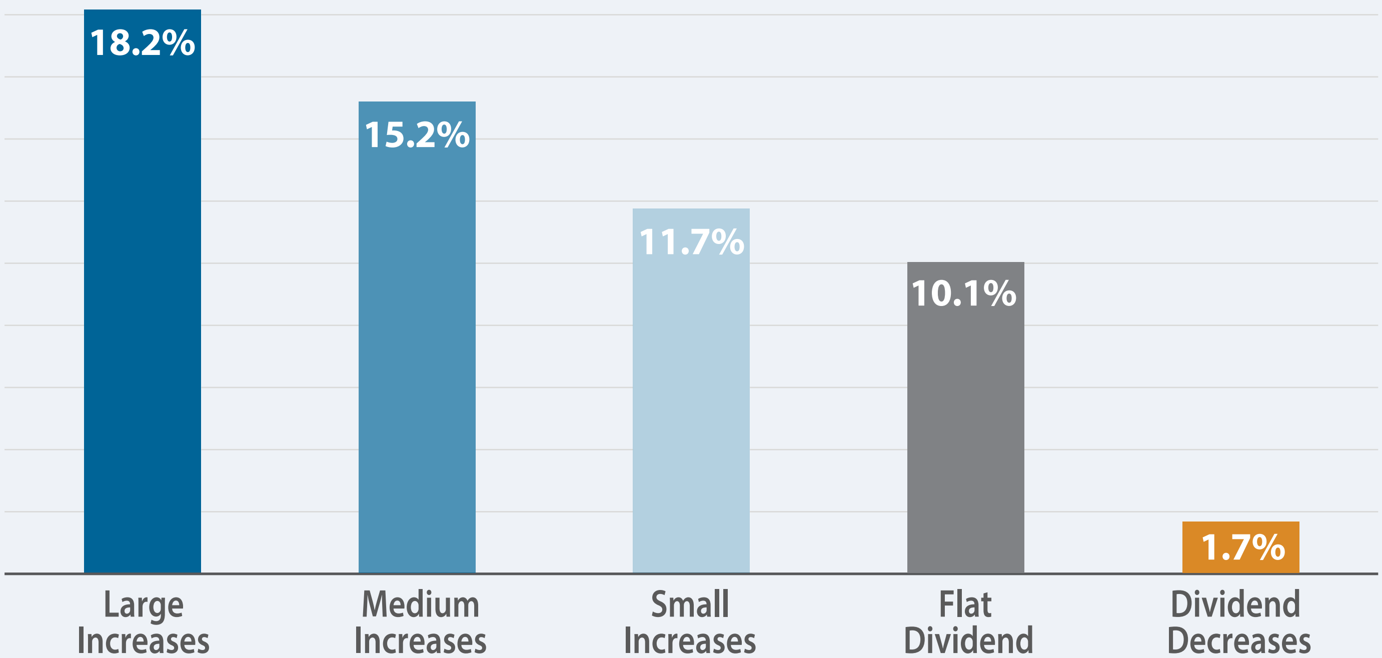
These are "same year" results, meaning that companies that announce dividend increases during the year also tend to have better total returns. Bigger dividend increases are associated with even better total returns.

Studies of dividend cutters frequently conclude that they underperform in the quarters leading up to the dividend cut. Our results are consistent—companies that cut their dividend in a particular year also tend to underperform significantly in that same year.

Healthy, growing companies, as characterized by good free cash flow yield, revenue growth and earnings per share growth, are more likely to raise dividends and outperform other dividend payers. Showing that companies announcing big dividend increases also tend to have higher returns in the same year is logically the same as saying a football team that scores a lot of touchdowns in a game also tends to win that game. Not particularly insightful. But what if analyzing dividend behavior raised our odds of predicting total returns in the next year?

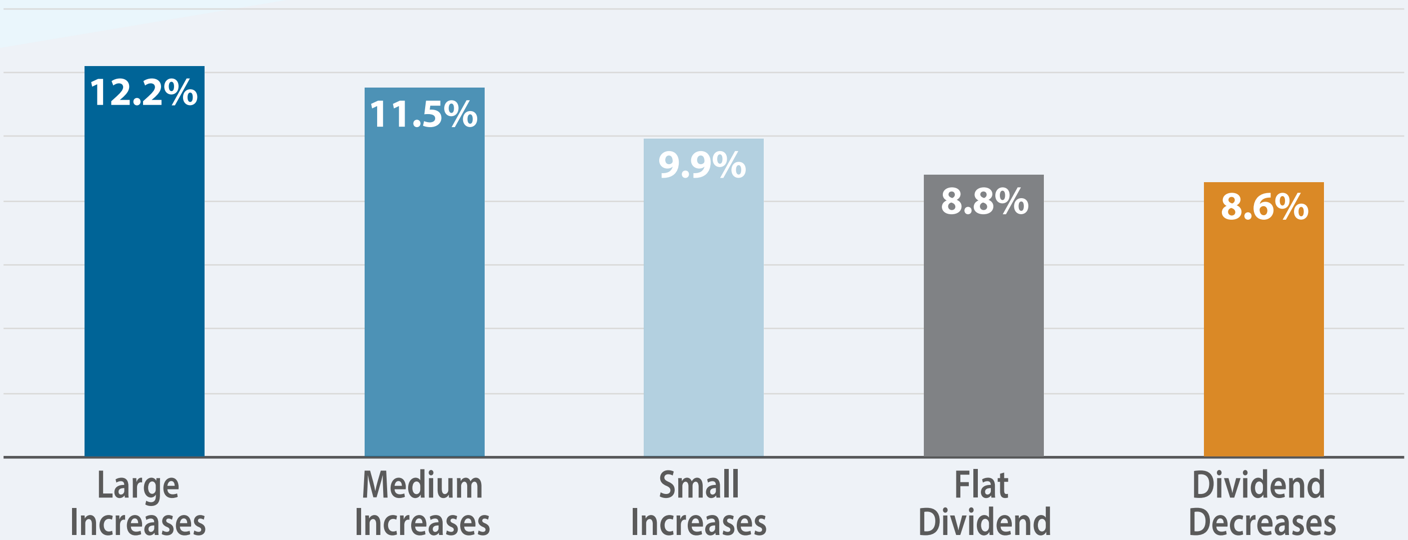
Larger Dividend Increases Correlate with Better Same-Year Returns

Total Returns by Dividend Action (1997-2023)



As of December 31, 2023. Sources: Refinitiv; Miller/Howard Research & Analysis. We looked at the average calendar year total return for Russell 1000 Index dividend payers based on dividend action profile taken that year (Large, Medium, Small, Flat, Decrease). We then calculated a compound annual growth rate (CAGR) for each profile. See methodology on page 1.

