

Alerian Energy Infrastructure ETF

Monthly Insights | November 2023

Key Takeaways

- The Alerian Energy Infrastructure ETF (ENFR) gained 6.97% in November as equities broadly rallied and portfolio companies wrapped up 3Q23 earnings season.
- Most ENFR holdings have target leverage ratios between 3.0x and 4.0x, with the large-cap Canadian C-Corps above the high end of the range.
- At the end of November, ENFR's underlying index, the Alerian Midstream Energy Select Index (AMEI), was yielding 6.10% and was trading at a discount to its three-year average forward EV/EBITDA multiple.

Performance Notes

Midstream companies saw gains in November, with ENFR up 6.97% on a total-return basis for the month. Earnings season concluded in early November, with generally favorable results relative to consensus and several companies raising financial guidance for 2023. The US oil benchmark ended the month down 6.25%, while natural gas prices were down 21.62% on milder weather forecasts. ENFR handily outperformed the S&P Energy Select Index (IXE) in November, which was down 0.75% on a total-return basis, but ENFR lagged the 9.31% gain for the S&P 500 (SPX). November performance was in line with year-to-date activity. ENFR is up 15.84% on a total-return basis, compared to IXE which is down 0.75% and SPX which is up 20.79% year-to-date through November 30.

Digging into portfolio performance for the month, Liquefaction led all subgroups, up 8.52% on a total return basis in November, followed closely by Petroleum Pipeline Transportation, which was up 8.47%.

November 2023 Performance

	Nov-23	QTD	YTD	1 Y
Alerian Energy Infrastructure ETF (ENFR) (NAV)	6.97%	6.39%	15.84%	8.63%
Alerian Midstream Energy Select Index (AMEI)	7.05%	6.51%	16.45%	9.23%
Industry Grouping Attribution				
Gathering & Processing	7.34%	9.12%	18.61%	13.84%
Natural Gas Transportation	6.10%	3.13%	19.08%	11.00%
Petroleum Transportation	8.47%	6.78%	13.57%	7.64%
Storage	-0.48%	5.10%	-8.35%	-9.87%
Liquefaction	8.52%	4.77%	11.15%	-9.16%
Energy Select Sector Index (IXE)				
Crude Oil (WTI)	-6.25%	-16.33%	-5.36%	-5.70%
Crude Oil (WCS - Western Canadian Select)	-5.28%	-29.02%	-16.45%	2.52%

Source: Bloomberg L.P., as of 11/30/2023

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 2.

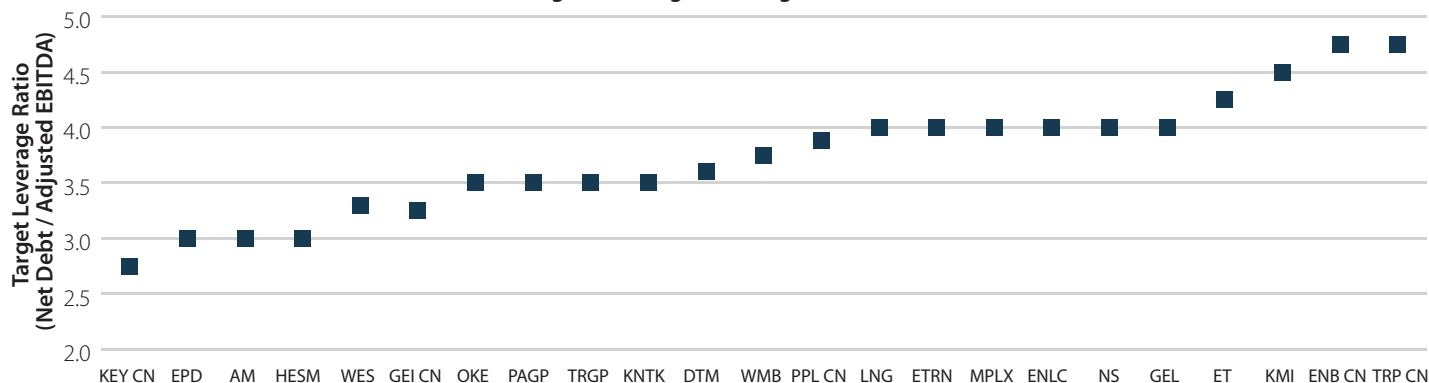
Index returns are total returns.

