

Navigating a Changing Market: High Yield Stocks Provide Relative Consistency

JUNE 30, 2026

THE S&P 500 INDEX'S DIVIDEND yield quietly fell to its lowest level in more than 55 years. This occurred as investors instead focused on the largest IPO in history, parabolic semiconductor stocks, a renewed "higher for longer" rate backdrop, and the geopolitical whipsaw around Iran. In May, the dividend yield of the S&P 500 dropped below 1.1% for

the first time since March 2000. As income managers who have extolled the virtues of compounding dividend payments for the last 35 years, we have found some solace in the fact that dividend payments are not declining. In fact, the absolute level of dividends paid by S&P 500 companies hit an all-time high in 2025. The low dividend yield is a denominator problem (price).

S&P 500 Index Dividend Yield at Lowest Level in Over 55 Years

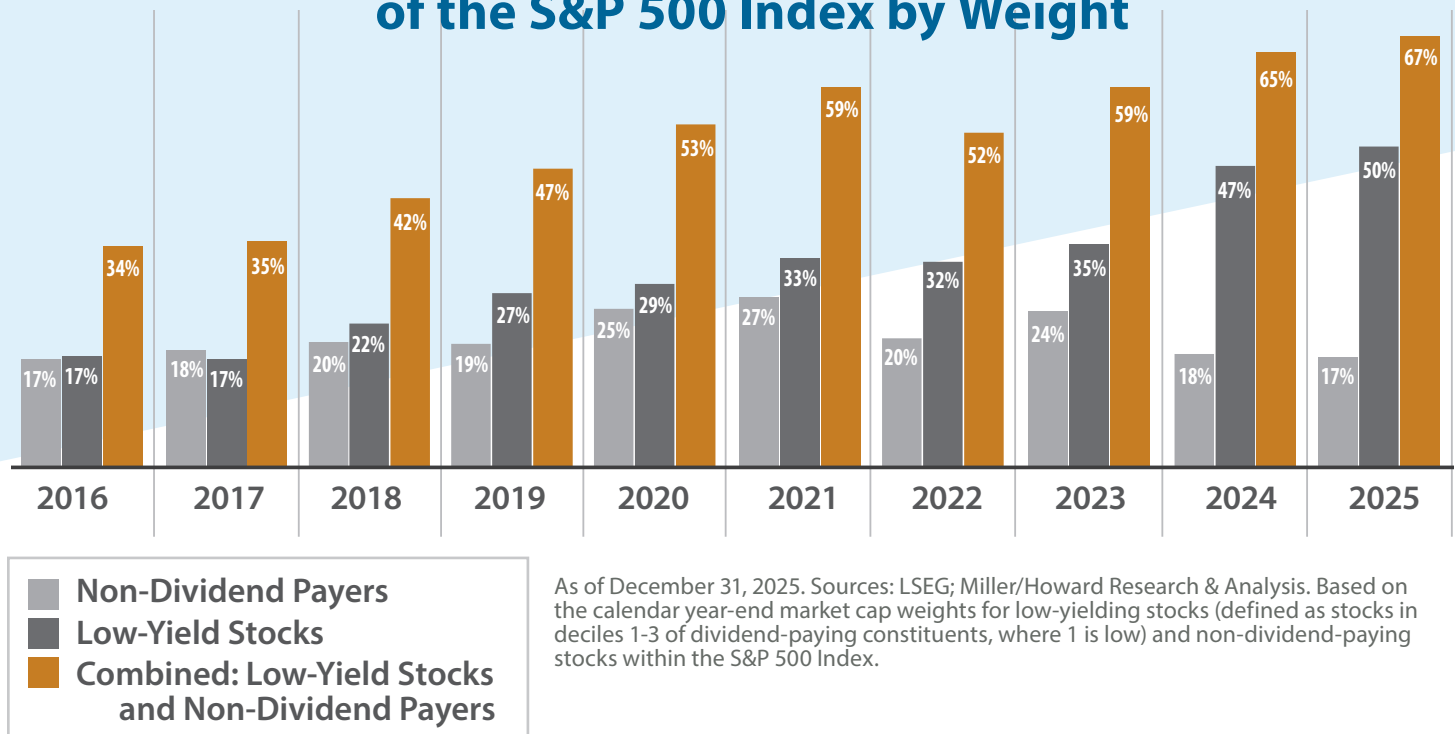


As of June 30, 2026. Sources: Bloomberg; Miller/Howard Research & Analysis. Based on the trailing 12 month dividend yield.

