QUARTERLY REPORT 4Q 2022

Embracing Uncertainty

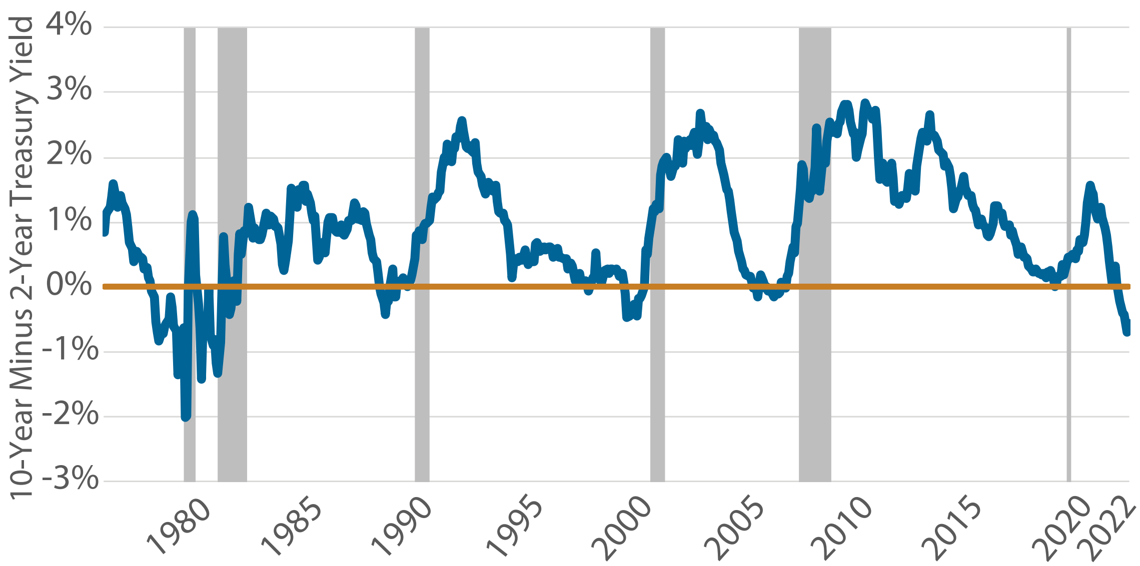
DECEMBER 31, 2022

FLIP ON ANY TV BUSINESS PROGRAM, and you are likely to hear a stock market debate that is tightly linked to forecasts of the future. The typical setup is an optimist versus a pessimist, with the debate focusing on inflation, the Federal Reserve, economic growth, and so on. Each proponent makes a forecast and then follows with investment advice that is tightly linked to their outlook. Adding a third debater who shrugs his or her shoulders when asked for a forecast would make for terrible TV, but in our minds, that would be a useful addition to the debate. Embracing uncertainty leads investors away from portfolios tailor-made for specific scenarios and towards solutions that control risk and offer likely returns, even in volatile times.

Of course, there are times when tilting a portfolio towards a forecast can make sense. An easy example is positioning for a recovery in a recession once small bits of good news—green shoots—start to emerge. Any successful investor can point to past wins based on an accurate forecast. It is a fallacy, however, to assume that all, or even most, points in time offer that type of opportunity. In particular, we view the current market outlook to be the most uncertain in memory.

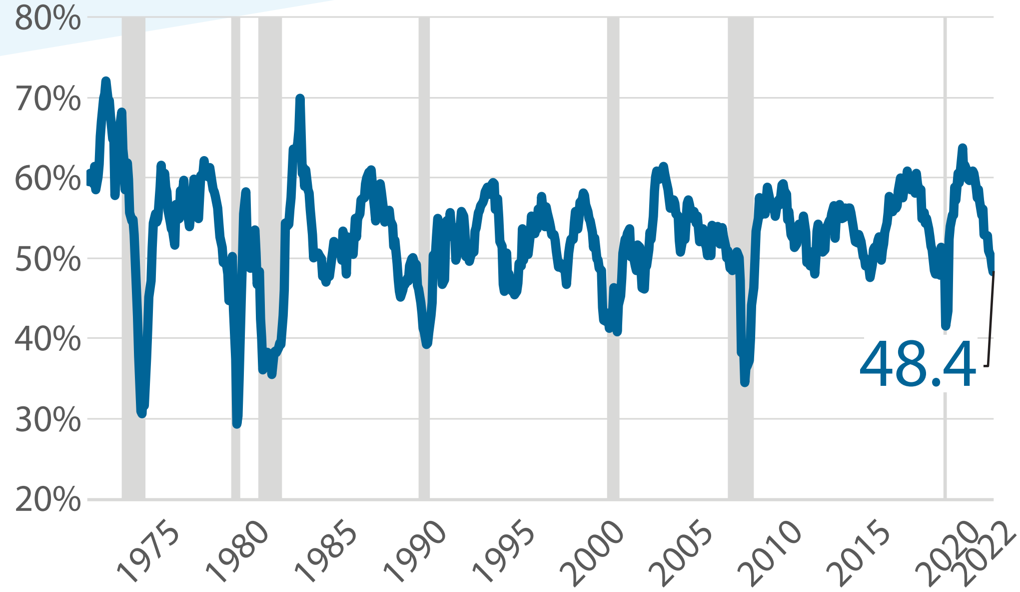
The case for an impending recession is easy to make. The bond market is in a dour mood, with the yield curve more inverted than it has been in the last 40 years. At quarter end, the two-year Treasury was yielding 4.4% while the 10-year Treasury only yielded 3.9%. Typically, investors demand a higher interest rate for longer duration bonds to compensate for potentially missing out on more attractive investments that may develop. It is astounding that investors would be willing to tie up their money for 10 years for an annual return of merely 3.9%. This is well below inflation as well as the 10.3% average rolling 10-year return for equities (see our 1Q 2022 Quarterly Report). Pessimism from the bond market is loud and clear.

Yield Curve Has Inverted



Data as of December 31, 2022. Sources: Federal Reserve Bank of St. Louis; Miller/Howard Research & Analysis.
Based on the difference in yields between the 10-Year Treasury constant maturity and the 2-Year Treasury constant maturity, monthly, not seasonally adjusted. Grey lines indicate recessionary periods.

Purchasing Managers' Index Turns Negative



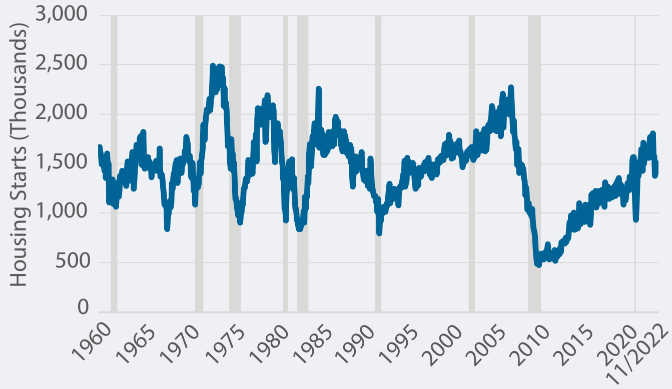
As of December 31, 2022.
Sources: Bloomberg; Federal Reserve Bank of St. Louis.
A Manufacturing PMI® reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally declining. A Manufacturing PMI® above 48.7 percent, over a period of time, indicates that the overall economy, or gross domestic product (GDP), is generally expanding; below 48.7 percent, it is generally declining. The distance from 50 percent or 48.7 percent is indicative of the extent of the expansion or decline.
Grey lines indicate recessionary periods.

Bond investors are not the only ones seeing troubled times ahead. Many corporate executives are noticing a slowdown in business activity. This trend is best reflected by the ISM Manufacturing Purchasing Managers Index which has been dropping since March 31, 2022. Historically, drops in the Manufacturing PMI have frequently led or coincided with recessions.

The primary reason executives and economists alike are expecting a recession is the Fed's increase in interest rates. In our view, whether higher rates will tip the economy into a recession is far from certain. Higher rates primarily impact the economy through the housing sector. New home starts did decline, beginning in May 2022, shortly after the Fed began raising rates. New home construction averages less than 2% of GDP, making the sector important but probably not big enough to pull the whole economy into recession. The real question is whether the rest of the economy is sensitive enough to higher interest rates to push economic growth into negative territory.

