

Alerian Energy Infrastructure ETF

Monthly Insights | November 2024

Key Takeaways

- The Alerian Energy Infrastructure ETF (ENFR) rose 14.02% in November, extending its outperformance relative to broader energy equities as well as the S&P 500.
- ENFR holdings collectively repurchased \$647 million in common equity during the third quarter, and year-to-date through 9/30, ENFR holdings have repurchased more common equity compared to the same period last year.
- At the end of November, ENFR's underlying index, the Alerian Midstream Energy Select Index (AMEI), was yielding 4.78% and was trading above its three-year average forward EV/EBITDA multiple.

Performance Notes

ENFR saw significant gains in November, ending the month up 14.02% on a total-return basis benefitting from the broad post-election rally for the energy sector and a strong earnings season. In November, ENFR continued to outperform the Energy Select Sector Index (IXE) and the S&P 500, which rose 7.73% and 5.87% on a total-return basis, respectively. The remainder of ENFR holdings reported earnings for the third quarter in November, with solid results and overall positive updates around EBITDA guidance, dividend growth and buybacks. Additionally, ENFR paid a quarterly distribution of \$0.34603 per share, which was up 7.61% from the November 2023 payout. Year-to-date, ENFR is up 51.06% on a total-return basis, significantly outpacing the IXE and S&P 500, which are up 16.76% and 28.07% on a total-return basis, respectively.

Digging into portfolio performance for the month, Liquefaction was the best-performing subsector, followed by Natural Gas Pipeline Transportation. In November, all ENFR subsectors saw positive total-returns.

Outlook

With 2024 coming to a close, the outlook for North American energy infrastructure companies into 2025 remains constructive. Midstream has enjoyed macro and company-level tailwinds that are expected to continue. At the company level, ENFR holdings are well-positioned to continue generating free cash flow and to maintain the strong shareholder returns seen in recent years through dividend growth and opportunistic buybacks. As shown in the chart below, ENFR holdings have collectively repurchased over \$6.5 billion in common equity since the beginning of 2023, including \$647 million in the third quarter of 2024. Cheniere Energy (LNG, 5.35% Weight*) has led ENFR holdings in buybacks, authorizing an additional \$4 billion in repurchases in June 2024. For most, buybacks will be more opportunistic, and dividend growth will be a higher priority.

From a macro perspective, the outlook for oil prices is generally muted given comfortable market balances, while there is optimism around US natural gas prices as new liquefied natural gas (LNG) export capacity comes online. This backdrop can be supportive for ENFR holdings, which tend to be less sensitive to oil prices and could benefit from a rebound in natural gas production if prices improve. More broadly, companies are expected to benefit from significant demand growth for US natural gas driven by LNG exports and power demand, including for data centers. This should also require production growth, which drives more volumes for midstream. Companies are likely to see updates on growth projects related to natural gas in the coming quarters. Finally, the Republican sweep sets up a friendlier political landscape in Washington for energy broadly, with permitting-reform a potential benefit for energy infrastructure if it passes Congress.

*Weight in ENFR as of 11/30/2024

November 2024 Performance

	Nov-24	QTD	YTD	1 Y
Alerian Energy Infrastructure ETF (ENFR) (NAV)	14.02%	19.02%	51.06%	50.02%
Alerian Midstream Energy Select Index (AMEI)	14.14%	18.53%	52.09%	51.22%
Subsector Total Return:				
Gathering & Processing	13.00%	17.44%	61.45%	56.82%
Natural Gas Transportation	17.16%	25.17%	61.11%	61.32%
Petroleum Transportation	10.05%	9.02%	34.09%	36.69%
Storage	1.69%	2.73%	17.07%	20.22%
Liquefaction	17.95%	26.59%	37.34%	30.93%
Energy Select Sector Index (IXE)	7.73%	8.71%	16.76%	16.88%
Crude Oil (WTI)	-1.82%	-0.25%	-5.09%	-10.48%
Crude Oil (WCS - Western Canadian Select)	-2.14%	1.58%	-11.91%	5.43%

