

ALPS Clean Energy ETF

Quarterly Insights | Q4 2023

Key Takeaways

- The ALPS Clean Energy ETF (ACES) fell -1.62% in the final quarter of 2023, trailing the broader market as the clean energy space continues to be impacted by higher interest rates and project delays although some segments did rebound.
- Hydro/Geothermal was the best performing segment this quarter with both underlying holdings in the green.
- Sunrun Inc. (RUN, 4.77% weight*), a Solar name, was the top performer in ACES, +56.29%, after the solar installer benefitted from positive sentiment among investors about future rate cuts that could make project financing more affordable.

Performance Notes

- The ALPS Clean Energy ETF (ACES) fell -1.62% in the fourth quarter of 2023, but outperformed the WilderHill Clean Energy Index (ECO). The clean energy space continues to be impacted by inflation and project financing tightness due to higher interest rates which hurt the space in 2023, but some potential positive Federal Reserve (Fed) signals led to a rebound for some segments like solar and wind. ACES also outperformed ECO this quarter, in part due to its allocation to only US and Canadian based names. ECO's more global allocation, particularly in Europe, led to underperformance in the final quarter of 2023.
- In addition to the general optimism going into 2024 surrounding the Fed and rates, the Treasury released guidance for advanced manufacturer production credits established by the Inflation Reduction Act (IRA) in the middle of December. Referred to as Section 45x, it will provide a credit for sale and production of components related to clean energy including solar, wind and battery components, among others. As long as their production is within the United States, companies are able to claim the credits for qualifying components. In other news, the electric vehicle (EV) tax credits for 2024 were announced and just 13 vehicles are eligible for the credit in 2024 (down from 24 last year) but buyers will receive the credit at time of purchase instead of tax time like in the past.

Performance Summary

| | Q4 2023 | YTD | 1 Y |
|--|---------|---------|---------|
| ACES (NAV) | -1.62% | -20.33% | -20.33% |
| NACEX - CIBC Atlas Clean Energy Index - TR | -1.72% | -20.53% | -20.53% |
| ECO - WilderHill Clean Energy Index | -5.67% | -22.45% | -22.45% |

As of 12/31/2023

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 4.

Strategy

- 7 thematic segments across 2 categories (Renewables and Clean Technology)
- Pure Play: Constituent companies derive a majority of their value from clean energy businesses
- US and Canadian based companies for increased business transparency and reduced volatility



* Weight in ACES as of 12/31/2023

Attribution

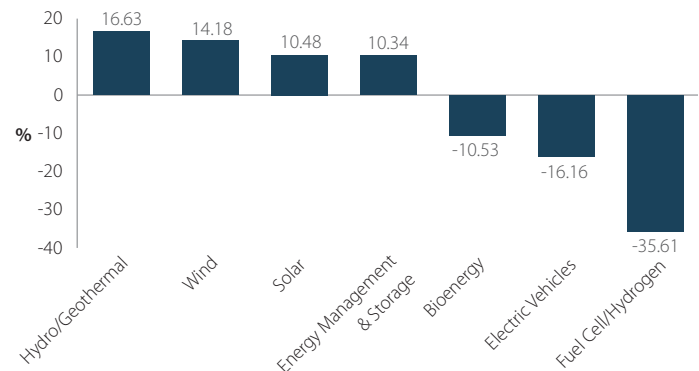
- Hydro/Geothermal was ACES's best performing segment this quarter, while Fuel Cell/Hydrogen was the laggard. The Fuel Cell/Hydrogen segment was dragged down by Plug Power Inc. (**PLUG, 3.08% weight***) after the green hydrogen company sunk -40.79% in the fourth quarter on poor Q3 earnings reported in November. The company missed on earnings and touched on funding issues, putting the future of the company in doubt. Competitor, Nikola Corp (**NKLA, 0.97% weight***) also fell -44.28% in tandem with Plug Power as its weak earnings announcement has reverberated throughout the hydrogen / fuel-cell space.
- The Hydro/Geothermal segment was the leader in Q4, with Brookfield Renewable Partners L.P. (**BEP-U CN, 4.62%**) spearheading the segment, rising +22.72%. Brookfield gained in part due to a price target upgrade from an analyst at RBC, highlighting Brookfield as an attractive opportunity going forward if rates and inflation fall. The other name in the segment, Ormat Technologies Inc. (**ORA, 4.48% weight***), also gained +8.59% in the final quarter of the year as Utilities rallied on potential lower interest rates in 2024.
- The Solar segment was the third best performing segment in ACES and saw four names gain over 30% in Q4. Sunrun Inc. (**RUN, 4.77% weight***) and Sunnova Energy International Inc. (**NOVA, 1.86% weight***) were the top two performing names in ACES, gaining 56.29% and 45.65%, respectively. The solar segment as a whole benefited from lower inflation and positive rate sentiment (mentioned above) and tailwinds related to solar permits and backlogs as the US Treasury finalizes IRA tax credits and rules.