Bigger Dividend Increases, Better Next-Year Returns
(1998-2023 Annualized)



As of December 31, 2023. Sources: Refinitiv; Miller/Howard Research & Analysis. We looked at the average following calendar year total return for Russell 1000 Index dividend payers based on dividend action profile taken the prior year (Large, Medium, Small, Flat, Decrease). We then calculated a compound annual growth rate (CAGR) for each profile. See methodology on page 1.

Do Larger Dividend Increases Forecast Better Total Returns?

Companies entering a year having announced a large dividend increase in the *previous* year do indeed have the highest total return in the *following* year relative to other dividend paying stocks. Medium increasers in the prior year have the second highest average return in the following year. Companies that raise their dividend by any amount in the previous year tend to outperform companies that held their dividend flat or cut it in the previous year.

Note that average returns for companies holding their dividend flat in the previous year are roughly the same as companies that cut the dividend in the trailing year. This is consistent with the idea that the performance penalty for cutters usually anticipates the actual announcement. Whether that is true or not, the historical results suggest that it is just best to stay away from companies that are either likely to cut or have recently cut their dividend.

We have shown that healthy, growing companies (characterized by high free cash flow yields and good revenue and earnings per share growth) are more likely to announce dividend increases, and are more likely to announce larger increases. In turn, bigger dividend increases are associated with better performance in the same year and in the following year.

At Miller/Howard, our interpretation of these results is that a dividend increase is a signal from management that the future looks bright. It's not just happy talk, but an actual increase in cash payments to shareholders. The fact that larger dividend increases lead, on average, to higher performance strengthens the argument for using dividend increases as a signal.

Miller/Howard portfolio managers are always on the lookout for companies that may raise their dividends. But these results show why sometimes we opt to buy stocks following a large dividend increase. The historical evidence is clear: Dividend increases are likely followed by subsequent hikes (see the Miller/Howard 3Q 2022 Quarterly Report). And as we have shown here, dividend increases tend to lead to subsequent higher total returns on average, with larger dividend increases signaling the best opportunities.

WHAT HAPPENED IN 2022 – 2023?

POETS EXTOL THE JOURNEY, TELLING US not to worry so much about the destination. Hardnosed investors beg to differ, focusing not on the path, but total investment returns. But the investment journey does end up affecting total returns because volatility creates a drag on investment returns. For example, a portfolio that drops by half one year needs to *double* the next year just to get back to *breakeven*. While equity volatility is impossible to avoid completely, a smoother ride can help lead to a better destination.

Markets have gone on a volatile journey over the past two years. Growth stocks performed horribly in 2022, when the Federal Reserve ratcheted up interest rates, only to rebound strongly in 2023 as it became clear that the Fed's tightening cycle was coming to an end. The swings in value stocks were much more muted, with the Russell 1000 Value Index trading down 7.6% in 2022, and then up 11.5% in 2023. Remarkably, growth and value stocks had similar total returns over the two-year period, with value nosing out growth by only 2.0%.

Miller/Howard's Income-Equity Strategies are not traditional value strategies, but by definition, stocks with high price/earnings multiples cannot meet our requirement of a high dividend yield combined with strong earnings coverage for the dividend. As a result of requiring high- and well-covered dividends, our Income-Equity Strategies tend to overlap with value stocks, but our holdings offer higher income and more of a quality tilt than those found in many value strategies. In our view, the reliable income generated by our Income-Equity Strategies reduces the volatility in total returns because investors are getting paid to hold.

The Income-Equity Strategies (both with and without MLPs) posted positive absolute returns in 2023. While these total returns trailed both the Russell 1000 Value and Growth Indices in 2023, the strategies outperformed both indices for the two-year period, demonstrating the benefit of grinding ahead with less volatility.