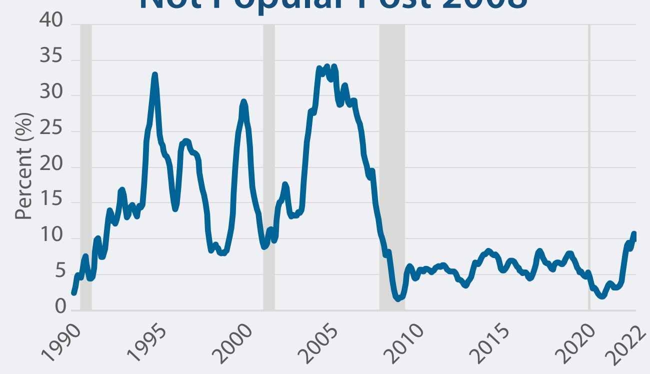
One major change from the 2008-2009 recession is that adjustable-rate mortgages are much less common. As the housing bubble peaked in 2006, roughly one-third of new mortgage applications were adjustable-rate.

New Housing Starts Rolling Over



As of November 30, 2022. Sources: Federal Reserve Bank of St. Louis Economic Data; Miller/Howard Research & Analysis. New privately-owned housing units started, seasonally adjusted annual rate. Grey lines indicate recessionary periods.

Adjustable-Rate Mortgages Not Popular Post-2008



As of December 31, 2022. Sources: Mortgage Bankers Association. Adjustable-rate mortgage (ARM) share of number of loan applications, percent of 3 month average. Grey lines indicate recessionary periods.

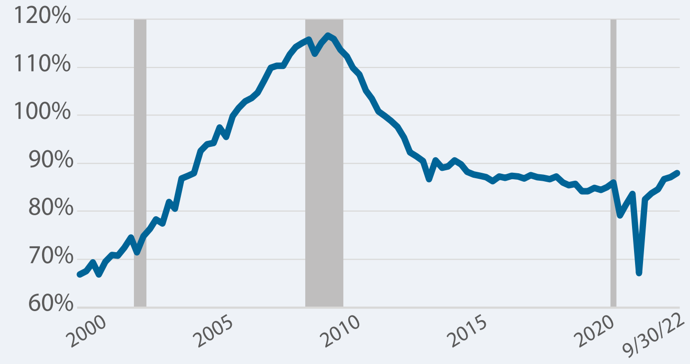
In the years post-2009, the vast majority of homeowners have a fixed-rate mortgage, with a rate well below prevailing mortgage rates. The incentive is to stay put. Unless unemployment truly jumps up, it appears that the current situation should not lead to the foreclosures we saw post-2008.

In addition to holding more fixed-rate debt than in 2008, overall, the consumer is also much less leveraged. In 2008, consumers, in aggregate, held debt equal to 115% of disposable income; whereas, now debt has dropped to less than 90% of disposable income. Cash on consumer balance sheets is also strong. During the heart of the pandemic, consumers received stimulus checks and simultaneously were unable to spend on a number of services such as travel. As a result, consumers accumulated a record amount of cash, even accounting for inflation. These excess cash balances have run off a bit but are still very high by historical standards, currently averaging about $24,000 (household per capita). High cash balances combined with low debt means the typical consumer is not stretched—a very different situation relative to 2008.

In aggregate, the same is true for the business sector. Currently, the outstanding principal on corporate bonds is roughly twice bank debt. That's important because bonds are virtually all fixed-rate while bank debt tends to be floating-rate. The predominance of bonds means that corporate debt is mostly fixed. Most corporate debt is well-termed out, so the impact of higher rates will take years to play out. On top of that, corporate leverage is low relative to history, making it hard to see how higher interest rates will lead to recession-inducing stress.

The earliest sign of credit distress is usually seen in delinquency data. Delinquencies have slightly risen on consumer credit card debt but are still very low relative to history. Delinquencies on commercial and industrial bank loans are very low, with no discernable uptick.

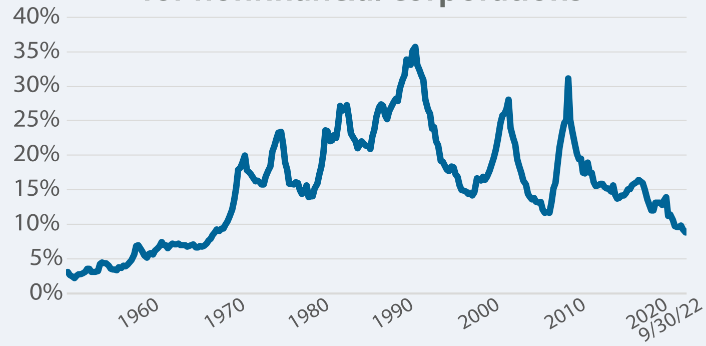
Consumer Debt Low Relative to Disposable Income



As of September 30, 2022. Sources: Federal Reserve; Bloomberg. Based on total consumer debt as a percentage of disposable personal income. Grey lines indicate recessionary periods.

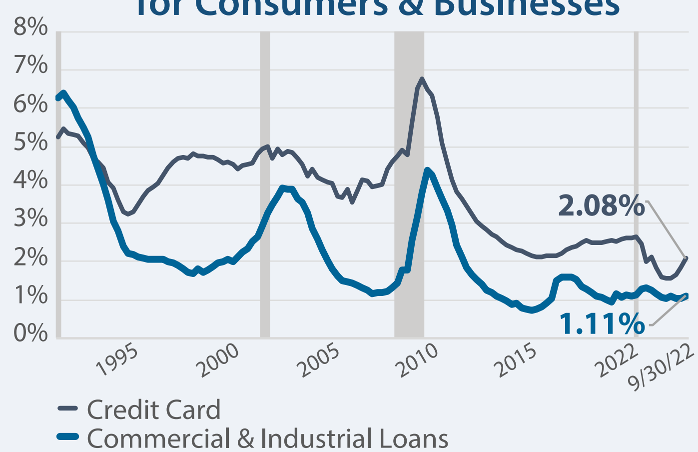
The Corporate Debt Burden is Light

Interest expense as a % of operating income for nonfinancial corporations



As of September 30, 2022. Sources: Bureau of Economic Analysis (BEA); Miller/Howard Research & Analysis. See definitions below.

Low Delinquency Rates for Consumers & Businesses



As of September 30, 2022. Source: Federal Reserve. Grey lines indicate recessionary periods.

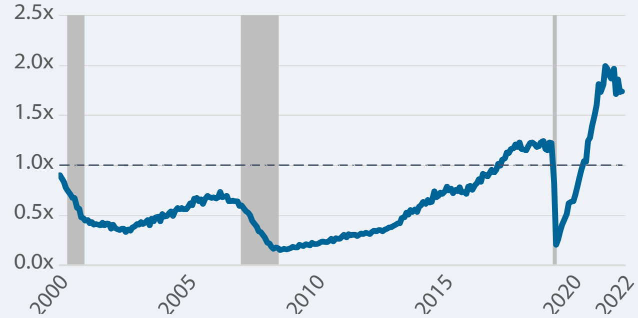
Net operating income is categorized as net operating surplus by BEA. The definition of net operating surplus by BEA is a profits-like measure that shows business income after subtracting the costs of compensation of employees (received), taxes on production and imports less subsidies, and consumption of fixed capital (CFC) from value added, but before subtracting financing costs and business transfer payments. Consists of the net operating surplus of private enterprises and the current surplus of government enterprises.

Pessimists argue that the current strength of the labor market is a lagging indicator—higher interest rates have always acted as a brake on economic activity. Saying, "It's different this time." can elicit eye rolls, but the pandemic had a very unique impact on the economy. The labor market is a prime example of this impact. Since we began collecting job vacancy data, we have never seen more job openings than unemployed people until now. The baby boomer generation worked longer than previous generations, but then decided in large numbers to retire during the pandemic. Combined with lower immigration, labor supply is tight, making it easy to find a new job. The Fed would like to see the job market cool, but it appears much of the tightness is a structural legacy from the pandemic.

Another unique feature of the current situation is the unwinding of supply chain constraints. Cisco's* most recent results were a good example of the snapback that is possible. Cisco had been troubled by semiconductor shortages in past quarters. Bottlenecks have eased, and Cisco was able to ship backordered equipment, generating a nice jump in revenue and earnings. Given the widespread supply chain issues, there should be many similar situations. The auto industry, for example, also has widely reported production shortfalls due to chip shortages. The impact can be clearly seen in dealer inventories which have never been so low relative to sales. Even if higher interest rates dampen auto demand, there will still be a need for dealers to build back inventories.

