QUARTERLY REPORT 3Q 2025

Miller/Howard INVESTMENTS

# Evaluating Trajectories

SEPTEMBER 30, 2025

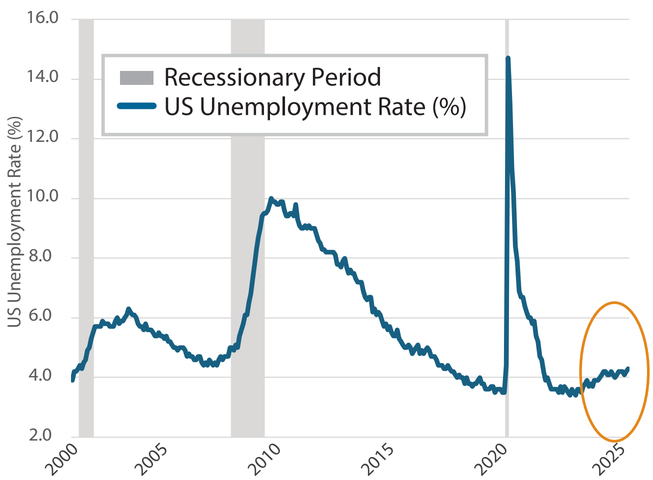
**MAJOR US EQUITY INDICES HIT NEW HIGHS** with the S&P 500 Index rising ~8% during the quarter. Corporate earnings also marched to an all-time high, painting a compelling picture that all is well in US markets. Despite this strength, the market has felt a bit like The Cat in the Hat holding up a cup, cake, three books, and a fish on a rake as he precariously balances on a ball. An ever-expanding list of factors to juggle has cast a tremendous amount of uncertainty on inflation and interest rate trajectories.

In late September, we gained more visibility into the path of interest rates when the Federal Reserve (Fed) cut its policy interest rate by 25 basis points to 4.00%-4.25%. The median projection among Federal Open Market Committee (FOMC) participants implies we will see two more cuts that bring the federal funds rate to 3.6% at year end. While the Fed dot plot suggests another cut in 2026, the dispersion of estimates indicates a wide range of potential outcomes.

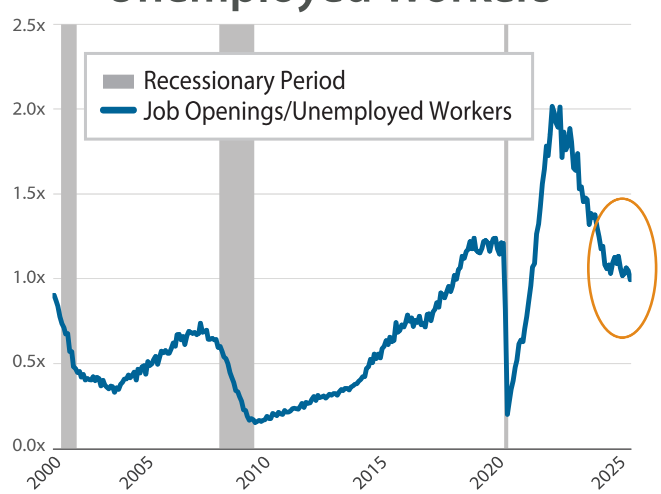
The latest cut was the first in nine months as the Fed prioritized further neutralizing its currently restrictive policy rate in the face of a weakening labor market. At the Fed's most recent meeting, Chairman Jerome Powell noted, "Downside risks to employment have risen." While unemployment remains low, it has edged up to 4.3% as slowing job gains run below the breakeven rate needed to keep unemployment constant. For the first time since April 2021, the ratio of new job openings for each unemployed person also fell below 1x in July.

## US Employment Picture Has Deteriorated

### Rising Unemployment Rate




### Falling Job Openings/ Unemployed Workers



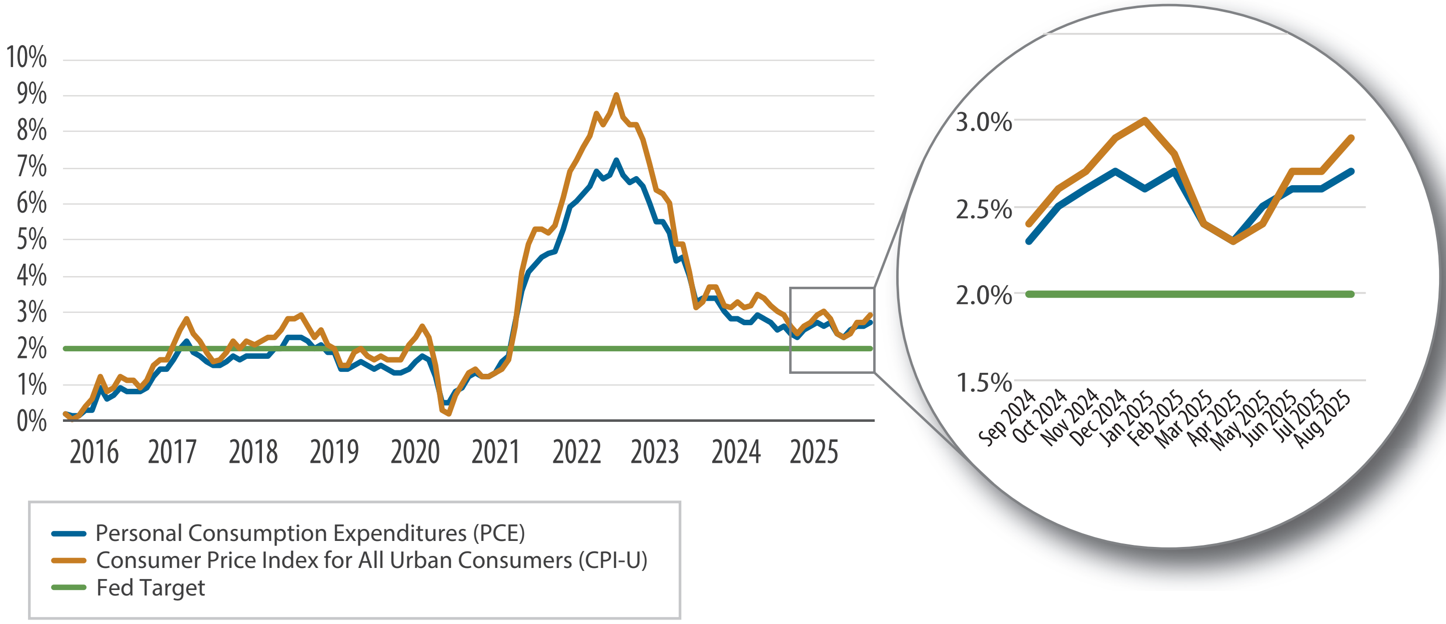

As of August 31, 2025. Sources: Bloomberg; Federal Reserve Economic Data, Federal Reserve Bank of St. Louis; Miller/Howard Research & Analysis. The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey. Job openings is measured using the US job openings by industry total (seasonally adjusted). This concept tracks the number of specific job openings in an economy. Unemployment measures the number of people who are without work (not in paid employment or self-employed), currently available for work and seeking work (taking specific steps to find work).

Alongside labor market weakness, inflation has remained sticky. Though it has eased from mid-2022 levels, it has remained above the Fed's 2% target for over four years (The Fed's target is based on the Personal Consumption Expenditures Index (PCE)). Since the end of the first quarter, inflation has edged higher, driven by goods inflation. For August (the latest available data), the PCE and Consumer Price Index for All Urban Consumers (CPI-U) came in at 2.7% and 2.9%, respectively.

At face value, cutting interest rates with inflation still running above the Fed target seems concerning given their generally inverse relationship—even more so with inflation edging higher over the last 4 months. With that said, we are not without precedent as over a half a dozen easing cycles since the 1970s began with inflation at or above 3%.

What makes the current environment unique is the large number of factors casting uncertainty on the economic environment. With executive orders at historic levels, the markets have had to digest massive policy shifts including tariffs, immigration, and deregulation. While more limited in scope, legislation like the One Big Beautiful Bill Act also has material implications. Further complicating matters are questions around AI proliferation (and this relatively narrow segment driving growth), a historically concentrated equity market, Fed independence, and economic data integrity. Given this backdrop, it seems entirely unsurprising that FOMC participants' assessment of uncertainty around their economic projections lean heavily toward "Higher" (than the past 20 years), and their assessment of the risks to their inflation and unemployment projections are weighted to the upside and risks to GDP growth projections are weighted to the downside.

## US Inflation Rates Have Picked Up Again —And Remain Above the Fed's Target




As of August 31, 2025. Sources: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis; Miller/Howard Research & Analysis. The Fed's 2% inflation target is based on the Personal Consumption Expenditures Index (PCE). Personal Consumption Expenditures and Consumer Price Index are illustrated as the change from a year ago.