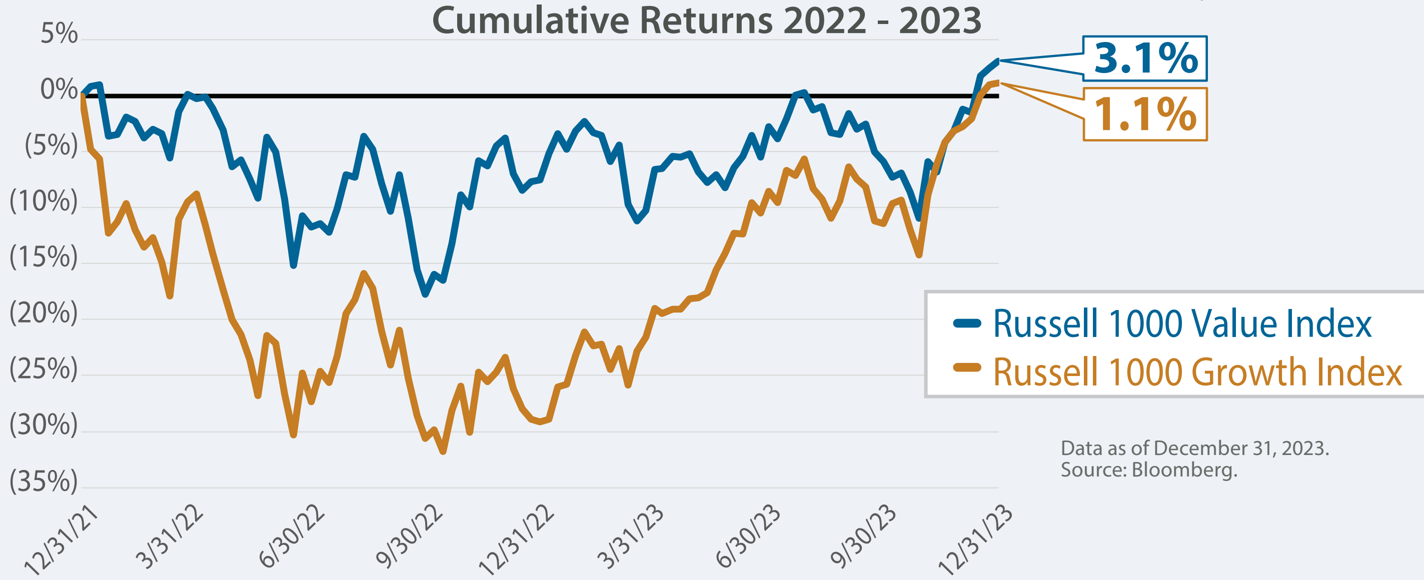
Looking Ahead

Inflation continued to moderate during the quarter, raising the odds that the Fed may actually be able to engineer a soft landing. Markets reacted particularly well to signals from the Fed that interest rate cuts are likely in 2024. The situation remains murky, however, as many traditional signs of trouble continue to flash red, including an inverted yield curve, tightening bank lending standards, and a tepid outlook from purchasing managers. In our Income-Equity Strategies, we remain focused on building "all weather" portfolios by focusing on high dividend yield companies with stable businesses, low leverage, and strong free cash flow.

In 2023, companies in our Income-Equity Strategies announced dividend increases at a higher rate than the broad market. Historically, a high percentage of

Value Stocks Grinding Ahead—with Less Volatility

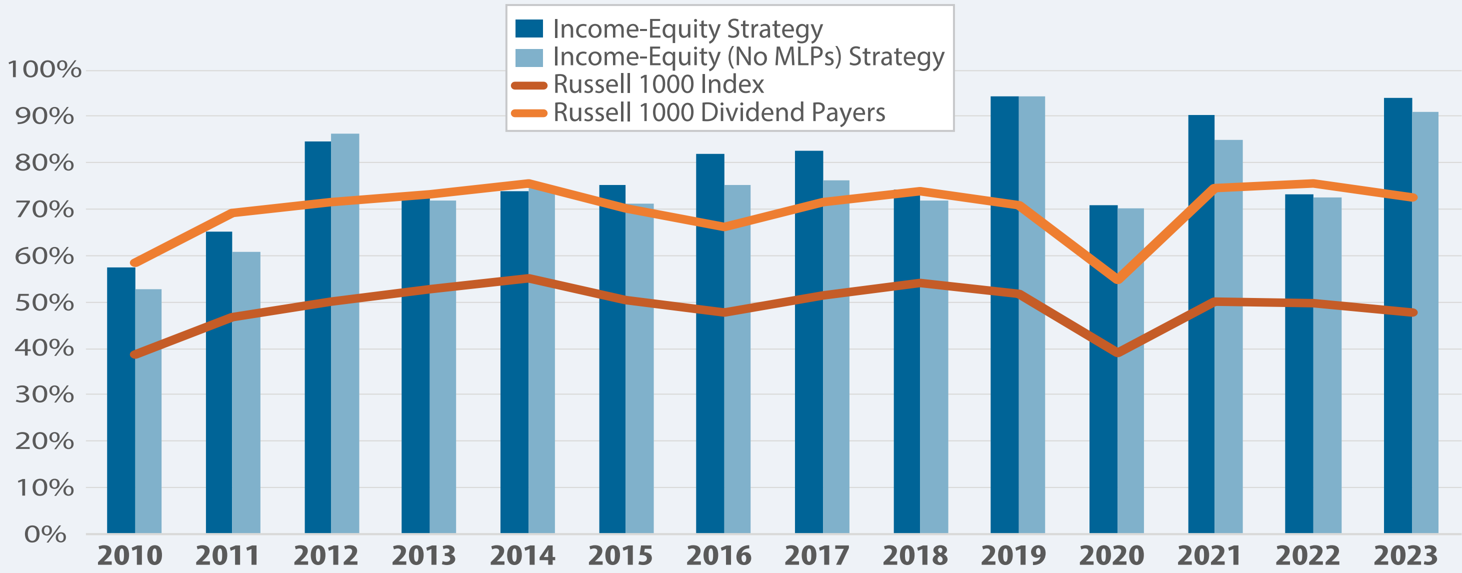
Cumulative Returns 2022 - 2023



Data as of December 31, 2023.
Source: Bloomberg.

Income-Equity Strategy Dividend Increases Outpace the Market

Percent of Holdings with a Dividend Increase



As of December 31, 2023. Sources: Refinitiv; Miller/Howard Research & Analysis. For our Income-Equity Strategies (with and without MLPs), to calculate "Percent Holdings that Declared a Dividend Increase": For the numerator, we count the number of holdings that declared an increase (while we held) during the period. For the denominator, we calculate an average number of holdings using our holdings count as of each quarter-end for the period. Holdings that declare two or more dividend increases are only counted once. For the Russell 1000 Index, we considered all members of the index as of the prior year-end date. We defined increasers as those with a 4th quarter dividend higher than the previous year's 4th quarter dividend. Decreasers had a 4th quarter dividend lower than the prior year's 4th quarter dividend. Semi-annual payers were included but analyzed using full year dividends. Specials were excluded from our calculations. We define Russell 1000 Index dividend payers to be those companies that paid a dividend in the prior 4th quarter. Semi-annual payers were included if a dividend was paid in the second half of the prior year.

Income-Equity stocks have raised their dividends in each calendar year. We expect dividend increases to continue because we do our best to choose companies that have earnings well in excess of their dividend, and most importantly, have strong prospects for sales and earnings growth. For buy-and-hold investors, dividend increases can be an important contributor to both investment returns and income growth.

