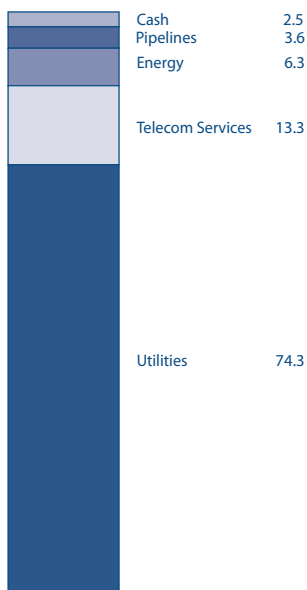


DISTRIBUTION / MERGING UTILITIES

Sector Weights



Current Yield[†]	4.0%
Proj Dividend Growth^{††}	4.0%
Beta^{†††}	0.8

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.

[†] Weighted average distribution yield.

^{††} 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.

^{†††} 5 Year annualized vs. S&P 500.

This past quarter might be characterized as mostly business-as-usual—there were no changes in the world or the financial markets that might have an impact. The Gulf spill doesn't matter to this portfolio. Finreg doesn't matter to this portfolio. Southern European financial problems don't matter to these stocks. All that matters is that you have to heat your house, turn on the lights, drink water, and make phone calls. In a new Age of Austerity, these are the basics from which no one can escape.

PORTFOLIO HIGHLIGHTS

Though it was mainly an ordinary quarter, there were definitely signs of life on the M&A side that affected our companies, both for the better and for the worse in terms of price changes. PPL announced the acquisition of E.ON's US utility operations for \$7.625 billion and completed an equity raise, both factors resulting in a drop in the stock price (normal in such circumstances) but augering well for the long-term future, we think. Calpine rose after announcing the purchase of power generation assets from Pepco Holdings, among others. Xcel Energy purchased power plants in Colorado from Calpine, with little effect on its share price. We can't say that a new era of M&A activity has arisen in the utility space, but this is all good news to us, after a long fallow period characterized by financing uncertainties.

Elsewhere, Questar rose after reporting good earnings and announcing a split of its utility and E&P businesses. We'll certainly be keeping the utility business, possibly both. We expect some softness as investors primarily interested in the E&P exit their utility shares, but later on we think the attractions of the utility and pipeline side will make them an excellent holding. NRG Energy rose, perhaps because the price had previously declined enough to make it once again a takeover possibility, especially in view of demonstrated renewed interest from some players in the acquisition of power assets. BCE rose on good earnings and a strong Canadian dollar, though some pending new legislation and rulemaking

may reduce its merger possibilities. Enbridge Energy rose in a strong MLP group.

NII Holdings declined, we think, as a result of profit taking from its earlier strong performance. We'd suggest the same for Southern Union. Entergy encountered hostile environmental regulation in NY State and cancelled its nuclear spinoff, taking some shine off the stock.

UGI was a new purchase this past quarter. The company has been doing very well as a utility supplier of gas and in some measure of electricity, and just raised its dividend a rather mighty 25%, suggesting more good news may be upcoming in future quarters. We also like this one for its AmeriGas Partners propane MLP, of which it is the general partner. This business may be attractive to other MLPs seeking to add scale, and it has good growth prospects on its own, both domestically and internationally. In the absence of a deal, AmeriGas gives the company a great deal of flexibility to expand geographically, much more than the typical gas utility. And propane isn't regulated.

LOOKING AHEAD

This portfolio doesn't generate a huge amount of excitement or news, in the absence of deals. Because of its quiet nature, most investors would be surprised to see its long-term absolute and risk-adjusted returns—which are hard to beat and look a whole lot better than most complicated asset allocations over the past 10 years. We look for more of the same, as we always do. Upcoming quarters may hold the potential for upside performance surprise, should the late-quarter improved relative and absolute strength generally seen in the utilities sector prove more than a one-month wonder. ■

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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%
Distribution/Merging Utilities	(5.8)%	(6.5)%	17.8%	14.4%	(4.1)%	(6.9)%	3.7%	0.6%	8.0%	4.9%
S&P Utility	(3.7)%		5.8%		(6.8)%		1.6%			

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.

Distribution/Merging Utilities: The Distribution/Merging Utilities composite comprises broadly defined utility companies that we believe are likely takeover candidates. For comparison purposes this strategy is measured against the S&P Utility Index, which is an unmanaged, market-value-weighted total return index of all utility stocks in the S&P 500. We compare our returns to the S&P Utility Index, but we make no claims that our portfolio will track the index closely. In some charts and tables we show the Russell 3000 Utility Index to give investors some measure of how the broad universe of utilities has performed.

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.