

Morningstar® Analyst Rating™ for Closed-End Funds

Overview

Given the level of uncertainty surrounding global financial markets, the need for investors and their intermediaries to have access to objective, unbiased, long-term focused research has never been greater. Morningstar analyst research provides insights into a fund’s sustainable advantages and forward-looking perspective into how it might behave in a variety of market environments, helping investors choose better-quality funds, maintain realistic performance expectations and manage their portfolios more wisely.

Long History. Morningstar has produced written, analyst-driven research on funds dating back to 1986.

Investors First. Morningstar always conducts its research with the end investor’s best interests in mind. The length and depth of research made available will adjust to meet the needs and sophistication level of intermediaries and institutional investors who advise investors.

Independence. Morningstar does not charge fund companies to be rated, nor do fund companies commission research or ratings. Morningstar commercializes its fund research by including ratings and reports in various products and through licensing its intellectual property after it conducts its research. Morningstar’s decision to report on a fund is determined solely by the analyst team.

Relevant Coverage. The analyst teams determine relevant coverage based on asset size, investment merit and market demand to ensure they cover funds that matter most to investors.

Balanced Ratings Scale. The Morningstar Analyst Rating™ for funds has been developed to not only identify good funds, but also mediocre and poor investments through neutral and negative ratings. The Analyst Rating is a qualitative, forward-looking measure based on analyst research, whereas the well-known Morningstar Rating™ for funds, or the “star rating,” is a purely quantitative, backward-looking measure that rates historical performance based on risk- and cost-adjusted returns without any input from Morningstar’s analysts.

Local and Global Expertise. Morningstar has a team of more than 90 analysts located in markets across the world. The largest concentration of analysts exists in Chicago, London, Sydney and Toronto.

Research Methodology: The Five Pillars

Morningstar evaluates funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis. The approach notably puts only partial weight on past performance and backward-looking risk measures and does not dismiss funds that have underperformed or have limited track records. Analysts consider numeric and qualitative factors, but the ultimate view on the individual pillars and how they come together is driven by the analyst’s overall assessment. The approach serves not as a formula but as a robust analytical framework ensuring consistency across Morningstar’s global coverage universe.

The Five Pillars

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People

How talented are the fund’s managers and analysts? Do the experience and resources match the strategy?



Process

What is the fund’s strategy and does management have a competitive advantage enabling it to execute the process well and consistently over time?



Performance

Is the fund’s performance pattern logical given its process? Has the fund earned its keep with strong risk-adjusted returns over relevant time periods?



Parent

What priorities prevail at the firm? Stewardship or salesmanship?



Price

Is the fund a good value proposition compared with similar funds sold through similar channels?

Morningstar Analyst Rating for Funds

The Morningstar Analyst Rating for funds is the summary expression of Morningstar's forward-looking analysis of a fund. Morningstar analysts assign the ratings on a five-tier scale: Elite, Superior, Standard, Inferior, and Impaired. The Analyst Rating is based on the analyst's conviction in the fund's ability to outperform its peer group and/or relevant benchmark on a risk-adjusted basis over the long term. If a fund receives a rating of Elite or Superior, it means Morningstar analysts think highly of the fund and expect it to outperform over the long term. The Analyst Rating does not express a view on a given asset class or peer group, but seeks to evaluate each fund within the context of an

appropriate benchmark and peer group given what the fund is trying to achieve with its portfolio.

Morningstar Global Fund Research Reports

While the Analyst Rating offers a distillation of Morningstar's view on a fund, the background for that rating is available in Morningstar's Closed-End Fund Research Reports. Reports focus on the most relevant data surrounding the five pillars and also include a written analysis of the fund and support for the rating. In-depth reports include additional analysis about each pillar and a wealth of graphics, data, and other statistics that showcase the most important information about a fund over time and in the appropriate context.

Morningstar Analyst Ratings for Funds



Elite
Superior
Standard
Inferior
Impaired

Best-of-breed fund that distinguishes itself and has garnered the analysts' highest level of conviction.



Elite
Superior
Standard
Inferior
Impaired

Fund with notable advantages across several of the five pillars—strengths that give the analysts a high level of conviction.



Elite
Superior
Standard
Inferior
Impaired

Fund that isn't likely to deliver standout returns, but also isn't likely to significantly underperform.