## *Multiple Paths Lead to the Same Place*

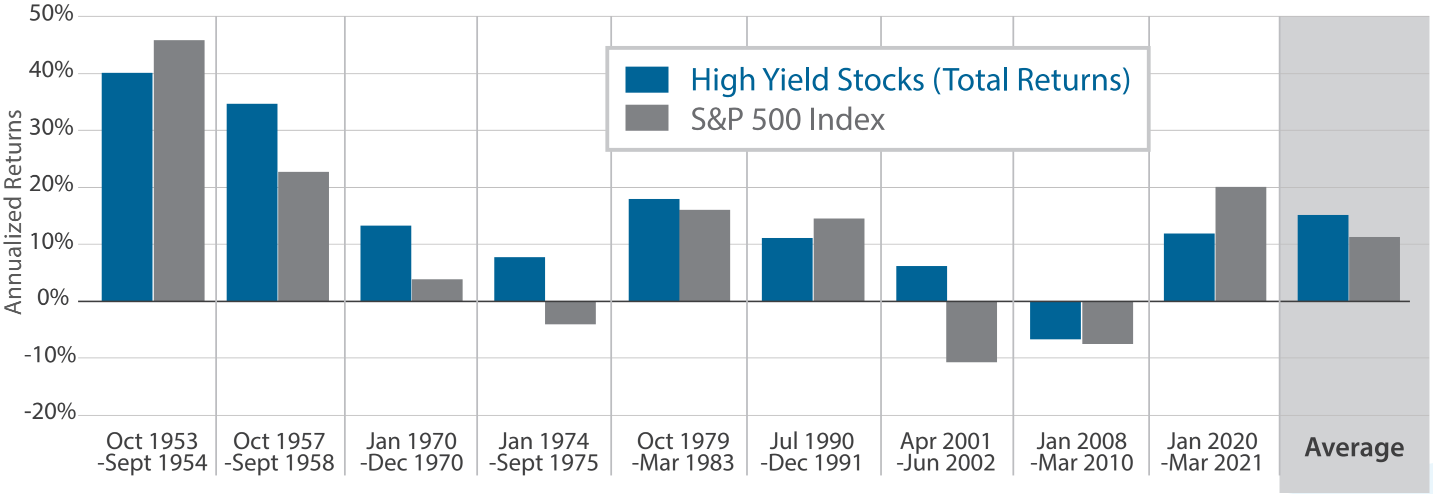
Given the outstanding risks, it is hard to have conviction in a specific course or outcome (at least not without a healthy dose of hubris). As we have discussed in the past, we believe the key is to choose an investment strategy that can work in various environments. With this in mind, we believe it is more informative to explore multiple scenarios based on conceivable risks. To this end, we evaluated how high-yield dividend stocks performed in low-growth, high-inflation, stagflation, and steepening-yield-curve environments.

## *Low Growth*

Real GDP has moderated, largely reflecting a slowdown in consumer spending. Given that roughly 70% of GDP is consumer demand, it seems reasonable to expect that the full consequences of tariffs, deteriorating labor markets, and lower immigration could create additional headwinds to growth for the US economy. We are already seeing signs of credit deterioration among lower-income consumers who are generally more sensitive to labor markets and tariffs. While the Fed's monetary support is helpful, consumers may not be as interest-rate sensitive as prior periods given interest rates were at historic lows five years ago.

We identified nine periods over the last 75 years in which real GDP growth dropped below 2% for at least a year (real GDP growth was ~2% for the first half of 2025). In these periods, high-yield dividend stocks delivered strong absolute returns, averaging a ~15% annual growth rate. Returns during the 1950s bolstered the average returns, but even excluding these periods, total return averaged a ~9% annual growth rate. Total returns were positive in eight out of nine periods with the Global Financial Crisis as the lone exception. High-yield dividend stocks also exhibited strong relative performance, outperforming the broad market two-thirds of the time and by ~4% on an average annualized basis.

### High-Yield Dividend Stocks Have Outperformed in Low Real GDP Growth Environments




As of September 30, 2025. Sources: Morningstar Direct; Bloomberg; Fama/French; Federal Reserve Economic Data, Federal Reserve Bank of St. Louis; Miller/Howard Research & Analysis. Low real GDP growth environments are periods of four or more consecutive quarters with year-over-year real GDP growth below 2%. High-yield stocks reflects a basket of the total returns for deciles 7, 8, & 9 as provided by Fama/French (value-weighted). Total returns have been annualized for each defined period.

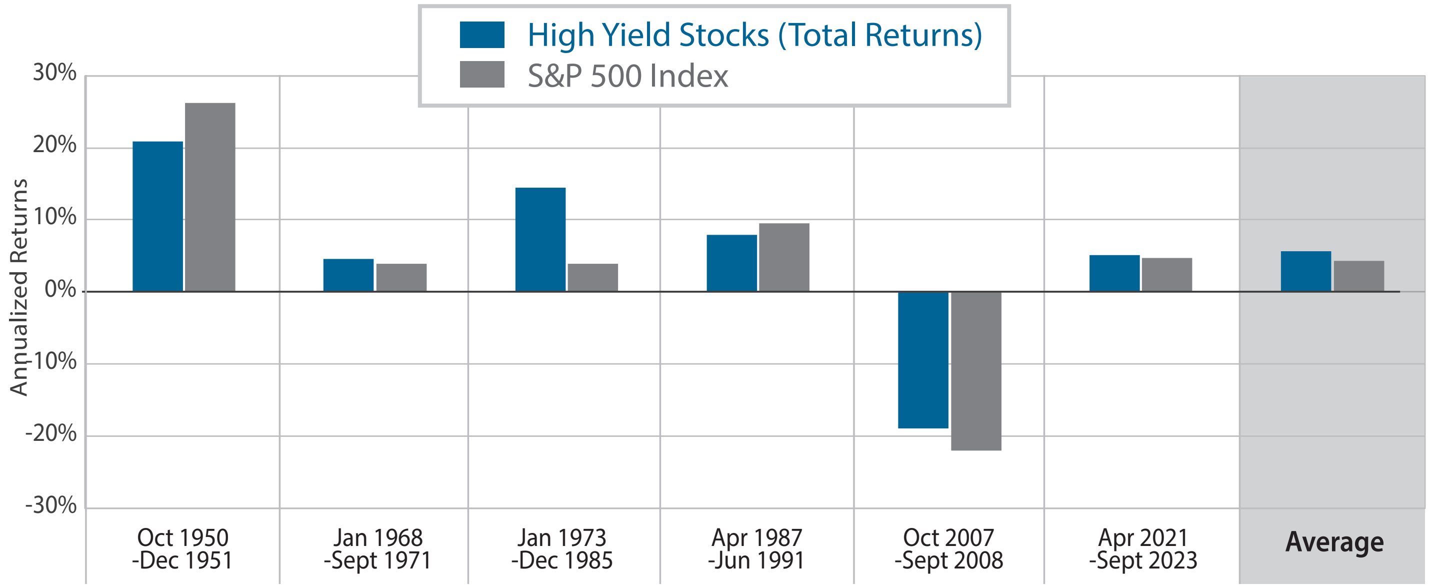
## *High Inflation*

Inflation has been range-bound for the last two years. The median projection among FOMC participants lays out a sanguine trajectory back to its target with an inflation expectation of 2.6% in 2026, 2.1% in 2027, and 2.0% in 2028 and beyond. Public markets aren't quite as certain. While not extreme, the spread between the 5-year Treasury and 5-year Treasury Inflation-Protected Securities (TIPS) implies an annual inflation expectation of 2.4% over the next five years.

Inflation expectations are—for right or wrong—being heavily influenced by the potential impact from tariffs. While uncertainty remains around tariff negotiations and ultimate levels, it seems likely that the full impact of tariffs has not been felt, and that as time goes on, they are more likely to be passed on to consumers. Tariffs have also been fluid since they were first announced in April, giving us little reason to believe there couldn't be incremental announcements. Additionally, expansionary monetary policy is commonly viewed as inflationary, adding another upward bias.

We identified six periods over the last 75 years in which the CPI-U was above 3.5% year-over-year—its average over that time—for at least one year. Inflation during these periods ranged from roughly 4.5% to 7.5% with the highest periods of inflation occurring from 1950-1951 and 1973-1985. Across the six periods of high inflation, high-yield dividend stocks delivered positive returns in five of them, again with the Global Financial Crisis being the lone exception. High-yield dividend stocks also exhibited strong relative performance, outperforming the broad market two-thirds of the time and by ~2% on an annualized basis.

