

Ticker: ENFR

Alerian Energy Infrastructure ETF

Monthly Insights | June 2024

Key Takeaways

- The Alerian Energy Infrastructure ETF (ENFR) rose 2.91% in June as energy commodities gained and stocks broadly strengthened.
- Exports of US-produced energy commodities are forecasted to see long-term growth before stabilizing in the mid-2030's, providing a solid long-term outlook for midstream's export infrastructure.
- At the end of June, ENFR's underlying index, the Alerian Midstream Energy Select Index (AMEI), was yielding 5.76% and was trading at a discount to its three-year average forward EV/EBITDA multiple.

Performance Notes

ENFR rose 2.91% on a total-return basis in June, as US oil prices rose during the month. Following two months of slight losses, WTI crude rebounded by 6.23% in June. Benchmark natural gas prices were flat for the month, up just 0.54%. ENFR outperformed the broad Energy Select Sector Index (IXE), which fell 1.33% on a total-return basis, but lagged the S&P 500 which rose 3.59% during the month. The end of June represented the halfway point of 2024, and year-to-date, ENFR is up 18.53% on a total-return basis, outpacing both the IXE and S&P 500 which are up 10.58% and 15.29%, respectively.

Digging into portfolio performance for the month, Liquefaction was the best-performing subsector as Cheniere (**LNG, 5.35% Weight***) provided a positive capital allocation update (see constituent news below), followed by Gathering & Processing. For June and through the first half of the year, all subsectors saw gains.

* Weight in ENFR as of 6/30/2024

Outlook

With a strong first half of 2024 in the books, attention is turning to the balance of this year and beyond. Midstream companies are expected to continue prioritizing free cash flow generation and returning excess cash to shareholders through dividend growth and opportunistic buybacks. November's election is not expected to have a meaningful impact on the energy infrastructure space. Beyond 2024, the companies in ENFR are well positioned to benefit from growing energy exports from the US (as shown below) and Canada (see constituent news). Not only do midstream companies help transport energy to the coasts, but several names own and operate export terminals. Paired with growing-to-stable energy production, exports add to a constructive long-term outlook for midstream, which should support sustained cash flow generation.

June 2024 Performance

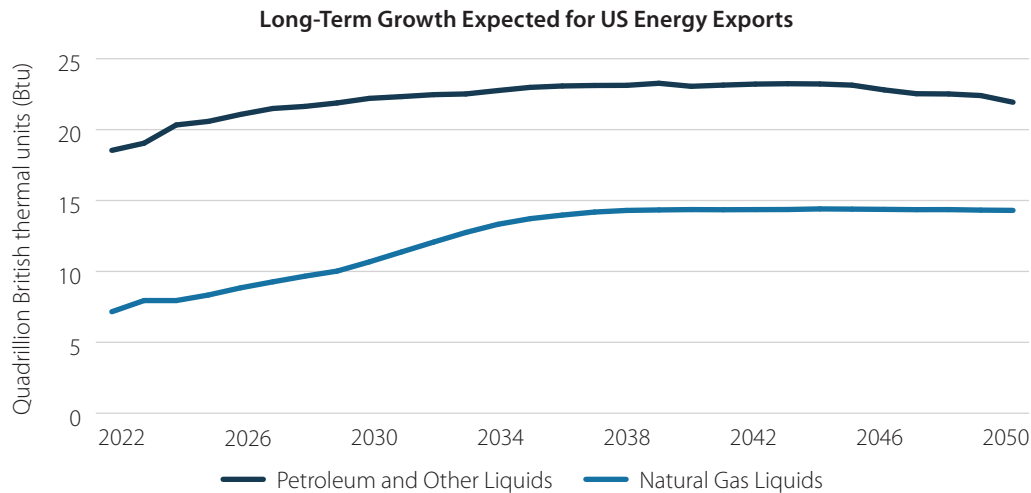
	Jun-24	QTD	YTD	1 Y
Alerian Energy Infrastructure ETF (ENFR) (NAV)	2.91%	5.95%	18.53%	28.87%
Alerian Midstream Energy Select Index (AMEI)	3.00%	6.15%	18.91%	29.73%
Subsector Total Return:				
Gathering & Processing	3.06%	8.76%	28.23%	43.23%
Natural Gas Transportation	2.55%	5.01%	17.90%	28.39%
Petroleum Transportation	1.29%	3.69%	12.55%	22.79%
Storage	3.48%	1.59%	15.77%	16.43%
Liquefaction	12.07%	11.00%	6.72%	9.16%
Energy Select Sector Index (IXE)	-1.33%	-2.62%	10.58%	16.26%
Crude Oil (WTI)	5.91%	-1.96%	13.80%	15.43%
Crude Oil (WCS - Western Canadian Select)	2.14%	-5.17%	5.41%	10.80%