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

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

Low-Yield and Non-Dividend Payers Are Now Two-Thirds of the S&P 500 Index by Weight



Markets have been propelled higher by an increasingly concentrated group of tech companies with paltry or no dividends. Evidence of this dynamic can be seen in observing the yield of the S&P 500 Equal Weight Index that, unlike its market-weighted counterpart, has remained well within historical ranges. The decomposition of the S&P 500's market capitalization is even more striking. Since 2016, the weight of low-yielding stocks (defined as stocks in deciles 1-3 of dividend-paying constituents, where 1 is low) and non-dividend-paying stocks within the S&P 500 Index have nearly doubled. At the end of 2025, low-yielders and non-payers comprised over two-thirds of the index (driven by low-yielders as many non-payers initiated nominal dividends).

Are Equities Overvalued?

With dividend yields at historical lows, it raises the question, "Are equities overvalued at these levels?" To find an answer, we begin by comparing stocks and bonds, the two large liquid asset classes available to investors. Historically, the

forward earnings yield (earnings/price) has been compared to interest rates as a proxy for the equity risk premium (ERP). Some might argue that dividends, rather than earnings, should be the relevant metric, since dividends and bond yields are both "money in your pocket." As much as we like dividends at Miller/Howard, we view earnings as the right comparison. The portion of earnings not paid as dividends provides companies with the capital to grow earnings and dividends in the future.

The ERP has taken a dramatic round trip over the last 35 years. In the early 1990s, the ERP was near zero, as high bond yields squeezed earnings yields. By the peak of the Dot-Com Bubble, the spread famously turned negative (implying that equity investors were receiving no premium for the additional risk they were taking), as multiples expanded to historic highs and investors extrapolated aggressive growth assumptions into the future. Conversely, the ERP ballooned through the Global Financial Crisis offering investors an earnings yield far above bond yields, implying equities were attractive

relative to bonds. However, in recent years, the ERP has returned to nearly zero as the Fed increased interest rates to combat inflation and stock multiples expanded on enthusiasm around AI-driven growth. At current levels, the ERP suggests investors are relying on strong expected earnings growth to compensate for the additional risk of owning equities.

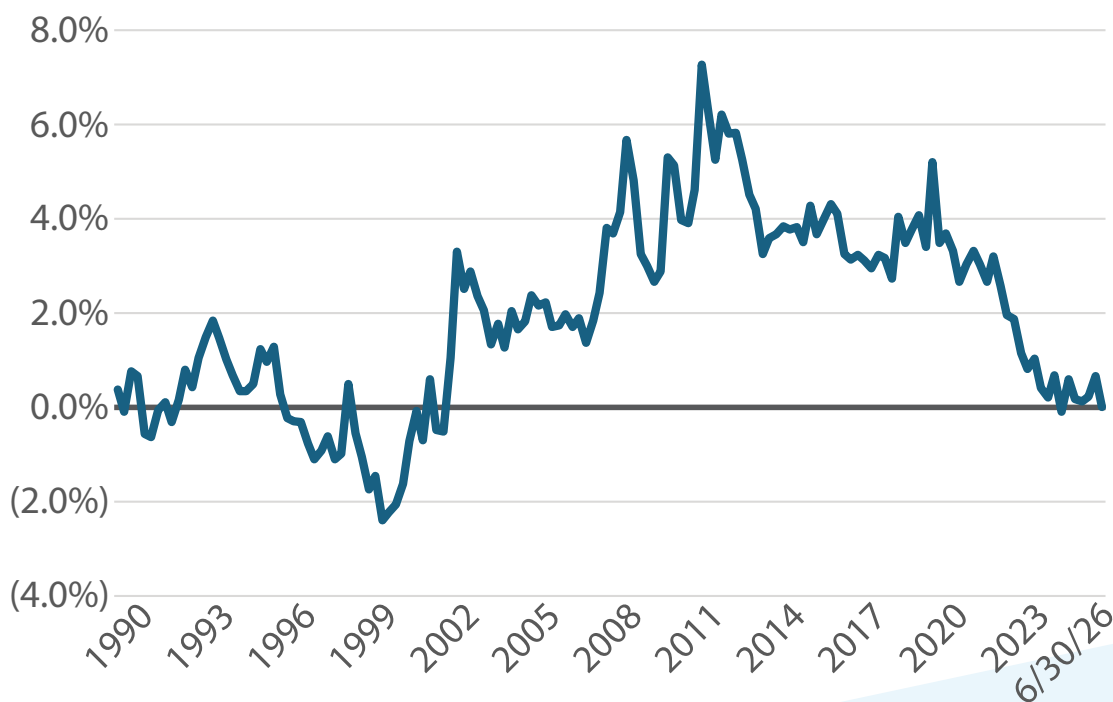
It is worth noting that this approach to the ERP is often considered shorthand due to its inability to fully incorporate future growth expectations. For this reason, some investors and academics, like Aswath Damodaran at NYU Stern, have argued for the use of an implied ERP. This measure is calculated using a discounted cash flow approach to back out an implied ERP. The implied ERP at the end of 2025 was not as exaggerated compared to historical levels, but it is still the lowest it has been