### High-Yield Dividend Stocks Have Outperformed in Inflationary Environments



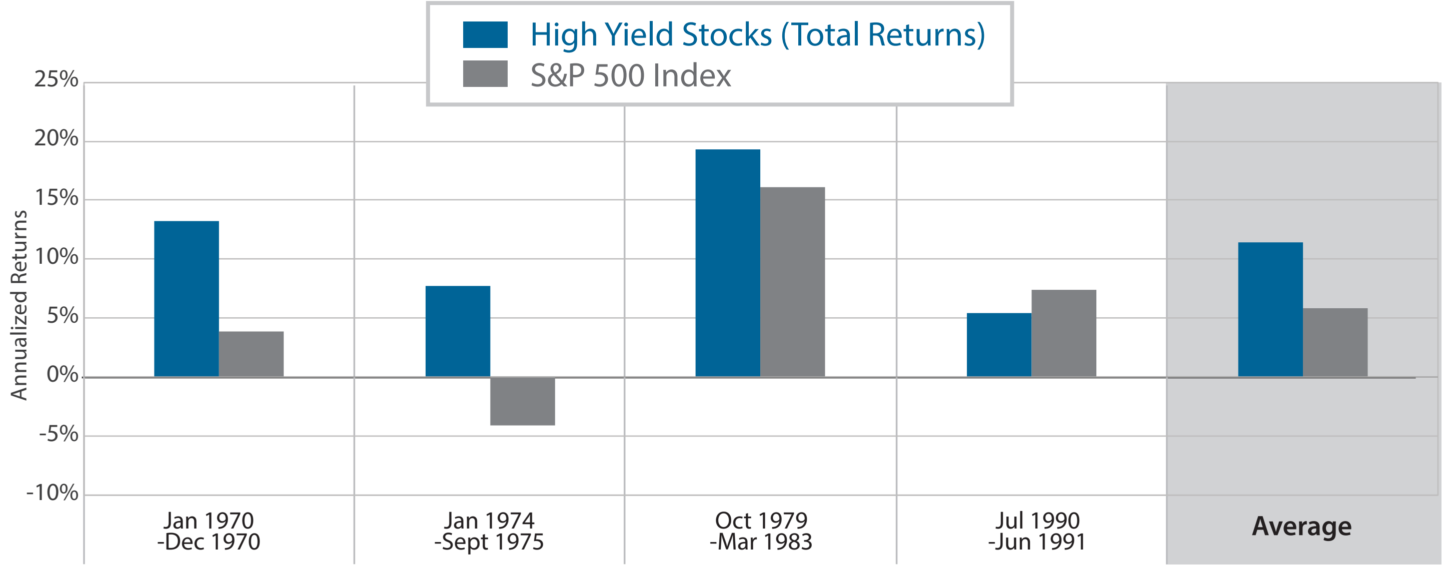

As of September 30, 2025. Sources: Morningstar Direct; Bloomberg; Fama/French; Federal Reserve Economic Data, Federal Reserve Bank of St. Louis; Miller/Howard Research & Analysis. High inflationary environments are defined as periods where CPI-U was above 3.5% year-over-year (its average over the trailing 75 years) for at least one year. High-yield stocks reflects a basket of the total returns for deciles 7, 8, & 9 as provided by Fama/French (value-weighted). Total returns have been annualized for each defined period.

## *Stagflation*

Stagflation—commonly defined as a combination of stagnant economic growth, high unemployment, and high inflation—was prominent in the early 1970s to early 1980s. In fact, a member of our sales team, offered to get his platform shoes out of the attic upon hearing we were going to address the topic. The condition has largely been avoided since the 1970s, although discussions of stagflation have increased this year as Jerome Powell has recognized the risks of higher unemployment and higher inflation. While stagflation is not our baseline assumption, we do acknowledge Powell's point when he said, "We may find ourselves in the challenging scenario in which our dual-mandate goals are in tension." In this scenario, the risk becomes more palpable.

We identified four periods over the last 75 years in which real GDP dropped below 2% and inflation was above 3.5% (in other words, the combination of the prior two lower-growth and higher-inflation scenarios). For simplicity, unemployment was not used to identify the periods, but it accelerated through each of the periods ending at above-average levels. In these periods of stagflation, high-yield dividend stocks delivered positive returns in each period, averaging an ~11% annual growth rate. High-yield dividend stocks also exhibited strong relative performance, outperforming the broad market three-quarters of the time and by ~5.5% on an average annualized basis.

### High-Yield Dividend Stocks Have Outperformed in Periods of Stagflation




As of September 30, 2025. Sources: Morningstar Direct; Bloomberg; Fama/French; Federal Reserve Economic Data, Federal Reserve Bank of St. Louis; Miller/Howard Research & Analysis. Stagflation is defined as periods with both low real GDP growth (real GDP growth dropped below 2% for at least a year) and high inflation (CPI-U was above 3.5% year-over-year for at least one year). High-yield stocks reflects a basket of the total returns for deciles 7, 8, & 9 as provided by Fama/French (value-weighted). Total returns have been annualized for each defined period.

## *Steepening Yield Curve*

Unlike the disparate views around the potential market risks, investors appear to have coalesced around the idea of a steepening yield curve. This isn't exactly going out on a limb considering the yield curve has been steepening since mid-2023, but there is strong evidence the trend will continue.

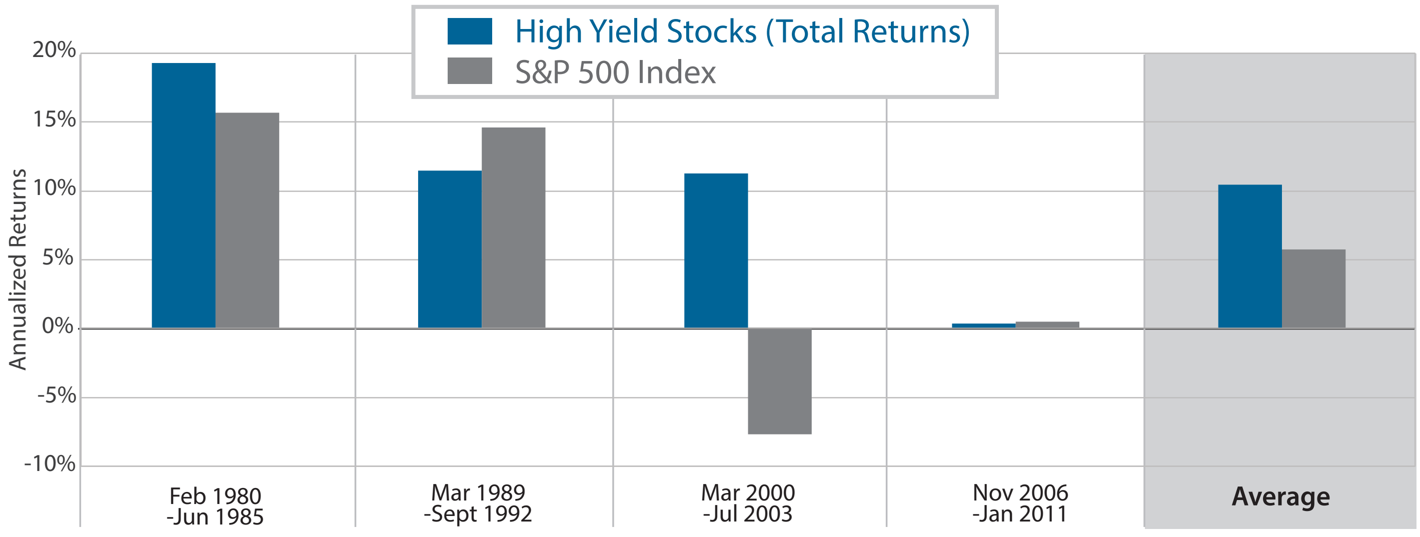
Fed projections suggest the front end of the yield curve is likely to continue to come down. At the same time, the indebtedness of the federal government and expectations for widening deficits could keep the long end of the curve elevated. Swap futures currently point to a continued steepening of ~25 basis points by year end 2026.

We identified four periods over the last nearly 50 years in which the yield curve steepened. In this exercise, we defined yield curve steepening as the yield on the 10-year Treasury minus the yield on the 2-year Treasury increasing by 300 basis points (or more) from trough to peak. The periods were dissimilar in many ways and included times of high inflation, the savings and loan crisis, the dot-com bubble, and the Global Financial Crisis. Still, across all of these periods, the yield curve generally steepened over the course of a three-to-five-year period as the short end of the curve declined faster than the long end of the curve.

During these periods, high-yield dividend stocks posted positive absolute returns. Total return was positive in all four periods, averaging over 10% on an annualized basis. High-yield dividend stocks also exhibited strong relative performance, with returns exceeding the broad market's return by nearly 5% on an annualized basis. Relative outperformance was most pronounced in the 2000-2003 period, which included the fallout from the dot-com bubble where tech stocks dramatically underperformed the rest of the market.

*Miller/Howard continues to believe that investors are best off adopting investment strategies that can control risk and offer reliable returns, even through volatile times. While the ultimate trajectory remains unclear, history suggests high-yield dividend stocks are well positioned to weather multiple potential market environments.*

## High-Yield Dividend Stocks Have Outperformed in Steepening Yield Curve Environments




As of September 30, 2025. Sources: Morningstar Direct; Bloomberg; Fama/French; Federal Reserve Economic Data, Federal Reserve Bank of St. Louis; Miller/Howard Research & Analysis. Steepening yield curve environments are defined as the yield on the 10-year Treasury minus the yield on the 2-year Treasury increasing by 300 basis points (or more) from trough to peak. High-yield stocks reflects a basket of the total returns for deciles 7, 8, & 9 as provided by Fama/French (value-weighted). Total returns have been annualized for each defined period.