Portfolio Highlights

- **Q4 dividend increases:** Income-Equity (No MLPs) had seven dividend increases in the quarter, including **MSC Industrial Direct (MSM), AbbVie (ABBV), EOG Resources (EOG), Merck (MRK), Royal Bank of Canada (RY), Broadcom (AVGO),** and **Mid-America Apartment Communities (MAA)**. Income-Equity had the same seven plus an eighth increaser, **MLPX LP (MLPX)**.
- **2023 dividend increases:** During 2023, 91% of the holdings in Income-Equity (No MLPs) announced dividend increases. In the with-MLP version of Income-Equity, 94% of the holdings announced dividend increases. The median dividend increase was 21 basis points for both versions of Income-Equity, almost double the median for the Russell 1000 Index.
- **Exited positions:** We sold **Portland General Electric (POR)** over concerns that they would need to raise equity to support their capital spending plans. We exited our position in **Conagra (CAG)** because unit sales are declining in the face of tougher competition from store brands. We also sold **Huntsman (HUN)** as free cash flow dropped significantly, no longer covering the dividend.
- **New buys:** We initiated a position in **Medtronic (MDT)** based on its highly diversified medical device sales portfolio, its strong balance sheet, earnings consistency, and attractive valuation. We bought **OGE Energy (OGE)**, a regulated utility with a good dividend yield and no foreseeable needs to sell equity. We entered a new position in **Bank of America (BAC)** because we viewed the valuation as attractive relative to its prospects for earnings and dividend growth. Finally, we added **Host Hotels & Resorts (HST)** due to its depressed valuation which we view as contrary to Host's improving financials. Our confidence in Host was bolstered by a healthy dividend increase just prior to our purchase.

MLP Strategy

QUARTERLY REPORT 4Q 2023

MIDSTREAM ENERGY HAD ANOTHER positive year—registering its third consecutive year of double-digit total returns.

The midstream industry's fundamentals are healthy, in our view. Leverage continues to decline, and shareholders are being rewarded through the combination of higher distributions and share buybacks. In addition, strong free cash flow yields support current distributions and the potential for distribution increases. Despite three years of healthy midstream stock performance, we continue to view valuations as compelling.

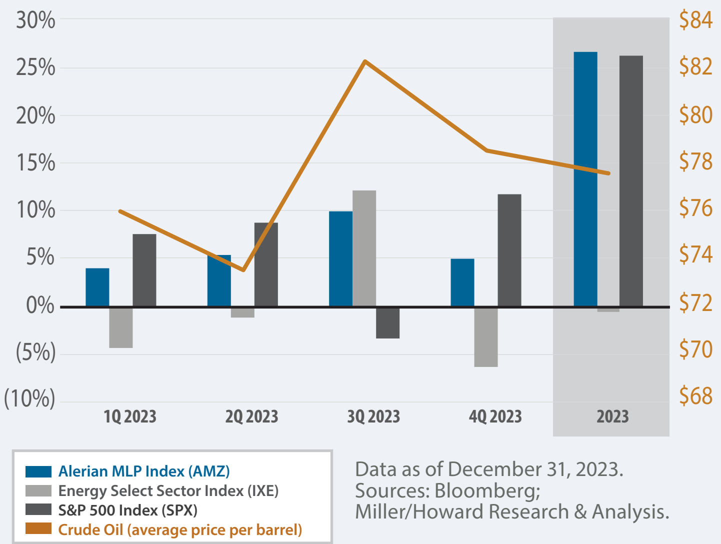
Generally, the companies we own in the MLP Strategy have limited direct commodity price exposure, giving investment returns the ability to grind higher even when falling oil and gas prices depress the broader energy sector.

Midstream companies do have indirect commodity price exposure, as volumes could be impacted by the exploration & production (E&P) companies' drilling plans and budgets and overall economic demand. We have written before about how volumes decline during times of economic stress, but they rebound rather quickly, as crude oil and natural gas are vital components for the economy to function.

Global energy majors and E&P companies (using the Energy Select Sector Index (IXE) as a proxy), followed the price of crude very closely in 2023. The correlation between the price of oil and the IXE was high at 0.89.

Midstream Returns Less Sensitive to Oil Price

Upstream Returns Correlate to Oil Prices



Data as of December 31, 2023. Sources: Bloomberg; Miller/Howard Research & Analysis.

Portfolio Highlights

- **Distribution increases:** This quarter, 5 of our 15 holdings announced dividend increases. The average increase was 13% year-over-year. The median dividend increase for the MLP Strategy in 2023 was 34 basis points, more than triple the median dividend change for the Russell 1000 Index payers.
- **Sales: Crestwood Equity Partners (CEQP)** and **Holly Energy Partners (HEP)** were taken over in mergers, and we sold our positions. We trimmed **Targa Resources (TRGP)** as we tilted the portfolio to be a little more conservative due to lower commodity prices.
- **Buys:** As a result of the **CEQP** and **HEP** takeovers and the **TRGP** trim, we redeployed those weights into **Hess Midstream (HESM), MPLX LP (MPLX), NuStar Energy (NS), Sunoco LP (SUN),** and **Western Midstream Partners (WES)** which were all existing holdings in the strategy.

In contrast, the Alerian MLP Index (AMZ), which is 100% midstream companies and primarily driven by volumes, has not tracked crude prices nearly as closely, with the correlation at 0.36. We find this quite encouraging, as we believe the primary reason to invest in midstream companies is for the growing income stream and not exposure to commodity prices.

We have seen many important changes in the midstream sector since 2015, including higher free cash flow, lower debt, and a deliberate move by management teams to limit the direct exposure to commodity prices. It looks as though the market is taking notice.

Looking Ahead

We believe midstream provides a compelling income solution for investors, and more specifically, provides a high level of current income and growth of income. Going forward, we expect the higher quality midstream companies—those that our fundamental research seek for the MLP Strategy portfolio—will continue to increase their distributions, further enhancing the income provided to investors.

Infrastructure

QUARTERLY REPORT 4Q 2023

INFRASTRUCTURE BOUNCED BACK FROM A tough 3Q to end 2023 in positive territory. Despite recording its best quarter in nearly two years, the Infrastructure Strategy's lower beta muted performance relative to the broad market.

Long-term interest rates fell during the quarter, leading to outperformance for more stable companies, namely utilities and cell towers. Investors frequently compare what they can earn in the bond market against dividend yields for stable names. With the drop in rates, utilities and cell tower companies drew more investor attention, leading to higher total returns. Our energy holdings lagged during the quarter, in sympathy with the price of oil. In our view, the profitability of midstream energy companies is not closely linked to the oil price, but it can affect short-term market moves.

Looking Ahead

We have long noted that a key advantage of our Infrastructure Strategy is its focus on essential service providers with high barriers to entry. These criteria are crucial in identifying companies with stable cash flows that can provide investors with income and growth of income.