* Weight in ACES as of 12/31/2023

Valuation Update

- ACES's underlying index, the CIBC Atlas Clean Energy Index, has a price-to-earnings ratio (P/E ratio) of 19.27x and a price-to-cash flow ratio (P/CF) of 10.18x.
- ACES's ~26% weight to US and Canadian-based utilities is within more expensive Yieldco's, which garner higher P/E's but lower P/CF metrics.

ACES Thematic Segment Performance – Q4 2023



Source: Bloomberg L.P., as of 12/31/2023

Past performance is no guarantee of future results.

Price Multiples

| | NACEX Index | ECO Index | CELS Index |
|--|-------------|-----------|------------|
| Price/Earnings Ratio | 19.27x | 14.56x | 19.02x |
| Price/Cash Flow Ratio | 10.18x | 14.11x | 14.55x |
| Price/Sales Ratio | 2.40x | 1.21x | 3.01x |
| Average Market Capitalization (in Mil, \$) | \$44,893 | \$14,028 | \$68,906 |

Source: Bloomberg L.P., as of 12/31/2023

Past performance is no guarantee of future results.

ACES Top/Bottom Performers
Q4 2023

| Leaders | Performance | Sub-Segment |
|--|-------------|-------------|
| SUNRUN INC (RUN US) | 56.29% | Solar |
| SUNNOVA ENERGY INTERNATIONAL (NOVA US) | 45.65% | Solar |
| HANNON ARMSTRONG SUSTAINABLE (HASI US) | 35.08% | Solar |

| Laggards | Performance | Theme |
|----------------------------------|-------------|-------------------|
| ENVIVA INC (EVA US) | -83.27% | Bioenergy |
| LI-CYCLE HOLDINGS CORP (LICY US) | -80.28% | Electric Vehicles |
| FISKER INC (FSR US) | -72.74% | Electric Vehicles |

Source: SS&C ALPS Advisors, as of 12/31/2023

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Q4 2023 Company Spotlight

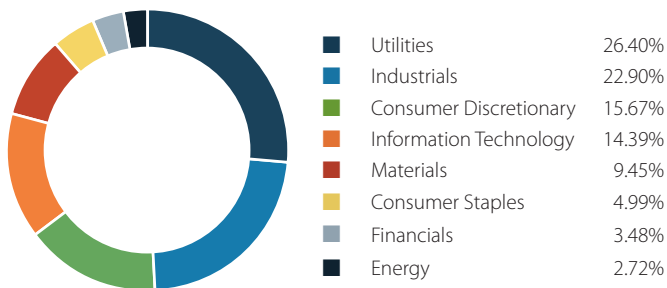
Company: **Clearway Energy Inc.**
(CWEN, 2.57% weight*)



Segment:
Wind

- Renewable and natural gas energy provider, Clearway Energy, gained +31.69% in the final quarter of 2023 and was one of ACES's best performing stocks during the timeframe.
- Clearway rose in part due to an analyst upgrade from Bank of America, who cited the rising power prices in California as a catalyst for Clearway's revenues, in addition to Clearway having no equity needs through 2026.
- The New Jersey-based company was also added to the S&P SmallCap 600 Index in November, giving a boost to the stock.

Sector Allocations



* Weight in ACES as of 12/31/2023

ALPS Clean Energy ETF (ACES) Performance as of 12/31/2023

| Total Returns | Cumulative | | | | Annualized | | | |
|------------------------------------|------------|--------|---------|-----------------|------------|---------|--------|-----------------|
| | 1 M | 3 M | YTD | SI ¹ | 1 Y | 3 Y | 5 Y | SI ¹ |
| NAV (Net Asset Value) | 15.04% | -1.62% | -20.33% | 53.31% | -20.33% | -22.68% | 10.94% | 8.06% |
| Market Price | 15.02% | -1.54% | -20.21% | 53.23% | -20.21% | -22.74% | 10.89% | 8.05% |
| CIBC Atlas Clean Energy Index - TR | 15.10% | -1.72% | -20.53% | 56.24% | -20.53% | -22.64% | 11.15% | 8.44% |
| S&P 1000 Index - TR | 9.95% | 12.72% | 16.35% | 51.09% | 16.35% | 7.85% | 12.14% | 7.78% |