Source: Bloomberg L.P., as of 6/30/2024

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.



*Petroleum includes crude oil, petroleum products, natural gas liquids, ethanol and biodiesel.
Source: Energy Information Administration, Annual Energy Outlook 2023*

Constituent News

- Cheniere Energy (**LNG, 5.35% Weight***) increased its buyback authorization by \$4 billion through 2027 and plans to increase its dividend by 15% beginning in 3Q24, in line with the objectives of its long-term capital allocation plan announced in 2022.
- Equitrans Midstream (**ETRN, 4.34% Weight***) began operations of the 300-mile Mountain Valley Pipeline, which will connect natural gas production from the Marcellus and Utica with demand along the East Coast.
- Energy Transfer (**ET, 9.70% Weight***) reached a final investment decision for a new 0.2 Bcf/d natural gas processing plant in the Permian. ET announced the BANGL pipeline will not be part of its acquisition of Permian gathering & processing company WTG Midstream, and the purchase price was lowered to \$3.075 billion. ET still expects accretion from the deal of \$0.04/unit in 2025, rising to \$0.07/unit in 2027.
- Pembina (**PPL CN, 4.87% Weight***), along with its partner, announced a final investment decision for the floating Cedar LNG project off the west coast of Canada. The 3.3 million ton per annum (MTPA) project is expected to begin operations in late 2028.
- NextDecade (**NEXT, 0.57% Weight***) signed two 20-year agreements to supply liquefied natural gas (LNG) from Train 4 of its proposed expansion of the Rio Grande LNG project with Saudia Arabia's Aramco and UAE's ADNOC for a combined 3.2 MTPA of LNG.

Valuation Update

- At the end of June, ENFR's underlying index, AMEI, was trading at a forward EV/EBITDA multiple of 9.49x based on 2025 consensus estimates – a discount to its three-year average ratio of 9.63x.
- The current yield for AMEI is 5.76%, which is below its three-year average of 6.11%.

* Weight in ENFR as of 6/30/2024

	AMEI Current Valuations		
	Current	3 Year Avg	Delta
Price/Cash Flow (TTM)	6.04x	5.61x	7.64%
Enterprise Value/EBITDA [^]	9.49x	9.63x	-1.50%
Yield	5.76%	6.11%	-5.75%
ENFR 30-Day SEC Yield	5.15%		

Source: Bloomberg L.P. and VettaFi, as of 6/30/2024

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 6/30/2024				Annualized as of 6/30/2024				
	1 M	3 M	YTD	SI ¹	1 Y	3 Y	5 Y	10 Y	SI ¹
NAV (Net Asset Value)	2.91%	5.95%	18.53%	75.14%	28.87%	16.67%	11.18%	3.62%	5.40%
Market Price	2.87%	5.95%	18.48%	75.14%	28.93%	16.61%	11.24%	3.59%	5.40%
Alerian Midstream Energy Select Index - TR	3.00%	6.15%	18.91%	91.31%	29.73%	17.38%	12.06%	4.45%	6.27%
Alerian MLP Index - TR	4.45%	3.35%	17.71%	45.73%	35.79%	22.74%	12.17%	2.03%	3.59%

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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	9.70%
ENTERPRISE PRODUCTS PARTNERS	8.35%
ENBRIDGE INC	7.55%
CHENIERE ENERGY INC	5.35%
TARGA RESOURCES CORP	5.22%
PLAINS GP HOLDINGS LP-CL A	5.20%
WILLIAMS COS INC	5.16%
ONEOK INC	5.05%
DT MIDSTREAM INC	5.00%
KINDER MORGAN INC	4.90%

As of 6/30/2024, 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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