

Alerian Energy Infrastructure ETF

Monthly Insights | December 2024

Key Takeaways

- The Alerian Energy Infrastructure ETF (ENFR) fell -5.96% in December, retreating after a very strong performance in November and as the market saw broad declines.
- A handful of ENFR holdings have already provided guidance for 2025 adjusted EBITDA, telegraphing moderate growth.
- At the end of December, ENFR's underlying index, the Alerian Midstream Energy Select Index (AMEI), was yielding 5.18% and was trading above its three-year average forward EV/EBITDA multiple.

Performance Notes

ENFR fell -5.96% on a total-return basis in December, as the S&P 500 lost 2.38% and energy stocks generally sold off. ENFR noticeably outperformed broader energy for the month, with the Energy Select Sector Index (IXE) falling 9.52% on a total-return basis. US oil and natural gas prices gained in December, up 5.47% and 8.03%, respectively. In 2024, ENFR rose 42.06% on a total-return basis, significantly outperforming the IXE and S&P 500, which rose 5.65% and 25.02%, respectively.

Digging into portfolio performance for the month, Storage, which only includes Gibson Energy (GEI CN, 2.02% Weight*), was the only subsector with positive performance in December. For full-year 2024, Natural Gas Pipeline Transportation was the best-performing subsector with gains above 50%, followed closely by Gathering & Processing.

December 2024 Performance

	Dec-24	QTD	YTD	1 Y
Alerian Energy Infrastructure ETF (ENFR) (NAV)	-5.96%	11.29%	42.06%	42.06%
Alerian Midstream Energy Select Index (AMEI)	-5.89%	11.54%	43.13%	43.13%
Subsector Total Return:				
Gathering & Processing	-7.66%	8.44%	49.08%	49.08%
Natural Gas Transportation	-5.26%	18.59%	52.64%	52.64%
Petroleum Transportation	-6.29%	2.17%	25.65%	25.65%
Storage	2.63%	5.44%	20.15%	20.15%
Liquefaction	-3.09%	22.67%	33.09%	33.09%
Energy Select Sector Index (IXE)	-9.52%	-1.63%	5.65%	5.65%
Crude Oil (WTI)	5.47%	5.21%	0.10%	0.10%
Crude Oil (WCS - Western Canadian Select)	5.15%	6.80%	11.34%	11.34%

Source: Bloomberg L.P., as of 12/31/2024

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.

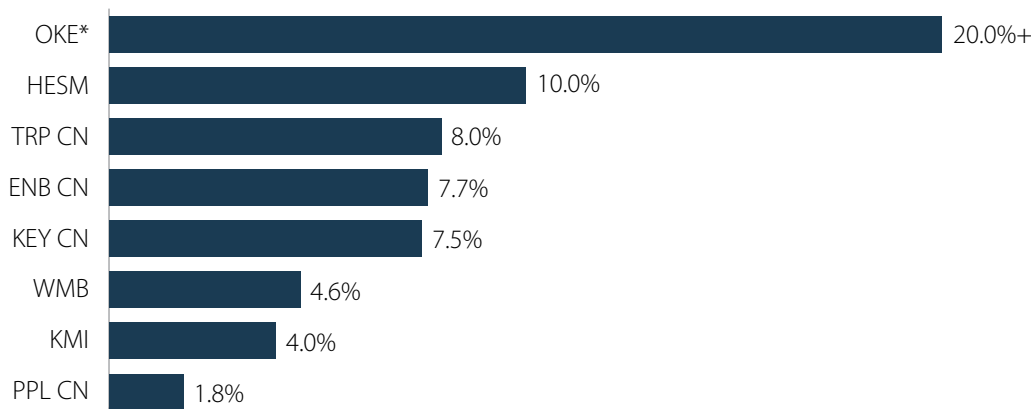
Outlook

Heading into 2025, the outlook for midstream remains constructive, driven by persistent company-level and macro tailwinds. At the company level, ENFR holdings are expected to continue generating free cash flow, while prioritizing dividend growth. Buybacks are expected to remain opportunistic. As shown in the chart below, a handful of ENFR holdings have already provided financial guidance for 2025. While ONEOK's (OKE, 4.87% Weight*) expected 2025 EBITDA growth is inflated by acquisitions, most names are expecting moderate year-over-year growth. In 2025, investors will also be looking for company updates on growth projects, particularly related to natural gas. A few ENFR holdings have announced projects that will drive growth in 2027+, but more announcements are anticipated. The expected step-change in US natural gas demand over coming years driven by rising exports and power demand represents an important tailwind for ENFR holdings with natural gas infrastructure.