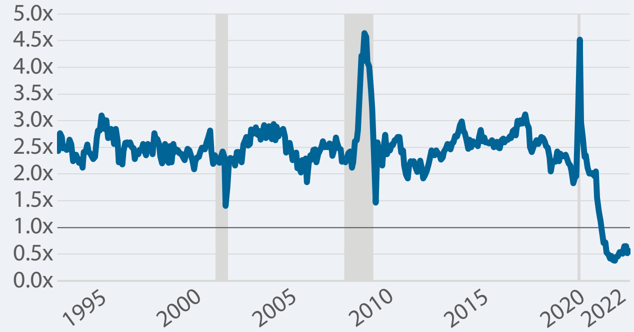
The pandemic also made its mark on the healthcare industry. Speaking with clients, everyone assumes that the pandemic increased demand for healthcare services. The truth is the opposite. Yes, COVID-19 caused many people to seek medical help, but millions more delayed care, reducing the diagnosis of various diseases and conditions, and in turn, lowering the number of prescriptions and certain surgical procedures. It will take years for analysts to accurately size the effect, but the shortfall is clear when looking at healthcare services as a percent of GDP. Healthcare services made up a widening slice of the economy for decades before exiting the pandemic at a materially lower level. As the pandemic recedes, we expect catch-up demand for this important sector.

Job Openings Exceed Number of Unemployed



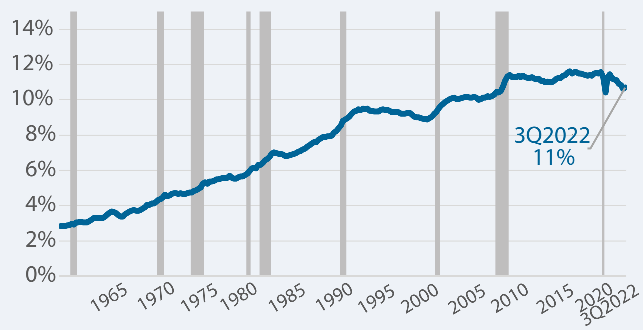
As of November 30, 2022. Source: Bloomberg.
Based on the ratio of job openings relative to unemployment.
Grey lines indicate recessionary periods.

Auto Dealers Short on Inventory



As of November 30, 2022. Source: Federal Reserve Bank of St. Louis. Monthly, seasonally adjusted. Based on the ratio of auto inventories relative to sales. Grey lines indicate recessionary periods.

COVID-19 Depressed Demand for Healthcare Services



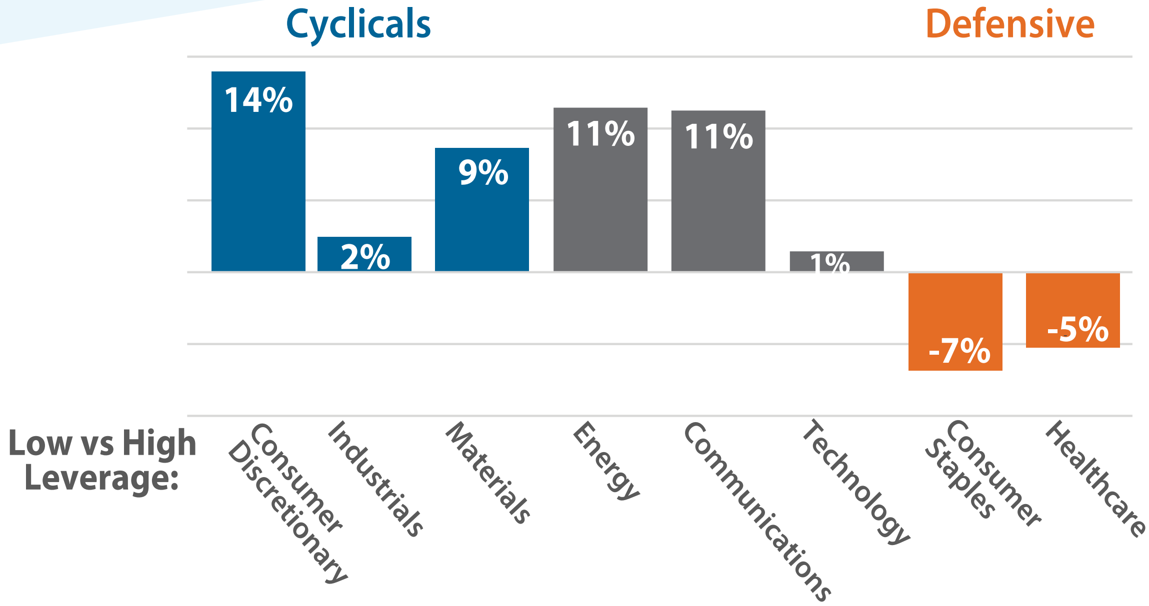
As of November 30, 2022. Source: Federal Reserve Bank of St. Louis.
Healthcare services as a percent of GDP.
Grey lines indicate recessionary periods.

Job openings is measured using the US Job Openings By Industry Total SA. This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

Unemployed workers is measured using US Unemployment Unemployed Workers Total in Labor Force. 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).

*Cisco (CSCO) was held in the Income-Equity Strategies as of December 31, 2022. To receive a list of all recommendations for the previous year, please email compliance@mhinvest.com.

Companies with Lower Leverage Tend to Outperform During Recessions



As of December 31, 2022. Sources: Bloomberg; Miller/Howard Research & Analysis. Recessionary periods as defined by Federal Reserve Bank of St. Louis (a total of 28 months or 2.3 years). Display shows the equally-weighted annualized relative returns for low versus high net debt/EBITDA terciles during recessionary periods, as sorted within sectors.

Building All-Weather Portfolios

Even though there is a great deal of underlying strength in the economy, the alarm bells coming from the bond market and the purchasing manager surveys are credible signals. On net, we shrug our shoulders without apology and conclude that there is a 50% chance of a recession. The critical question is how to invest given that uncertainty.

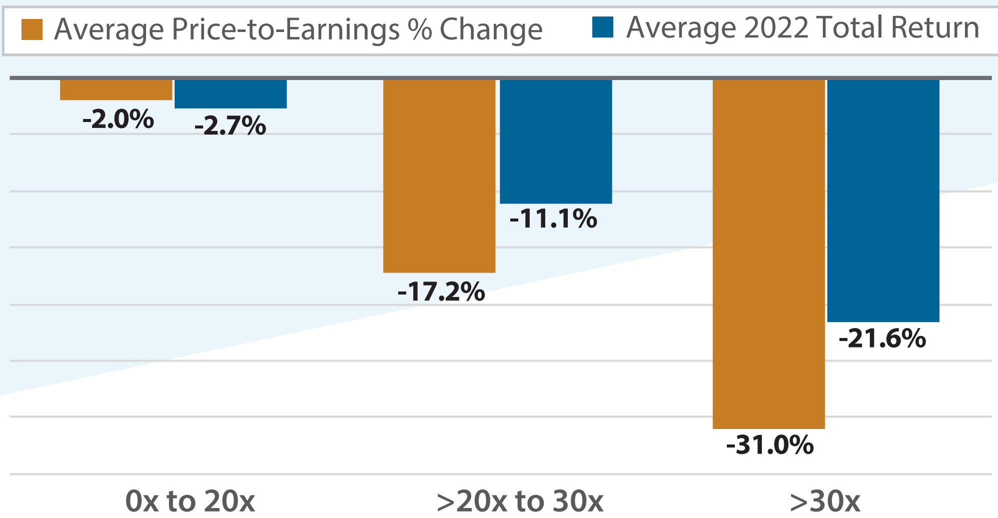
Our goal is to have "all-weather" portfolios–investments that will do reasonably well in a wide range of economic environments–analogous to all-weather tires. We believe that following a few basic rules should lead to portfolios that are resilient in difficult times yet still capable of generating good returns when the market recovers.

First, stay invested in the stock market. In our view, thinking one can jump in and out of cash at just the right time is folly. Our 1Q 2022 Quarterly Report showed that over rolling 10-year holding periods, returns have always been positive for high-dividend-yield stocks over the past 50 years. The average annual return has been 12.1%. Yet we understand how seductive pessimists can sound, promising the direst future—one that calls for selling it all in favor of cash. Our view is that turning points are just too sudden. Recall, for instance, March 2009. A buy-and-hold strategy puts the odds in your favor without having to make the almost impossible quick judgments required for market timing.