# Income-Equity

QUARTERLY REPORT 3Q 2025

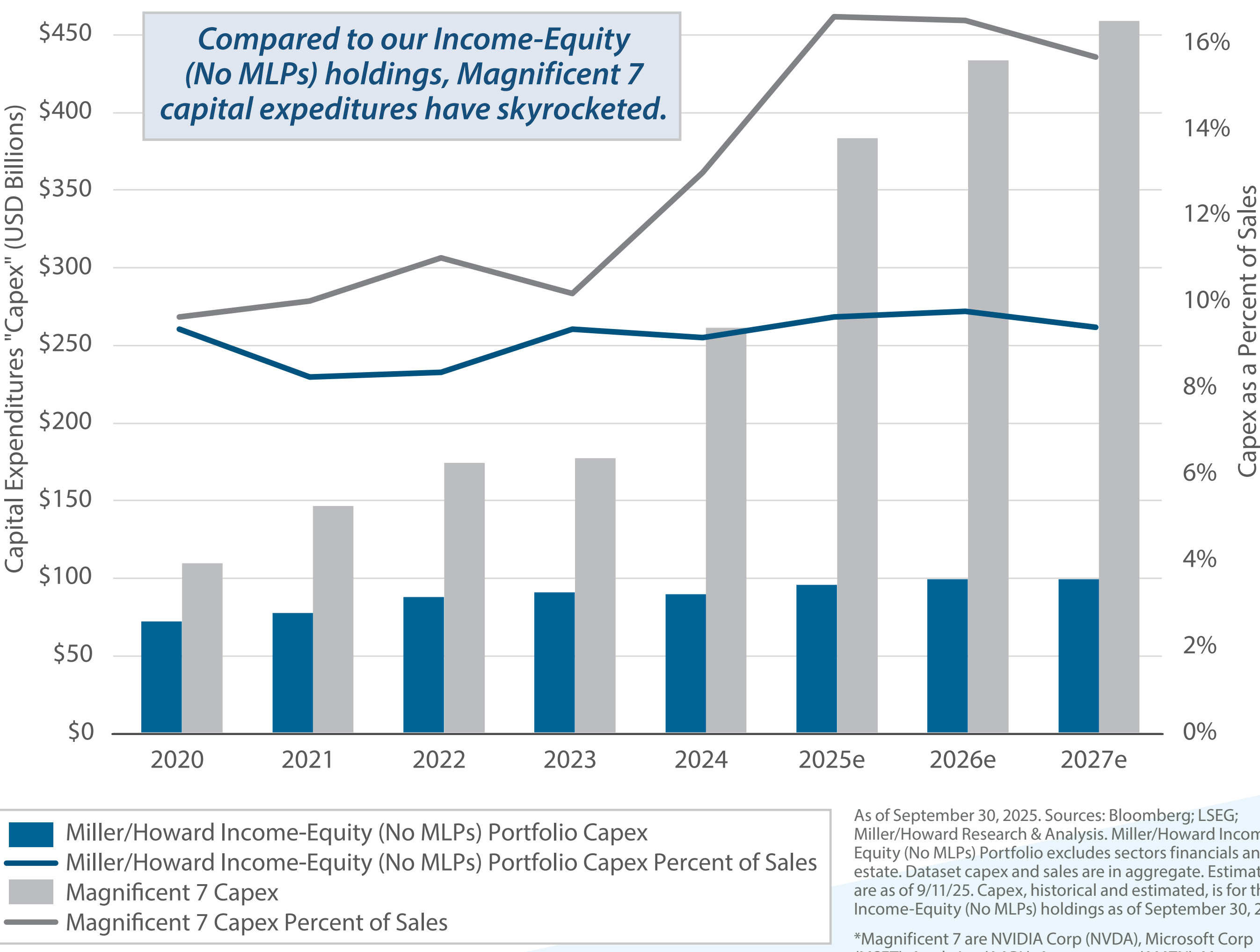
**FOR MORE THAN 30 YEARS, WE'VE BELIEVED** that dividend increases are the strongest signal of management's confidence in their underlying business, as our portfolio companies generally treat dividend commitments as sacrosanct. This quarter, dividend growth was overwhelmingly driven by our financial holdings, reflecting both this expression of confidence and a supportive macro backdrop. Dividends from 70% of our financials holdings were raised by an average 14%. Further, financials comprised over half of our top 10 performance contributors. Since March, we've actively trimmed several of our strong financials performers.

Healthcare also meaningfully contributed, as discounted valuations created opportunities and the Trump administration's evolving healthcare policies proved more benign than initially feared.

Overall, it was an excellent quarter for our Income-Equity portfolios, driven by strong earnings growth. In the third quarter, our Income-Equity portfolios outperformed their benchmark, the Russell 1000 Value Index. Income-Equity now yields 3.6% while the no-MLP version yields 3.4%, and we project 2025 dividend growth of 5.0% and 4.9% in each portfolio, respectively.

## Magnificent 7* Capex Has Skyrocketed

### Miller/Howard Income-Equity (No MLPs) versus Mag 7 Capex




As of September 30, 2025. Sources: Bloomberg; LSEG; Miller/Howard Research & Analysis. Miller/Howard Income-Equity (No MLPs) Portfolio excludes sectors financials and real estate. Dataset capex and sales are in aggregate. Estimates are as of 9/11/25. Capex, historical and estimated, is for the Income-Equity (No MLPs) holdings as of September 30, 2025.

*Magnificent 7 are NVIDIA Corp (NVDA), Microsoft Corp (MSFT), Apple Inc (AAPL), Amazon.com (AMZN), Meta Platforms (META), Alphabet Inc (GOOGL), and Tesla Inc (TSLA).

# Income-Equity *(continued)*

## Looking Ahead

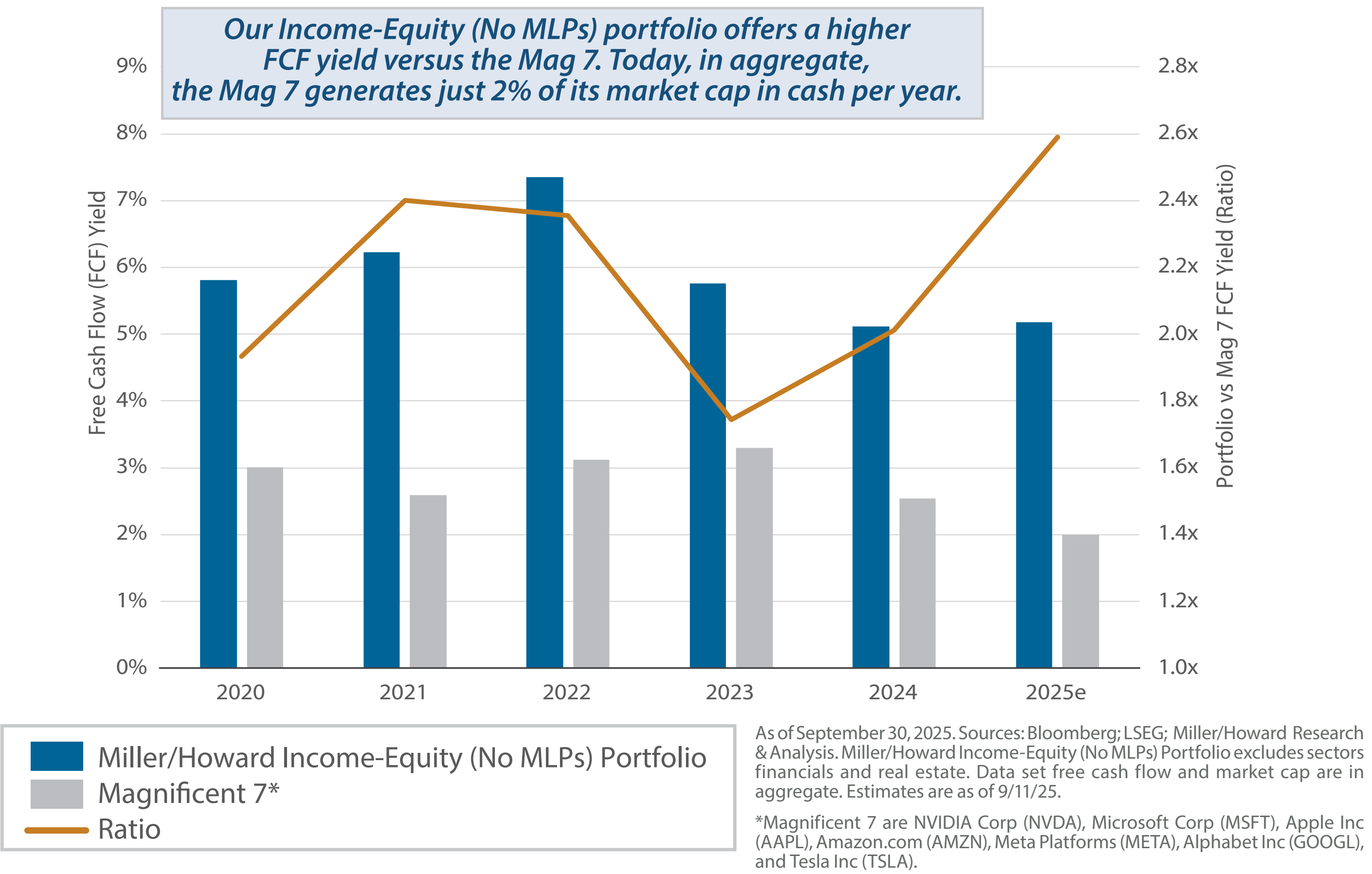
AI leaders once again raised their already frenzied spending forecasts this quarter. Meta CEO Mark Zuckerberg put it bluntly: He would rather "misspend a couple hundred billion dollars" than be late to the game. Investors, undeterred, sent related stocks surging—none more so than Oracle (not held). Despite *missing* expectations on quarterly sales and profits, Oracle shares jumped 35% after announcing a non-binding $100 billion future revenue commitment from OpenAI. That promise is striking given OpenAI's current business rests largely on $240-per-year premium subscriptions—alone hardly sufficient to fund its growth ambitions.

Oracle itself carries $100 billion in net debt (3.5x EBITDA), yet plans to triple its own capital spending to $60 billion annually, far beyond its current cash flow. If this sounds familiar, you likely remember the late 1990s. Back then, vendor financing, where sellers loan or invest directly in their customers, helped inflate the dot-com bubble. Cisco, Sun, Lucent, Nortel, WorldCom, and Global Crossing all fueled startups or struck reciprocal deals to justify ever-higher valuations.

Today's euphoria is again rooted in astounding technological change. Walmart, JPMorgan, and countless others are racing to adopt AI, promising efficiency gains (often code for layoffs) and higher profitability. We, too, are personally and professionally captivated by the possibilities. Where we believe we differ from the market is in how the spoils will ultimately be divided. The most immediate consequence of the AI arms race is soaring spending by the "Mag 7,"* and the erosion of their free cash flow. Since 2023, annual capital expenditures among the Mag 7 have more than doubled and are expected to be just under half a trillion dollars by 2027. Without corresponding sales growth, Mag 7 capex as a share of revenue has surged more than 50%. By contrast, our Income-Equity holdings' capex remains well aligned with long-term trends.