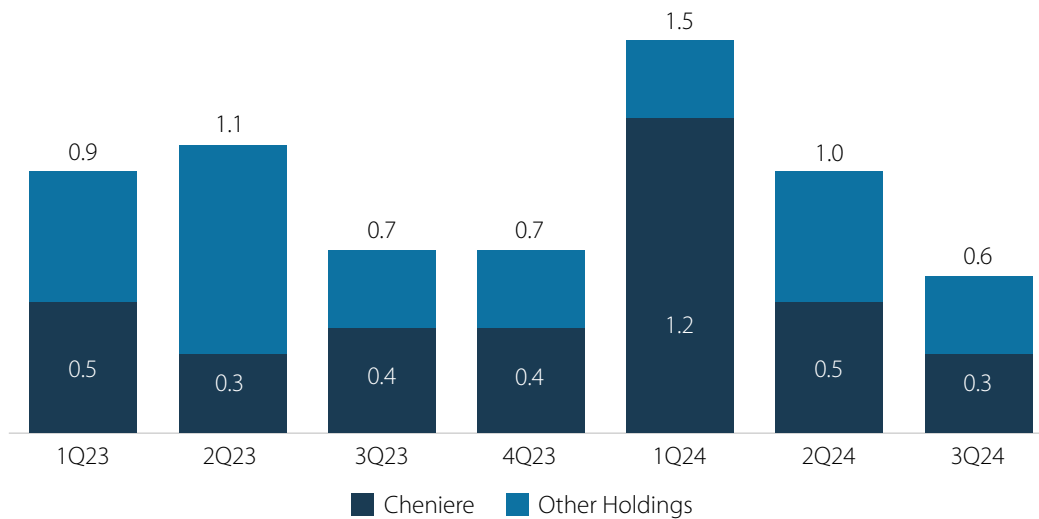
Source: Bloomberg L.P., as of 11/30/2024

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.

ENFR Holdings Buyback Spend (\$ billions)



Source: VettaFi, Company reports as of 11/30/2024

Constituent News

- DT Midstream (**DTM, 5.95% Weight***) announced the acquisition of three Midwest pipelines – Guardian Pipeline, Midwestern Gas Transmission and Viking Gas Transmission – from ONEOK (**OKE, 5.32% Weight***) for \$1.2 billion.
- TC Energy (**TRP CN, 4.48% Weight***) guided to a compound annual growth rate for comparable EBITDA of 5-7% from 2024 to 2027 and guided to long-term dividend growth of 3-5% at its investor day.
- Williams (**WMB, 5.57% Weight***) reported adjusted EBITDA for the third quarter of 2024 ahead of consensus estimates and raised its guidance for full-year adjusted EBITDA by \$125 million to \$7.075 billion at the midpoint.
- Targa Resources (**TRGP, 5.90% Weight***) reported adjusted EBITDA for the third quarter of 2024 ahead of Wall Street estimates, repurchased additional \$168 million in equity during the quarter, and expects to recommend a 33% increase to its dividend in 2025.
- Keyera Corp. (**KEY CN, 4.60% Weight***) announced its first equity repurchase authorization, amounting to 2.5% of its common shares outstanding.

Valuation Update

- At the end of November, ENFR's underlying index, AMEI, was trading at a forward EV/EBITDA multiple of 10.48x based on 2026 consensus estimates – above its three-year average ratio of 9.59x.
- The current yield for AMEI is 4.78%, which is below its three-year average of 6.07%.

* Weight in ENFR as of 11/30/2024

	AMEI Current Valuations		
	Current	3 Year Avg	Delta
Price/Cash Flow (TTM)	7.57x	5.75x	31.58%
Enterprise Value/EBITDA [^]	10.48x	9.59x	9.29%
Yield	4.78%	6.07%	-21.21%
ENFR 30-Day SEC Yield	4.19%		

Source: Bloomberg L.P. and VettaFi, as of 11/30/2024

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 11/30/2024				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)	14.02%	19.02%	51.06%	123.20%	34.87%	19.89%	13.43%	4.42%	5.99%
Market Price	14.11%	19.19%	51.31%	123.68%	34.90%	19.90%	13.44%	4.42%	5.99%
Alerian Midstream Energy Select Index - TR	14.14%	19.33%	52.09%	144.69%	35.88%	20.66%	14.35%	5.26%	6.87%
Alerian MLP Index - TR	14.60%	12.74%	34.05%	65.96%	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	9.53%
ENTERPRISE PRODUCTS PARTNERS	7.83%
ENBRIDGE INC	7.37%
DT MIDSTREAM INC	5.95%
TARGA RESOURCES CORP	5.90%
KINDER MORGAN INC	5.72%
WILLIAMS COS INC	5.57%
CHENIERE ENERGY INC	5.35%
ONEOK INC	5.32%
MPLX LP	4.97%

As of 11/30/2024, 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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