in nearly 20 years. For this reason, we believe the risk-reward in *broad market* equities has deteriorated.

Looking at the broad US equity market in isolation leads us to the same conclusion. Over the last 35+ years, the index's price-to-forward-earnings (P/FE) ratio has ranged between 10x and 25x. At quarter end, the S&P 500 had a P/FE of ~20x, which is well above historical averages of 16x to 17x and at levels that have only been surpassed during the Dot-Com Bubble and the COVID rebound in late 2020. The elevated multiple reflects expectations of strong future growth and successful execution, therefore amplifying duration risk. As we explored in our last Quarterly Report, when growth names are priced to perfection, even slight degradations in the growth rate can have a significant impact on returns.

Investors Are Receiving Little to No Premium for Taking Equity Risk

S&P 500 Index Equity Risk Premium



As of June 30, 2026. Sources: Bloomberg; Miller/Howard Research & Analysis. Equity risk premium is the earnings yield (earnings divided by price) minus the yield on the 10-year Treasury.

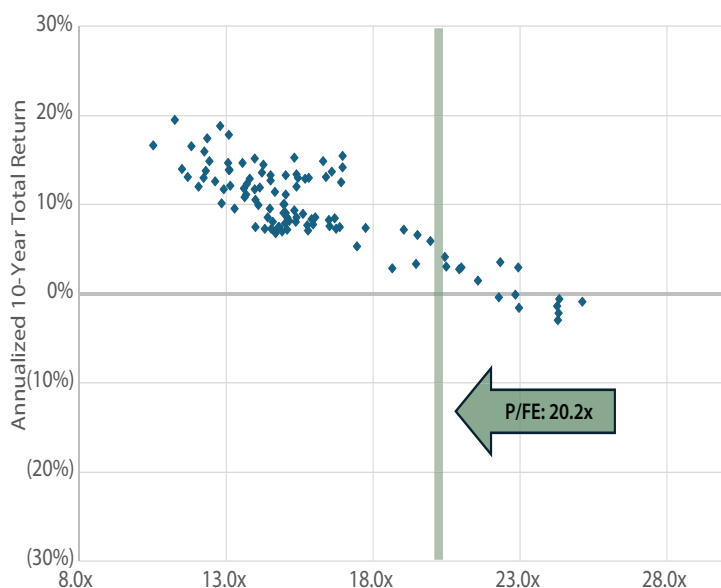
What Could This Mean for Future Returns?

High P/FEs make returns from future multiple expansion less likely, but earnings growth and dividends can still push the market higher. While this makes predicting short-term returns based on valuation futile, an analysis of 10-year rolling S&P 500 returns demonstrates a strong negative correlation between starting valuation and long-term returns (lower starting P/FEs are associated with higher returns). In this analysis, the starting valuation explained over 70% of the variance of returns.

Over the last 30+ years, all periods of 10%+ annual returns had a starting P/FE below 17x. Conversely, all periods of negative returns occurred when the starting P/FE was above 22x.