## Magnificent 7's Drop in Free Cash Flow

### Miller/Howard Income-Equity (No MLPs) versus Mag 7 Free Cash Flow




As of September 30, 2025. Sources: Bloomberg; LSEG; Miller/Howard Research & Analysis. Miller/Howard Income-Equity (No MLPs) Portfolio excludes sectors financials and real estate. Data set free cash flow and market cap are in aggregate. Estimates are as of 9/11/25.

*Magnificent 7 are NVIDIA Corp (NVDA), Microsoft Corp (MSFT), Apple Inc (AAPL), Amazon.com (AMZN), Meta Platforms (META), Alphabet Inc (GOOGL), and Tesla Inc (TSLA).

# Income-Equity *(continued)*

How does this impact free cash flow? In 2020, $100 invested across the Mag 7 generated $3 in free cash versus roughly $6 for an equal-sized investment in our Income-Equity (no MLPs) portfolio. Today, with valuations stretched and cash flow weighed down by AI investment, the same $100 in the Mag 7 is expected to yield just $2/year, compared with $5/year in our Income-Equity (no MLPs) portfolio. Put differently, the Mag 7 must grow annual cash flows 250% from current levels *to simply match our portfolio*—assuming our companies don't grow at all, which isn't very likely in our opinion.

We believe it's more probable that, as Mark Zuckerberg himself has noted, a meaningful share of today's frenetic spending will prove obsolete or serve to create income streams that cannibalize existing business. Our income-producing companies, by contrast, are positioned to capture AI-driven efficiencies without bearing the considerable costs and risks of a speculative arms race.

Meanwhile, in our view, investors—often unknowingly—are taking the speculative side of this trade. Consider our benchmark, the Russell 1000 Value Index. On June 30, Russell added Meta, Amazon, and Alphabet (none of which we hold) at a combined 6% weight. Each trades at a premium to the already lofty S&P 500 Index price-to-earnings (P/E) multiple and pays only a token dividend. Their inclusion in a value index, with markets near all-time highs, is curious at best.

With tech's strength encouraging "style drift" among both performance-chasing active managers and supposedly "passive" indices, we reaffirm our commitment to a true equity-income solution, guided by three principles: high current income, growth of income, and financial strength. Knowing what one owns has rarely been more important. In a market increasingly concentrated in a handful of expensive growth stocks with deteriorating cash flows, the Miller/Howard Income-Equity portfolios remain a genuinely diversifying portfolio, focused on high and rising income for our clients.

## *Portfolio Highlights*

- **Dividend increases:** Income-Equity (no MLPs) had 12 dividend increases in the quarter, led by the banks, with particularly large increases from **JPMorgan Chase (JPM), Goldman Sachs (GS), State Street (STT),** and **Bank of New York Mellon (BK).** Outside banks, **H&R Block (HRB)** had a noteworthy 12% increase. Income-Equity (with MLPs) had 13 increases, with **Enterprise Products Partners (EPD)** delivering its 26th year of consecutive dividend growth.

- **New buys:** We added three new names this quarter. In energy, we bought **ConocoPhillips (COP)**, a pure-play oil and gas producer nearing the end of a major investment cycle. Three large projects coming online are expected to generate $3 billion in annual cash flow, while reduced capital spending adds another $3 billion. Conoco also holds, in our view, the deepest remaining high-quality drilling inventory in the Permian Basin. We initiated **Equity Lifestyle Properties (ELS)**, a REIT with a nationwide portfolio of manufactured housing and RV properties, where it collects rent on the plots of land. Lastly, we bought **Hormel (HRL)**, a grocery mainstay with protein-heavy offerings, that is well-positioned for favorable consumer trends.

- **Exited positions:** We exited our longstanding holding in **TotalEnergies (TTE)**. While Total remains a well-run company, we see aggressive buybacks and growth spending making dividend coverage too thin in a weak oil market. We also sold **Conagra Brands (CAG)**, losing confidence that a complacent management team can adapt to industry challenges by innovating or revitalizing its legacy brands. The resulting strain has weakened both Conagra's balance sheet and dividend coverage. Finally, we trimmed financials **Bank of New York** and **JPMorgan** on strong price performance.

**OVERALL, WE BELIEVE THE RECENT EARNINGS** season was a good one. A few companies raised guidance while a few others slightly trimmed their outlooks. The natural gas business remains hot, with several projects announced that are tied to growing demand, primarily around data centers. The natural gas liquids (NGL) business was weaker, with fundamentals impacting earnings for those companies. We are also continuing to watch liquified petroleum gas (LPG) export competition heat up.

The positive news around natural gas demand begs the question: Why aren't natural gas-focused stocks performing better? First, most of the announced projects are longer-term, likely not impacting EBITDA until 2027. Second, the midstream natural gas trade was very strong in 2024 when news around the data center build-out started. Third, although most of the midstream industry's income is derived from fee-based operations, weaker natural gas prices weighed on the industry recently. The summer cooling season went out with a whimper, not a bang.

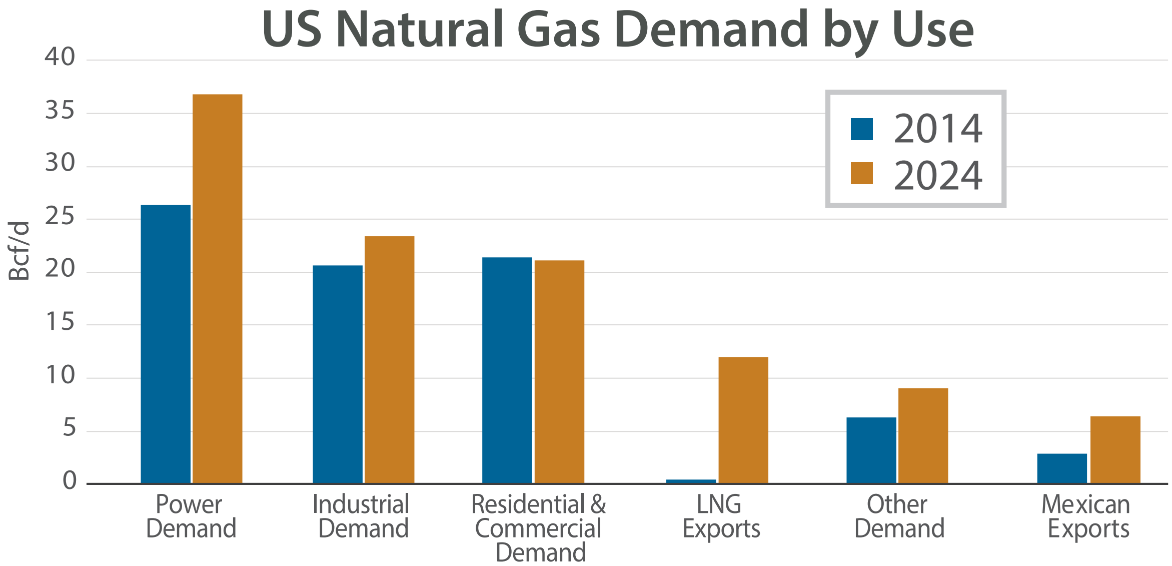
## Looking Ahead

We continue to have faith in the tailwinds for the sector—electrification trends, natural gas exports, increasing gas-to-oil ratios, and data centers. We have seen a step-change in natural gas demand dynamics between 2014 and 2024, and we believe this is just the beginning. Hyperscalers' capex continues to increase, with the majority of these projects powered by natural gas. The midstream industry is responding, with over $10B of new projects announced recently. We would be remiss not to state that the near-term uptick in capex does lower free cash flow. However, once projects become operational, we expect higher cash flow, which should ultimately be returned to investors through distribution increases and, potentially, share buybacks.

### *Portfolio Highlights*

- **Distribution increases:** This quarter 4 of our 16 holdings announced dividend increases. The average increase was 5.3% year-over-year.
- **Sales:** We trimmed our position in **Enbridge (ENB)** to allocate to another holding. We trimmed **Enterprise Products (EPD)**, although we continue to view the company as a core holding.
- **Buys:** We increased our position in **Hess Midstream (HESM)** as the current yield plus potential growth of income is attractive, in our view. We increased our weight in **Genesis Energy (GEL)** as we see free cash flow hitting an inflection point in 2025.

## Strong Tailwinds for Natural Gas Demand




As of September 30, 2025. Source: EIA. LNG = liquefied natural gas.

# Infrastructure

**QUARTERLY REPORT 3Q 2025**

**OUR INFRASTRUCTURE PORTFOLIO RECORDED** positive performance for the third quarter in a row and outperformed its benchmark. However, the infrastructure space as a whole failed to keep pace with the broad market, which benefited from artificial intelligence (AI) enthusiasm and expectations of further monetary easing.

Within our Infrastructure portfolio, performance ran counter to broad market trends as the highest yielding positions outperformed, and the highest growth positions underperformed. Utilities led the portfolio, benefitting from idiosyncratic events like positive regulatory results, legal rulings, asset sales, and data center opportunities. Midstream energy also outperformed, led by more defensive names as natural gas positions took a breather. Cell towers lagged the portfolio on lower growth expectations and EchoStar's (not held) spectrum sales.