Outlook

Third quarter earnings season reinforced the ongoing tailwinds from free cash flow generation for midstream, namely dividend growth and buyback activity. Excess cash has also been used to reduce debt in recent years, and companies have generally been lowering their long-term target leverage ratios (Net Debt / Adjusted EBITDA). As shown in the chart below, most ENFR holdings are targeting leverage of 3.0x to 4.0x based on the midpoint of provided ranges. Keep in mind that leverage above 4.0x and even above 5.0x was not uncommon in years past. Stronger balance sheets have helped companies pursue more shareholder-friendly returns. Looking ahead to 2024, the dividend growth and buybacks associated with free cash flow generation are expected to continue. If the macro environment proves challenging or commodity prices remain volatile, midstream's fee-based business models and generous yields can be supportive for performance. Midstream's resilience in periods of commodity price volatility was on display in November and for much of 2023.

Alerian Energy Infrastructure ETF

Most ENFR Holdings Have Target Leverage Ratios Between 3x and 4x



Excludes NEXT and TELL which has not announced leverage ratio targets.

Midpoint used when range was given.

Source: VettaFi Analysis of Company Reports, as of 11/30/2023

Constituent News

- Kinder Morgan (KMI, 5.01% Weight*) is acquiring a natural gas pipeline system in Texas from NextEra Energy Partners (NEP, not in ENFR) for \$1.8 billion. The pipeline system connects the Eagle Ford basin to demand centers in Mexico and on the Gulf Coast.
- Cheniere Energy (LNG, 5.85% Weight*) signed a 20-year sale and purchase agreement with China-based Foran Energy Group for 0.9 million tons per year from its Sabine Pass Liquefaction Expansion Project.
- Targa Resources (TRGP, 5.01% Weight*) spent \$132 million on equity buybacks during the third quarter and expects to recommend a 50% increase to its dividend payable in May 2024.

Valuation Update

- At the end of November, ENFR's underlying index, AMEI, was trading at a forward EV/EBITDA multiple of 9.59x – a discount to its three-year average ratio of 9.79x.
- The current yield for AMEI of 6.10%, which is just below its three-year average of 6.20%.

* Weight in ENFR as of 11/30/2023

AMEI Current Valuations

	Current	3 Year Avg	Delta
Price/Cash Flow (TTM)	5.91x	5.59x	5.68%
Enterprise Value/EBITDA [^]	9.59x	9.79x	-2.05%
Yield	6.10%	6.20%	-1.61%
ENFR 30-Day SEC Yield	5.84%		

Source: Bloomberg L.P. and VettaFi, as of 11/30/2023

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 11/30/2023				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)	6.97%	5.54%	15.84%	48.78%	8.63%	24.61%	9.69%	4.02%
Market Price	7.07%	5.49%	16.17%	48.85%	8.48%	24.60%	9.72%	4.02%
Alerian Midstream Energy Select Index - TR	7.05%	5.71%	16.45%	61.81%	9.23%	25.51%	10.60%	4.89%
Alerian MLP Index - TR	6.86%	10.78%	29.37%	26.56%	23.29%	34.51%	10.33%	2.36%

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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	8.97%	WILLIAMS COS INC	5.68%
ENERGY TRANSFER LP	8.60%	PEMBINA PIPELINE CORP	5.15%
ENTERPRISE PRODUCTS PARTNERS	8.08%	KINDER MORGAN INC	5.01%
ONEOK INC	8.05%	TC ENERGY CORP	5.01%
CHENIERE ENERGY INC	5.85%	TARGA RESOURCES CORP	5.01%

As of 11/30/2023, 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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