Annual dividend increases can compound up to substantial increases in income—particularly if a portfolio can tilt itself towards larger dividend increases and avoid dividend cuts. (See *"Dividend Growth: The Underappreciated Tailwind"* in our 4Q 2023 Quarterly Report for additional detail.) As an asset class, infrastructure's stability and lower cyclicality make it easier for management teams to commit to larger dividends. Here, we'll use bond conventions to evaluate growth (increase in yield is measured on an absolute basis). In 2023, our Infrastructure Strategy had a greater percentage of dividend increases than the dividend payers in the Russell 1000 Index and the entire Russell 1000 Index in each of large, medium, and small categories.* At the same time, the Infrastructure Strategy had fewer positions reduce or hold their dividends flat. As a result, the median dividend change for our Infrastructure portfolio was 20 basis points—far exceeding the median change of dividend payers within the Russell 1000 Index at 11 basis points, and the median for whole Russell 1000 Index, which saw no change in yield.We expect our Infrastructure Strategy to continue to provide clients with an income solution that is superior to the broad market.

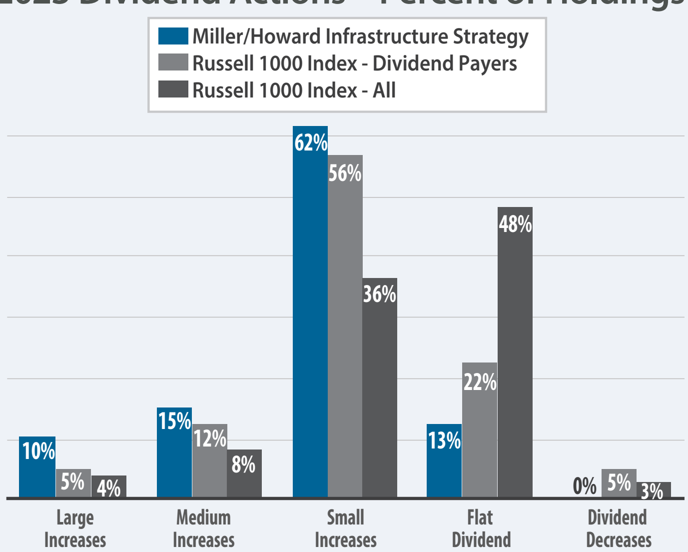
Portfolio Highlights

NOTE: *Effective in 2024, Miller/Howard Infrastructure will be benchmarked versus the DJ Brookfield Global Infrastructure Index.*

- **Dividend increases:** This quarter, 9 of our 34 holdings announced dividend increases. The average increase was 7.3% year-over-year.
- **Swapping utility positions:** We exited a position in **Evergy (EVRG)** and trimmed **Sempra (SRE)** to initiate a position in **Public Service Enterprise Group (PEG).** A disappointing rate settlement at Evergy dampened the long-term earnings outlook. We expect PEG to benefit from the free cash flow generated by its nuclear assets.
- **Increasing positions:** We increased our positions in **National Grid (NGG), Comcast (CMCSA), CSX Corp. (CSX),** and **HCA Healthcare (HCA)** on attractive valuations.
- **Leaving Mexico:** We exited positions in **Grupo Aeroportuario Centro Norte (OMAB)** and **Canadian Pacific Kansas City (CP)** on increased regulatory risks in Mexico.
- **Reducing energy risk:** We initiated a position in **ONEOK (OKE)**, added to our position in **Enbridge (ENB)** and **Williams (WMB),** and trimmed our positions in **Targa Resources (TRGP), Cheniere Energy (LNG), Kinder Morgan (KMI),** and **Plains GP Holdings (PAGP).** Overall, these transactions lowered the portfolio's risk profile and increased its dividend yield.

Infrastructure Offered More and Bigger Dividend Increases

2023 Dividend Actions – Percent of Holdings



As of December 31, 2023. Sources: Refinitiv; Miller/Howard Research & Analysis.
* See footnote on page 1 for information on dividend action calculation methodology. See footnote for the chart on page 9 for description of Russell 1000-Dividend Payers and Russell 1000 Index-All (Infrastructure Strategy methodology is the same as that applied to Income-Equity Strategy.)

Utilities Plus

QUARTERLY REPORT 4Q 2023

UTILITIES MARCHED STEADILY HIGHER during the quarter, ending 2023 on a high note. While the sector was unable to keep pace with the broad market during the quarter, it outperformed other defensive sectors like consumer staples and healthcare.

Interest rates remained a primary driver during the quarter as the yield on the 10-year Treasury continued to rise to nearly 5% in late October before declining over 100 basis points through year end. Easing interest rates reversed the headwind that had loomed large through much of the year. Predictably, utilities' two largest single-day increases corresponded with days in which expectations around future Fed moves became more dovish.

Within the group, large-cap utilities generally outperformed mid- and small-cap utilities. Independent power producers led for a third straight quarter with California utilities also maintaining strength. Utilities with renewable exposure finished the year on a positive note, bouncing back as interest rate movements helped alleviate cost of capital concerns.

Looking Ahead

Growth of income makes utilities a superior alternative to fixed income, in our opinion. While percentage increases are commonly used to measure growth, large increases on a small base can overemphasize the actual impact on income. To sidestep this potential pitfall, we can use bond conventions to evaluate growth and look at the increase in yield on an absolute basis. (See "*Dividend Growth: The Underappreciated Tailwind*" in our 4Q 2023 Quarterly Report for additional detail.)

