

A combination of profit taking in prior winners, a few subpar earnings reports, and some surprises presented by the world at large combined to dent our strategy performance this past quarter. It is always a peculiar moment when returns are diminished by companies that are fine by all analytic measures, but it's also a reminder that in our world the future is ultimately unknowable, and anything can happen. Too, it is a reminder that equities contain inherent volatility, and that stock prices change much faster than the true underlying prospects of substantial business enterprises.

**PORTFOLIO HIGHLIGHTS**

As inventories of fertilizer have been worked down, over the past couple of years of economic uncertainty for farmers, we keep waiting for demand to return in rousing fashion and put pressure on supply—which, while ample at the moment, is theoretically inadequate to meet demand when demand reaches its potential. That scenario is going very very slowly, especially since record harvests are driving down the prices of agricultural products of all kinds. So investors have backed off PotashCorp, and the stock took a full percentage point from our returns for the quarter. BlackRock reported disappointing earnings and investors decided to give it away cheaply, reasoning that, in a “new normal,” asset managers would not be able to do well. Never mind that over the past 10 years the markets have gone nowhere but the asset manager group has risen 100%. These are businesses that can find ways to grow, and assets will need to be managed no matter what. Visa suddenly got caught in the switches as new restrictions pertaining to credit card companies entered the financial regulation bill in Washington. Under attack are (the bill is still not law as of this writing, and still subject to change) certain fees associated with debit cards—the very portion of the business that has given Visa an edge and the very reason we bought the stock in the first place. As if that surprise weren't enough, our drilling stocks, EnSCO and Noble, are involved in deepwater projects. We'd say that business is under a cloud, but you can't even see clouds down where they work. We sold. There will be

a return to prosperity one day here, but the risk profile truly changed overnight. Some good stocks also dragged on results as investors hurried to capture previously gained profits once the markets started to sag. Oracle, Xerox, Corning, Intel, and Chicago Bridge & Iron all provided negative contributions, though their quarterly reports were just fine. CBI became just too volatile, and we sold.

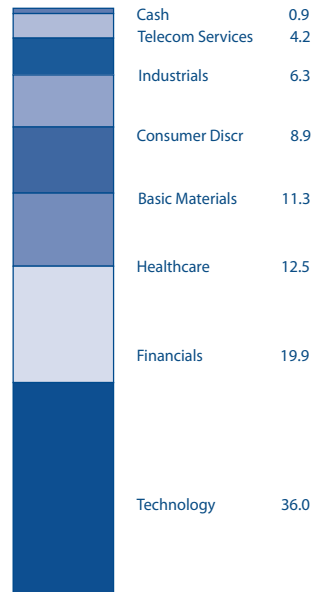
On the brighter side, AmerisourceBergen led our list with a double-digit gain. The company has continued to report good numbers and raise guidance, but we came to the conclusion that its valuation was stretched. When the stock became overbought technically, we took profits. Relatively new buy Digital Realty Trust was a strong performer despite a secondary offering, on the back of very strong leasing results. We added Cliffs Natural at what we believed to be a safe technical moment and the stock has done well. But “safe technical moment” is necessary, because we recognize that it is more volatile than our typical stock. We added América Móvil; this wireless telecom operator is dominant in Mexico and much of Latin America, and is about to swallow its parent, Telefónica de Mexico. Dominant holder Carlos Slim Helu has become the world's richest man, though no pilgrims seem to go to his annual shareholders meeting wearing baseball caps and eating ice cream cones, no one quotes his tired old investment shibboleths as if they were shocking epiphanies, like they do for the man from Omaha.

