

Alerian Energy Infrastructure ETF

Monthly Insights | September 2023

Key Takeaways

- The Alerian Energy Infrastructure ETF (ENFR) was down slightly in September but held up better than the S&P 500 in a challenging month for broad equities.
- Free cash flow yields for ENFR holdings remain compelling as capital spending for most companies remains relatively muted compared to pre-pandemic levels.
- At the end of September, ENFR's underlying index, the Alerian Midstream Energy Select Index (AMEI), was yielding 6.38% and was trading at a discount to its three-year average forward EV/EBITDA multiple.

Performance Notes

ENFR fell slightly in September, down 0.81% for the month, as oil and natural gas prices gained 8.56% and 5.82%, respectively. ENFR held up much better than the S&P 500, which was down 4.77% on a total-return basis in September. The energy sector has enjoyed positive momentum with oil's price improvement from around \$70 per barrel (bbl) in July to over \$90/bbl in September. However, ENFR has seen more muted gains in the third quarter due to midstream's fee-based business models and greater exposure to companies primarily focused on handling natural gas. On a year-to-date basis through September, ENFR's gains of 8.88% are still outpacing broader energy's 6.15% return.

Digging into portfolio performance, Liquefaction was the best-performing subsector in September. Natural Gas Transportation was the only other subsector to end the month with gains.

September 2023 Performance

	Sep-23	QTD	YTD	1 Y
Alerian Energy Infrastructure ETF (ENFR) (NAV)	-0.81%	2.90%	8.88%	18.97%
Alerian Midstream Energy Select Index (AMEI)	-0.74%	3.02%	9.34%	19.68%
Industry Grouping Attribution				
Gathering & Processing	-0.98%	6.64%	8.70%	28.07%
Natural Gas Transportation	0.56%	2.25%	15.47%	20.28%
Petroleum Transportation	-1.84%	-0.43%	6.36%	17.12%
Storage	-2.37%	-6.86%	-12.80%	-3.43%
Liquefaction	1.91%	5.96%	6.07%	-7.27%
Energy Select Sector Index (IXE)	2.43%	12.27%	6.15%	30.41%
Crude Oil (WTI)	8.56%	28.52%	13.12%	14.22%
Crude Oil (WCS - Western Canadian Select)	10.15%	22.16%	15.30%	25.48%

Source: Bloomberg L.P., as of 9/30/2023

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. Performance includes reinvested distributions and capital gains.

For standardized performance please see page 3.

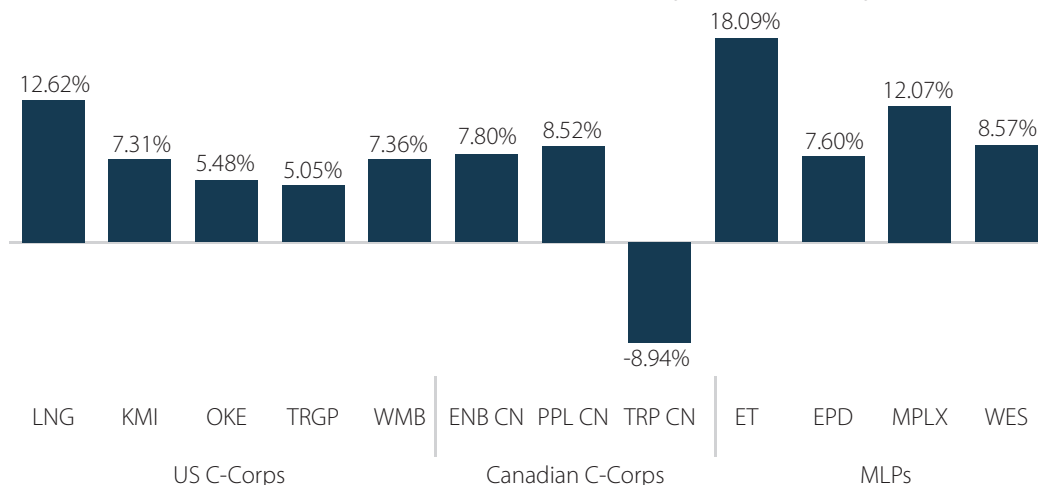
Index returns are total returns.

Outlook

There are several tailwinds for midstream companies at the macro and company level that contribute to a constructive outlook for the sector into year end and 2024. Companies are generating significant free cash flow. As shown in the chart below, free cash flow yields for select ENFR holdings across the North American midstream landscape remain healthy, with TC Energy (TRP CN, 4.84%*) the notable exception as it pursues a significant capital project backlog. For most names, spending has moderated significantly from pre-pandemic levels, resulting in free cash flow. Excess cash flow has supported growing dividends and buybacks in the space. From a macro perspective, higher oil prices have contributed to improved sentiment for the energy sector, although the upside for midstream has been somewhat limited by fee-based business models and more exposure in the portfolio to natural gas. If oil prices were to reverse, midstream is well positioned to provide more defensive energy exposure while still offering solid potential income.