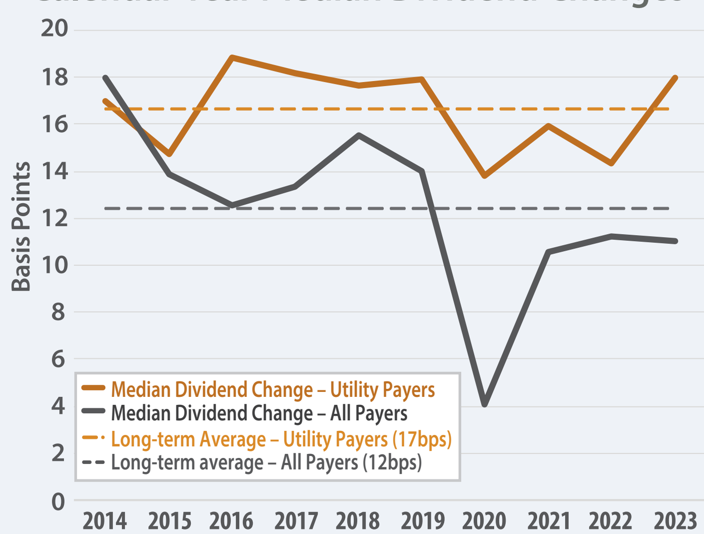
Within the Russell 1000 Index, the median dividend change for dividend payers has averaged 12 basis points over the last 10 years. The yearly variance was relatively high, with the median change dropping significantly as companies grappled with the pandemic. In contrast, utilities within the Russell 1000 had an average change of 17 basis points, and increases were in a tight range of 14 to 19 basis points per year. The compounding of above average (and more consistent) dividend growth contributes to wealth building and provides a high and growing income solution compared to bonds and the broad equity markets for our clients.

Portfolio Highlights

- **Dividend increases:** This year, the median dividend change for our Utilities Plus Strategy was 19 basis points, well above the 11 basis points median increase for Russell 1000 dividend payers.
- **Renewing renewable exposure:** We used weakness among companies with renewable development exposure as an opportunity to add to positions in **AES Corp. (AES), NextEra Energy (NEE),** and **NextEra Energy Partners (NEP).**
- **Increased position:** We increased our position in **Entergy (ETR)** after it took a major step towards resolving litigation that was creating an overhang for shareholders. We also increased our position in **Public Service Enterprise Group (PEG)** on the expectation that free cash flow generated by its nuclear assets will alleviate equity needs. Finally, we added to **One Gas (OGS)** and **Black Hills (BKH)** after periods of underperformance that made relative valuation more attractive.
- **Trimmed position:** We trimmed our positions in **Evergy (EVRG), Eversource Energy (ES),** and **Portland General Electric (POR)** as disappointing rate cases, interest rate and offshore wind exposure, and equity needs, respectively, created headwinds to growth. We also trimmed our position in **Vistra Corp. (VST)** after a period of outperformance.

Utilities Offered High and Consistent Dividend Growth

Calendar Year Median Dividend Changes



As of December 31, 2023. Sources: Refinitiv; Miller/Howard Research & Analysis.

Miller/Howard INVESTMENTS

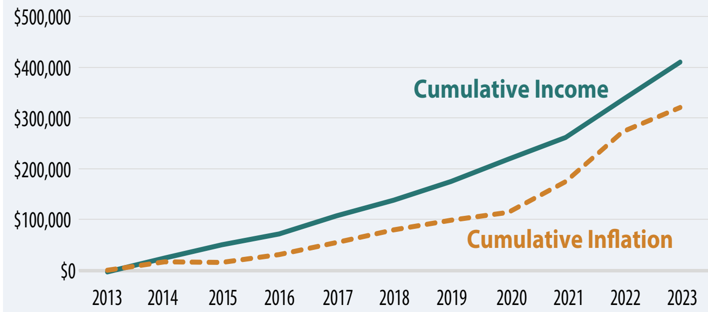
North American Energy

QUARTERLY REPORT 4Q 2023

WE'VE FREQUENTLY SHARED OUR BELIEF that the largest US energy majors are increasingly used as energy-index-like proxies for passive investing by certain investors. In turn, this market demand has increased these stocks' valuation multiples relative to their historical relationship with smaller energy stocks, the primary holdings of our North American Energy Strategy. In the fourth quarter, this dynamic cost those investors. On October 11th, citing its richly valued stock currency, ExxonMobil (XOM, not held) announced the largest energy acquisition ever—a $60 billion purchase of our portfolio holding Pioneer Natural Resources (PXD). Twelve days later, Chevron (CVX, held) announced a $59 billion acquisition of another portfolio holding, Hess Corporation (HES), also using stock. These deals prompted investors to question the relative value of the two behemoths versus the rest of the energy sector, causing both Exxon and Chevron to lag our North American Energy Strategy. Top-heavy mergers and acquisitions (M&A) further compound concentration risks in popular market-capitalization-weighted sector products like passive ETFs, reinforcing opportunities for our nimbler approach to energy investing in coming years, in our view.

North American Energy Strategy: High and Growing Income

Based on a $1 million starting value



As of September 30, 2023.
Sources: Miller/Howard Research & Analysis; US Bureau of Labor Statistics.
This illustration includes data from an actual account invested in the Miller/Howard North American Energy (with K-1s) Strategy, with dividends reinvested, shows the effects of 1% annual fee deducted quarterly, and is based on a hypothetical $1M investment on 9/30/2013.
Yield on investment is the dividend income for the prior 12 months divided by the amount invested. There is no guarantee that an actual investment would have achieved the same results.

Looking Ahead

We remain optimistic about our stocks—not due to resilient global commodity demand or emergent international supply disruption threats—but based on the steadfast capital discipline of North American energy companies. Even as oil prices touched $120/barrel in 2022 and remained in a profitable range throughout 2023, producers curtailed drilling activity and consolidated into fewer, more disciplined entities. Consolidation prompted reduced reinvestment in equipment across the value chain, further supporting higher commodity prices and free cash flow for dividends. In a quiet year for energy, our North American Energy Strategy's median stock grew its income by 24bps in 2023, more than double the 11bps of the Russell 1000 Index.

Despite a decade with challenges for energy and rampant recent inflation, our portfolio's income grew significantly faster than inflation. Ongoing industry trends sow the seeds for even stronger results in the decade to come, in our opinion. We view the North American Energy Strategy as a growing and diversifying income source for investors.

Portfolio Highlights

- **Energy and income:** The portfolio currently offers an indicated yield of 3.1%*, which we project is supported down to approximately $40/barrel oil, combined with a significantly larger variable return of capital commitment at higher commodity prices. This year, companies are slightly favoring buybacks compared to special dividends, given C-suite views on current stock valuations.
- **Along the energy value chain.** Changes to the portfolio this quarter were minor. We added to Occidental Petroleum (OXY), which we view as a likely winner—both for its prolific acreage and operational expertise, as well as its emerging multi-billion-dollar investments in carbon capture utilization & storage (CCUS). OXY intends to build up to one hundred facilities to directly capture CO2 from the air, with its first billion-dollar facility expected to come online in 2025.