## Looking Ahead

AI remains in the spotlight as major tech companies invest billions in data center infrastructure and sign agreements to secure reliable energy. Recent AI advancements have largely been driven by scaling up computational power and model sizes, which demands greater energy consumption. This is especially true for "Frontier AI Models", such as GPT-5, Gemini 2.5, and Llama 4, which are trained using high levels of computational power and energy to match or exceed the capabilities of advanced AI models at the time of their release.

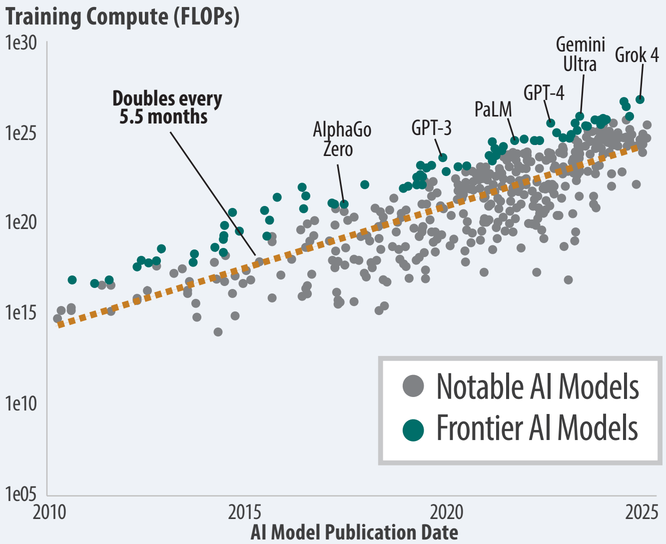
### *Portfolio Highlights*

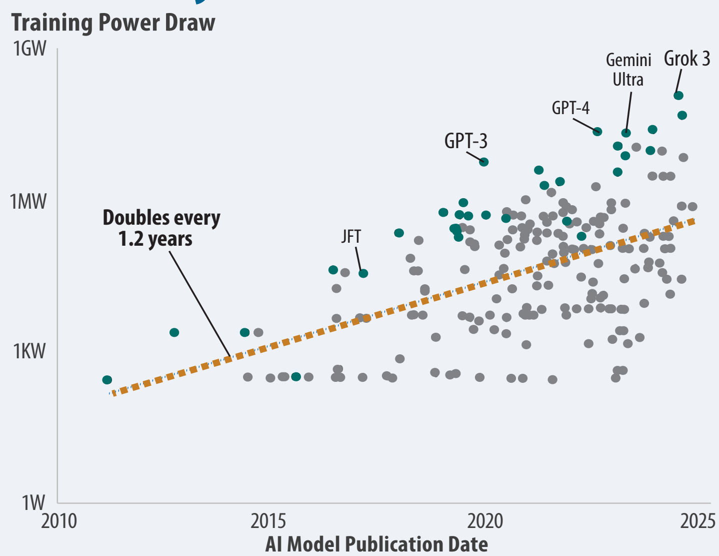
- **Dividend increases:** This quarter, 2 of our 35 holdings announced dividend increases with an average increase of 9.5% year-over-year.
- **New position:** We initiated a position in **Crown Castle (CCI)** and expect the company's operating leverage to amplify US data demand tailwinds. Recent portfolio restructuring provides the company with relative advantages over cell tower peers.
- **Exiting position:** We exited **Comcast (CMCSA)** with the expectation that broadband growth will face continued challenges from fiber and fixed wireless trends.

AI training has required increasingly more computational power and energy, with usage of each doubling every ~5.5 months and ~1.2 years, respectively. It seems logical that this trend will continue for the next generation of AI models.

Our Infrastructure portfolio remains well positioned to benefit from these trends and others with broad-based exposure across multiple sectors. We expect utilities to benefit from regulated power generation and transmission projects, independent power producers to benefit from tighter power markets, and midstream to benefit from higher natural gas volumes. Overall, we expect these tailwinds to enhance the portfolio's ability to provide a high and rising income stream for investors.

## AI Training Requires Increasing Computational Power & Electricity




As of September 30, 2025. Sources: Epoch AI, 'Data on AI Models'; Miller/Howard Research & Analysis. "Training Power Draw" is the total power draw required to train a machine learning model. "Training Compute" is the number of total floating-point operations (FLOPs) needed to train a machine learning model. "Notable AI Models" are defined by Epoch AI as models that meet any of the following criteria: (i) state-of-the-art improvement on a recognized benchmark; (ii) highly cited (over 1000 citations); (iii) historical relevance; (iv) significant use. "Frontier AI Models" are defined by Epoch AI as models that were in the top 10 by training compute at the time of their release. Data displayed in a log scale.

# Utilities Plus

QUARTERLY REPORT 3Q 2025

**UTILITIES RECORDED POSITIVE PERFORMANCE** for the seventh time in the last eight quarters. The sector largely kept pace with the broad market, driven by benefits from AI enthusiasm and expectations of further monetary easing. Despite the Federal Reserve announcing its first rate cut in nine months, the yield on the 10-year Treasury was rangebound. During the quarter, the utilities sector significantly outperformed other defensive sectors such as consumer staples and healthcare. Utilities remain ahead of the broad market year-to-date due to strong outperformance in the first quarter.

Within the group, the largest capitalization names generally underperformed, and the smallest capitalization names outperformed. Top performers included gas local distribution companies (LDCs) and renewable developers that benefitted from improved regulatory visibility. Water utilities underperformed in the risk-on environment due in part to their elevated valuation multiples and less differentiated growth profiles. Notably, independent power producers (IPPs) took a breather following massive outperformance in the second quarter.

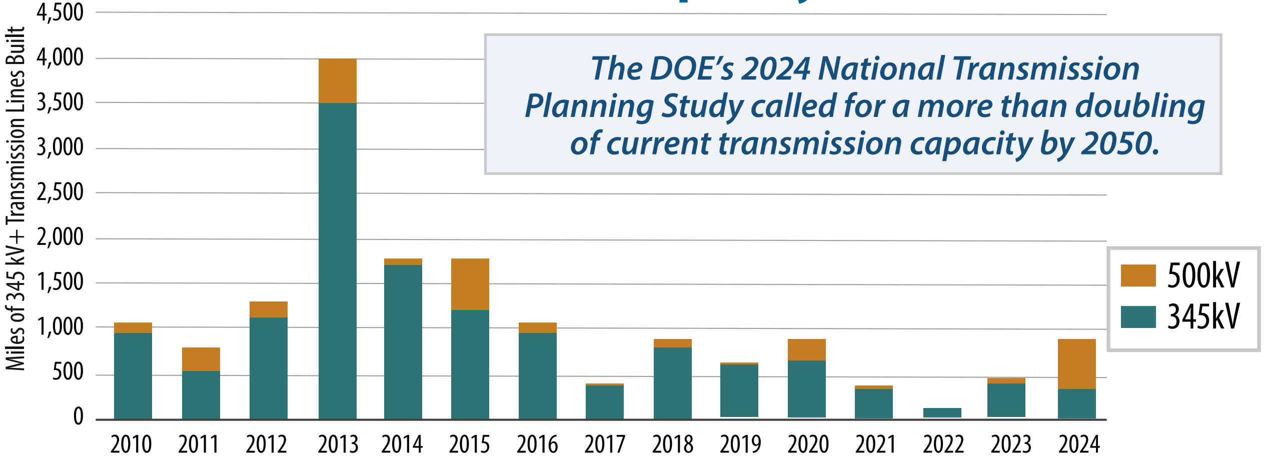
## Looking Ahead

Excitement around data centers, reshoring of manufacturing, and electrification trends—and their implications for US electricity demand—have been a major driver of utility performance. While investor attention has been focused on the requisite power generation, the high-voltage transmission needed to deliver that power has largely flown under the radar. The DOE's 2024 National Transmission Planning Study called for a more-than-doubling of current transmission capacity by 2050. This implies the need to build 5,000 miles per year of high-capacity transmission—or nearly ten times the 2020-2024 average of 536 miles. The required run rate is higher than any single year in the last 15 years. While permitting and the sheer scale of deployment will likely provide challenges, there is a clear opportunity for utilities to deploy incremental capital and earn a regulated return. Due to utilities' formulaic connection between spending levels and earnings growth, this capex will only bolster utilities' growth and their ability to provide investors with high and rising income.

### *Portfolio Highlights*

- **Dividend increases:** This quarter, 4 of our 32 holdings announced dividend increases with an average increase of 3.4% year-over-year.
- **New position:** We initiated a position in **NRG Energy (NRG)**, which we expect to benefit from tightening power markets and the opportunity to execute contracts with data centers for power at premium pricing.
- **Elevated multiples:** We trimmed our positions in **NiSource (NI)** and **CenterPoint Energy (CNP)** after periods of relative outperformance pushed their valuation multiples to significant premiums versus peers.

## US Needs Significantly More High-Voltage Transmission Capacity




As of July 31, 2025. Sources: GridStrategies; Miller/Howard Research & Analysis. Based on miles of new 345 kV+ transmission lines built over the last 15 years. Texas's Competitive Renewable Energy Zones expanded transmission, particularly in 2013. Transmission lines are measured in kilovolts (kV); higher voltage lines can move power over longer distances and at a higher load.

Miller/Howard INVESTMENTS

# North American Energy (without K-1s)

**QUARTERLY REPORT 3Q 2025**

**ALTHOUGH BENCHMARK CRUDE OIL PRICES** held steady in the mid-$60/bbl range this quarter, energy equities extended their strong rebound from April's tariff-related lows. Returns were led by refiners that posted Ukraine war-driven windfall profits. Also, Canadian producers benefited from improved local price realizations versus global benchmarks—a dynamic we have long positioned for in this portfolio.

