

Alerian Energy Infrastructure ETF

Monthly Insights | August 2024

Key Takeaways

- The Alerian Energy Infrastructure ETF (ENFR) rose 4.02% in August as portfolio companies finished announcing their quarterly dividends and earnings season concluded.
- ENFR holdings completed \$1 billion in aggregate buybacks in 2Q24 to bring the total buyback spend since 2023 to \$5.9 billion. About 80% of ENFR by weighting has a buyback authorization.
- At the end of August, ENFR's underlying index, the Alerian Midstream Energy Select Index (AMEI), was yielding 5.52% and was trading above its three-year average forward EV/EBITDA multiple.

Performance Notes

ENFR saw strong performance in August, rising 4.02% on a total-return basis, outperforming broader energy equities as US oil and gas prices continued to be volatile. WTI oil fell 5.60% during the month, while natural gas rose 4.46%. ENFR outpaced the Energy Select Sector Index (IXE) which fell 2.13% in August as well as the S&P 500 which rose 2.42% on a total-return basis. Earnings calls highlighted a bullish outlook for natural gas demand for power generation, including from data centers, which has been supportive for performance of names focused on natural gas. Year-to-date, ENFR has risen 26.92% on a total-return basis, well ahead of IXE and the S&P 500 which are up 10.64% and 19.53%, respectively, on a total-return basis.

Digging into portfolio performance for the month, Gathering & Processing was the best-performing subsector, followed by Petroleum Transportation. Natural Gas Transportation had the greatest contribution to performance, factoring in subsector weightings.

August 2024 Performance

	Aug-24	QTD	YTD	1 Y
Alerian Energy Infrastructure ETF (ENFR) (NAV)	4.02%	10.19%	26.92%	33.02%
Alerian Midstream Energy Select Index (AMEI)	4.07%	7.18%	27.45%	33.97%
Subsector Total Return:				
Gathering & Processing	4.98%	6.05%	35.98%	41.18%
Natural Gas Transportation	4.36%	8.49%	27.90%	35.36%
Petroleum Transportation	4.59%	8.25%	21.83%	30.38%
Storage	1.00%	-2.90%	12.42%	18.21%
Liquefaction	-2.18%	3.80%	10.78%	10.87%
Energy Select Sector Index (IXE)	-2.13%	0.05%	10.64%	6.13%
Crude Oil (WTI)	-5.60%	-9.80%	2.65%	-12.05%
Crude Oil (WCS - Western Canadian Select)	-3.88%	-10.94%	-6.12%	-9.53%

Source: Bloomberg L.P., as of 8/31/2024

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.

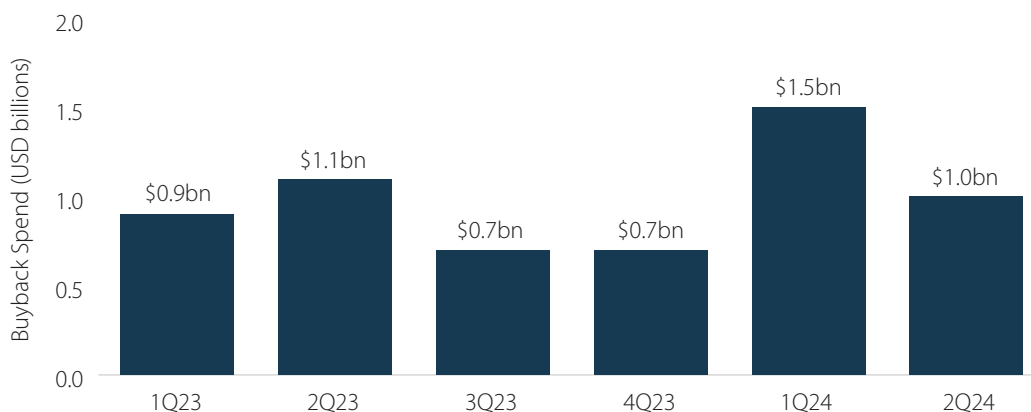
Index returns are total returns.

