

Ticker: ENFR

Alerian Energy Infrastructure ETF

Monthly Insights | May 2024

Key Takeaways

- The Alerian Energy Infrastructure ETF (ENFR) rose 3.57% in May as natural gas prices rebounded after softening in early 2024.
- Dividend growth among ENFR holdings continued for 1Q24. Year-over-year, 88.65% of ENFR by weighting have grown their dividend payout over the past year.
- At the end of May, 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 rose 3.57% on a total-return in May, partially helped by a recovery in natural gas prices, as the energy sector broadly saw modest declines for the month. Natural gas prices rose nearly 30% in May, and WTI crude prices fell 6.03%. While ENFR lagged the S&P 500, which rose 4.96% on a total-return basis for the month, it outperformed the -0.42% decline seen in the broader Energy Select Sector Index (IXE). Companies finished reporting 1Q24 earnings results in May, largely displaying strong execution and coming in ahead of Wall Street expectations. Year-to-date, ENFR is up 15.18% on a total-return basis, slightly ahead of both the S&P 500 and IXE, which were up 11.30% and 12.08% on a total-return basis, respectively.

Digging into portfolio performance for the month, Gathering and Processing (G&P) was the best-performing subsector, followed by Natural Gas Transportation, given the rebound in natural gas prices in May.

May 2024 Performance

	May-24	QTD	YTD	1 Y
Alerian Energy Infrastructure ETF (ENFR) (NAV)	3.57%	2.96%	15.18%	34.15%
Alerian Midstream Energy Select Index (AMEI)	3.66%	3.06%	15.45%	35.06%
Subsector Total Return:				
Gathering & Processing	4.49%	5.53%	24.42%	53.71%
Natural Gas Transportation	3.94%	2.40%	14.97%	32.39%
Petroleum Transportation	2.59%	2.37%	11.11%	27.89%
Storage	1.90%	-1.82%	11.88%	11.68%
Liquefaction	2.11%	-0.96%	-4.78%	8.79%
Energy Select Sector Index (IXE)	-0.42%	-1.30%	12.08%	25.97%
Crude Oil (WTI)	-6.03%	-7.43%	7.45%	13.07%
Crude Oil (WCS - Western Canadian Select)	-5.66%	-7.16%	3.20%	18.70%

Source: Bloomberg L.P., as of 5/31/2024

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.

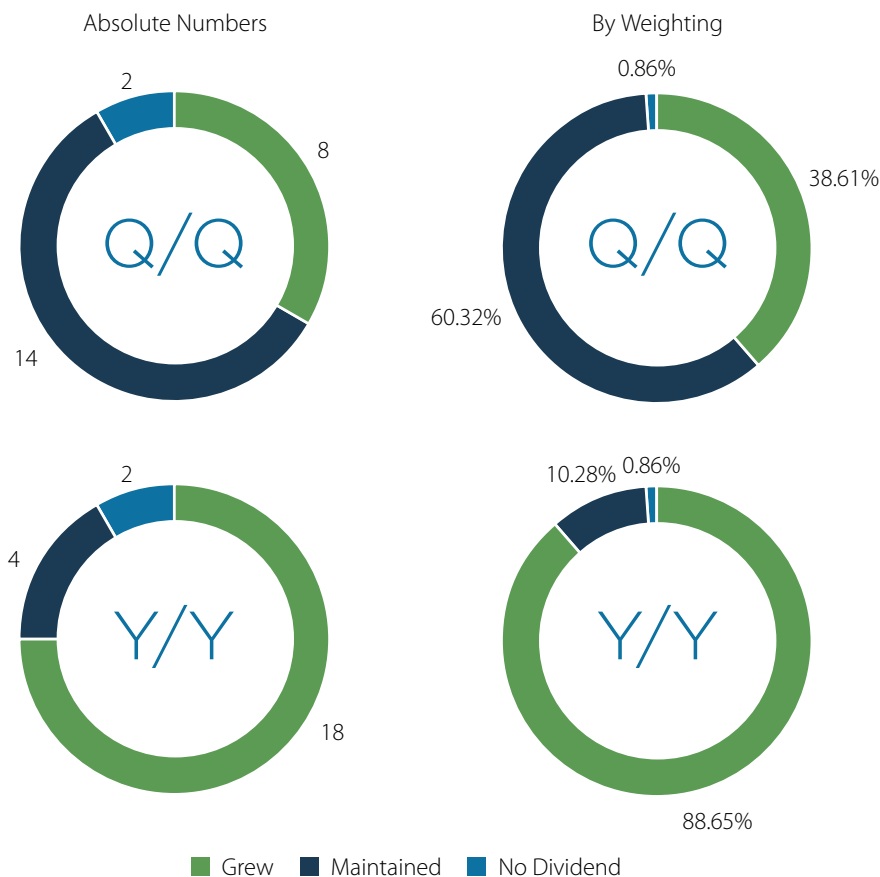
For standardized performance please see page 3.