In contrast, US natural gas prices fell more than 11% from mid-July highs. Summer natural gas demand was tempered by cheap coal (a substitute fuel), growing renewable capacity, and slightly cooler weather versus last year. On the supply side, robust gas output growth more than offset rising liquefied natural gas (LNG) exports and secular AI-driven power demand.

## Looking Ahead

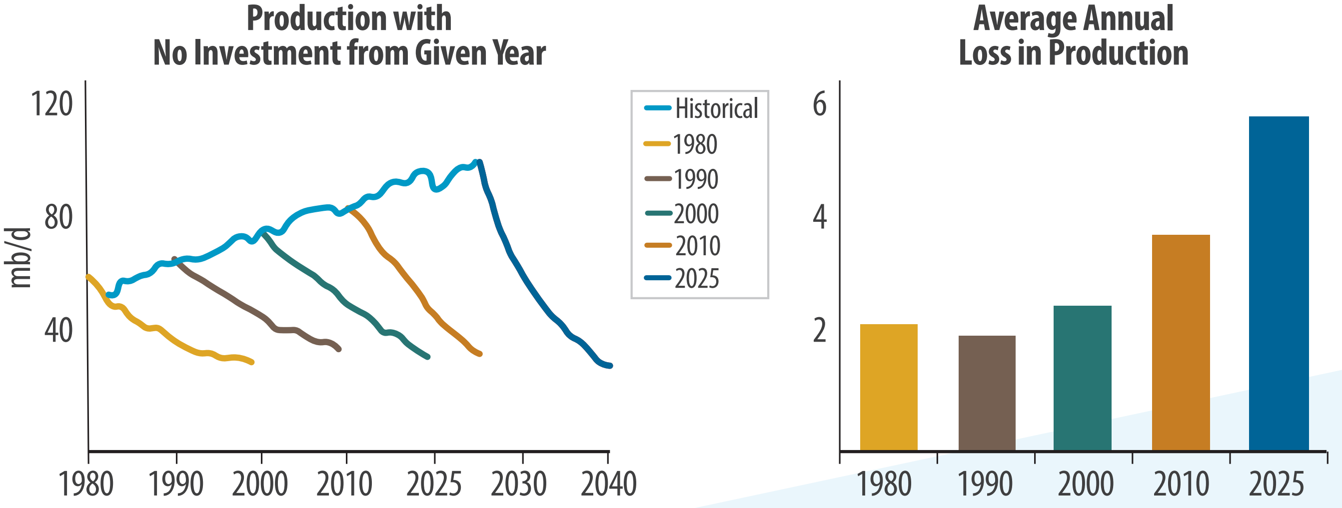
With a relatively stable macro backdrop, we see an opportunity to step back and focus on structural drivers for the years ahead. We expect US crude production to decline ~2% over the next 12 months, with rig counts now 30% below post-COVID highs. In recent quarters, OPEC+ has restored supply aggressively, while disciplined US operators have cut activity to help avoid a price downturn. The industry's ability to calibrate production quickly to demand remains a defining—and undervalued—feature of shale.

Why does this matter? If global drilling stopped today, output would fall by 5.9 million barrels per day (Mbpd) annually—a 6% decline—versus only 3% per year 25 years ago. Shale's fast-decline profile and increased share of global production make supply inherently fragile. We see this as a key reason why, despite lukewarm near-term fundamentals, energy equities remain resilient and attractive.

### *Portfolio Highlights*

- **Energy and income:** The portfolio currently offers an indicated yield of 2.9%. We view this to be well supported down to roughly $45/bbl oil, with the potential for significantly larger variable capital returns at higher commodity prices.
- **Along the energy value chain:** In industry news, Western Midstream (not held) agreed to acquire ARIS Water Solutions (not held) for $1.5B in cash and stock—a 25% premium to the prior close. The Permian Basin produces three barrels of water for every barrel of oil, making wastewater remediation a key growth industry. The deal underscored the value of our **Select Water Solutions (WTTR)** holding, where we added to our position on the news. Later in the quarter, we took gains in **HF Sinclair (DINO)** and reinvested into natural gas and natural gas liquids (NGL) producer **Antero Resources (AR).**

## Faster Worldwide Oil Production Decline Rates




Source: IEA. Loss in production is the average annual drop over the subsequent 10 years.

Miller/Howard INVESTMENTS

# Yield, Growth, Strength, Stability

- Our Income-Equity portfolios each offer a high dividend yield that is approximately 3x 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 (with MLPs)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 3Q25 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Income-Equity Yield | 4.7 | 4.0 | 3.7 | 4.3 | 3.7 | 3.6 | 3.3 | 3.6 | 3.7 | 3.6 | 3.6 |
| S&P 500 Yield | 2.2 | 2.1 | 1.9 | 2.2 | 1.9 | 1.5 | 1.5 | 1.8 | 1.5 | 1.3 | 1.2 |
| Ratio | 2.2x | 1.9x | 2.0x | 2.0x | 2.0x | 2.3x | 2.2x | 2.0x | 2.4x | 2.7x | 3.1x |
| Income-Equity Projected Dividend Growth* | 5.8 | 5.0 | 6.3 | 7.8 | 7.3 | 5.1 | 6.0 | 6.1 | 5.5 | 5.5 | 5.0 |
| S&P 500 Projected Dividend Growth** | 4.2 | 4.0 | 4.2 | 5.2 | 4.2 | 3.3 | 5.9 | 4.8 | 4.5 | 5.3 | 4.9 |
| Ratio | 1.4x | 1.2x | 1.5x | 1.5x | 1.7x | 1.5x | 1.0x | 1.3x | 1.2x | 1.0x | 1.0x |
| Income-Equity Dividend Coverage Ratio | 1.3x | 1.3x | 1.5x | 1.9x | 2.3x | 2.1x | 2.0x | 2.7x | 2.1x | 2.1x | 2.1x |
| Income-Equity Net Debt/EBITDA*** | 2.8x | 2.0x | 1.9x | 1.4x | 1.9x | 1.9x | 1.2x | 2.0x | 1.8x | 2.2x | 2.7x |
| Income-Equity P/E Ratio Trailing | 14.2 | 17.2 | 17.7 | 12.6 | 12.8 | 16.7 | 14.0 | 13.6 | 14.5 | 15.2 | 16.0 |
| S&P 500 P/E Trailing | 18.8 | 20.5 | 21.7 | 16.5 | 21.6 | 27.6 | 24.1 | 18.6 | 21.9 | 24.7 | 25.6 |
| Premium/Discount | -24% | -16% | -18% | -23% | -41% | -40% | -42% | -27% | -34% | -38% | -38% |

## Income-Equity (No MLPs)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 3Q25 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Income-Equity (No MLPs) Yield | 4.6 | 3.9 | 3.7 | 4.2 | 3.6 | 3.5 | 3.2 | 3.5 | 3.4 | 3.4 | 3.4 |
| S&P 500 Yield | 2.2 | 2.1 | 1.9 | 2.2 | 1.9 | 1.5 | 1.5 | 1.8 | 1.5 | 1.3 | 1.2 |
| Ratio | 2.1x | 1.9x | 2.0x | 2.0x | 2.0x | 2.3x | 2.1x | 2.0x | 2.2x | 2.6x | 2.9x |
| Income-Equity (No MLPs) Projected Dividend Growth* | 5.9 | 5.0 | 6.4 | 7.9 | 7.5 | 5.2 | 6.0 | 6.0 | 5.6 | 5.3 | 4.9 |
| S&P 500 Projected Dividend Growth** | 4.2 | 4.0 | 4.2 | 5.2 | 4.2 | 3.3 | 5.9 | 4.8 | 4.5 | 5.3 | 4.9 |
| Ratio | 1.4x | 1.2x | 1.5x | 1.5x | 1.8x | 1.5x | 1.0x | 1.3x | 1.2x | 1.0x | 1.0x |
| Income-Equity (No MLPs) Dividend Coverage Ratio | 1.3x | 1.3x | 1.5x | 1.9x | 2.3x | 2.1x | 2.0x | 2.8x | 2.3x | 2.3x | 2.1x |
| Income-Equity (No MLPs) Net Debt/EBITDA*** | 2.6x | 2.2x | 2.1x | 1.4x | 1.9x | 1.9x | 1.2x | 1.8x | 1.6x | 2.1x | 2.6x |
| Income-Equity (No MLPs) P/E Ratio Trailing | 16.5 | 18.2 | 18.0 | 12.9 | 13.5 | 16.8 | 14.0 | 13.8 | 14.6 | 15.3 | 16.2 |
| S&P 500 P/E Trailing | 18.8 | 20.5 | 21.7 | 16.5 | 21.6 | 27.6 | 24.1 | 18.6 | 21.9 | 24.7 | 25.6 |
| Premium/Discount | -12% | -12% | -17% | -22% | -38% | -39% | -42% | -26% | -33% | -38% | -37% |

As of September 30, 2025. Sources: Bloomberg; S&P; Miller/Howard Research & Analysis. The data above are based on representative accounts in our Income-Equity portfolios both with and without MLPs and are subject to change. Median P/E ratio trailing is published for our Income-Equity portfolios.
* 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 last page.

# Infrastructure: Essential Service Providers with High Barriers to Entry

- Our Infrastructure portfolio offers a high dividend yield that is over 2.5x the yield on the S&P 500 Index, strong prospects for dividend growth, and ample dividend coverage.
- The portfolio offers overall client portfolio diversification, as its active share relative to the S&P 500 is high and investors are under-exposed to these stocks through the broad market, as evidenced by low common holdings.
- In an uncertain market environment, we believe lower beta, high current income, and growth of income will prove to be an advantageous combination for investors.

