

# Alerian Energy Infrastructure ETF

Monthly Insights | October 2023

## Key Takeaways

- The Alerian Energy Infrastructure ETF (ENFR) fell slightly in October, down -0.54%, but ENFR held up better than the S&P 500 and broader energy during the month.
- Based on dividends paid in 3Q23, 18 ENFR holdings have raised their payouts on a year-over-year basis, with 13 names growing dividends at a higher rate than inflation.
- At the end of October, ENFR's underlying index, the Alerian Midstream Energy Select Index (AMEI), was yielding 6.46% and was trading at a discount to its three-year average forward EV/EBITDA multiple.

## Performance Notes

ENFR saw modest declines in October, down just -0.54% on a total-return basis, as third quarter earnings season began and energy commodity prices diverged. Oil prices ended the month down over 10%, while natural gas prices gained 22.06% to reach their highest level since January. ENFR outperformed both the S&P Energy Select Sector Index (IXE) and the S&P 500, which was down 2.10% on a total-return basis in October. Year-to-date, ENFR has gained 8.29% on a total-return basis, outpacing flat performance from the IXE. ENFR is only slightly lagging the S&P 500 this year, which is up 10.69% on a total-return basis through October.

Digging into portfolio performance for the month, Storage, which only includes Gibson Energy (**GEI CN, 2.20% Weight\***) led all subgroups for October, while the only subsector with gains was Gathering & Processing.

### October 2023 Performance

|  | Oct-23  | QTD     | YTD     | 1 Y     |
|--|---------|---------|---------|---------|
| Alerian Energy Infrastructure ETF (ENFR) (NAV) | -0.54%  | -0.54%  | 8.29%   | 5.75%   |
| Alerian Midstream Energy Select Index (AMEI)   | -0.51%  | -0.51%  | 8.78%   | 6.37%   |
| Industry Grouping Attribution                  |         |         |         |         |
| Gathering & Processing                         | 1.66%   | 1.66%   | 10.50%  | 13.03%  |
| Natural Gas Transportation                     | -2.80%  | -2.80%  | 12.23%  | 5.40%   |
| Petroleum Transportation                       | -1.56%  | -1.56%  | 4.70%   | 5.27%   |
| Storage  | 5.61%   | 5.61%   | -7.90%  | -4.29%  |
| Liquefaction                                   | -3.45%  | -3.45%  | 2.41%   | -16.61% |
| Energy Select Sector Index (IXE)               |         |         |         |         |
| Crude Oil (WTI)                                | -10.76% | -10.76% | 0.95%   | -6.37%  |
| Crude Oil (WCS - Western Canadian Select)      | -25.27% | -25.27% | -12.02% | -3.10%  |

Source: Bloomberg L.P., as of 10/31/2023

**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](http://www.alpsfunds.com). Performance includes reinvested distributions and capital gains.**

For standardized performance please see page 3.

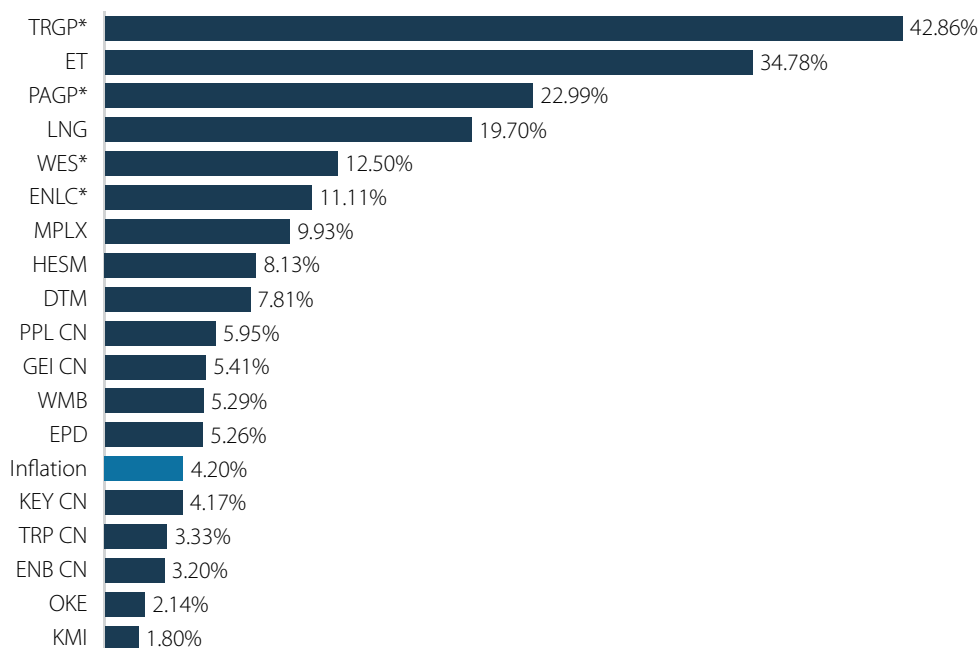
Index returns are total returns.