* Weight in ENFR as of 9/30/2023

2023 Free Cash Flow Yields Remain Compelling for ENFR Holdings



Free cash flow yield is based on Bloomberg market caps as of 9/29/2023.
 Operating cash flow and dividend payments are based on consensus estimates for 2023.
 Capital spending is based off company guidance or consensus estimates for 2023. Midpoint is used when range is given.
 Source: VettaFi, Refinitiv Eikon, Bloomberg, as of 9/29/2023
Past performance is no guarantee of future results.

Constituent News

- ONEOK (OKE, 7.80% Weight*) completed its ~\$19 billion acquisition of Magellan Midstream Partners following successful shareholder votes. Magellan was removed from ENFR's underlying index and delisted.
- Enbridge (ENB CN, 8.99% Weight*) announced the acquisition of three US-based utilities companies from Dominion Energy (D, not in ENFR) for \$14.0 billion USD, creating the largest natural gas utility platform in North America.
- Gibson Energy (GEI CN, 2.05% Weight*) resumed its buyback authorization (normal course issuer bid), which allows the company to repurchase up to 7.5% of its public float over the next 12 months. Gibson also signed a 15-year renewable power purchase agreement as it pursues emission reduction targets.

Valuation Update

- At month end, AMEI was trading at a forward EV/EBITDA multiple of 9.21x – a discount to its three-year average ratio of 9.78x.
- The current yield for AMEI of 6.38% is just above its three-year average of 6.33%.

* Weight in ENFR as of 9/30/2023

	AMEI Current Valuations		
	Current	3 Year Avg	Delta
Price/Cash Flow (TTM)	5.03x	5.52x	-8.87%
Enterprise Value/EBITDA [^]	9.21x	9.78x	-5.81%
Yield	6.38%	6.33%	0.79%
ENFR 30-Day SEC Yield	5.10%		

Source: Bloomberg L.P. and VettaFi, as of 9/30/2023
Past performance is no guarantee of future results.
[^] NEXT and TELL were excluded from the current EV/EBITDA calculation as outliers.

Alerian Energy Infrastructure ETF (ENFR) Performance

Total Returns	Cumulative as of 9/30/2023				Annualized as of 9/30/2023			
	1 M	3 M	YTD	SI ¹	1 Y	3 Y	5 Y	SI ¹
NAV (Net Asset Value)	-0.81%	2.90%	8.88%	39.84%	18.97%	29.46%	6.63%	3.44%
Market Price	-0.85%	2.99%	9.19%	39.91%	18.72%	29.52%	6.56%	3.44%
Alerian Midstream Energy Select Index - TR	-0.74%	3.02%	9.34%	51.92%	19.68%	30.48%	7.54%	4.31%
Alerian MLP Index - TR	3.24%	9.90%	20.56%	17.93%	32.74%	43.10%	6.81%	1.68%

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Market Price is based on the midpoint of the bid/ask spread at 4 p.m. ET and does not represent the returns an investor would receive if shares were traded at other times.

¹ Fund inception date: 10/31/2013

Total Operating Expenses: **0.35%**

Top 10 Holdings

ENBRIDGE INC	8.99%	WILLIAMS COS INC	5.46%
ENTERPRISE PRODUCTS PARTNERS	8.68%	PLAINS GP HOLDINGS LP	5.13%
ENERGY TRANSFER LP	8.57%	TARGA RESOURCES CORP	4.98%
ONEOK INC	7.80%	KINDER MORGAN INC	4.97%
CHENIERE ENERGY INC	5.61%	PEMBINA PIPELINE CORP	4.88%

As of 9/30/2023, subject to change

Daily holdings are available at www.alpsfunds.com.

Important Disclosures & Definitions

An investor should consider the investment objectives, risks, charges and expenses carefully before investing. This material must be preceded or accompanied by the prospectus. Read the prospectus carefully before investing.

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemable.

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.

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 Fund'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 Fund'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 Fund.

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

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

The Fund employs a "passive management" - or indexing - investment approach and seeks investment results that correspond (before fees and expenses) generally to the performance of its underlying index. Unlike many investment companies, the Fund is not "actively" managed. Therefore, it would not necessarily sell or buy a security unless that security is removed from or added to the underlying index, respectively.

30-Day SEC Yield: reflects the dividends and interest earned during the period, after the deduction of the Fund's expenses

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).

Price/Cash Flow (P/CF) Ratio: represents the weighted average of the price/cash flow ratios of the stocks in a portfolio. Price/cash flow represents the amount an investor is willing to pay for a dollar generated from a particular company's operations.

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

Alerian MLP Index (AMZ): the leading gauge of energy infrastructure MLPs. The capped, float-adjusted, capitalization-weighted index constituents earn the majority of their cash flow from midstream activities involving energy commodities.

One may not invest directly in an index.

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 Fund.

Not FDIC Insured • No Bank Guarantee • May Lose Value

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