But what should we hold? We are always cautious about owning firms with high levels of debt, but that approach is imperative when recession risk is high. To test our intuition on this issue, we looked at the returns during recession months for stocks in various sectors. For most sectors, firms with lower leverage outperformed high-debt companies in the same sector during recession months. The only exceptions were two defensive sectors—consumer staples and healthcare.

Excessive debt can lead to bankruptcy, but more commonly, it can lead to situations in which management teams are forced to sell equity or valuable assets, or must increase borrowing at poor terms. An economic downturn raises the probability of trouble, so we advise sticking with strong balance sheets.

Lower Price/Earnings Stocks Outperformed in 2022



As of December 31, 2022. Sources: Bloomberg; Miller/Howard Research & Analysis. Price/earnings (P/E) groupings are members of the S&P 500 Index as of December 31, 2021. Members with negative earnings-per-share estimates for calendar year 2021 & 2022 were excluded. Groupings are based on P/E calculated as of December 31, 2021 price divided by 2021 estimated earnings per share.

Forecasting is always hard, but buyers of stocks with high price/earnings (P/E) ratios are implicitly saying its easy to look decades ahead with confidence. Investors who recognize how uncertain the world actually is should stick with stocks with lower P/E ratios—in other words, valuations that can actually be justified by nearer-term earnings.

In 2022, increasing interest rates led investors to put higher discount rates on future earnings, lowering price/earnings ratios. The declines in price/earnings ratios were much more pronounced for stocks entering the year with high valuations, leading much lower total returns for expensive stocks. This trend could continue as the Federal Reserve intends to raise short-term interest rates further, likely lifting long-term rates as well, in our view.

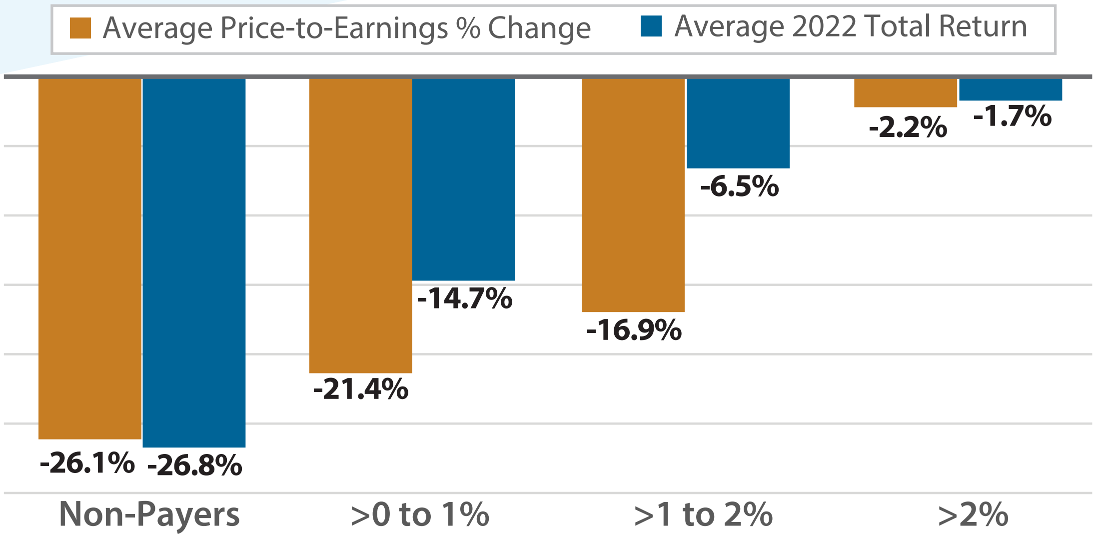
Fluctuations in price/earnings ratios are the largest contributor to equity volatility. Investors tempted to chase expensive stocks in this environment should bear in mind that a stock down 50% needs to be up 100% to get back to breakeven. While volatility can never be eliminated in equity investing, excessive volatility puts a drag on returns. As an example, a hypothetical portfolio that toggles between returns of -20% and 40% yields much less than one that toggles between 7% and 13%, even though the simple average of returns is the same. Investments that grind ahead are not just better for the nerves, they are better for the bottom line.

Volatility is a Drag

Year	Toggle +/-30%	Toggle +/-3%	Flat
1	-20%	7%	10%
2	40%	13%	10%
3	-20%	7%	10%
4	40%	13%	10%
5	-20%	7%	10%
6	40%	13%	10%
7	-20%	7%	10%
8	40%	13%	10%
9	-20%	7%	10%
10	40%	13%	10%
Simple Average	**10%**	**10%**	**10%**
10-year CAGR	**5.83%**	**9.96%**	**10.00%**
Growth of $100	**$176**	**$258**	**$259**

Based on hypothetical yearly returns at various volatility levels.
CAGR = compound annual growth rate.

Higher Dividend Yield Stocks Outperformed in 2022



As of December 31, 2022. Sources: Bloomberg; Miller/Howard Research & Analysis. Dividend yield groupings are members of the S&P 500 Index as of December 31, 2021. Members with negative earnings-per-share estimates for calendar year 2021 & 2022 were excluded. Groupings are based on a members indicated dividend yield as of December 31, 2021.

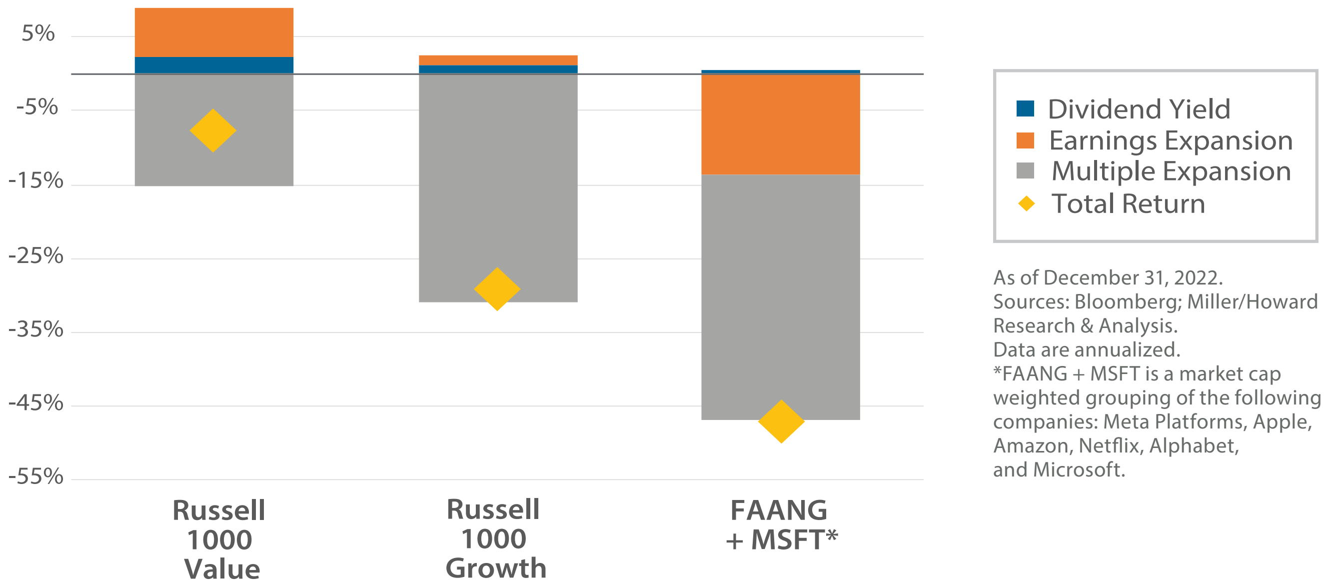
When investing in the face of high uncertainty, we believe it is best to strive to hold equities that you are paid to own. This is easier said than done. For example, the S&P 500 Index started the year with a dividend yield of 1.4% and saw earnings grow an estimated 7% over the course of the year. Both of these factors normally contribute to positive returns, but in reality, the price/earnings multiple for the S&P 500 fell from 23x to 17x in 2022, leading to a total return of -18.1%. Price/earnings multiples are fickle and almost always the cause of negative returns.

Dividends are the one source of stock market returns that are always positive. Dividends, admittedly, do not have the drama of fluctuating P/E multiples or even earnings growth, yet they are the one element that is consistently additive to returns, year after year. The value of the dividend stream was apparent this year, with higher-dividend-yielding stocks substantially outperforming nonpayers and low yielders.