## Outlook

The end of October marked the ten-year anniversary of ENFR. October also saw several companies announce quarterly dividends and a few holdings reported third quarter earnings. Results thus far have been healthy, with companies reporting numbers largely in line with or exceeding Wall Street expectations. Midstream's continued strong free cash flow generation has supported return of capital to investors through equity buybacks and dividend growth. As shown in the chart below, 13 ENFR holdings have grown dividends higher than estimated 2023 inflation. From a macro perspective, midstream companies have been resilient amid oil price weakness in October, underscoring the defensiveness of their fee-based business models. Looking ahead to 2024, the midstream space is well positioned to maintain its defensiveness while offering a compelling potential total return if volatility continues. At the company level, ENFR holdings are expected to continue focusing on free cash flow and shareholder returns.

\* Weight in ENFR as of 10/31/2023

**ENFR Holdings' Year-Over-Year Dividend Growth Largely Outpaces Inflation**



\*Indicates company cut its payout in 2020.

Year-over-year dividend growth is calculated by comparing the dividends paid in 3Q23 and 3Q22.

Inflation is based on the Bloomberg October survey for estimated full-year 2023 inflation.

Source: VettaFi, Bloomberg, Company reports, as of 10/31/2023

**Past performance is no guarantee of future results.**

Constituent News

- Enterprise Products Partners (EPD, 8.38% Weight\*) announced four new projects to support growing natural gas and natural gas liquids (NGL) production from the Permian Basin, including construction of a new NGL pipeline. EPD will convert the Seminole Pipeline from crude to NGL service in December 2023 while the new pipeline is constructed.
- Williams Companies (WMB, 5.66% Weight\*) is a partner in two of the seven clean hydrogen hubs that were selected to receive federal grants. Williams plans to build hydrogen pipelines for one of the hubs, while leveraging existing assets for the other.
- Cheniere Energy (LNG, 5.70% Weight\*) increased its dividend for the third quarter by approximately 10% to \$0.435 per common share consistent with its capital allocation plans.

Valuation Update

- At the end of October, ENFR's underlying index, AMEI, was trading at a forward EV/EBITDA multiple of 9.33x – a discount to its three-year average ratio of 9.79x.
- The current yield for AMEI is 6.46%, which is above its three-year average of 6.25%.

\* Weight in ENFR as of 10/31/2023

|                                      | AMEI Current Valuations |            |        |
|--------------------------------------|-------------------------|------------|--------|
|                                      | Current                 | 3 Year Avg | Delta  |
| Price/Cash Flow (TTM)                | 5.08x                   | 5.52x      | -7.98% |
| Enterprise Value/EBITDA <sup>^</sup> | 9.33x                   | 9.79x      | -4.69% |
| Yield                                | 6.46%                   | 6.25%      | 3.36%  |
| ENFR 30-Day SEC Yield                | 5.15%                   |            |        |

Source: Bloomberg L.P. and VettaFi, as of 10/31/2023

**Past performance is no guarantee of future results.**

<sup>^</sup> NEXT and TELL were excluded from the current EV/EBITDA calculation as outliers.

Alerian Energy Infrastructure ETF (ENFR) Performance

| Total Returns                              | Cumulative<br>as of 10/31/2023 |        |        |                 | Annualized<br>as of 9/30/2023 |        |       |                 |
|--|--------------------------------|--------|--------|-----------------|-------------------------------|--------|-------|-----------------|
|  | 1 M                            | 3 M    | YTD    | SI <sup>1</sup> | 1 Y                           | 3 Y    | 5 Y   | SI <sup>1</sup> |
| NAV (Net Asset Value)                      | -0.54%                         | -1.89% | 8.29%  | 39.08%          | 18.97%                        | 29.46% | 6.63% | 3.44%           |
| Market Price                               | -0.63%                         | -1.84% | 8.50%  | 39.02%          | 18.72%                        | 29.52% | 6.56% | 3.44%           |
| Alerian Midstream Energy Select Index - TR | -0.51%                         | -1.74% | 8.78%  | 51.15%          | 19.68%                        | 30.48% | 7.54% | 4.31%           |
| Alerian MLP Index - TR                     | 0.42%                          | 4.15%  | 21.06% | 18.43%          | 32.74%                        | 43.10% | 6.81% | 1.68%           |

**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](http://www.alpsfunds.com). Performance includes reinvested distributions and capital gains.**

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.

<sup>1</sup> Fund inception date: 10/31/2013

Total Operating Expenses: **0.35%**

Top 10 Holdings

|                              |       |                            |       |
|------------------------------|-------|----------------------------|-------|
| ENBRIDGE INC                 | 8.77% | WILLIAMS COS INC           | 5.66% |
| ENTERPRISE PRODUCTS PARTNERS | 8.38% | PLAINS GP HOLDINGS LP-CL A | 5.07% |
| ENERGY TRANSFER LP           | 8.16% | PEMBINA PIPELINE CORP      | 5.05% |
| ONEOK INC                    | 8.14% | TARGA RESOURCES CORP       | 4.94% |
| CHENIERE ENERGY INC          | 5.70% | KINDER MORGAN INC          | 4.93% |

As of 10/31/2023, subject to change

Daily holdings are available at [www.alpsfunds.com](http://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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