Higher Starting Valuations Are Associated with Lower Future Returns

S&P 500 Index P/FE vs Subsequent 10-Year Return



As of June 30, 2026. Sources: Bloomberg; Miller/Howard Research & Analysis. Price-to-forward-earnings (P/FE) is based on next 12 months.

Of course, past performance is no guarantee of future results, but assuming this relationship holds, the S&P 500's current multiple is historically associated with a subsequent 10-year return of only 4%—well below long-term averages.

This conclusion seems reasonable for the market as a whole, though any broad-market assessment inevitably paints with a wide brush given the heterogeneous composition of the equity market. Miller/Howard's income focus provides daily reminders that high-yielding stocks (defined as stocks in decile 7-9 of dividend-paying S&P 500 constituents) look quite different than the broad market. These differences become clearer when we revisit our analysis of 10-year returns and starting P/E ratios, while separating high-yielders, low-yielders, and non-payers from the aggregate S&P 500.

Non-payer returns exhibited the strongest correlation to the starting P/FE. Their starting P/FE ratios and returns were also the most variable. While the non-payers group has had the highest return periods, it has also had the worst return periods. Low-yielders had similar properties to non-payers with a slightly lower correlation. Both low-yielders and non-payers posted negative returns in one in twelve 10-year periods, driven by the peak of the Dot-Com Bubble (reflecting starting points between 1999 and late 2000).

High-yielder returns showed the weakest relationship with starting P/FE ratios, in part because the group had a more limited range of starting valuations. As we have discussed many times in our quarterly reviews, this is a matter of simple algebra. A high and well-covered dividend is incompatible with a high P/FE. A compressed starting multiple, combined with consistent cash returns to shareholders, creates a structural cushion that can reduce risk and support more consistent long-term returns. In fact, over the entire sample period, high-yielders did not record a single 10-year period of negative returns.

At quarter-end, high-yielders offered a more attractive relative setup compared with low-yielders and non-payers. This advantage was not a function of high-yielders being “cheap” relative to their own history. In fact, broad equity demand has lifted the current P/FE ratios of all three groups above the 80th percentile of their historical distributions, but these elevated valuations have typically had a greater impact on the return profiles of low-yielders and non-payers.

Due to the tighter dispersion of starting P/FEs, high-yielders trade at only a 4-turn premium above their historic median. This compares to low-yielders that trade at an 8-turn premium and non-payers that trade at a nearly 40-turn premium. We note that the elevated P/FEs are a particularly dangerous starting point for low-yielders and non-payers, given their elevated volatility. The higher volatility is intuitive, as growth stocks derive a larger share of their value from less certain future cash flows, while higher starting multiples make them more vulnerable to multiple compression.

