

Ticker: ENFR

Alerian Energy Infrastructure ETF

Monthly Insights | July 2024

Key Takeaways

- The Alerian Energy Infrastructure ETF (ENFR) rose 2.94% in July as portfolio companies announced their dividends and began reporting second quarter results.
- Forecasted natural gas demand growth related to liquefied natural gas (LNG) exports and power demand for data centers drive a constructive long-term outlook for midstream companies.
- At the end of July, ENFR's underlying index, the Alerian Midstream Energy Select Index (AMEI), was yielding 5.66% and was trading in line with its three-year average forward EV/EBITDA multiple.

Performance Notes

ENFR rose 2.94% on a total-return basis in July, outpacing broader energy as oil and natural gas prices retreated during the month. US oil and natural gas prices fell 4.45% and 21.72%, respectively in July, while the broad Energy Select Sector Index (IXE) rose 2.23% in July and the S&P 500 rose 1.22% on a total-return basis. ENFR holdings began reporting results for the second quarter of 2024 in July, and most declared their dividends. With all but three names announcing their payouts, three holdings increased their dividends sequentially, and the rest maintained. On a year-to-date basis, ENFR is up 22.01% on a total-return basis, outperforming both the IXE and S&P 500 which have gained 13.05% and 16.70%, respectively.

Digging into portfolio performance for the month, Liquefaction was the best-performing subsector, followed by Natural Gas Transportation.

July 2024 Performance

	Jul-24	QTD	YTD	1 Y
Alerian Energy Infrastructure ETF (ENFR) (NAV)	2.94%	9.71%	22.01%	27.18%
Alerian Midstream Energy Select Index (AMEI)	3.00%	3.00%	22.47%	28.08%
Subsector Total Return:				
Gathering & Processing	1.01%	1.01%	29.52%	34.74%
Natural Gas Transportation	3.95%	3.95%	22.56%	29.60%
Petroleum Transportation	3.50%	3.50%	16.49%	23.92%
Storage	-3.85%	-3.85%	11.31%	8.11%
Liquefaction	6.11%	6.11%	13.25%	9.53%
Energy Select Sector Index (IXE)	2.23%	2.23%	13.05%	10.22%
Crude Oil (WTI)	-4.45%	-4.45%	8.74%	-4.76%
Crude Oil (WCS - Western Canadian Select)	-7.35%	-7.35%	-2.34%	-8.83%

Source: Bloomberg L.P., as of 7/31/2024

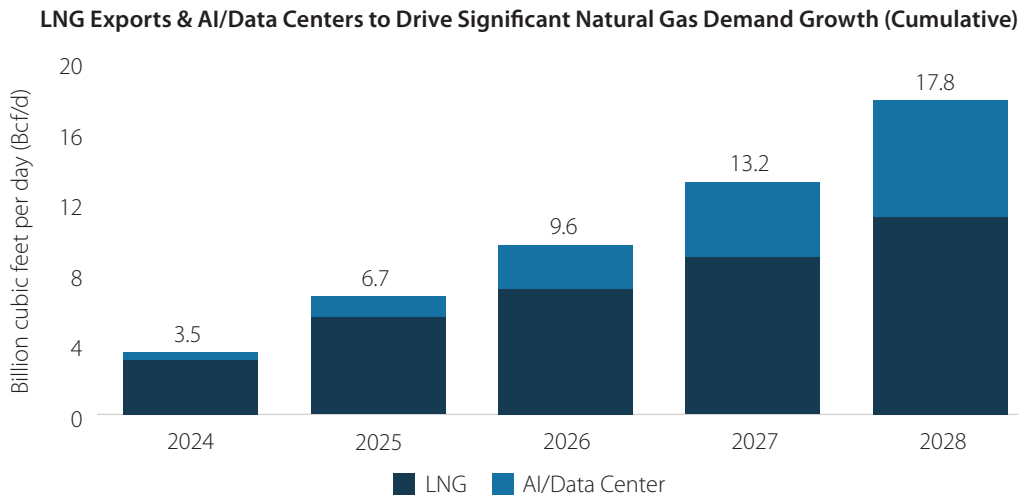
Performance data quoted represents past performance. Past performance is no guarantee of future results so that shares, when redeemed, may be worth more or less than their original cost. The investment return and principal value will fluctuate. Current performance may be higher or lower than the performance 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

