

Alerian Energy Infrastructure ETF

Monthly Insights | March 2024

Key Takeaways

- The Alerian Energy Infrastructure ETF (ENFR) gained 6.81% in March as US energy stocks rallied alongside the price of oil, which rose 6.27% for the month.
- A handful of ENFR holdings have provided 2024 adjusted EBITDA guidance, with forecasts pointing to moderate low-to-mid single-digit growth this year.
- At the end of March, ENFR's underlying index, the Alerian Midstream Energy Select Index (AMEI), was yielding 5.84% and was trading at a discount to its three-year average forward EV/EBITDA multiple.

Performance Notes

ENFR gained 6.81% on a total-return basis in March as the energy sector rallied with higher oil prices. Oil gained 6.27% on incremental geopolitical risk related to Russia and improving global macroeconomic indicators, which are supportive for demand. In March, ENFR outperformed the S&P 500's 3.22% gain on a total-return basis, but ENFR trailed the broad Energy Select Sector Index (IXE), which benefits more directly from higher oil prices. Through the first quarter of 2024, ENFR has gained 11.88% on a total-return basis compared to a 10.56% gain in the S&P 500 and 12.88% total return for the IXE.

Digging into portfolio performance for the month, all subgroups rose in March. Gathering and Processing (G&P) rose 9.96% for the month leading all subgroups, followed by Natural Gas Pipeline Transportation, which rose 6.42%. The strong performance seen in natural gas-focused industries such as G&P and pipeline transportation highlights their resiliency to the weak natural gas price environment so far this year.

March 2024 Performance				
	Mar-24	QTD	YTD	1 Y
Alerian Energy Infrastructure ETF (ENFR) (NAV)	6.81%	11.88%	11.88%	28.53%
Alerian Midstream Energy Select Index (AMEI)	6.91%	12.02%	12.02%	29.37%
Subsector Total Return:				
Gathering & Processing	9.96%	17.90%	17.90%	49.07%
Natural Gas Transportation	6.42%	12.27%	12.27%	25.72%
Petroleum Transportation	5.02%	8.54%	8.54%	23.30%
Storage	4.79%	13.96%	13.96%	14.88%
Liquefaction	3.90%	-3.85%	-3.85%	-0.30%
Energy Select Sector Index (IXE)	10.57%	13.55%	12.88%	18.03%
Crude Oil (WTI)	6.27%	16.08%	16.08%	9.91%
Crude Oil (WCS - Western Canadian Select)	15.45%	33.61%	11.15%	13.66%

Source: Bloomberg L.P., as of 3/31/2024

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 3.

Index returns are total returns.

Outlook

With US oil prices rising above \$80 per barrel in March for the first time in 2024, sentiment for the energy sector has broadly improved. This backdrop is beneficial for midstream, which also continues to enjoy company-level tailwinds from free cash flow generation. Free cash flow has supported both dividend growth and buybacks. Several ENFR holdings have provided adjusted EBITDA guidance for 2024, with most expecting moderate year-over-year growth. This growth should be achievable regardless of the oil price environment. Valuations have not kept pace with growing EBITDA, and EV/EBITDA multiples in this space remain discounted relative to history. While oil strength has been beneficial lately, midstream remains defensive thanks to fee-based businesses and resulting stable cash flows. If oil retreats, midstream is well positioned to weather volatility, while free cash flow generation continues to provide tailwinds.