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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: 6/28/2018

Total Operating Expenses: **0.55%**

Top 10 Holdings

| | | | |
|-------------------------|-------|------------------------------|-------|
| RIVIAN AUTOMOTIVE INC-A | 5.89% | FIRST SOLAR INC | 4.87% |
| ENPHASE ENERGY INC | 5.62% | SUNRUN INC | 4.77% |
| ALBEMARLE CORP | 5.19% | TESLA INC | 4.71% |
| DARLING INGREDIENTS INC | 4.99% | BROOKFIELD RENEWABLE PARTNER | 4.63% |
| NORTHLAND POWER INC | 4.97% | ORMAT TECHNOLOGIES INC | 4.48% |

Source: Bloomberg L.P., as of 12/31/2023, 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. To obtain a prospectus containing this and other information, call 1-866-759-5679 or visit www.alpsfunds.com. 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.

There is no assurance that the market developments and sector growth discussed in this Insight will come to pass.

Obsolescence of existing technology, short product cycles, falling prices and profits, competition from new market entrants and general economic conditions can significantly affect companies in the clean energy sector. In addition, intense competition and legislation resulting in more strict government regulations and enforcement policies and specific expenditures for cleanup efforts can significantly affect this sector. Risks associated with hazardous materials, fluctuations in energy prices and supply and demand of alternative energy fuels, energy conservation, the success of exploration projects and tax and other government regulations can significantly affect companies in the clean energy sector. Also, supply and demand for specific products or services, the supply and demand for oil and gas, the price of oil and gas, production spending, government regulation, world events and economic conditions may affect this sector. Currently, certain valuation methods used to value companies involved in the clean energy sector, particularly those companies that have not yet traded publicly, have not been in widespread use for a significant period of time. As a result, the use of these valuation methods may serve to increase further the volatility of certain clean energy company share prices.

The Fund seeks to track the underlying index, which itself may have concentration in certain regions, economies, countries, markets, industries or sectors. Underperformance or increased risk in such concentrated areas may result in underperformance or increased risk in the Fund.

The Fund may be subject to risks relating to its investment in Canadian securities. The Canadian economy may be significantly affected by the US economy, given that the United States is Canada's largest trading partner and foreign investor. Any negative changes in commodity markets could have a great impact on the Canadian economy. 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.

Micro-cap stocks involve substantially greater risks of loss and price fluctuations because their earnings and revenues tend to be less predictable (and some companies may be experiencing significant losses), and their share prices tend to be more volatile. The shares of micro-cap companies tend to trade less frequently than those of larger, more established companies, which can adversely affect the pricing of these securities and the future ability to sell these securities.

Smaller and mid-size companies often have a more limited track record, narrower markets, less liquidity, more limited managerial and financial resources and a less diversified product offering than larger, more established companies. As a result, their performance can be more volatile, which may increase the volatility of the Fund's portfolio.

The large capitalization companies in which the Fund invests may underperform other segments of the equity market or the equity market as a whole.

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.

CIBC Atlas Clean Energy Index (NACEX): an adjusted market cap weighted index designed to provide exposure to a diverse set of US or Canadian based companies involved in the clean energy sector including renewables and clean technology. The clean energy sector is comprised of companies that provide the products and services which enable the evolution of a more sustainable energy sector.

NASDAQ Clean Edge Green Energy Index (CELS): a modified market capitalization weighted index designed to track the performance of companies that are primarily manufacturers, developers, distributors and/or installers of clean energy technologies, as defined by Clean Edge.

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.

Price/Earnings (P/E) Ratio: a valuation ratio of a company's current share price compared to its per-share earnings.

Price/Sales (P/S) Ratio: represents the weighted average of the price/sales ratios of the stocks in a portfolio. Price/sales represent the amount an investor is willing to pay for a dollar generated from a particular company's operations.

S&P SmallCap 600 Index: seeks to measure the small-cap segment of the US equity market. The index is designed to track companies that meet specific inclusion criteria to ensure that they are liquid and financially viable.

S&P 1000 Index: combines the S&P MidCap 400 and the S&P SmallCap 600 to form an investable benchmark for the mid- to small-cap segment of the US equity market.

WilderHill Clean Energy Index (ECO): a modified equal dollar weighted index comprised of publicly traded companies whose businesses stand to benefit substantially from societal transition toward the use of cleaner energy and conservation.

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. is affiliated with ALPS Portfolio Solutions Distributor, Inc.

ALPS Portfolio Solutions Distributor, Inc. is the distributor for the Fund.

Not FDIC Insured • No Bank Guarantee • May Lose Value

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