Again, with interest rates up substantially this year, it makes sense that price/earnings ratios were down for the vast majority of stocks. We have long argued that higher dividend yields and lower valuations should make stocks less vulnerable to the vagaries of price/earnings multiples. The past calendar year was a good test of this proposition, and indeed, price/earnings multiples did prove to be more resilient for reasonably valued stocks with good dividends. For this reason, both income and value stocks outperformed the broad market this year.

But investing is about the future, not the past. As we discussed in our 1Q 2021 Quarterly Report, given increasing interest rates, we do not see P/E expansion as a reliable source of returns going forward. Adding the high uncertainty in the economic environment only strengthens the argument to avoid stocks with risky, high P/E multiples. We continue to advise investors to focus on dividends, reasonable valuations, and strong balance sheets—characteristics that, in our view, maximize the chance of getting paid to own stocks.

2022: Total Return Decomposition



As of December 31, 2022.
Sources: Bloomberg; Miller/Howard Research & Analysis.
Data are annualized.
*FAANG + MSFT is a market cap weighted grouping of the following companies: Meta Platforms, Apple, Amazon, Netflix, Alphabet, and Microsoft.

HIGHER INTEREST RATES AND THE POSSIBILITY of an impending recession pushed down price/earnings (P/E) multiples in 2022. We have long argued that high P/E stocks are risky because their valuations can only be justified using aggressive forecasts far into the future. Coming into 2022, the Russell 1000 Value Index had a P/E of 17x while the Russell 1000 Growth Index's P/E was an eye-popping 33x. With risk more prominent in investors' minds, growth stocks did indeed suffer bigger valuation drops during the year, leading to the Russell 1000 Growth underperforming its value counterpart by more than 20%.

For stocks entering the year at higher earnings multiples, the story was even worse. Prior to 2022, the FAANG Stocks (Meta, Apple, Amazon, Netflix, and Alphabet) plus Microsoft had dominated the broad market for a number of years, growing to 24% of the S&P 500 Index by December 2021. These stocks have small or no dividends and their rapid P/E expansion caused broad market indices, such as the S&P 500 Index, to outpace high dividend yield stocks. In 2022, this trend reversed, with P/E multiples dropping by -30% on average for the FAANG+Microsoft group. Earnings growth varied widely for the group but was -15% on average. It's ironic that stocks carrying valuations that could only be justified by forecasts of earnings growth continuing for decades would have earnings falter in the near term.

Looking at the broad market from a sector standpoint in 2022, energy was the star with companies benefitting from high oil prices while maintaining capital discipline. Defensive sectors such as pharmaceuticals, consumer staples, and utilities lived up to their reputations, outperforming cyclical sectors. Another important theme was the waning of the pandemic. Stocks that benefitted from consumers staying home, most prominently Amazon and Netflix, went through a difficult adjustment period.

The Income-Equity and Income-Equity (No MLPs) Strategies were up in absolute terms during the fourth quarter, substantially beating the S&P 500 and Russell 1000 Value. For the full year, both versions of the strategy were also ahead of the S&P 500 and Russell 1000 Value.

Continued on page 9

Looking Ahead

Given the current uncertainty, it is critical that the Income-Equity Strategies are positioned to perform reasonably well in a variety of environments. Our portfolios remain diversified with both defensive and cyclical positions. Among defensive stocks, we have tilted toward pharmaceuticals that carry good dividend yields, low P/E valuations, high free cash flow yields, and strong balance sheets. We also own select consumer staples and utilities companies with defensive qualities, but pharmaceuticals offer long-term growth potential without depending on economic growth for success.

Our cyclical exposure comes from a range of economically-sensitive sectors, with the bulk of the weight in financials. Our bottom-up research eliminated a number of financials that we view as overly exposed to the credit problems that can come with a recession. Instead, our tilt has been in favor of financials with strong balance sheets that should, in our view, see enough benefit from higher interest rates to offset any impact of slowing economic growth.

Our Income-Equity Strategy currently yields 3.6%, and the No MLPs version yields 3.5%. In our opinion, all of our holdings have the potential to grow their dividends over the long term. We view a growing dividend as a strong indication that these businesses are sound and will be able to navigate any crosscurrents the future brings.

See more about ***Income-Equity*** *on page 15.*

Portfolio Highlights

- **Dividend Increases.** Income-Equity (No MLPs) had seven dividend increases in the quarter, including **AbbVie (ABBV), EOG Resources (EOG), KeyCorp (KEY), HP Inc. (HPQ), Merck (MRK), Eastman Chemical (EMN),** and **Broadcom (AVGO).** Income-Equity had the same seven plus an eighth increaser, **MLPX LP (MLPX).** Three holdings, **EOG, TotalEnergies (TTE),** and **Lamar Advertising (LAMR),** announced special dividends in 4Q.

- **Sales.** In an effort to control risk, we sold six holdings this quarter. We sold office building REIT **Highwood Properties (HIW)** because workers have still not returned to pre-pandemic office attendance. We exited **NetApp (NTAP)** over lack of dividend growth. We sold **Snap-On Tool (SNA)** because inventories and receivables are growing rapidly, dampening free cash flow. Finally, we sold three stocks, **HPQ, Ally Financial (ALLY),** and **MDC Holdings (MDC),** which all are very cheap on trailing P/E but are quite vulnerable to a recession, in our view.

- **Buys.** We entered **Goldman Sachs (GS)** at close to book value. Compensation at Goldman is highly variable, protecting profits to an extent. We bought **Cisco (CSCO)** after it revealed that the amelioration of supply chain problems is allowing it to ship backordered products. Cisco's free cash flow is strong, and they have more cash than debt. We bought **Coca-Cola (KO)** which offers the defensiveness of a consumer staple combined with the likelihood of a post-COVID increase in away-from-home demand. Lastly, we bought **US Bancorp (USB)** which offers a high and growing dividend, combined with a high mix of fee-based businesses.

MLP Strategy

Quarterly Report 4Q 2022

DISTRIBUTION GROWTH IS BACK. DURING THE pandemic, valuations contracted significantly for midstream companies, and with that, many companies announced unit repurchase programs to take advantage of depressed valuations. At the time, that made sense. Management teams prioritized buybacks over distribution increases as a way to return capital to shareholders.

Since that time, valuations have rebounded—although they remain attractive, in our view—and management teams continue to focus on returning capital to shareholders, but now more so through distribution increases. With the recent spate of distribution increases, our midstream companies have made clear that distribution growth is once again the preferred vehicle to return capital to shareholders. As this is also our preference, we see this shift as a positive development, especially in the current high inflationary environment.

Looking Ahead

We continue to monitor risk in the midstream space, including inflation, rising rates, and a potential recession. We believe the midstream sector is uniquely positioned to deal with inflation as many midstream contracts have built in inflation escalators. These escalators help offset the higher costs associated with operating midstream assets. The better the midstream companies are at controlling costs, the greater the benefit, as tariff increases will flow to the bottom line. We believe this offers midstream companies a forceful offset to inflation—and one not typically seen in other sectors.

Portfolio Highlights

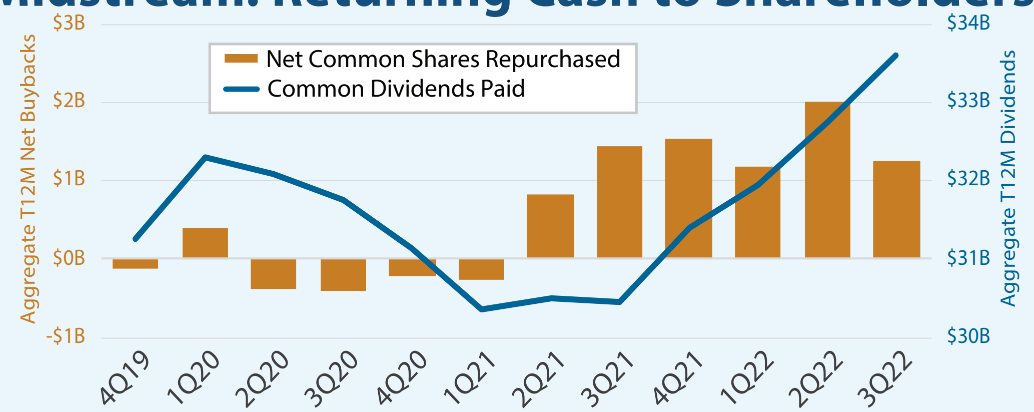
- **Distribution Increases.** This quarter, 4 of our 17 holdings announced dividend increases. The average increase was 23.7% year-over-year.
- **Sales:** We sold **Shell Midstream Partners (SHLX),** as it was taken over by its sponsor.
- **Buys:** We initiated a position in **Antero Midstream (AM),** whose high relative dividend yield is supported by a stable business model. The company has also reached an inflection point in free cash flow that should enable debt reduction and start share buybacks. We also increased our weight in **Cheniere (LNG),** as the company continues to benefit from industry tailwinds.