Company Name	Ticker	ENFR Weight	2023 Adjusted EBITDA (\$ millions)	2024 Adjusted EBITDA Guidance (\$ millions)	Projected Y/Y Growth
Energy Transfer LP	ET	9.6%	13,698	14,650	6.9%
Enbridge Inc.	ENB CN	8.4%	16,454	16,900	2.7%
The Williams Companies Inc.	WMB	5.2%	6,779	6,950	2.5%
Targa Resources Corp.	TRGP	5.1%	3,530	3,800	7.6%
ONEOK Inc.	OKE	5.1%	5,243	6,100	16.3%
Cheniere Energy Inc.	LNG	5.0%	8,771	5,750	-34.4%
Plains GP Holdings LP	PAGP	5.0%	2,711	2,675	-1.3%
Kinder Morgan Inc.	KMI	4.9%	7,561	8,160	7.9%
TC Energy Corp.	TRP CN	4.8%	10,988	11,350	3.3%
Pembina Pipeline Corporation	PPL CN	4.8%	3,824	3,875	1.3%
DT Midstream	DTM	4.7%	924	955	3.4%
Keyera Corp.*	KEY CN	4.7%	1,212	1,291	6.5%
Antero Midstream	AM	3.8%	989	1,040	5.2%
EnLink Midstream	ENLC	2.6%	1,350	1,360	0.7%
Hess Midstream LP	HESM	2.3%	1,022	1,150	12.5%
Western Midstream Partners LP	WES	1.8%	2,069	2,300	11.2%
Kinetik Holdings	KNTK	0.8%	839	933	11.2%
Genesis Energy LP	GEL	0.3%	756	710	-6.1%

Weightings as of 3/28/2024

Amounts for the Canadian names are in CAD.

Midpoint used when range was given.

*Keyera Corp (KEY CN) provided 2024 Adj. EBITDA growth guidance between 6-7%.

Sources: SS&C ALPS Advisors, VettaFi, Company reports, as of 3/28/2024

Constituent News

- Enbridge Inc. (**ENB, 8.42% Weight***) extended its guidance through 2026 for 8% growth in adjusted EBITDA at the midpoint and reaffirmed its post-2026 adjusted EBITDA growth expectation of around 5% at its investor day.
- TC Energy (**TRP CN, 4.80% Weight***) signed an agreement to sell its interest in Prince Rupert Gas Transmission project, a proposed natural gas pipeline to supply liquefied natural gas (LNG) facilities in coastal British Columbia, to Nisga'a Nation and Western LNG.
- Enterprise Products Partners (**EPD, 8.58% Weight***) began service at the first phase of its Texas Western Products system at a new Permian terminal. The remainder of the system, which supplies gasoline and diesel to the Southwest, is expected to be in service in the first half of 2024.

Valuation Update

- At the end of March, 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 9.69x.
- The current yield for AMEI is 5.84%, which is below its three-year average of 6.12%.

* Weight in ENFR as of 3/31/2024

	AMEI Current Valuations		
	Current	3 Year Avg	Delta
Price/Cash Flow (TTM)	5.78x	5.63x	2.55%
Enterprise Value/EBITDA [^]	8.84x	9.69x	-8.74%
Yield	5.84%	6.12%	-4.59%
ENFR 30-Day SEC Yield	5.43%		

Source: Bloomberg L.P. and VettaFi, as of 3/31/2024

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 3/31/2024				Annualized as of 3/31/2024				
	1 M	3 M	YTD	SI ¹	1 Y	3 Y	5 Y	10 Y	SI ¹
NAV (Net Asset Value)	6.81%	11.88%	11.88%	65.31%	28.53%	20.89%	9.87%	4.46%	4.94%
Market Price	6.99%	11.83%	11.83%	65.31%	28.65%	20.84%	9.87%	4.44%	4.94%
Alerian Midstream Energy Select Index - TR	6.91%	12.02%	12.02%	80.22%	29.37%	21.69%	10.77%	5.31%	5.82%
Alerian MLP Index - TR	4.53%	13.89%	13.89%	41.00%	38.46%	29.44%	11.46%	3.05%	3.35%

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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	9.62%
ENTERPRISE PRODUCTS PARTNERS	8.58%
ENBRIDGE INC	8.42%
WILLIAMS COS INC	5.22%
TARGA RESOURCES CORP	5.15%
ONEOK INC	5.12%
CHENIERE ENERGY INC	5.03%
PLAINS GP HOLDINGS LP-CL A	5.02%
KINDER MORGAN INC	4.94%
TC ENERGY CORP	4.80%

As of 3/31/2024, 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.

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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