Elite
Superior
Standard
Inferior
Impaired

Fund with at least one flaw that is likely to significantly hamper future performance, and is considered an inferior offering to its peers.



Elite
Superior
Standard
Inferior
Impaired

Fund with a combination of flaws that makes it clearly deficient and unsuitable as an investment.

DNP Select Income DNP

Morningstar Analyst Rating: **Elite**

Best-of-breed fund that distinguishes itself and has garnered the analysts' highest level of conviction.

Morningstar Opinion

We believe this is a superior fund based on its consistent outperformance, long management tenure, and steady distribution.

The fund's investments are focused on public utility companies, common shares, preferred shares, and debt are all fair game. The utilities sector has been the place to be for the past several years. Indeed, over the past 10 years, this fund has gained 7% per year, annualized. The portfolio managers have a conservative mind set as the strategy tends to be defensive. In down markets, its investments in the utility sector provide some insulation because even when times get tough, people still need to keep the lights on and heat their homes. In up markets, the utilities sector can lag the broad market, but this fund's managers have been able to pick winning relative to both market environments. For example, during the 2008 market recovery, the fund gained 25% while the Dow Jones U.S. Utilities Index gained just 12%.

This outperformance can be attributed to a successful use of leverage and the management team. This three person team has worked together for the past six years, fund manager Nathan Parfain has been with the fund since 1998, Brooks Bartel, who has been a manager since 1982, and Daniel Perle, who came on board in 2004, manage the fund's fixed income investments, Parfain and Bartel also own shares in the fund.

This fund has paid a distribution of \$0.05 every month since 1998. This stability is remarkable, given the overall market's ups and downs over the years. At the current net asset value, this is a relatively high 10% distribution rate that does not include destructive return of capital.

Investors need to be aware that the long term out-performance and steady distribution have attracted premium pricing levels to the share price. The current and three year average premium is about 25%. If the premium collapses to zero, the share price will decline assuming the net asset value remains the same.

DNP Select Income DNP

Management

Process: Investment Approach

The fund invests in a diversified portfolio of public utility companies, common shares, preferred shares, and debt are all fair game. The utilities sector has been the place to be for the past several years. Indeed, over the past 10 years, this fund has gained 7% per year, annualized. The portfolio managers have a conservative mind set as the strategy tends to be defensive. In down markets, its investments in the utility sector provide some insulation because even when times get tough, people still need to keep the lights on and heat their homes. In up markets, the utilities sector can lag the broad market, but this fund's managers have been able to pick winning relative to both market environments. For example, during the 2008 market recovery, the fund gained 25% while the Dow Jones U.S. Utilities Index gained just 12%.

Process: Portfolio Positioning

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Board of Directors

| Name | Position | Since |
|----------------|----------|-------|
| Nathan Parfain | Manager | 1998 |
| Brooks Bartel | Manager | 1982 |
| Daniel Perle | Manager | 2004 |

DNP Select Income DNP

NAV Performance Analysis

Since the fund's inception, it has delivered superior performance, outperforming its benchmark and peer group. The fund's performance is supported by its long management tenure and steady distribution.

Risk & Return

The fund's risk profile is consistent with its investment strategy. The fund's investments are focused on public utility companies, common shares, preferred shares, and debt are all fair game. The utilities sector has been the place to be for the past several years. Indeed, over the past 10 years, this fund has gained 7% per year, annualized. The portfolio managers have a conservative mind set as the strategy tends to be defensive. In down markets, its investments in the utility sector provide some insulation because even when times get tough, people still need to keep the lights on and heat their homes. In up markets, the utilities sector can lag the broad market, but this fund's managers have been able to pick winning relative to both market environments. For example, during the 2008 market recovery, the fund gained 25% while the Dow Jones U.S. Utilities Index gained just 12%.

Dividends

The fund has a long history of paying dividends. The fund's investments are focused on public utility companies, common shares, preferred shares, and debt are all fair game. The utilities sector has been the place to be for the past several years. Indeed, over the past 10 years, this fund has gained 7% per year, annualized. The portfolio managers have a conservative mind set as the strategy tends to be defensive. In down markets, its investments in the utility sector provide some insulation because even when times get tough, people still need to keep the lights on and heat their homes. In up markets, the utilities sector can lag the broad market, but this fund's managers have been able to pick winning relative to both market environments. For example, during the 2008 market recovery, the fund gained 25% while the Dow Jones U.S. Utilities Index gained just 12%.