Regarding higher interest rates, midstream balance sheets are healthy and capex spending has declined. Companies will not need to issue or refinance as much debt, which is very important in a rising rate environment. The prudent management of balance sheets is another positive industry development.

In past recessionary periods, we have seen (on average) natural gas demand fall by 3% and then later rebound post-recession by 2%, and crude demand fall 5% with a subsequent rebound to prior levels. While there is an initial negative impact, overall, recessionary pressures are generally not long-lasting on hydrocarbon demand.

One last point to consider. The midstream sector's free cash flow (FCF) profile has significantly brightened over the last several years. The shift to prioritize FCF helps to separate the higher-quality sector of today from the past—and supports our goal of providing reliable income to our clients.

Midstream: Returning Cash to Shareholders



As of September 30, 2022. Sources: Company filings; Eikon; Miller/Howard Research & Analysis. Miller/Howard defines the midstream universe to include MLP and C-corps with operations primarily in the transportation and storage of crude oil, natural gas, natural gas liquids, and refined products. As of December 31, 2022, there were 50 companies in the universe. DTM, ARIS, and EE did not exist prior to 2020 and are therefore excluded from the universe. T12M = trailing 12 months.

Infrastructure

Quarterly Report 4Q 2022

OUR INFRASTRUCTURE STRATEGY FINISHED 2022 in positive territory, despite the broad market recording its worst year of performance since 2008.

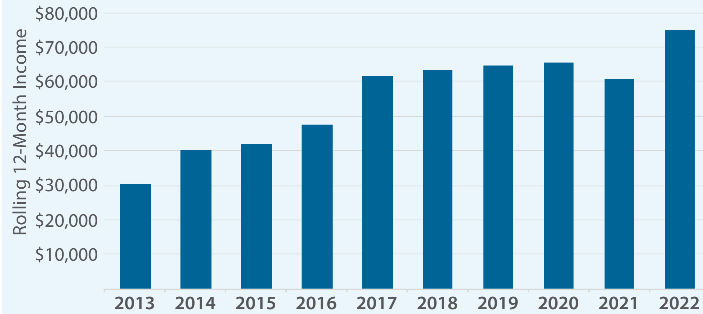
During the year, Infrastructure's performance was generally consistent with the market's preference for value over growth. Energy and utilities led the market and portfolio as operations proved resilient in the current environment. Midstream companies have now outperformed the broad market for two years in a row as they have shifted focus to financial discipline and free cash flow generation. Industrials outperformed the broad market despite cyclicals being pressured. Cell towers were the clear laggards as interest rates continued to pressure long-duration assets.

Looking Ahead

As we start a new year, inflation will likely remain top-of-mind for investors. While we expect uncertainty to remain elevated, we continue to think the infrastructure space is better situated to insulate investors from potential headwinds. Across most of the portfolio, holdings have some ability to offset inflation within their business models. Utilities' cost-of-service ratemaking generally enables them to recover cost increases over time. Midstream often has contractual escalators tied to inflation (including FERC-regulated liquids pipelines), and inflationary pressure on commodity prices creates an industry-wide tailwind. Cell towers typically have built-in annual revenue escalators. And within industrials, waste management and certain transportation and logistics companies can exert pricing power.

These characteristics contribute to the Infrastructure Strategy's ability to generate stable cash flow streams that, in turn, provide investors with high current income and growth of income. Over the last 10 years, the income generated by the portfolio has increased at a compound annual growth rate of 10%. We expect Infrastructure to continue to provide a rising income stream, helping to protect our clients' income from inflation.

Infrastructure Strategy: High and Rising Income



12-Month Income as of
12/31/2013: $30,236 12/31/2022: $75,082

As of December 31, 2022. Sources: Miller/Howard Research & Analysis. Rolling 12-Month income. This illustration includes data from an actual account invested in the Miller/Howard Infrastructure Strategy, with dividends reinvested, shows the effects of 1% annual fee deducted quarterly, and is based on a hypothetical $1,000,000 investment on December 31, 2012. There is no guarantee that an investment in the Infrastructure Strategy would have achieved the same results. Past Performance does not guarantee future results.

Portfolio Highlights

- **Energy adjustments:** We made a series of changes to our midstream holdings while maintaining our exposure to the sector. We initiated a position in **Plains GP Holdings (PAGP)** and added to **Antero Midstream (AM)** based on their strong free cash flow profiles. We also exited our position in **ONEOK (OKE)** as deteriorating natural gas liquids (NGL) fundamentals posed a risk to growth. Finally, we trimmed **Marathon Petroleum (MPC)** and **Kinder Morgan (KMI)** after periods of strength and added to **Enbridge (ENB)** on weakness.

- **Reducing interest rate exposure:** We exited our position in **Southwest Gas Holdings (SWX)** on concerns that rising rates would negatively impact the completion of its strategic review. We also initiated a position in **PPL Corp. (PPL)** and increased our positions in **CMS Energy (CMS)** and **Ameren Corp. (AEE)** which have more limited exposure to interest rate headwinds.

- **Deviating from the path:** We exited our position in **NRG Energy (NRG)** and **Dominion Energy (D)** after both companies announced significant changes to their business plan. **NRG** announced an acquisition that was dilutive to free cash flow and moved the company further away from being an essential service provider. **D** announced a business review that will likely include asset sales, changes to its regulatory structure, and a rebasing of earnings, in our view.

Utilities Plus

Quarterly Report 4Q 2022

UTILITIES POSTED THEIR STRONGEST QUARTER of the year and outperformed the broader market for the fifth time in the last six quarters.

Interest rates continued to loom large as investors grappled with their trajectory. Utilities trailed the broader market through late October, as the 10-year Treasury yield continued to rise, before outperforming through year end as the yield dropped back below 4%. Utility performance may also have been influenced by the yield curve inverting (yield on the 2-year Treasury rising above the 10-year) to its widest level in over 40 years, fueling recession fears.

Relative performance among utilities was not as clearly delineated along the lines of growth and value as the broader market. During the quarter, both high-multiple water utilities and low-multiple California utilities outperformed. Utilities that announced significant portfolio changes—acquisitions and divestitures—generally underperformed.

Looking Ahead

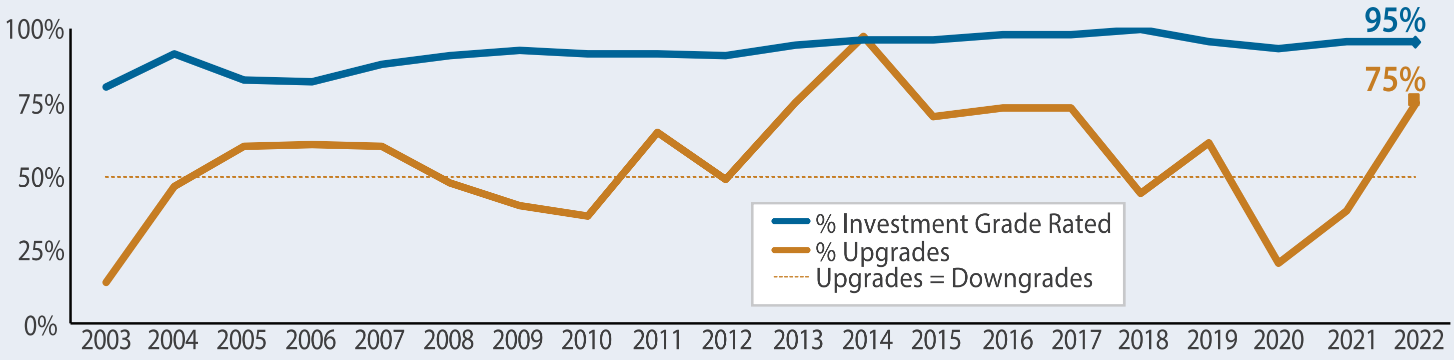
Over the last 18 months, utilities have benefited from their safe-haven status amid an increasing risk of recession. While inflation and rising interest rates create a somewhat unique backdrop compared to previous recessions, utilities are arguably better positioned relative to other sectors. Over the past two decades, utility companies have gravitated towards fully-regulated businesses, reducing non-utility business exposure. Over the same period, credit agencies have become more comfortable with the durability of their business models as evidenced by an increasing percent of electric utilities with investment grade rated debt. In seven of the last 10 years, electric utilities have had more upgrades than downgrades. These upgrades have helped the industry maintain an average rating of BBB+, increasing from an average rating of BBB in 2014. This is particularly notable considering industry leverage and payout ratios have moved steadily higher.