**LOOKING AHEAD**

Rising Dividend Plus is responsive. We've had difficult quarters before, and always come back nicely—in part because we freely shift to the areas of best value and best opportunity as signaled by market activity. This Value/Momentum approach ranks among the best performing strategies of any that have been studied objectively over long periods. We will likely need to change some names as the markets evolve, but the principle of inexpensive pricing combined with evident and new investor interest is one that persists, whichever stocks may be carrying it forward. ■

**RISING DIVIDEND PLUS**

**Sector Weights**



<b>Current Yield<sup>†</sup></b>	1.9%
<b>Proj Dividend Growth<sup>††</sup></b>	11.9%
<b>Beta<sup>†††</sup></b>	0.9

Sector weights are taken from a representative account and are subject to change. The above data is shown as supplemental information and complements the full disclosure presentation located on back page.

<sup>†</sup> Weighted average distribution yield.  
<sup>††</sup> Proj Dividend Growth is MHI Portfolio Team's projection 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.

<sup>†††</sup> 5 Year annualized vs. S&P 500.

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GIPS COMPOSITE DISCLOSURE PRELIMINARY Shown in US \$	PERIOD TO DATE (3 mths to 6/30/10)		1 YEAR PER ANNUM (ending 6/30/10)		3 YEARS PER ANNUM (ending 6/30/10)		5 YEARS PER ANNUM (ending 6/30/10)		SINCE COMPOSITE INCEPTION (ending 6/30/10)	
	Gross*	Pro Forma Net 3%	Gross*	Pro Forma Net 3%	Gross*	Pro Forma Net 3%	Gross*	Pro Forma Net 3%	Gross*	Pro Forma Net 3%
<b>Rising Dividend Plus</b>	(14.1)%	(14.7)%	4.9%	1.8%	(15.1)%	(17.6)%	(1.9)%	(4.8)%	(0.1)%	(3.1)%
<b>Russell 1000</b>	(11.4)%		15.2%		(9.5)%		(0.6)%			

Composite returns are taken from a representative account and are subject to change.

\* Gross returns are supplemental information to the pro forma net returns, which are not actual net returns but a simulation of the effects of a 3% total annual fee, deducted monthly. MHI highest annual fee as stated in our ADV is 1%.

\*\* Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

## GIPS Disclosure Information

Results are shown in US dollars. Included in the results are all unrestricted portfolios that have been managed for at least one full month, including those accounts no longer with the firm. Past performance is not indicative of future results. All composites contain fully discretionary accounts.

Gross and pro forma net of fees results include the reinvestment of all income. Wrap accounts are included in this composite. Gross returns for wrap accounts are stated gross of all fees and transaction costs. Gross returns for nonwrap accounts have been reduced by transaction costs. Pro forma net returns are a simulation assuming a 3% annual total fee, deducted monthly. The 3% fee includes other program fees that may or may not be charged as assumed. The upper range for Miller/Howard Investments' annual fee is 1%. Fees are generally based on quarterly market values determined by the custodian and may include any combination of management, transaction, custody, and other administrative fees. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. Actual investment advisory fees incurred by clients may vary. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. In the 1Qtr10 returns table, a 1% pro forma net of fees simulation was shown. It has been discontinued as of 2Qtr10.

Miller/Howard Investments Inc. is an employee-owned, registered investment advisor specializing in multi-cap, core equity management and dividend strategies.

Miller/Howard Investments Inc. claims compliance with the Global Investment Performance Standards (GIPS®). Compliance with the GIPS standards has been verified for the period of January 1, 2000, through December 31, 2007, by Ashland Partners & Company LLP. To receive a complete list and description of Miller/Howard Investments' composites and/or a presentation that adheres to the GIPS standards, contact Marilyn Marecek at 845-679-9166, or write Miller/Howard Investments, PO Box 549, Woodstock, NY 12498, or marilyn@mhinvest.com.

**Rising Dividend Plus:** The Rising Dividend Plus composite contains fully discretionary accounts and is a mid- and large-cap core strategy focusing on companies in which dividend growth is the key variable. For comparison purposes this strategy is measured against the Russell 1000 index, which represents the extensive large-cap segment of the US equity universe of approximately 92% of the US market.

All investments carry a certain degree of risk, including possible loss of principal. It is important to note that there are risks inherent in any investment and there can be no assurance that any asset class will provide positive performance over any period of time.