### Miller/Howard's Infrastructure Portfolio

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 3Q25 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Infrastructure Yield | 2.9 | 3.1 | 3.8 | 3.7 | 3.8 | 4.4 | 3.9 | 3.5 | 3.0 | 3.6 | 3.9 | 3.3 | 3.0 |
| S&P 500 Index Yield | 1.9 | 2.0 | 2.2 | 2.1 | 1.9 | 2.2 | 1.9 | 1.5 | 1.5 | 1.8 | 1.5 | 1.3 | 1.2 |
| Ratio | 1.5x | 1.6x | 1.8x | 1.8x | 2.0x | 2.1x | 2.1x | 2.3x | 1.9x | 2.0x | 2.6x | 2.5x | 2.6x |
| Infrastructure Projected Dividend Growth* | 7.6 | 7.8 | 5.9 | 6.9 | 8.2 | 7.5 | 6.5 | 6.0 | 8.3 | 7.2 | 6.2 | 6.1 | 5.5 |
| S&P 500 Index 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 | 5.3 | 4.9 |
| Ratio | 1.3x | 1.7x | 1.4x | 1.7x | 2.0x | 1.4x | 1.6x | 1.8x | 1.4x | 1.5x | 1.4x | 1.2x | 1.1x |
| Infrastructure Dividend Coverage Ratio | 2.5x | 2.5x | 1.9x | 1.6x | 1.4x | 1.6x | 1.5x | 1.9x | 1.9x | 3.4x | 2.8x | 2.9x | 2.0x |
| Infrastructure Beta (3-Year Rolling)† | 0.8 | 0.8 | 0.9 | 0.8 | 0.8 | 0.7 | 0.8 | 0.9 | 0.9 | 0.9 | 0.8 | 0.8 | 0.7 |
| Common Holdings with S&P 500 Index†† | 5.7 | 5.5 | 3.9 | 4.9 | 4.4 | 5.4 | 4.6 | 4.2 | 3.3 | 3.5 | 3.5 | 3.4 | 3.2 |
| Active Share vs S&P 500 Index†† | 94.3 | 94.4 | 95.9 | 95.0 | 95.5 | 94.5 | 95.3 | 95.9 | 96.7 | 96.5 | 96.6 | 96.5 | 96.8 |

As of September 30, 2025.
Sources: Bloomberg; S&P; Miller/Howard Research & Analysis.
All data are as of year-end, unless otherwise noted. Holdings based on a representative account in our Infrastructure portfolio, and are subject to change.
Dividend yields shown for Miller/Howard portfolios exclude cash.
Performance characteristics, such as dividend yield, are calculated without the deduction of fees and expenses.

*Miller/Howard's 3-year annualized projected dividend growth, 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.
† Vs. S&P 500 Index
†† The percentage of assets for the S&P 500 Index that are held in common with the Miller/Howard Infrastructure portfolio, as a percentage of S&P 500's market value. Active share is a measure of the differentiation of the holdings of a portfolio from the holdings of an index.

| ANNUALIZED PERFORMANCE | QTD | YTD | 1 YR | 3 YRS | 5 YRS | 7 YRS | 10 YRS |
|---|---|---|---|---|---|---|---|
| Income-Equity (Gross) | 6.15 | 11.85 | 12.61 | 18.44 | 16.24 | 10.68 | 10.83 |
| Income-Equity (Pro Forma 0.75% Net)* | 5.96 | 11.23 | 11.78 | 17.56 | 15.38 | 9.86 | 10.01 |
| Income-Equity (Pro Forma 3% Net)* | 5.37 | 9.38 | 9.31 | 14.98 | 12.84 | 7.43 | 7.57 |
| Russell 1000 Index | 7.99 | 14.60 | 17.75 | 24.64 | 15.99 | 14.18 | 15.04 |
| Russell 1000 Value Index | 5.33 | 11.65 | 9.44 | 16.96 | 13.88 | 9.53 | 10.72 |

| ANNUALIZED PERFORMANCE | QTD | YTD | 1 YR | 3 YRS | 5 YRS | 7 YRS | 10 YRS |
|---|---|---|---|---|---|---|---|
| Income-Equity (No MLPs) (Gross) | 6.71 | 12.46 | 11.70 | 17.81 | 15.68 | 10.41 | 11.00 |
| Income-Equity (No MLPs) (Pro Forma 0.75% Net)* | 6.51 | 11.83 | 10.87 | 16.94 | 14.83 | 9.59 | 10.17 |
| Income-Equity (No MLPs) (Pro Forma 3% Net)* | 5.92 | 9.98 | 8.42 | 14.37 | 12.30 | 7.17 | 7.74 |
| Russell 1000 Index | 7.99 | 14.60 | 17.75 | 24.64 | 15.99 | 14.18 | 15.04 |
| Russell 1000 Value Index | 5.33 | 11.65 | 9.44 | 16.96 | 13.88 | 9.53 | 10.72 |

| ANNUALIZED PERFORMANCE | QTD | YTD | 1 YR | 3 YRS | 5 YRS | 7 YRS | 10 YRS |
|---|---|---|---|---|---|---|---|
| MLP & Midstream Energy Income (Gross) | (1.68) | 4.64 | 13.40 | 24.79 | 33.05 | 11.30 | 8.36 |
| MLP & Midstream Energy Income (Pro Forma 0.75% Net)* | (1.87) | 4.06 | 12.59 | 23.87 | 32.07 | 10.47 | 7.56 |
| MLP & Midstream Energy Income (Pro Forma 3% Net)* | (2.42) | 2.32 | 10.07 | 21.16 | 29.19 | 8.02 | 5.17 |
| Alerian MLP Index | (1.22) | 5.75 | 10.97 | 22.39 | 32.26 | 9.77 | 8.14 |

| ANNUALIZED PERFORMANCE | QTD | YTD | 1 YR | 3 YRS | 5 YRS | 7 YRS | 10 YRS |
|---|---|---|---|---|---|---|---|
| Infrastructure (Gross) | 3.55 | 12.63 | 12.55 | 14.68 | 14.42 | 10.24 | 10.59 |
| Infrastructure (Pro Forma 0.75% Net)* | 3.36 | 12.00 | 11.71 | 13.83 | 13.57 | 9.42 | 9.77 |
| Infrastructure (Pro Forma 3% Net)* | 2.78 | 10.15 | 9.25 | 11.32 | 11.07 | 7.00 | 7.34 |
| Dow Jones Brookfield Global Infrastructure Index | 1.69 | 14.05 | 10.51 | 12.82 | 9.49 | 7.44 | 7.42 |

| ANNUALIZED PERFORMANCE | QTD | YTD | 1 YR | 3 YRS | 5 YRS | 7 YRS | 10 YRS |
|---|---|---|---|---|---|---|---|
| North American Energy (without K-1s)(Gross) | 5.64 | 5.62 | 8.20 | 14.00 | 30.22 | 12.82 | 12.19 |
| North American Energy (w/o K-1s)(Pro Forma Net 0.75%)* | 5.45 | 5.03 | 7.39 | 13.15 | 29.27 | 11.99 | 11.36 |
| North American Energy (w/o K-1s)(Pro Forma Net 3%)* | 4.86 | 3.28 | 5.01 | 10.65 | 26.44 | 9.51 | 8.89 |
| S&P 1500 Energy Index | 6.18 | 5.96 | 4.63 | 10.88 | 29.50 | 6.37 | 7.57 |

| ANNUALIZED PERFORMANCE | QTD | YTD | 1 YR | 3 YRS | 5 YRS | 7 YRS | 10 YRS |
|---|---|---|---|---|---|---|---|
| Utilities Plus (Gross) | 8.01 | 17.67 | 14.81 | 16.61 | 13.94 | 11.40 | 11.80 |
| Utilities Plus(Pro Forma Net 0.75%)* | 7.81 | 17.02 | 13.96 | 15.75 | 13.10 | 10.57 | 10.97 |
| Utilities Plus(Pro Forma Net 3%)* | 7.22 | 15.09 | 11.45 | 13.20 | 10.60 | 8.13 | 8.52 |
| S&P 500 Utilities Index | 7.57 | 17.69 | 11.20 | 13.61 | 11.44 | 11.00 | 10.88 |

As of September 30, 2025. Source: Morningstar Direct. Parentheses represent negative performance data. Results are shown in US dollars. Past performance is not indicative of future results. *Pro Forma 0.75% net returns are a simulation using a 0.75% annual fee, deducted monthly. Pro Forma 3% net returns are a simulation of the effects of a bundled annual fee of 3%, deducted monthly, which would include advisor and consultant's fees, transactions costs, and maintenance fees. MHI's highest annual management fee as stated in our ADV is 0.75%. Note: Investment returns include the reinvestment of dividends and other income. The Dow Jones index is net of dividend withholding taxes.



**DEFINITIONS: High-Yield Stocks** reflects a basket of the total returns for deciles 7, 8, & 9 as provided by Fama/French (value-weighted). **Inflation** is the year-over-year change of the Consumer Price Index for All Urban Consumers (CPI Index). **Free Cash Flow Margin** is free cash flow (defined as cash flow from operations minus capital expenditure) divided by revenue. **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. **EBITDA** = earnings before interest, taxes, depreciation, and amortization. **MLP** = Master Limited Partnership. **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 1000 Value Index** offers investors access to the broad value segment of US equity value universe and is constructed to provide a comprehensive and unbiased barometer of the broad value market.

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