ALPS | Alerian Energy Infrastructure Portfolio

Commentary | March 2025

Key Takeaways

- In 1Q 2025, the ALPS | Alerian Energy Infrastructure Portfolio (ALEFX) gained 6.58% on a total-return basis, handily outperforming the S&P 500 Index. Energy was the best-performing sector for the quarter.
- Midstream free cash flow yields remain attractive based on 2025 estimates, with excess cash enhancing overall financial flexibility.
- At the end of March, ALEFX's underlying index, the Alerian Midstream Energy Select Index (AMEI), was trading at a forward EV/EBITDA multiple of 10.60x based on 2026 consensus estimates – above its three-year average ratio of 9.66x.

Performance Notes

Amid a challenging backdrop for equities, ALEFX gained 6.58% on a total-return basis for the first quarter of 2025 as energy stocks broadly outperformed. Inflation concerns and weakness in technology seemed to benefit energy given flat oil price performance for the quarter. For midstream, performance was supported by continued execution on free cash flow, dividend growth and buybacks. Select companies also announced new growth projects related to natural gas infrastructure.

For the first quarter, ALEFX handily outperformed the S&P 500 Index, which fell 4.27% on a total-return basis. ALEFX lagged the 9.98% total return for the broad Energy Select Sector Index (IXE) for the quarter. US benchmark oil prices were flat in the first quarter (down 0.33%), while the natural gas benchmark gained 13.38% during the quarter.

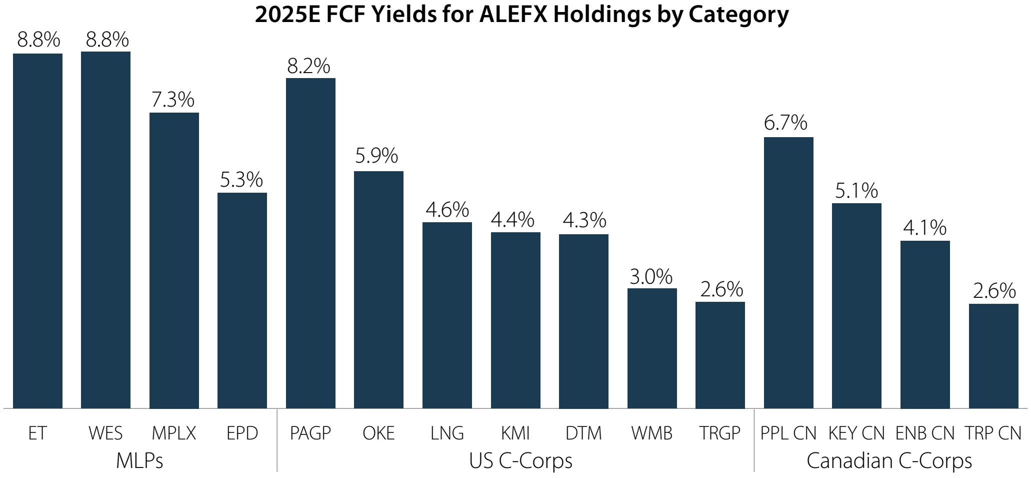
Looking at portfolio performance for 1Q25, Pipeline Transportation | Petroleum was the best performing subsector, followed closely by Gathering & Processing. Every subsector posted gains for the first quarter except Storage, which only includes Gibson Energy (**GEI CN, 1.9% Weight***).

Outlook

While equity markets have grappled with volatility and uncertainty this year, energy infrastructure has performed well. Midstream companies largely provide services for fees under long-term contracts that often include annual inflation adjustments. The space is well positioned for growing concerns around inflation, which have likely contributed to strong performance for the energy sector in 2025 amid flattish oil prices year to date. Midstream companies are also enjoying tailwinds from expected multi-year growth in natural gas demand and ongoing free cash flow generation. Select ALEFX holdings have recently announced new natural gas infrastructure projects (see Constituent News).

