

Alerian Energy Infrastructure ETF

Monthly Insights | January 2024

Key Takeaways

- The Alerian Energy Infrastructure ETF (ENFR) gained 0.61% in January as stocks broadly rose and ENFR holdings announced quarterly dividends.
- ENFR yields have stayed favorable relative to other income investments such as corporate bonds, even as rising interest rates lifted bond yields.
- At the end of January, ENFR's underlying index, the Alerian Midstream Energy Select Index (AMEI), was yielding 6.43% and was trading at a discount to its three-year average forward EV/EBITDA multiple.

Performance Notes

ENFR rose 0.61% on a total-return basis in January as broader equities gained, with the S&P 500 up 1.68%. Most ENFR holdings declared their quarterly dividends with several examples of growth (see constituent news below). Even as US benchmark oil prices increased by 5.86% for the month, ENFR outperformed the broader energy sector represented by the Energy Select Sector Index (IXE), which fell by 0.50%. Natural gas prices rallied in the first half of January on colder weather but ultimately ended the month down 16.47%.

With the exception of Liquefaction, all subgroups rose in January. Storage, which only includes Gibson Energy (**GEI CN, 2.27% Weight***), was the best-performing subsector for the month.

January 2024 Performance

	Jan-24	QTD	YTD	1 Y
Alerian Energy Infrastructure ETF (ENFR) (NAV)	0.61%	6.88%	0.61%	10.24%
Alerian Midstream Energy Select Index (AMEI)	0.67%	0.67%	0.67%	10.96%
Subsector Total Return:				
Gathering & Processing	0.19%	0.19%	0.19%	12.44%
Natural Gas Transportation	1.77%	1.77%	1.77%	13.80%
Petroleum Transportation	1.00%	1.00%	1.00%	11.37%
Storage	5.20%	5.20%	5.20%	-3.00%
Liquefaction	-6.14%	-6.14%	-6.14%	-4.44%
Energy Select Sector Index (IXE)	-0.50%	-0.50%	-1.09%	-3.68%
Crude Oil (WTI)	5.86%	5.86%	5.86%	-3.83%
Crude Oil (WCS - Western Canadian Select)	10.08%	10.08%	-8.43%	2.36%

Source: Bloomberg L.P., as of 1/31/2024

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.

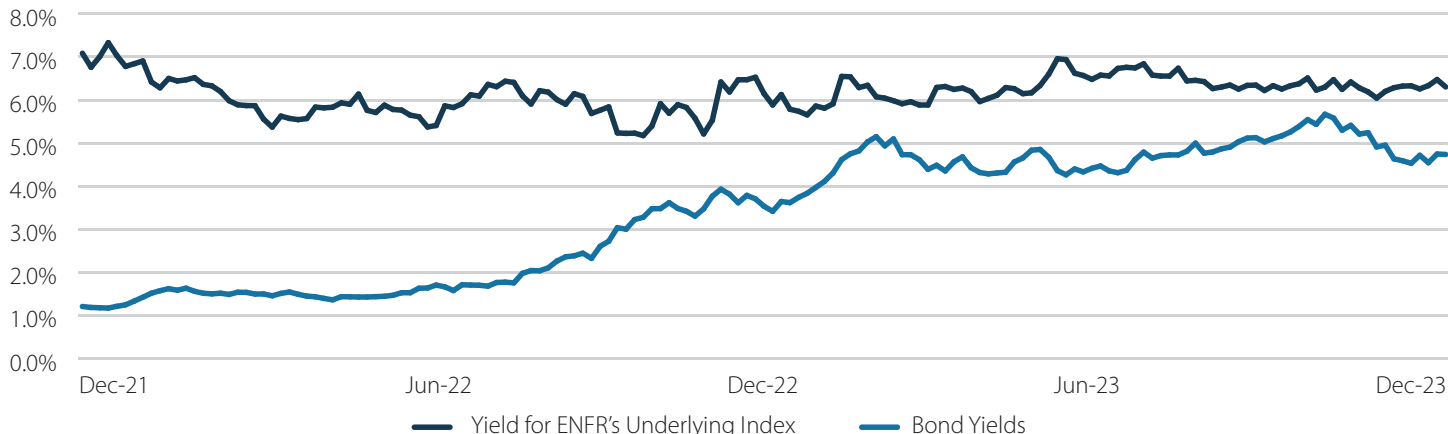
Index returns are total returns.