Overall, the industry's shift to a more pure-play, regulated model is supportive of our goal to provide investors with a durable and growing income stream.

Portfolio Highlights

- **New position:** We expect **Southern Company (SO)** to benefit from a constructive regulatory environment and an improving risk profile as it nears the completion of the Vogtle nuclear plant.
- **Limited interest rate exposure:** We increased our positions in **Ameren Corp. (AEE)** and **PPL Corp. (PPL)** which have more limited exposure to interest rate headwinds.
- **Exiting positions:** We sold **Essential Utilities (WTRG)** on concerns that high parent-level debt would create a headwind to growth and **Southwest Gas Holdings (SWX)** on concerns that rising rates would negatively impact the completion of its strategic review.

Utilities' Debt Ratings and Ratings Actions



As of December 31, 2022. Sources: Edison Electric Institute; Miller/Howard Research & Analysis.

North American Energy

Quarterly Report 4Q 2022

OIL PRICES WERE VOLATILE IN THE FOURTH quarter, though ended the period essentially unchanged. Energy equities outperformed physical commodity prices again this quarter, in part due to strength in out-year futures contracts that suggest strong pricing for years to come. Capital discipline, shareholder-friendly return policies, inexpensive share prices, and even disillusionment with high-flying tech names are also likely sustaining a bid in the energy space. Near term, key items we're watching include recession probabilities, China's reopening, Russian embargoes, inventory levels, OPEC+, Iran, and exploration and production (E&P) spending.

Portfolio Highlights

- **Energy and income.** As of year end, the portfolio had an indicated dividend yield of 3.8%, and shareholders also received several special dividends paid by E&Ps in 2022. Most E&Ps now commit to a base quarterly dividend that, in our view, is well-supported to approximately $40 oil, combined with a formulaic commitment to buybacks and variable dividends at higher commodity prices.
- **Along the energy value chain.** We made few changes to the general orientation of the portfolio this quarter. Our largest subsector remains upstream producers. E&Ps continue to demonstrate strong capital discipline and high returns at current commodity prices.

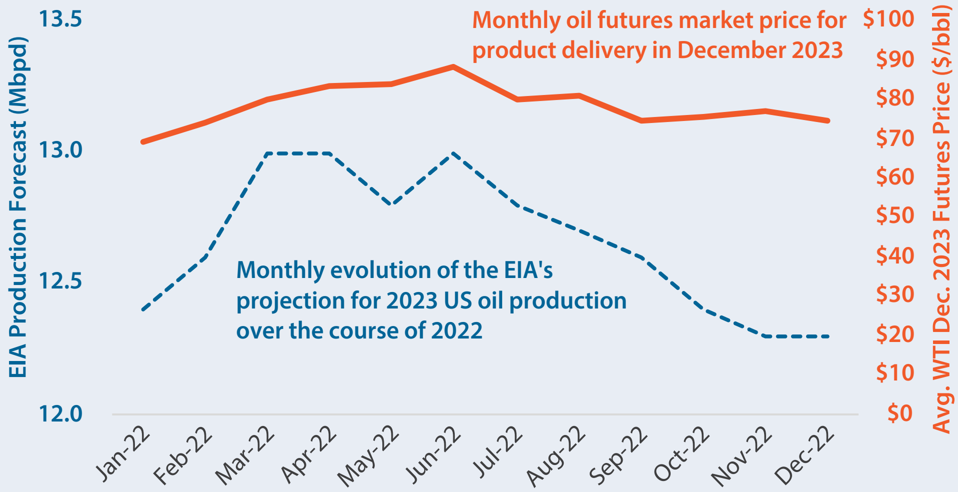
Looking Ahead

Among the defining aspects of 2022 E&P results was a plateauing or, in some cases, modest degradation in new well productivity. While American shale possesses decades of drilling inventory, sweet spots aren't evenly distributed amongst companies, and not all operators are equally effective. Inflationary oilfield service costs exacerbated the issue, in turn causing companies to become more judicious with drilling expenditures. As a result, US oil production is now projected to average 12.5 Mbpd (million barrels per day) in 2023, below the EIA's earlier projections of 12.8 Mbpd, despite persistently elevated commodity prices.

As American shale provided 90% of the world's oil production growth over the past decade, productivity stagnation carries important macro and micro implications, in our view. First, the global marginal cost of oil supply is rising, as higher prices are needed to incentivize sufficient global production. Second, we think good stock selection has never been more important. As shale development further matures, we expect increased return dispersion among E&Ps and, to a lesser extent, midstream companies, based upon varying, finite remaining acreage holdings and takeaway rights in specific locations.

Entering 2023, relative opportunity skews to the upside in North American energy names, in our view, as many leading shale companies are inexpensive relative to the future acreage they possess, even when applying fairly draconian productivity assumptions.

2023 US Oil Production Estimates Decline Despite Persistent High Prices



Sources: EIA; Eikon; Miller/Howard Research & Analysis. EIA's most recent forecast is dated December 6, 2022. WTI crude oil monthly averages as of December 31, 2022. EIA = US Energy Information Administration

Small Cap Dividends

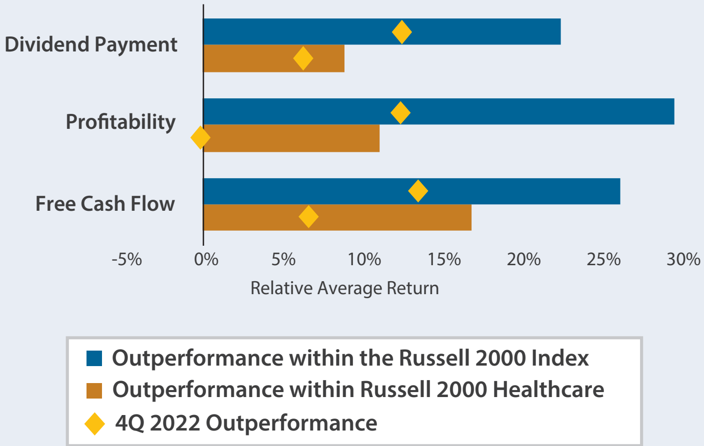
Quarterly Report 4Q 2022

DURING 2022, EARNINGS GREW 11% FOR small cap stocks in the Russell 2000 Index, but total returns were negative, driven by a 30% drop in price/earnings (P/E) multiples. Similar to large cap stocks, multiples dropped due to higher interest rates and investors' worries about a potential recession. As with the S&P 500 Index, stocks going into 2022 with high P/E multiples underperformed those starting with more modest valuations.

As we showed in our 1Q 2022 Quarterly Report, small cap companies with positive net income, positive free cash flow, and regular dividend payments tend to outperform the Russell 2000 in down years, and this again proved true in 2022. We prioritize these quality factors when we select stocks for our Small Cap Dividend Strategy, and this focus helped drive outperformance relative to the Russell 2000 for both the fourth quarter and the full 2022 year.

The small cap healthcare sector presents special challenges for our approach because many of these companies are money-losing, early-stage pharmaceutical companies. Even though a small number of these companies generate big returns based on breakthrough results, average returns have historically been higher for small cap healthcare companies that are profitable, have positive free cash flow, and that pay regular dividends. During the fourth quarter, companies with positive dividends and free cash flow outperformed significantly while profitable companies lagged unprofitable ones slightly. For the full year, returns were consistent with historical patterns as healthcare companies with regular dividends, profits and positive free cash flow all outperformed significantly.

Relative Outperformance of Key Factors within the Russell 2000 Index*



As of December 31, 2022. Sources: Bloomberg; Eikon; Miller/Howard Research & Analysis. Profitability is defined as positive trailing 12 month GAAP net income. Free cash flow is defined as positive values of trailing 12 month cash from operations less trailing 12 month capital expenditures (excludes financials and real estate). Excludes financials and real estate. GAAP = Generally Accepted Accounting Principles. Relative returns reflect the difference in average total returns at period end.
* IWM ETF is used as a proxy for the Russell 2000 Index.