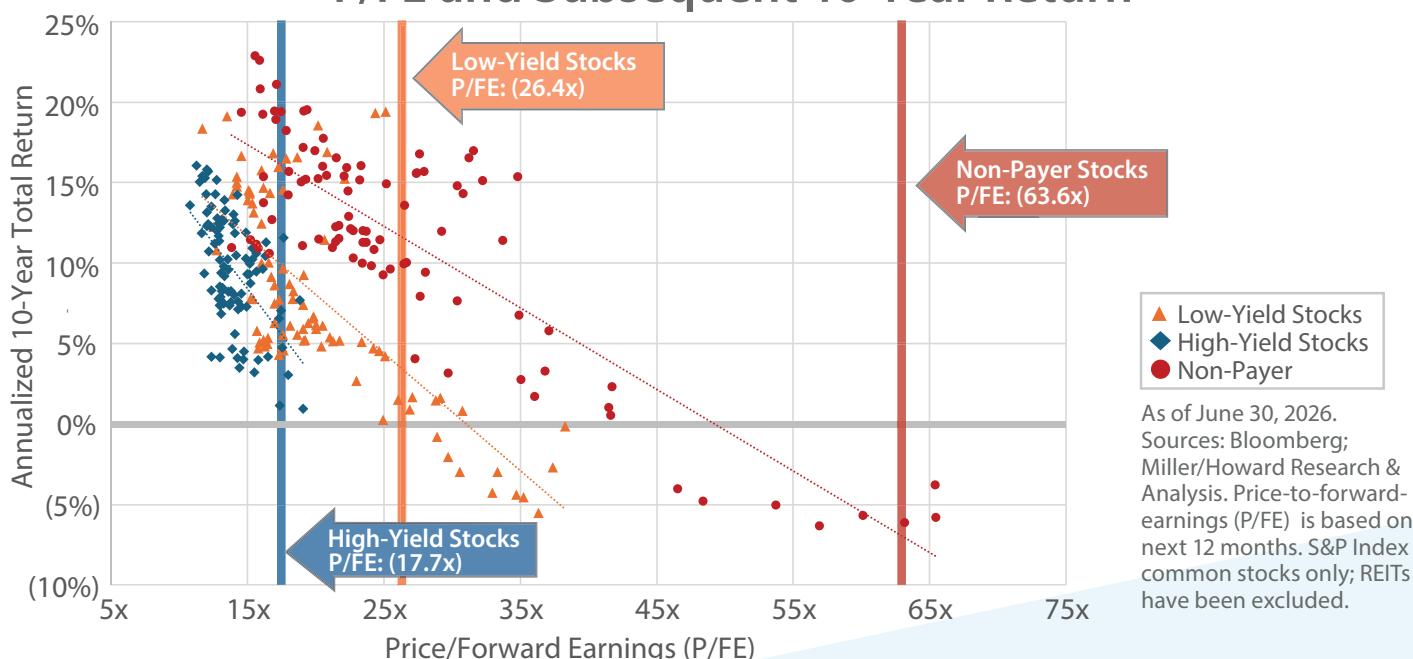
High-yielders’ lower starting P/FE is historically correlated to a future 10-year annualized return of 5.3%—roughly 110 basis points above the

same measure for the S&P 500, 190 basis points above low-yielders, and 1,275 basis points above non-payers.

This analysis may understate high-yielders’ true relative advantage, as the investible universe is not limited to S&P 500 constituents. By expanding the data set to all equities with a market capitalization of over \$1 billion (which more closely aligns with our actual investment universe) we can get a better view of the current opportunity. Within this broader set, the current P/FE for high-yield stocks drops by over a full turn to 16.4x, leaving it less than three turns above its historical median. Based on a regression analysis of this data set, high-yielders’ current P/FE is historically associated with a forward 10-year annualized return of 7.4%, suggesting an even wider relative advantage to the S&P 500.

Miller/Howard will continue to focus on providing our clients exposure to high-yield stocks that have an ability to grow their dividends. The group’s consistent valuation and return profile offers investors a repeatable model for growth. While we consider our portfolios to be an all-weather solution, we view the current backdrop as another reason for investors to consider dividend stocks.

S&P 500 Index Dividend Paying Common Stocks: P/FE and Subsequent 10-Year Return



ANNUALIZED PERFORMANCE

	QTD	YTD	1 YR	3 YRS	5 YRS	7 YRS	10 YRS
Income-Equity (Gross)	5.92	11.53	23.31	17.61	11.83	13.30	11.42
Income-Equity (Pro Forma 0.75% Net)*	5.72	11.12	22.40	16.74	11.00	12.46	10.60
Income-Equity (Pro Forma 3% Net)*	5.14	9.90	19.72	14.17	8.55	9.97	8.15
Russell 1000 Index	15.13	10.32	22.01	20.47	12.66	15.79	15.29
Russell 1000 Value Index	13.84	16.23	27.09	17.78	11.17	12.10	11.52

ANNUALIZED PERFORMANCE

	QTD	YTD	1 YR	3 YRS	5 YRS	7 YRS	10 YRS
Income-Equity (No MLPs) (Gross)	5.15	11.96	23.69	16.96	11.43	12.94	11.23
Income-Equity (No MLPs) (Pro Forma 0.75% Net)*	4.95	11.55	22.78	16.10	10.60	12.11	10.41
Income-Equity (No MLPs) (Pro Forma 3% Net)*	4.37	10.32	20.09	13.55	8.16	9.63	7.97
Russell 1000 Index	15.13	10.32	22.01	20.47	12.66	15.79	15.29
Russell 1000 Value Index	13.84	16.23	27.09	17.78	11.17	12.10	11.52

