

Alerian Energy Infrastructure ETF

Monthly Insights | September 2024

Key Takeaways

- The Alerian Energy Infrastructure ETF (ENFR) rose 0.57% in September, bucking the downward trend in energy stocks and oil prices.
- Midstream continues to offer compelling yields even as interest rates are falling, making midstream more competitive with other income investments.
- At the end of September, ENFR's underlying index, the Alerian Midstream Energy Select Index (AMEI), was yielding 5.56% and was trading above its three-year average forward EV/EBITDA multiple.

Performance Notes

ENFR posted positive performance in September, up 0.57% on a total-return basis, as the S&P 500 gained 2.14% boosted by the Federal Reserve's interest rate cut. Energy stocks fell with WTI oil prices, which were down 7.31%. The Energy Select Sector Index (IXE) fell -2.93% for the month. Midstream has remained resilient amid oil weakness thanks to fee-based business models and short- and long-term natural gas tailwinds. Natural gas prices rebounded by 37.42% to end September at \$2.92 per million British thermal unit. Year-to-date, ENFR is up 27.64% on a total-return basis, well above the 22.08% gain in the S&P 500 and the 7.40% gain in the IXE.

Digging into portfolio performance for the month, every subsector saw gains, except for Liquefaction. Storage, which only includes Gibson Energy (GEI CN, 2.47% Weight*), was the best-performing subsector, followed by Gathering & Processing.

* Weight in ENFR as of 9/30/2024

Outlook

With three quarters of 2024 now in the books, energy infrastructure companies are expected to continue generating free cash flow and returning excess cash to investors through dividends and buybacks. The coming weeks should provide more examples of dividend growth based on company guidance. Third quarter earnings season will allow companies to highlight their generous returns to shareholders and perhaps provide a glimpse into their expectations for 2025. Natural gas pipeline companies will likely provide updates on their opportunity set related to growing natural gas demand, including for powering data centers. ENFR has performed well amid weakness and volatility in commodity prices this year, and the defensiveness of midstream's fee-based business models is likely to remain attractive if oil and gas volatility continues. With interest rates falling, midstream yields are becoming more competitive with other income investments, including bonds, as shown below. While midstream is not a bond substitute, its healthy yields and positive dividend trends (no dividend cuts among ENFR holdings since July 2021) could attract income investors looking to offset lower yields elsewhere in their portfolio. Finally, the outcome of November's election is not expected to have a material impact on the midstream space.

September 2024 Performance

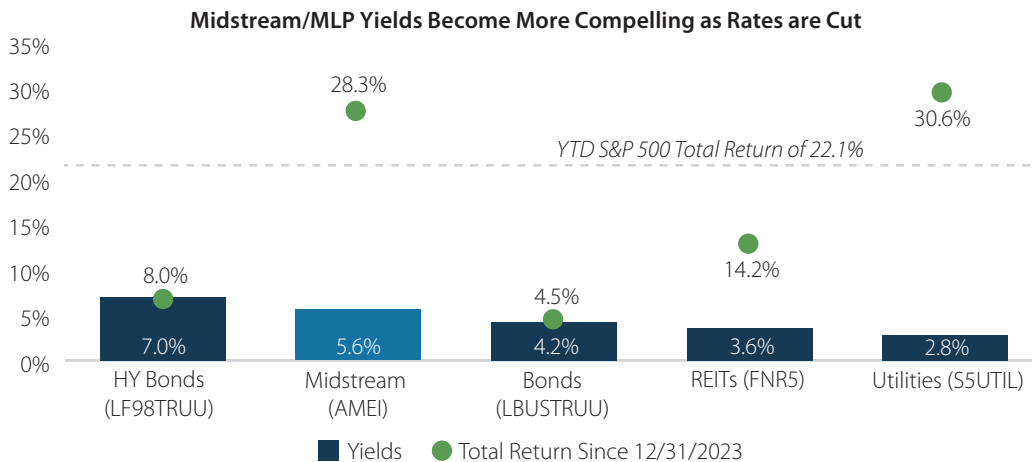
	Sep-24	QTD	YTD	1 Y
Alerian Energy Infrastructure ETF (ENFR) (NAV)	0.57%	7.69%	27.64%	34.87%
Alerian Midstream Energy Select Index (AMEI)	0.68%	7.91%	28.32%	35.88%
Subsector Total Return:				
Gathering & Processing	1.10%	7.21%	37.47%	44.84%
Natural Gas Transportation	0.63%	9.17%	28.71%	35.78%
Petroleum Transportation	0.95%	9.28%	22.99%	33.92%
Storage	1.37%	-1.57%	13.95%	23.47%
Liquefaction	-2.06%	1.66%	8.49%	7.83%
Energy Select Sector Index (IXE)	-2.93%	-2.88%	7.40%	0.58%
Crude Oil (WTI)	-7.31%	-16.40%	-4.86%	-24.91%
Crude Oil (WCS - Western Canadian Select)	-7.62%	-17.73%	-13.28%	-21.82%