Portfolio Highlights

- **Dividend Increases:** Ten of our holdings announced dividend increases, including **Bank OZK (OZK), Apple Hospitality REIT (APLE), Associated Bank (ASB), Boise Cascade (BCC), A10 Networks (ATEN), Amkor (AMKR), Kulicke and Soffa (KLIC), Universal Health Realty Income Trust (UHT), Preferred Bank (PFBC),** and **Ensign (ENSG).** For the full year, we saw 41 dividend increases from holdings in the portfolio.
- **Special Dividends:** Three of our holdings declared special dividends during the quarter: **Boise Cascade (BCC), Fulton Financial (FULT),** and **Apple Hospitality REIT (APLE)**. For the full year, we received nine special dividends.
- **Sales:** We exited **Highwoods Properties (HIW), Encompass Health (EHC), Select Medical (SEM),** and **DT Midstream (DTM).**
- **Buys:** We initiated positions in **Retail Opportunity Investments (ROIC), Meuller Industries (MLI), Academy Sports and Outdoors (ASO),** and **Harmony Biosciences (HRMY).**

Looking Ahead

Many investors approach small cap stocks with a lottery ticket mindset, picking through the large number of unprofitable companies hoping for a big payday. Our approach is the opposite. We seek 'hidden gems'—profitable companies with positive free cash flow, strong balance sheets, and regular dividends. Our view is that the value of these high-quality companies can grind higher over time, with investors rewarded with both growing dividends and growing earnings.

Miller/Howard INVESTMENTS

Yield, Growth, Strength, Stability

- Our Income-Equity Strategies each offer a high dividend yield that is roughly 2x 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)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Income-Equity Yield	4.8	4.4	4.2	4.7	4.0	3.7	4.3	3.7	3.6	3.3	3.6
S&P 500 Yield	2.2	1.9	2.0	2.2	2.1	1.9	2.2	1.9	1.5	1.5	1.8
Ratio	2.1x	2.3x	2.1x	2.2x	1.9x	2.0x	2.0x	2.0x	2.3x	2.2x	2.0x
Income-Equity Projected Dividend Growth*	7.5	7.5	7.5	5.8	5.0	6.3	7.8	7.3	5.1	6.0	6.1
S&P 500 Projected Dividend Growth**	5.1	5.9	4.7	4.2	4.0	4.2	5.2	4.2	3.3	5.9	4.8
Ratio	1.5x	1.3x	1.6x	1.4x	1.2x	1.5x	1.5x	1.7x	1.5x	1.0x	1.3x
Income-Equity Dividend Coverage Ratio	1.5x	1.3x	1.3x	1.3x	1.3x	1.5x	1.9x	2.3x	2.1x	2.0x	2.7x
Income-Equity Net Debt/EBITDA***	2.5x	2.6x	4.2x	2.8x	2.0x	1.9x	1.4x	1.9x	1.9x	1.2x	2.0x
Income-Equity P/E Ratio Trailing	14.1	13.4	16.4	14.2	17.2	17.7	12.6	12.8	16.7	14.0	13.6
S&P 500 P/E Trailing	14.4	17.4	18.4	18.8	20.5	21.7	16.5	21.6	27.6	24.1	18.6
Premium/Discount	-2%	-23%	-10%	-24%	-16%	-18%	-23%	-41%	-40%	-42%	-27%

Income-Equity Strategy (No MLPs)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Income-Equity (No MLPs) Yield	4.7	4.1	4.0	4.6	3.9	3.7	4.2	3.6	3.5	3.2	3.5
S&P 500 Yield	2.2	1.9	2.0	2.2	2.1	1.9	2.2	1.9	1.5	1.5	1.8
Ratio	2.1x	2.2x	2.1x	2.1x	1.9x	2.0x	2.0x	2.0x	2.3x	2.1x	2.0x
Income-Equity (No MLPs) Projected Dividend Growth*	7.6	8.2	7.7	5.9	5.0	6.4	7.9	7.5	5.2	6.0	6.0
S&P 500 Projected Dividend Growth**	5.1	5.9	4.7	4.2	4.0	4.2	5.2	4.2	3.3	5.9	4.8
Ratio	1.5x	1.4x	1.6x	1.4x	1.2x	1.5x	1.5x	1.8x	1.5x	1.0x	1.3x
Income-Equity (No MLPs) Dividend Coverage Ratio	1.4x	1.3x	1.3x	1.3x	1.3x	1.5x	1.9x	2.3x	2.1x	2.0x	2.8x
Income-Equity (No MLPs) Net Debt/EBITDA***	2.5x	2.7x	2.6x	2.6x	2.2x	2.1x	1.4x	1.9x	1.9x	1.2x	1.8x
Income-Equity (No MLPs) P/E Ratio Trailing	14.5	14.6	17.2	16.5	18.2	18.0	12.9	13.5	16.8	14.0	13.8
S&P 500 P/E Trailing	14.4	17.4	18.4	18.8	20.5	21.7	16.5	21.6	27.6	24.1	18.6
Premium/Discount	1%	-16%	-6%	-12%	-12%	-17%	-22%	-38%	-39%	-42%	-26%

As of December 31, 2022. 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.

Shareholder Advocacy and Engagement

Risk mitigation and promotion of shareholder value.

- Each engagement represents an issue we have identified as material to the company, a sign of either opportunity or risk—and sometimes both.
- We want to see the company take actions to adequately address—or begin to address—these concerns.
- Each engagement varies according to topic and by company.

Environmental Management	Human Rights (Social)	Other ESG Issues & Governance Improvements
More disclosure of environmental management, including policies, practices, and metrics, as well as companies providing public support of reasonable methane regulations	Improved and/or transparent management of human rights and related issues	• Action supporting increased board diversity and/or human capital management improvements • Disclosure of lobbying/political spending policies and actions • Policy requiring an independent chairperson
34 engaged in 2021/2022	**12** engaged in 2021/2022	**20** engaged in 2021/2022

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.

This report represents Miller/Howard Investments' views. The statistics and projections cited in this report have been provided by sources generally considered to be reliable, but are not guaranteed. Opinions and estimates offered constitute Miller/Howard Investments' judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. This material is solely informational. The information and analyses contained herein are not intended as tax, legal, or investment advice and may not be appropriate for your specific circumstances; accordingly, you should consult your own tax, legal, investment, or other advisors, at both the outset of any transaction and on an ongoing basis, to determine such appropriateness. The material may also contain forward-looking statements that involve risk and uncertainty, and there is no guarantee they will come to pass. **Any investment returns—past, hypothetical, or otherwise—are not indicative of future performance.** The information provided should not be considered a recommendation to buy or sell any security, and should not be considered investment, legal, or tax advice. Securities mentioned are being shown for informational purposes only. Buy and sell rationales are the express opinions of MHI's investment team. These securities should not be considered a recommendation to buy, sell, or hold any of the securities and are not intended to imply that any one security listed above, or the portfolio as a whole, is suitable for a particular client. There is no assurance that the securities purchased have remained or will remain in the portfolio or that securities sold have not been or will not be repurchased. To receive a list of all recommendations for the previous year, please email compliance@mhinvest.com. 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. The returns on a portfolio that utilizes environmental, social, or governance (ESG) criteria for stock selection may be lower or higher than portfolios where ESG factors are not considered, and the investment opportunities available to such portfolios may differ.

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. **Alerian Midstream Energy Select Index** is a composite of North American energy infrastructure companies. The capped, float-adjusted, capitalization-weighted index, whose constituents are engaged in midstream activities. **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. **S&P 500 Transportation Index,** one of the S&P Select Industry Indices, comprises stocks in the S&P Total Market Index that are classified in the GICS transportation sub-industry. **S&P 500 Utilities Index®** is an unmanaged, market-value-weighted total-return index of all utility stocks in the S&P 500 Index. **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. **US Treasury 10-Year Yields** are yield to maturity and pretax. Indexes have increased in precision as of May 20, 2008, to 4 decimal places. The rates comprise Generic US Government on-the-run government bill/note/bond indexes.

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To receive a list of all recommendations for the previous year, please email compliance@mhinvest.com.

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@mh_investments
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PO BOX 1598, KINGSTON, NY 12402 / 845 679-9166 / FAX 845 679-5862 / WWW.MHINVEST.COM