

Alerian Energy Infrastructure ETF

Monthly Insights | December 2023

Key Takeaways

- The Alerian Energy Infrastructure ETF (ENFR) fell 0.69% in December as energy commodities retreated, but ENFR finished the year up 15.05%.
- Some ENFR holdings have already given dividend and financial guidance for 2024, with companies generally expecting mid-single-digit EBITDA growth in 2024.
- At the end of December, ENFR's underlying index, the Alerian Midstream Energy Select Index (AMEI), was yielding 6.33% and was trading at a discount to its three-year average forward EV/EBITDA multiple.

Performance Notes

Midstream companies fell slightly in December, with ENFR down 0.69% on a total-return basis for the month. Oil and natural gas prices fell 5.67% and 10.27%, respectively, in December. Overall, 2023 was a challenging year for the broad energy space, but midstream proved resilient. For 2023, ENFR gained 15.05% on a total-return basis, handily outperforming a 0.59% decline for the Energy Select Sector Index (IXE). However, midstream lagged the 26.29% total return from the S&P 500.

Digging into portfolio performance for the month, Storage, which only includes Gibson Energy (**GEI CN, 2.17% Weight***) led all subgroups, up 3.05% on a total-return basis in December, followed by Petroleum Pipeline Transportation, which was up 2.41%.

December 2023 Performance

	Dec-23	QTD	YTD	1 Y
Alerian Energy Infrastructure ETF (ENFR) (NAV)	-0.69%	5.66%	15.05%	15.05%
Alerian Midstream Energy Select Index (AMEI)	-0.57%	5.90%	15.79%	15.79%
Subsector Total Return:				
Gathering & Processing	-2.80%	6.06%	15.29%	15.29%
Natural Gas Transportation	1.52%	4.69%	20.89%	20.89%
Petroleum Transportation	2.41%	9.35%	16.31%	16.31%
Storage	3.05%	8.30%	-5.56%	-5.56%
Liquefaction	-4.76%	-0.21%	5.85%	5.85%
Energy Select Sector Index (IXE)	0.10%	-6.35%	-0.59%	-0.59%
Crude Oil (WTI)	-5.67%	-21.08%	-10.73%	-10.73%
Crude Oil (WCS - Western Canadian Select)	-0.44%	-29.33%	-16.81%	-1.08%

Source: Bloomberg L.P., as of 12/31/2023

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. Performance includes reinvested distributions and capital gains.

For standardized performance please see page 2.

Index returns are total returns.

Outlook

Building on a solid 2023, the majority of ENFR holdings are expected to continue generating free cash flow and returning cash to shareholders through dividends and buybacks in 2024. As shown below, a handful of portfolio companies have already provided dividend growth guidance for 2024 and/or expectations for EBITDA growth. While dividend expectations vary, companies are generally expecting mid-single-digit EBITDA growth in 2024. The company-level outlook remains constructive. From a macro perspective, oil and natural gas price volatility is likely to continue. In that case, midstream's defensive qualities – fee-based business models and compelling yields – could be particularly beneficial. Expectations for modest growth in US energy production can also be supportive for the midstream space in 2024.

*Weight in ENFR as of 12/31/2023

Name	Ticker	ENFR Weighting	2024 Dividend Growth Guidance	2024 EBITDA Growth Guidance
Enbridge Inc	ENB CN	9.00%	3.1%	4.0%
Cheniere Energy	LNG	5.02%	10.0%	–
TC Energy Corp	TRP CN	5.07%	4.0%	6.0%
Plains All American	PAGP	5.11%	18.7%	–
Targa Resources Corp	TRGP	5.04%	50.0%	–
Kinder Morgan	KMI	4.95%	1.8%	5.0%
Pembina Pipeline	PPL CN	5.12%	–	2.0%
Hess Midstream	HESM	1.89%	5.0%	10.0%

ENFR weightings as of 12/31/2023.

Midpoint used when range was given.

Source: VettaFi, company reports as of 12/31/2023

Constituent News

- Pembina Pipeline Corporation (PPL CN, 5.12% Weight*) is buying Enbridge's (ENB CN, 9.00% Weight*) interest in natural gas and natural gas liquids assets for \$3.1 billion, which will bring PPL's interest in the Alliance Pipeline to 100% and its interest in the Aux Sable fractionation complex to 85.4%.
- Kinder Morgan (KMI, 4.95% Weight*) issued guidance for 2024, including expectations for 5.0% growth in Adjusted EBITDA and a 1.8% increase to its annual dividend.
- PPL guided to 2% growth in Adjusted EBITDA at the midpoint for 2024 and expects to fully fund its \$880 million capital program with cash flow after dividends.

Valuation Update

- At the end of December, ENFR's underlying index, AMEI, was trading at a forward EV/EBITDA multiple of 9.28x – a discount to its three-year average ratio of 9.78x.
- The current yield for AMEI of 6.33%, which is above its three-year average of 6.17%.

* Weight in ENFR as of 12/31/2023

	AMEI Current Valuations		
	Current	3 Year Avg	Delta
Price/Cash Flow (TTM)	5.77x	5.60x	2.96%
Enterprise Value/EBITDA [^]	9.28x	9.78x	-5.06%
Yield	6.33%	6.17%	2.59%
ENFR 30-Day SEC Yield	5.97%		

Source: Bloomberg L.P. and VettaFi, as of 12/31/2023

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 12/31/2023				Annualized as of 12/31/2023				
	1 M	3 M	YTD	SI ¹	1 Y	3 Y	5 Y	10 Y	SI ¹
NAV (Net Asset Value)	-0.69%	5.66%	15.05%	47.76%	15.05%	23.87%	11.76%	3.62%	3.91%
Market Price	-0.69%	5.66%	15.37%	47.82%	15.37%	23.88%	11.79%	3.60%	3.92%
Alerian Midstream Energy Select Index - TR	-0.57%	5.90%	15.79%	60.88%	15.79%	24.76%	12.71%	4.49%	4.79%
Alerian MLP Index - TR	-2.17%	4.98%	26.56%	23.80%	26.56%	32.43%	12.03%	1.90%	2.12%

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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

ENERGY TRANSFER LP	9.18%	PLAINS GP HOLDINGS LP-CL A	5.11%
ENBRIDGE INC	9.00%	TC ENERGY CORP	5.07%
ENTERPRISE PRODUCTS PARTNERS	8.44%	TARGA RESOURCES CORP	5.04%
ONEOK INC	5.13%	CHENIERE ENERGY INC	5.02%
PEMBINA PIPELINE CORP	5.12%	KINDER MORGAN INC	4.95%

As of 12/31/2023, 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

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.

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

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.

One may not invest directly in an index.

ALPS Advisors, Inc., registered investment adviser with the SEC, is the investment adviser to the Fund. 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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