While capital spending is anticipated to tick upwards in 2025, largely driven by growth opportunities related to natural gas and natural gas liquids, estimated free cash flow (FCF) yields for ALEFX holdings remain healthy. As shown in the chart below, FCF yields using company guidance and Wall Street consensus estimates for 2025 remain compelling. Excess cash is expected to continue fueling generous dividend growth and opportunistic buybacks. For context, the trailing 12 month FCF yield for the S&P 500 as of March 31 was only 3.22%.

2025E FCF Yields for ALEFX Holdings by Category



FCF yield based on prices as of 3/31/2025.

Operating cash flow is based on consensus estimates. Capital spending is based on company guidance. Capital spending for LNG and ENB CN are based on consensus estimates. FCF numbers provided for PAGP and WES are based on company guidance.

Source: VettaFi, LSEG, Company Reports, as of 3/31/2025

Past performance is no guarantee of future results.

* *Weight in ALEFX as of 3/31/2025*

Constituent News

- Kinder Morgan (**KMI, 4.4% Weight***) sanctioned the Trident Intrastate Pipeline Project, which will add 1.5 billion cubic feet per day of capacity from Katy, Texas (outside Houston) to the Port Arthur area, representing its fourth major natural gas pipeline project announced in recent months.
- Targa Resources (**TRGP, 2.6% Weight***) reported earnings for the fourth quarter of 2024 ahead of Wall Street estimates and repurchased $108 million of its common equity during the quarter, bringing its total 2024 buybacks to $755 million.
- Enbridge (**ENB CN, 4.1% Weight***) reaffirmed 2025 adjusted EBITDA guidance of $19.7 billion at the midpoint. ENB expects average annual adjusted EBITDA growth of 7-9% through 2026 and dividend growth of up to 3% through 2026, building on thirty consecutive years of annual dividend increases.
- Williams (**WMB, 3.0% Weight***) entered an agreement with an investment-grade customer to provide onsite natural gas and power generation infrastructure, pledging to invest $1.6 billion. The project is backed by a ten-year, largely fixed-fee power purchase agreement and has an estimated build multiple of 5x EBITDA, implying returns of ~20%.
- Cheniere Energy (**LNG, 4.6% Weight***) completed the first of seven liquefaction trains in the Corpus Christi Stage three expansion. The expansion will add 10 million tons per annum of liquefied natural gas (LNG) production capacity in total when completed.

About ALEFX's Underlying Index

The Alerian Midstream Energy Select Index (AMEI) is a composite of North American energy infrastructure companies. It includes MLPs and corporations listed in the US and Canada. The index was launched on April 1, 2013.

AMEI is the underlying index for the ALPS | Alerian Energy Infrastructure Portfolio (ALEFX) and the Alerian Energy Infrastructure ETF (ENFR).

* *Weight in ALEFX as of 3/31/2025*

Performance as of 3/31/2025

	Cumulative			Annualized					Expense Ratio	
Total Returns	**1 M**	**3 M**	**YTD**	**1 Y**	**3 Y**	**5 Y**	**10 Y**	**SI[1]**	**Total Operating Expenses**	**What You Pay[2]**
Class I (NAV)	1.40%	6.58%	6.58%	34.65%	18.63%	33.04%	6.72%	6.80%	**0.96%**	0.95%
Class III (ALEFX) (NAV)	1.40%	6.44%	6.44%	34.16%	18.21%	32.60%	6.34%	6.39%	**1.31%**	1.30%
Alerian Midstream Energy Select Index - TR	1.50%	6.87%	6.87%	36.54%	20.19%	35.17%	8.19%	8.28%		

Performance data quoted represents past performance. Past performance is no guarantee of future results so that shares, when redeemed, may be worth more or less than their original cost. The investment return and principal value will fluctuate. Current performance may be higher or lower than the performance quoted. For current month-end performance call 1-866-759-5679 or visit www.alpsfunds.com.

The performance shown does not reflect the impact of costs associated with variable contracts, qualified pension and retirement plans or registered and unregistered separate accounts which, when deducted, will reduce the return figures quoted.