From a macro perspective, US oil and natural gas production is expected to grow modestly this year, driving incremental volumes for midstream. Natural gas production could have additional upside if prices see sustained improvement, following curtailments in 2024 resulting from low prices. Broadly, natural gas prices are expected to improve in 2025 and 2026 as demand grows. On the other hand, the outlook for oil prices tends to be more cautious given an amply supplied global market. A cautious oil outlook could favor midstream given its defensive qualities, namely fee-based businesses that are more insulated from commodity prices. A new administration in Washington could have a positive impact on midstream, namely through infrastructure-permitting reform and tax policy. Overall, continued execution at the company level on shareholder returns and gas-related growth projects are complemented by a solid macro backdrop to drive a constructive outlook into 2025.

*Weight in ENFR as of 12/31/2024

Expected 2025 EBITDA Growth for Select ENFR Holdings with Guidance



* Includes contributions from ENLC and Medallion acquisitions in 2024 after 10/15/2024 as well full year contribution in 2025. Midpoint is used when range provided for 2025.
Source: Company Reports, ALPS Advisors, as of 12/31/2024

Constituent News

- Energy Transfer (ET, 9.84% Weight*) sanctioned the Hugh Brinson Pipeline (previously known as Warrior), which will transport natural gas from the Permian. ET also announced a 20-year sales and purchase agreement with Chevron (CVX, not in ENFR) for 2.0 million tons per annum of LNG from the proposed Lake Charles LNG facility.
- Enbridge Inc (ENB CN, 7.50% Weight*) increased its dividend by 3% and guided to \$19.7 billion in adjusted EBITDA for 2025. The company expects 2024 adjusted EBITDA around \$18.3 billion, implying 7.65% growth for 2025.
- Kinder Morgan (KMI 5.16% Weight*) expects to raise its dividend by 1.73% in 2025 and forecasted adjusted EBITDA of \$8.3 billion, which represents a 4% increase relative to their 2024 adjusted EBITDA forecast.
- Keyera Corp (KEY CN, 4.93% Weight*) announced a buyback authorization for around 2.5% of its common shares and provided multi-year guidance for fee-based adjusted EBITDA growth of 7-8% for 2024 through 2027.
- Pembina Pipeline Corporation (PPL CN, 4.84% Weight*) guided to 2025 adjusted EBITDA of \$4.35 billion at the midpoint, which represents 1.75% growth relative to the midpoint of 2024 guidance.

Valuation Update

- At the end of December, ENFR's underlying index, AMEI, was trading at a forward EV/EBITDA multiple of 10.16x based on 2026 consensus estimates – above its three-year average ratio of 9.63x.
- The current yield for AMEI is 5.18%, which is below its three-year average of 6.03%.

* Weight in ENFR as of 12/31/2024

	AMEI Current Valuations		
	Current	3 Year Avg	Delta
Price/Cash Flow (TTM)	7.10x	5.80x	22.35%
Enterprise Value/EBITDA [^]	10.16x	9.63x	5.51%
Yield	5.18%	6.03%	-14.19%
ENFR 30-Day SEC Yield	4.84%		

Source: Bloomberg L.P. and VettaFi, as of 12/31/2024

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 12/31/2024				Annualized as of 12/31/2024				
	1 M	3 M	YTD	SI ¹	1 Y	3 Y	5 Y	10 Y	SI ¹
NAV (Net Asset Value)	-5.96%	11.29%	42.06%	109.90%	42.06%	24.59%	15.36%	6.05%	6.87%
Market Price	-6.07%	11.32%	42.13%	110.10%	42.13%	24.45%	15.43%	6.06%	6.87%
Alerian Midstream Energy Select Index - TR	-5.89%	11.54%	43.13%	130.27%	43.13%	25.46%	16.31%	6.90%	7.75%
Alerian MLP Index - TR	-7.19%	4.94%	24.41%	54.03%	24.41%	27.27%	15.56%	3.67%	3.94%

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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	9.84%
ENBRIDGE INC	7.50%
ENTERPRISE PRODUCTS PARTNERS	7.45%
WILLIAMS COS INC	5.34%
KINDER MORGAN INC	5.16%
CHENIERE ENERGY INC	5.07%
TC ENERGY CORP	5.04%
MPLX LP	4.98%
DT MIDSTREAM INC	4.96%
KEYERA CORP	4.93%

As of 12/31/2024, 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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