*As of December 31, 2023, the indicated yields for our North American Energy (with K-1s) and (without K-1s) Strategies was 3.4% and 3.1%, respectively.

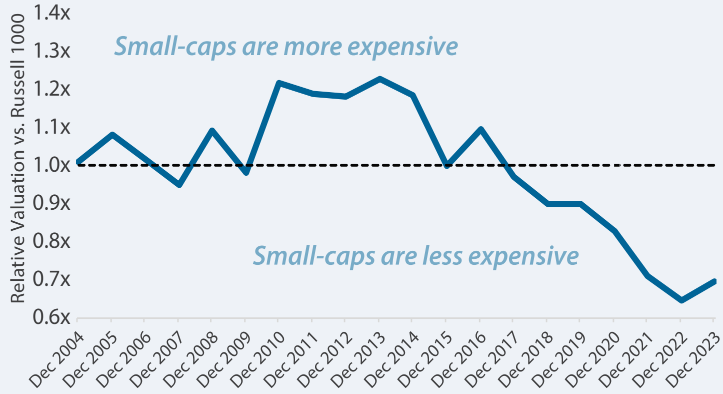
Small Cap Dividend

QUARTERLY REPORT 4Q 2023

IN VALUATION LIES OPPORTUNITY. Small-cap stocks saw an unusual level of underperformance in 2023, with the Russell 2000 Index lagging the large-cap Russell 1000 Index by nearly -10%. This divergence, the second largest in over two decades, clearly stands as an outlier for these two highly-correlated equity classes. While small-caps did outperform large-caps in the fourth quarter, buoyed by slowing inflation and declining long-term interest rates, this year's anomalous weakness creates opportunity, in our view.

Profitable Small-Caps at a Historic Discounts to Profitable Large-Caps

Russell 2000 Index Relative P/E+



As of December 31, 2023.
Sources: Bloomberg; Miller/Howard Research & Analysis.
Russell 1000 Index represents a universe of large-cap stocks; Russell 2000 Index represents a universe of small-cap stocks. P/E+ uses trailing adjusted earnings-per-share (EPS) and excludes companies with negative EPS.

Investors have historically gravitated towards small-caps for their greater growth potential relative to large-caps. However, a meaningful portion of the small-cap universe is comprised of unprofitable companies—investments that we believe should not be in a healthy portfolio. Looking at the price-to-earnings ratio for profitable companies only (as defined by P/E+), this year's small-cap weakness contributed to a -30% discount to profitable large-caps, which is the second lowest level in 20 years. This discount is at odds with the premium historically commanded by small-caps given their greater potential for growth.

Our Small Cap Dividend Strategy outperformed its benchmark during the quarter, in line with the historical relationship between quality-based factors and superior returns among small-caps (see our 2Q 2023 Quarterly Report). For the year, we trailed our benchmark as profitable and dividend-paying small-caps underperformed in the first half of 2023, counter to long-term trends.

Looking Ahead

Our view is that sustainable outperformance in small-cap investing can be realized through a diversified portfolio of quality-focused stocks—profitable companies with healthy dividends and strong free cash flow. These factors have historically correlated with superior returns. Our discipline in the Small Cap Dividend Strategy yields a bottom-up, sector-neutral portfolio that should benefit from these historical trends, in our opinion. With small-caps lagging large-caps over the last decade, we believe currently there's a compelling valuation-based opportunity for long-term investors.

Portfolio Highlights

- **Dividends increases:** Fourteen holdings raised their regular dividend this quarter—**MSC Industrial (MSM), Liberty Energy (LBRT), Associated Bank (ASB), S&T Bank (STBA), California Resources (CRC), Amkor Technology (AMKR), Kulicke & Soffa (KLIC), La-Z-Boy (LZB), Preferred Bank (PFBC), Ensign Group (ENSG), Universal Health Realty Income Trust (UHT), SM Energy (SM), Adecoagro (AGRO),** and **Fulton Financial (FULT).** For the full year, 74% of our holdings announced dividend increases.
- **Special dividends:** Four of our holdings declared special dividends this quarter—**Boise Cascade (BCC), Apple Hospitality REIT (APLE), Chord Energy (CHRD),** and **Winmark (WINA).** For the full year, we saw 10 declared specials from holdings in the portfolio.
- **Sales:** We exited **Magnolia Oil & Gas (MGY), Portland General Electric (POR), LeMaitre (LMAT),** and **Greif (GEF).**
- **Buys:** We initiated positions in **SM Energy (SM), Northwest Natural (NWN), ONE Gas (OGS),** and **Lantheus (LNTH)**.

Miller/Howard INVESTMENTS

Yield, Growth, Strength, Stability

- Our Income-Equity Strategies each offer a high dividend yield that is nearly 2.5x the yield on the S&P 500 Index, and have ample dividend coverage and reasonable leverage levels (net debt/EBITDA).
- Both portfolios trade at a significant discount to the broad market on price-to-earnings as well.
- We believe the portfolios are well-positioned for dividend growth throughout the full market cycle.