1 *Portfolio inception date: 4/30/2013*

2 *What You Pay reflects the Adviser's decision to contractually limit expenses through 4/29/2026. Please see the prospectus for additional information.*

The displayed expenses became effective on 5/1/2025. Prior to that date, Total Operating Expenses and What You Pay were 0.98% and 0.95% for Class I and 1.33% and 1.30% for Class III, respectively.

Top 10 Holdings

Energy Transfer LP	9.2%	Cheniere Energy, Inc.	5.2%
Enterprise Products Partners LP	7.7%	Kinder Morgan, Inc.	5.1%
Enbridge, Inc.	7.4%	DT Midstream, Inc.	4.9%
The Williams Cos., Inc.	5.6%	ONEOK, Inc.	4.9%
Targa Resources Corp.	5.2%	Pembina Pipeline Corp.	4.9%

As of 3/31/2025, subject to change

Important Disclosures & Definitions

An investor should consider the investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus containing this and other information, call 1-866-759-5679 or visit www.alpsfunds.com. Read the prospectus carefully before investing.

Performance data quoted represents past performance. Past performance is no guarantee of future results; current performance may be higher or lower than performance quoted. All investments are subject to risks, including the loss of money and the possible loss of the entire principal amount invested. Additional information regarding the risks of this investment is available in the prospectus.

Shares of the Portfolio are only offered to participating insurance companies and their separate accounts to fund the benefits of variable annuity contracts and variable life insurance policies. Shares of the Portfolio also may be used as investment vehicles for qualified pension and retirement plans and certain registered and unregistered separate accounts.

Investments in securities of Master Limited Partnerships (MLPs) involve risks that differ from an investment in common stock. MLPs are controlled by their general partners, which generally have conflicts of interest and limited fiduciary duties to the MLP, which may permit the general partner to favor its own interests over the MLPs.

A portion of the benefits you are expected to derive from the Portfolio's investment in MLPs depends largely on the MLPs being treated as partnerships for federal income tax purposes. As a partnership, an MLP has no federal income tax liability at the entity level. Therefore, treatment of one or more MLPs as a corporation for federal income tax purposes could affect the Portfolio's ability to meet its investment objective and would reduce the amount of cash available to pay or distribute to you. Legislative, judicial, or administrative changes and differing interpretations, possibly on a retroactive basis, could negatively impact the value of an investment in MLPs and therefore the value of your investment in the Portfolio.

The Portfolio invests primarily in a particular sector and could experience greater volatility than a portfolio investing in a broader range of industries.

The Portfolio may be subject to risks relating to its investment in Canadian securities. Because the Portfolio will invest in securities denominated in foreign currencies and the income received by the Portfolio will generally be in foreign currency, changes in currency exchange rates may negatively impact the Portfolio's return.

Investments in the energy infrastructure sector are subject to: reduced volumes of natural gas or other energy commodities available for transporting, processing or storing; changes in the regulatory environment; extreme weather and; rising interest rates which could result in a higher cost of capital and drive investors into other investment opportunities.

Alerian Midstream Energy Select Index: a composite of North American energy infrastructure companies. The capped, float-adjusted, capitalization-weighted index constituents are engaged in midstream activities involving energy commodities.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA): a measure of a company's overall financial performance.

Energy Select Sector Index: a modified capitalization-weighted index representing the performance of energy companies that are components of the S&P 500 Index.

Enterprise Multiple (EV/EBITDA): a ratio used to determine the value of a company by considering the company's debt. The enterprise multiple is the enterprise value (EV) (market capitalization + total debt – cash and cash equivalents) divided by EBITDA (earnings before interest, taxes, depreciation and amortization).

S&P 500 Index: widely regarded as the best single gauge of large-cap US equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

One may not invest directly in an index.

ALPS Advisors, Inc., registered investment adviser with the SEC, is the investment adviser to the Portfolio. ALPS Advisors, Inc. and ALPS Portfolio Solutions Distributor, Inc., affiliated entities, are unaffiliated with VettaFi and the Alerian Index Series.

ALPS Portfolio Solutions Distributor, Inc. is the distributor for the Portfolio.

Not FDIC Insured • No Bank Guarantee • May Lose Value

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