Outlook

The remainder of ENFR holdings reported earnings in August, with companies largely in line with Wall Street forecasts. Results highlighted energy infrastructure companies' ability to generate cash flow during commodity price volatility, as well as their commitment to shareholder returns. As shown in the chart below, ENFR holdings collectively repurchased \$1 billion in common equity during the second quarter, bringing the total buyback spend for 1H24 to \$2.5 billion. Since the beginning of 2023, ENFR holdings have spent an aggregate \$5.9 billion on common equity repurchases, enhancing overall shareholder returns. About 80% of the fund by weighting has a buyback authorization.

Looking to the balance of the year, midstream companies are expected to maintain their focus on free cash flow and shareholder returns. Expected interest rate cuts from the Federal Reserve (Fed) could make midstream's yields more attractive to income investors, while November's election is not expected to have a material impact on the space. Energy commodities are likely to remain volatile as oil grapples with demand concerns and the potential unwind of production cuts from OPEC+, while natural gas prices will be closely tied to the weather. With an uncertain outlook for commodities, the defensiveness of midstream's fee-based business models and stable cash flows are likely to remain appealing. ENFR holdings' natural gas infrastructure and healthy dividends make the space an interesting way to play the long-term growth in natural gas demand tied to liquefied natural gas exports and power generation.

ENFR Holdings Have Repurchased Nearly \$5.9 Billion in Equity Since 2023



Source: Company Reports, as of 8/13/2024

Constituent News

- ONEOK (OKE, 5.62% Weight*) agreed to acquire private Medallion Midstream and Global Infrastructure Partners' 43% interest in EnLink Midstream (ENLC, 2.47% Weight*) for \$3.3 billion, including GIP's managing member interest. The deal values EnLink's equity at \$14.90 per common unit, which is a 12.8% premium to its August 27 closing price.
- Enterprise Products Partners (EPD, 8.31% Weight*) is acquiring Piñon Midstream for \$950 million in an all-cash transaction that will increase EPD's gathering and processing presence in the Permian Basin.
- Keyera Corp. (KEY CN, 4.88% Weight*) reported second quarter of 2024 earnings results significantly ahead of Wall Street forecasts and increased its dividend by 4%.
- Cheniere Energy (LNG, 5.58% Weight*) repurchased \$496 million in equity during the second quarter and increased its full-year adjusted EBITDA guidance to \$5.9 billion at the midpoint from \$5.75 billion, despite quarterly results that were slightly below consensus estimates.

Valuation Update

- At the end of August, ENFR's underlying index, AMEI, was trading at a forward EV/EBITDA multiple of 9.90x based on 2025 consensus estimates – above its three-year average ratio of 9.62x.
- The current yield for AMEI is 5.52%, which is below its three-year average of 6.11%.

* Weight in ENFR as of 8/31/2024

	AMEI Current Valuations		
	Current	3 Year Avg	Delta
Price/Cash Flow (TTM)	6.96x	5.66x	23.06%
Enterprise Value/EBITDA [^]	9.90x	9.62x	2.91%
Yield	5.52%	6.11%	-9.66%
ENFR 30-Day SEC Yield	4.91%		

Source: Bloomberg L.P. and VettaFi, as of 8/31/2024

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 8/31/2024				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)	4.02%	10.19%	26.92%	87.54%	28.87%	16.67%	11.18%	3.62%	5.40%
Market Price	3.98%	10.23%	26.96%	87.67%	28.93%	16.61%	11.24%	3.59%	5.40%
Alerian Midstream Energy Select Index - TR	4.07%	10.40%	27.45%	105.05%	29.73%	17.38%	12.06%	4.45%	6.27%
Alerian MLP Index - TR	0.39%	5.51%	18.90%	47.20%	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	9.47%
ENBRIDGE INC	8.40%
ENTERPRISE PRODUCTS PARTNERS	8.31%
TARGA RESOURCES CORP	5.85%
TC ENERGY CORP	5.70%
ONEOK INC	5.62%
CHENIERE ENERGY INC	5.58%
WILLIAMS COS INC	5.46%
DT MIDSTREAM INC	5.43%
KINDER MORGAN INC	5.23%

As of 8/31/2024, 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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