Income-Equity Strategy (with MLPs)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Income-Equity Yield	4.4	4.2	4.7	4.0	3.7	4.3	3.7	3.6	3.3	3.6	3.7
S&P 500 Yield	1.9	2.0	2.2	2.1	1.9	2.2	1.9	1.5	1.5	1.8	1.5
Ratio	2.3x	2.1x	2.2x	1.9x	2.0x	2.0x	2.0x	2.3x	2.2x	2.0x	2.4x
Income-Equity Projected Dividend Growth*	7.5	7.5	5.8	5.0	6.3	7.8	7.3	5.1	6.0	6.1	5.5
S&P 500 Projected Dividend Growth**	5.9	4.7	4.2	4.0	4.2	5.2	4.2	3.3	5.9	4.8	4.5
Ratio	1.3x	1.6x	1.4x	1.2x	1.5x	1.5x	1.7x	1.5x	1.0x	1.3x	1.2x
Income-Equity Dividend Coverage Ratio	1.3x	1.3x	1.3x	1.3x	1.5x	1.9x	2.3x	2.1x	2.0x	2.7x	2.1x
Income-Equity Net Debt/EBITDA***	2.6x	4.2x	2.8x	2.0x	1.9x	1.4x	1.9x	1.9x	1.2x	2.0x	1.8x
Income-Equity P/E Ratio Trailing	13.4	16.4	14.2	17.2	17.7	12.6	12.8	16.7	14.0	13.6	14.5
S&P 500 P/E Trailing	17.4	18.4	18.8	20.5	21.7	16.5	21.6	27.6	24.1	18.6	21.9
Premium/Discount	-23%	-10%	-24%	-16%	-18%	-23%	-41%	-40%	-42%	-27%	-34%

Income-Equity Strategy (No MLPs)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Income-Equity (No MLPs) Yield	4.1	4.0	4.6	3.9	3.7	4.2	3.6	3.5	3.2	3.5	3.4
S&P 500 Yield	1.9	2.0	2.2	2.1	1.9	2.2	1.9	1.5	1.5	1.8	1.5
Ratio	2.2x	2.1x	2.1x	1.9x	2.0x	2.0x	2.0x	2.3x	2.1x	2.0x	2.2x
Income-Equity (No MLPs) Projected Dividend Growth*	8.2	7.7	5.9	5.0	6.4	7.9	7.5	5.2	6.0	6.0	5.6
S&P 500 Projected Dividend Growth**	5.9	4.7	4.2	4.0	4.2	5.2	4.2	3.3	5.9	4.8	4.5
Ratio	1.4x	1.6x	1.4x	1.2x	1.5x	1.5x	1.8x	1.5x	1.0x	1.3x	1.2x
Income-Equity (No MLPs) Dividend Coverage Ratio	1.3x	1.3x	1.3x	1.3x	1.5x	1.9x	2.3x	2.1x	2.0x	2.8x	2.3x
Income-Equity (No MLPs) Net Debt/EBITDA***	2.7x	2.6x	2.6x	2.2x	2.1x	1.4x	1.9x	1.9x	1.2x	1.8x	1.6x
Income-Equity (No MLPs) P/E Ratio Trailing	14.6	17.2	16.5	18.2	18.0	12.9	13.5	16.8	14.0	13.8	14.6
S&P 500 P/E Trailing	17.4	18.4	18.8	20.5	21.7	16.5	21.6	27.6	24.1	18.6	21.9
Premium/Discount	-16%	-6%	-12%	-12%	-17%	-22%	-38%	-39%	-42%	-26%	-33%

As of December 31, 2023. Sources: Bloomberg; S&P; Miller/Howard Research & Analysis. The data above are based on representative accounts in our Income-Equity Strategies both with and without MLPs and are subject to change. Median P/E ratio trailing is published for our Income-Equity Strategies.
* Projected Dividend Growth—Miller/Howard Portfolio Team's 3-year annualized projected dividend growth based on data from various sources, adjusted to reflect our view of future economic and market conditions. There is no assurance projections will be realized.

** Bloomberg Dividend per Share 3-year forward estimates.
*** Excludes financials.
Dividend yields shown for Miller/Howard portfolios exclude cash.
All data are as of year-end, unless otherwise noted.
Common stocks do not assure dividend payments. Dividends are paid only when declared by an issuer's board of directors, and the amount of any dividend may vary over time. Dividend yield is one component of performance and should not be the only consideration for investment. See definitions and full disclosure on page 16.

Providing *Sustainable Income Opportunities®* to our clients

We believe that integrating essential non-financial factors with fundamental analysis–an enhanced due diligence–helps us uncover risks and opportunities that might not be obvious otherwise.

Miller/Howard's practice of systematic integration of ESG factors extends to all of our products:

	Income-Equity Strategies	Infrastructure Strategy	MLP Strategy	Utilities Plus Strategy	North American Energy Strategies	Small Cap Dividend Strategy
ESG Integration	✓	✓	✓	✓	✓	✓
Shareholder Advocacy	✓	✓	✓	✓	✓	✓
ESG-Aligned Proxy Voting Policy	✓	✓	✓	✓	✓	✓
Exclusionary Screens	✓	✓				

Specific exclusion screens may vary by strategy. All holdings across Miller/Howard's strategies are subject to our shareholder advocacy and active proxy voting programs. For more information on how a particular strategy is managed, please see our ESG Policy or contact us at esg@mhinvest.com.

Miller/Howard Investments Inc. is an independent, research-driven investment boutique with over three decades of experience managing portfolios for major institutions and individuals in dividend-focused investment strategies. The firm is 100% employee-owned through an Employee Stock Ownership Plan (ESOP).

We continue to evolve and develop strategies that strive to provide investors with various levels of current income and dividend growth. With a primary goal of reliable income and long-term returns, coupled with a belief that investors can play an important role in securing a sustainable future, our portfolios include environmental, social, and governance (ESG) research and/or screening, direct engagement with companies, filing shareholder resolutions, proxy voting, coalition building, and/or public policy involvement.

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DEFINITIONS:

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)—A non-GAAP measure used to provide an approximation of a company's profitability. This measure excludes the potential distortion that accounting and financing rules may have on a company's earnings; therefore, EBITDA is a useful tool when comparing companies that incur large amounts of depreciation expense because it excludes these noncash items, which could understate the company's true performance.

Net Debt to EBITDA—A measure that computes the company's ability to pay off its debt by utilizing the earnings before interest, taxes, depreciation, and amortization (EBITDA).

Price-Earnings Ratio (P/E)—The ratio of a company's share price to its earnings per share. The ratio is used as a valuation tool and can help determine whether a company is overvalued or undervalued.

S&P 500 Index® widely regarded as the best single gauge of large-cap US equities and serves as the foundation for a wide range of investment products. The Index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

Russell 1000 Index® measures the performance of the large-cap segment of the US equity universe. It is a subset of the Russell 3000 Index® and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000 Index® represents approximately 92% of market capitalization of the US market.

Russell 2000 Index measures the performance of the small-cap segment of the US equity universe and is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges.

MLP = Master Limited Partnership.

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