Source: Bloomberg L.P., as of 9/30/2024

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.



Source: VettaFi, Bloomberg as of 9/30/2024

Constituent News

- Gibson Energy (**GEI CN, 2.47% Weight***) renewed its equity repurchase authorization, enabling the company to repurchase up to 7.5% of its publicly traded common shares.
- Hess Midstream (**HESM, 2.96% Weight***) repurchased \$100 million of Class B units from sponsors Hess Corporation (HES, not in index) and Global Infrastructure Partners.
- Energy Transfer (**ET, 8.96% Weight***) selected KTJV, a joint venture between KBR (KBR, not in index) and Technip Energies (not in index), to provide engineering, procurement and construction services for its Lake Charles liquefied natural gas (LNG) project in Louisiana.
- Pembina Pipeline Corporation (**PPL CN, 4.98% Weight***) agreed to acquire, through a subsidiary co-owned by KKR, midstream assets from Veren Inc. for \$400 million CAD (\$240 million CAD net to Pembina).

Valuation Update

- At the end of September, ENFR's underlying index, AMEI, was trading at a forward EV/EBITDA multiple of 9.82x based on 2025 consensus estimates – above its three-year average ratio of 9.60x.
- The current yield for AMEI is 5.56%, which is below its three-year average of 6.10%.

* Weight in ENFR as of 9/30/2024

	AMEI Current Valuations		
	Current	3 Year Avg	Delta
Price/Cash Flow (TTM)	6.97x	5.69x	22.60%
Enterprise Value/EBITDA [^]	9.82x	9.60x	2.32%
Yield	5.56%	6.10%	-8.85%
ENFR 30-Day SEC Yield	4.91%		

Source: Bloomberg L.P. and VettaFi, as of 9/30/2024

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 9/30/2024				Annualized as of 9/30/2024				
	1 M	3 M	YTD	SI ¹	1 Y	3 Y	5 Y	10 Y	SI ¹
NAV (Net Asset Value)	0.57%	7.69%	27.64%	88.60%	34.87%	19.89%	13.43%	4.42%	5.99%
Market Price	0.57%	7.76%	27.68%	88.74%	34.90%	19.90%	13.44%	4.42%	5.99%
Alerian Midstream Energy Select Index - TR	0.68%	7.91%	28.32%	106.44%	35.88%	20.66%	14.35%	5.26%	6.87%
Alerian MLP Index - TR	-0.29%	0.72%	18.56%	46.78%	24.46%	25.47%	13.50%	1.82%	3.58%

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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	8.96%
ENBRIDGE INC	8.06%
ENTERPRISE PRODUCTS PARTNERS	7.70%
KINDER MORGAN INC	5.20%
DT MIDSTREAM INC	5.13%
TC ENERGY CORP	5.09%
KEYERA CORP	5.07%
WILLIAMS COS INC	5.05%
CHENIERE ENERGY INC	5.00%
PEMBINA PIPELINE CORP	4.98%

As of 9/30/2024, 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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