Index returns are total returns.

Outlook

The remainder of ENFR holdings reported earnings results and dividends for 1Q24 in May, with companies largely in-line or ahead of Wall Street expectations and dividend growth trends intact. As shown in the pie charts below, a third of portfolio companies raised dividends sequentially and most companies have raised payouts over the past year. Dividend growth remains an important tailwind for energy infrastructure companies, enhancing already compelling yields. Dividend growth trends are an outcome of strong free cash flow generation and capital discipline, with companies committed to prioritizing shareholder returns. While energy prices have continued to be volatile through 2024, the stable cash flows from midstream/MLPs' fee-based business models have been supportive for the space. The ongoing tailwinds from free cash flow and expectations of modest EBITDA growth lend to a constructive long-term outlook for midstream/MLPs.

1Q24 Dividend Comparison: Strong Bias Toward Growth



Weightings as of 5/31/2024.
1Q24 dividends refer to dividends paid in 2Q24 for 1Q24 performance.
Source: SS&C ALPS Advisors, Company Reports, as of 5/31/2024

Constituent News

- Energy Transfer (**ET, 9.46% Weight***) announced it agreed to acquire Permian gathering & processing company WTG Midstream for \$3.25 billion. The deal expands Energy Transfer's footprint in the Midland basin of the Permian and includes a 20% interest in the BANGL pipeline, which transports natural gas liquids from the Permian to the Texas Gulf Coast.
- Pembina Pipeline Corporation (**PPL CN, 4.96% Weight***) reported 1Q24 results well ahead of consensus estimates, raised its dividend by 3.4% sequentially and renewed its equity repurchase authorization to repurchase up to five percent of its common shares.
- ONEOK (**OKE, 5.10% Weight***) is acquiring a natural gas liquids pipeline system spanning Southeast Texas and Western Louisiana for \$280 million and plans to connect the network to existing ONEOK infrastructure in Texas.

Valuation Update

- At the end of May, ENFR's underlying index, AMEI, was trading at a forward EV/EBITDA multiple of 9.40x based on 2025 consensus estimates – a discount to its three-year average ratio of 9.65x.
- The current yield for AMEI is 5.84%, which is below its three-year average of 6.11%.

* Weight in ENFR as of 5/31/2024

	AMEI Current Valuations		
	Current	3 Year Avg	Delta
Price/Cash Flow (TTM)	5.88x	5.62x	4.61%
Enterprise Value/EBITDA [^]	9.40x	9.65x	-2.56%
Yield	5.84%	6.11%	-4.42%
ENFR 30-Day SEC Yield	5.30%		

Source: Bloomberg L.P. and VettaFi, as of 5/31/2024

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 5/31/2024				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)	3.57%	9.97%	15.18%	70.19%	28.53%	20.89%	9.87%	4.46%	4.94%
Market Price	3.57%	10.20%	15.18%	70.26%	28.65%	20.84%	9.87%	4.44%	4.94%
Alerian Midstream Energy Select Index - TR	3.66%	10.18%	15.45%	85.74%	29.37%	21.69%	10.77%	5.31%	5.82%
Alerian MLP Index - TR	0.17%	3.43%	12.69%	39.52%	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	9.46%
ENBRIDGE INC	8.40%
ENTERPRISE PRODUCTS PARTNERS	8.27%
WILLIAMS COS INC	5.49%
TARGA RESOURCES CORP	5.36%
EQUITRANS MIDSTREAM CORP	5.21%
KINDER MORGAN INC	5.18%
DT MIDSTREAM INC	5.12%
ONEOK INC	5.10%
PEMBINA PIPELINE CORP	4.96%

As of 5/31/2024, 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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