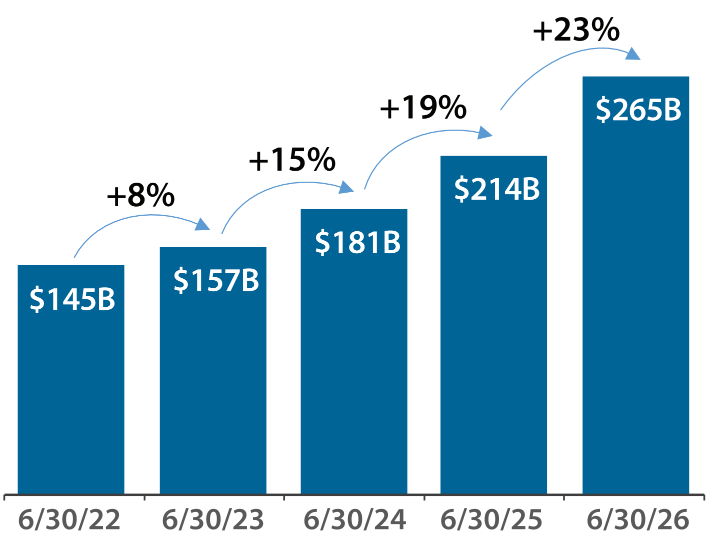
Utilities Plus

QUARTERLY REPORT 2Q 2026

OUR UTILITIES PLUS PORTFOLIO POSTED modestly positive performance during the quarter, outperforming its benchmark that was in negative territory. The quarter began with a rotation away from defensive sectors, including utilities, and back toward technology-related AI beneficiaries. Sector sentiment was further weighed down by concerns around more challenging regulatory environments and rising interest rates, with the 10-year Treasury yield reaching a 2026 high of ~4.66% in mid-May. Utilities recovered some ground relative to the broader market in June, supported by falling Treasury yields and continued interest in AI and data-center-driven power demand.

Within the sector, small- and mid-cap regulated utilities outperformed the group, benefiting from an increased appetite for risk as investors rotated out of the more defensive large-cap utilities that were favored last quarter. Independent power producers continued to underperform the sector amid limited incremental data center deals and as the market waits for more regulatory/political certainty.

Capex Guidance Continues to Grow for Regulated Utilities



As of June 30, 2026. Sources: Company presentations and filings; Miller/Howard Research & Analysis. The chart depicts the aggregate annualized capital plan guidance for majority regulated utilities in the S&P 500 Utilities Index for guidance available on a 6/30 basis each year. Based on the annualized capex plan guidance for regulated utilities in the S&P 500 Utilities Index, in aggregate.

Portfolio Highlights

- **Dividend increases:** This quarter, 3 of our 31 holdings announced dividend increases with an average increase of 4.2% year-to-date.
- **Attractive valuation, premium growth:** We added to our position in **Xcel Energy (XEL)**, which trades at a discount to high-growth peers despite its premium EPS growth profile, supported by incremental capex opportunities and a strong record of consistent execution.
- **M&A:** **NextEra Energy (NEE)** plans to acquire **Dominion Energy (D)** in an all-stock deal. If approved, it would be the largest merger in the utility sector's history. NEE anticipates the transaction to close within 12–18 months and expects merger synergies to support a 9%+ long-term EPS compound annual growth rate.

Looking Ahead

The utility sector continues to be driven by a range of structural tailwinds, including load growth from data centers, electrification trends, manufacturing reshoring, and grid modernization. To meet this demand, regulated utilities have materially increased capex guidance to fund the electric and natural gas infrastructure buildout. Aggregate annualized capex guidance for majority-regulated utilities in the S&P 500 Utilities Index increased from $145B in 2022 to $265B in 2026, representing an 83% increase. More notably, the pace of growth has accelerated, with year-over-year growth rising from 8% in 2023 to 23% in 2026.

The step-up in capex guidance is constructive for regulated utilities because, under the regulated business model, regulators permit utilities to earn an authorized return on capex. As a result, capex remains the primary driver of regulated utilities' earnings growth. That said, capex recovery is subject to regulatory oversight, which takes into consideration bill pressure dynamics that we continue to monitor. Nonetheless, we maintain our view that utilities' expanding and accelerating capex plans will drive a steepening earnings growth trajectory that will ultimately support their ability to deliver high and growing income for investors.

Miller/Howard INVESTMENTS

Utilities Plus Leaders and Laggards

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LEADERS ◊

Dominion Energy: NextEra Energy (NEE) plans to acquire Dominion Energy (D) in an all-stock deal. NEE expects the transaction to close within 12–18 months and anticipates merger synergies to support a 9%+ long-term EPS compound annual growth rate (CAGR).

American Electric Power: 1Q earnings exceeded expectations. AEP raised its 2026–2030 capital plan by $6B and identified over $10B of incremental investment opportunities. Management raised its long-term EPS CAGR guidance to >9% through 2030.

Vistra: 1Q EBITDA beat consensus expectations and VST reiterated 2026/2027 EBITDA guidance. Management continues to highlight expected incremental demand from data centers, industrial activity, and ongoing electrification.

Alliant Energy: LNT's earnings beat consensus estimates. The company signed a 370 megawatt (MW) electric service agreement, bringing contracted load to 3.4 GW, with an additional 2-4 GW of mature opportunities. The company highlighted it would update its capital plan guidance in 3Q.

Entergy: 1Q earnings were in line with consensus. In June, ETR hosted an analyst day and introduced a new $67B 2026–2030 capital plan and extended its long-term EPS CAGR of >8% through 2035.

◊ By contribution to return. To obtain our methodology for calculating the best- and worst-performing securities, as well as a list of the contribution to performance of each security listed, please call us at 845.679.9166. The holdings identified do not represent all of the securities purchased, sold, or recommended for advisory clients. This list is not a recommendation to buy, sell, or hold these securities.

LAGGARDS ◊

Constellation Energy: 1Q earnings beat consensus. CEG lagged amid regulatory/political uncertainty and investor caution around the release of locked-up shares related to the Calpine acquisition. Management reiterated confidence in its 20%+ EPS growth guidance through 2029.

NextEra Energy: NextEra Energy (NEE) plans to acquire Dominion Energy (D) in an all-stock deal. NEE expects the transaction to close within 12–18 months and anticipates merger synergies to support a 9%+ long-term EPS CAGR.

Atmos Energy: ATO's earnings beat expectations. Management raised fiscal year 2026 EPS guidance by 2.4% to $8.45 at the midpoint, setting a new base for its 6–8% long-term EPS CAGR. Despite the guide-up, local distribution companies have lagged given lower EPS growth profiles and limited AI/data center opportunities.

Sempra: SRE reported earnings in line with consensus and reaffirmed its 7-9% long-term EPS CAGR target. SRE lagged amid worsening California regulatory concerns, including elevated bill pressures, wildfire liability risk, and less constructive gubernatorial candidates.

PPL: 1Q earnings slightly beat consensus. PPL underperformed amid a deteriorating regulatory environment in Pennsylvania, with Gov. Shapiro's pushback on Exelon's (EXC) rate case, amplifying concerns ahead of PPL's pending PA rate case. Despite this, PPL received a constructive outcome in PA.

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