ENFR holdings continue to prioritize free cash flow generation and returning excess cash to shareholders through dividend growth and opportunistic buybacks (see constituent news below). These characteristics should be in focus as companies report quarterly results into August and over the quarters to come. Additionally, companies have benefitted from the anticipated step-change in natural gas demand driven by liquefied natural gas (LNG) exports and power generation for data centers related to artificial intelligence (AI) (see chart below). This demand growth should support production growth and more volumes for ENFR holdings with midstream natural gas assets, including gathering pipelines, processing plants and long-haul natural gas pipelines. Companies primarily focused on these activities accounted for 67.52% of ENFR's underlying index as of July 31. More broadly, midstream's fee-based business models provide ongoing insulation from commodity price volatility, while falling interest rates could make midstream more appealing for income investors. The upcoming election is not anticipated to have a meaningful impact on energy infrastructure.



Source: LNG capacity forecast from Energy Information Administration, as of 6/25/2024, AI/Data Center forecast from Goldman Sachs Asset Management, as of 4/28/2024

Constituent News

- Kinder Morgan (KMI, 5.30% Weight*) is expanding its Southern Natural Gas pipeline system by 1.2 billion cubic feet per day (Bcf/d) to help meet growing demand for power generation and local distribution. The \$3 billion project is expected to be in service by late 2028.
- DT Midstream (DTM, 5.39% Weight*) reported second quarter of 2024 earnings results ahead of Wall Street forecasts and reaffirmed its commitment to grow its dividend 5-7% annually in line with adjusted EBITDA growth.
- Enterprise Products Partners (EPD, 8.46% Weight*) increased its distribution for the second quarter of 2024 by 1.9% to \$0.525 per unit and repurchased \$40 million in common equity during the second quarter.
- The Blackcomb Pipeline project, a natural gas pipeline project in Texas owned by MPLX (MPLX, 4.63% Weight*), Enbridge (ENB, 8.07% Weight*), Targa Resources (TRGP, 5.58% Weight*) and WhiteWater (not in ENFR), reached a final investment decision. The new 2.5 billion cubic feet per day pipeline will connect natural gas from the Permian Basin to the Agua Dulce energy hub and is expected to be in service by the second half of 2026.

Valuation Update

- At the end of July, ENFR's underlying index, AMEI, was trading at a forward EV/EBITDA multiple of 9.59x based on 2025 consensus estimates – in line with its three-year average ratio of 9.61x.
- The current yield for AMEI is 5.66%, which is below its three-year average of 6.11%.

* Weight in ENFR as of 7/31/2024

	AMEI Current Valuations		
	Current	3 Year Avg	Delta
Price/Cash Flow (TTM)	6.58x	5.63x	16.83%
Enterprise Value/EBITDA [^]	9.59x	9.61x	-0.22%
Yield	5.66%	6.11%	-7.42%
ENFR 30-Day SEC Yield	5.04%		

Source: Bloomberg L.P. and VettaFi, as of 7/31/2024

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 7/31/2024				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)	2.94%	9.71%	22.01%	80.28%	28.87%	16.67%	11.18%	3.62%	5.40%
Market Price	3.05%	9.78%	22.09%	80.48%	28.93%	16.61%	11.24%	3.59%	5.40%
Alerian Midstream Energy Select Index - TR	3.00%	9.97%	22.47%	97.04%	29.73%	17.38%	12.06%	4.45%	6.27%
Alerian MLP Index - TR	0.62%	5.28%	18.44%	46.63%	35.79%	22.74%	12.17%	2.03%	3.59%

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.

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	9.89%
ENTERPRISE PRODUCTS PARTNERS	8.46%
ENBRIDGE INC	8.07%
CHENIERE ENERGY INC	5.68%
TARGA RESOURCES CORP	5.58%
TC ENERGY CORP	5.40%
DT MIDSTREAM INC	5.39%
PLAINS GP HOLDINGS LP-CL A	5.37%
WILLIAMS COS INC	5.30%
KINDER MORGAN INC	5.30%

As of 7/31/2024, 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

ALR001817 12/31/2024