Outlook

ENFR holdings are expected to continue generating free cash flow and returning cash to shareholders through dividends and buybacks. As discussed in the constituent news below, key holdings have recently increased their payouts and/or announced progress with buybacks. Dividend growth has contributed to attractive midstream yields over time. As shown below, the yield for ENFR's underlying index has consistently exceeded that of the corporate bond benchmark since 2021, even in a higher interest rate environment in 2023. With interest rates likely to fall in 2024, midstream's relative yield advantage could become more pronounced. Income investors may be attracted to midstream given that yields do not fluctuate with interest rates. From a macro perspective, oil and natural gas price volatility may persist in 2024. In this environment, midstream's defensive qualities – stable cash flows and healthy yields – can be particularly beneficial. Generally, ENFR holdings are expected to see modest EBITDA growth this year based on guidance provided by companies.

*Weight in ENFR as of 1/31/2024

As Rising Rates Helped Lift Bond Yields, Midstream Yields Remained Favorable



Weekly yields since year-end 2021. Bonds are represented by the Bloomberg US Aggregate Bond Index (LBSTRUU).
Source: VettaFi, Bloomberg, as of 1/31/2024

Constituent News

- Enterprise Products Partners (EPD, 8.55% Weight*) increased its distribution by 3.00% sequentially and repurchased \$96 million in equity in the fourth quarter of 2023, bringing total 2023 buybacks to \$187 million.
- ONEOK, Inc. (OKE, 4.98% Weight*) increased its quarterly dividend by 3.66% to \$0.99 per share, with plans to target 3-4% annual dividend growth. OKE also announced a \$2 billion buyback authorization, which it expects to use over the next four years.
- Williams Companies (WMB, 4.94% Weight*) increased its quarterly dividend by 6.15% to \$0.475 per share.
- Kinder Morgan (KMI, 4.76% Weight*) updated its 2023 guidance to reflect the STX Midstream acquisition. KMI now expects 2024 EBITDA to be up 8% relative to 2023. KMI repurchased \$132 million in equity in 4Q23, bringing total 2023 buybacks to \$522 million.

Valuation Update

- At the end of January, ENFR's underlying index, AMEI, was trading at a forward EV/EBITDA multiple of 8.84x based on 2025 consensus estimates – a discount to its three-year average ratio of 9.76x.
- The current yield for AMEI is 6.43%, which is above its three-year average of 6.15%.

* Weight in ENFR as of 1/31/2024

	AMEI Current Valuations		
	Current	3 Year Avg	Delta
Price/Cash Flow (TTM)	5.77x	5.63x	2.55%
Enterprise Value/EBITDA [^]	8.84x	9.76x	-9.40%
Yield	6.43%	6.15%	4.55%
ENFR 30-Day SEC Yield	6.02%		

Source: Bloomberg L.P. and VettaFi, as of 1/31/2024

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 1/31/2024				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)	0.61%	6.88%	0.61%	48.66%	15.05%	23.87%	11.76%	3.62%	3.91%
Market Price	0.56%	6.93%	0.56%	48.66%	15.37%	23.88%	11.79%	3.60%	3.92%
Alerian Midstream Energy Select Index - TR	0.67%	7.15%	0.67%	61.96%	15.79%	24.76%	12.71%	4.49%	4.79%
Alerian MLP Index - TR	4.43%	9.17%	4.43%	29.29%	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	9.53%	PEMBINA PIPELINE CORP	5.07%
ENBRIDGE INC	8.85%	ONEOK INC	4.98%
ENTERPRISE PRODUCTS PARTNERS	8.55%	TARGA RESOURCES CORP	4.97%
PLAINS GP HOLDINGS LP-CL A	5.19%	WILLIAMS COS INC	4.94%
TC ENERGY CORP	5.11%	KEYERA CORP	4.80%

As of 1/31/2024, 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.

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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