ANNUALIZED PERFORMANCE

	QTD	YTD	1 YR	3 YRS	5 YRS	7 YRS	10 YRS
MLP & Midstream Energy Income (Gross)	0.37	18.28	18.72	24.32	22.15	14.55	10.42
MLP & Midstream Energy Income (Pro Forma 0.75% Net)*	0.18	17.85	17.84	23.41	21.25	13.70	9.60
MLP & Midstream Energy Income (Pro Forma 3% Net)*	(0.38)	16.57	15.25	20.71	18.59	11.19	7.17
Alerian MLP Index	1.39	18.48	21.47	23.12	20.51	13.60	9.20

ANNUALIZED PERFORMANCE

	QTD	YTD	1 YR	3 YRS	5 YRS	7 YRS	10 YRS
Infrastructure (Gross)	(0.53)	13.12	13.98	15.63	10.91	10.85	9.73
Infrastructure (Pro Forma 0.75% Net)*	(0.71)	12.70	13.14	14.78	10.08	10.03	8.91
Infrastructure (Pro Forma 3% Net)*	(1.27)	11.47	10.64	12.25	7.65	7.60	6.50
Dow Jones Brookfield Global Infrastructure Index	(0.47)	10.49	12.41	12.63	7.57	7.02	7.20

ANNUALIZED PERFORMANCE

	QTD	YTD	1 YR	3 YRS	5 YRS	7 YRS	10 YRS
North American Energy (without K-1s)(Gross)	(10.73)	24.01	32.55	18.88	20.02	17.75	12.67
North American Energy (w/o K-1s)(Pro Forma Net 0.75%)*	(10.90)	23.56	31.58	18.01	19.14	16.88	11.83
North American Energy (w/o K-1s)(Pro Forma Net 3%)*	(11.42)	22.22	28.71	15.41	16.51	14.30	9.36
S&P 1500 Energy Index	(12.93)	20.47	30.01	13.01	18.73	12.30	8.21

ANNUALIZED PERFORMANCE

	QTD	YTD	1 YR	3 YRS	5 YRS	7 YRS	10 YRS
Utilities Plus (Gross)	0.05	7.23	13.28	17.39	11.56	9.84	9.70
Utilities Plus(Pro Forma Net 0.75%)*	(0.14)	6.84	12.44	16.52	10.74	9.03	8.89
Utilities Plus(Pro Forma Net 3%)*	(0.70)	5.65	9.96	13.96	8.29	6.61	6.48
S&P 500 Utilities Index	(0.53)	7.69	14.22	14.97	10.84	9.57	9.11

As of June 30, 2026. 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. MH'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.

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 portfolios. The firm is 100% employee-owned through an Employee Stock Ownership Plan (ESOP). We continue to evolve and develop portfolios 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 MH'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 appropriate 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.

ESG/Sustainable Investing Considerations: It is important to know that sustainable investments across geographies and styles approach the integration of environmental, social and governance (ESG) factors and other sustainability considerations and incorporate the findings in a variety of ways. Therefore, you should carefully review Miller/Howard's ADV to understand how a particular product or strategy approaches sustainable investing and if the approach aligns with your goals and objectives. Sustainable investing-related strategies may or may not result in favorable investment performance and the strategy may forego favorable market opportunities in order to adhere to sustainable investing-related strategies or mandates. Issuers may not necessarily meet high performance standards on all aspects of ESG or other sustainability considerations. In addition, there is no guarantee that a product's sustainable investing related strategy will be successful. Companies, as well as related investment strategies, face increasing risks associated with different and evolving industry and regulatory standards as well as public sentiment toward sustainable (ESG) and diversity (DEI) approaches; these risks include, but are not limited to, becoming the subject of investigations and enforcement actions, litigation, public boycott, and reputational harm. Speak to your financial advisor for more information.

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.

For more information and to request materials:
Visit www.mhinvest.com or contact our Internal Sales Desk:
Email internals@mhinvest.com / Call (845) 679-9166
To receive the current ADV Part 2A free of charge:
Email compliance@mhinvest.com / Call (845) 679-9166

To receive a list of all recommendations for the previous year, please email compliance@mhinvest.com. Please see our website, www.mhinvest.com, for our annual GIPS Report.
© 2026 Miller/Howard Investments. All rights reserved. Please print on recycled paper.



Miller/Howard Investments



mhinvest.com/blog