

ALERIAN ENERGY INFRASTRUCTURE ETF MONTHLY INSIGHTS

January 2018

Key Takeaways

- The Alerian Energy Infrastructure ETF (ENFR) started 2018 on a flat note, returning 35 basis points (bps) in January.
- The energy sector continues to rebound with the group returning 3.73% in January on the back of a 7.13% increase in the price of West Texas Intermediate (WTI).
- Canadian energy infrastructure companies lagged in January on an announced appeal to the contested Keystone pipeline decision, as well as constraints in pipeline capacity.

January Performance

On the back of rising WTI prices, ENFR gained 0.35% in January. The energy sector has been broadly highlighted as a beneficiary of the tax reform legislation passed late last year as there are added benefits for both the corporate and MLP structure.

Partnerships, such as MLPs and real estate investment trusts (REITs), are considered pass-through entities. As such, the recent tax reform now grants a 20% deduction to select pass-through business income¹ with the marginal income tax rate falling to 37% from 39.6%. The Tax Cuts and Jobs Act also reduced the corporate tax rate to 21% from 36%.

| Segment Performance | | | |
|--|---------|--------|--------|
| | January | Q4 | 2017 |
| ENFR | 0.31% | -0.65% | -0.09% |
| US Energy Infrastructure MLPs | 4.94% | -0.15% | -1.55% |
| US Energy Infrastructure Companies | 4.94% | -2.39% | 1.32% |
| US General Partners | 1.53% | 1.86% | -6.25% |
| Canadian Energy Infrastructure Companies | -0.11% | -0.09% | 9.99% |
| Crude Oil (WTI) | 7.10% | 16.90% | 12.50% |

Source: Bloomberg, L.P., as of 1/31/2018

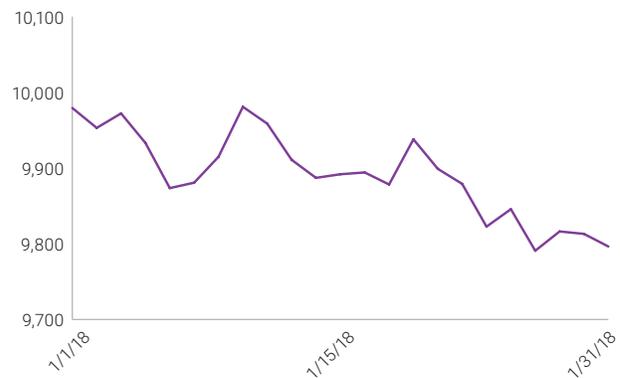
What's Happening in the Land of Milk and Energy?

In November, U.S. oil production topped 10 million barrels per day (bpd), the highest levels since 1970. This has provided a lift to the U.S. energy sector as the MLPs within ENFR added 1.23% and the US corporate (general partners) within ENFR added 0.30% to January returns. Led by the scorching hot Permian Basin, U.S. oil output could reach 10.3 million bpd this year before reaching 10.8 million bpd early next year, on its way to 11 million bpd by the mid-fourth quarter of 2019, according to the Energy Information Administration (EIA).

USDCAD Spot Exchange Rate Change - 2017



USDCAD Spot Exchange Rate Change - January



O' Canada, Where Art Thou?

On the less positive side of the ledger, Canadian energy infrastructure companies, almost 25% of ENFR's roster, stumbled -1.22% last month even as the Canadian dollar gained 2% on its U.S. rival.

While Canada has plentiful oil and gas resources, producers have been frustrated by the inadequacy of pipeline takeaway capacity for both oil and natural gas, which have resulted in widened price discounts for both relative to US benchmarks. Some Canadian producers are moving rigs to the U.S., including the Permian Basin, in search of increased demand² and opportunities.

¹ <http://www.investmentnews.com/article/20180123/FREE/180129973/pass-through-provision-in-new-tax-law-could-benefit-reits-mlps>

² <https://oilprice.com/Energy/Crude-Oil/The-US-Oil-Boom-Is-Attracting-Canadian-Drillers.html>

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In late 2017, the WTI/WCS (Western Canadian Select) spread blew out as WTI prices surged but Canadian prices remained stagnant. This has led to increasing demand for WCS, but incremental pipeline capacity is currently unavailable with the Keystone pipeline not able to ship at full capacity due to a corrective action order from an oil spill. There are also three major Canadian pipeline projects currently slated by ENFR constituents to help alleviate the takeaway constraints, but all three have various regulatory and permitting issues to overcome. In addition, the hotly contested Keystone XL pipeline drama also added to negative sentiment for the Canadian energy group as an appeal was announced in early January challenging its revised route. That being said, the Nebraska Public Service Commitment had originally approved a route through the state on November 20th, 2017. In addition, the Keystone XL pipeline successfully secured approximately 500,000 barrels per day of firm, 20 year commitments mid-January as the company concluded the pipelines open season.¹

¹ <https://www.transcanada.com/en/announcements/2018-01-18transcanada-confirms-commercial-support-for-keystone-xl/>

² <https://www.alerian.com/wp-content/uploads/Alerian-%E2%80%93-Taking-the-Passive-Vs-Active-Debate-to-MLPs.pdf>

ENFR Education

40 Act funds, such as exchange traded funds (ETFs), cannot allocate more than 25% of their weight to MLPs. Funds that exceed the 25% MLP allocation are no longer pass through structures and must pay fund-level taxes.²

ENFR is classified as a composite of North American Energy Infrastructure companies engaged in the pipeline transportation, storage, and processing of energy companies. As an asset class, MLPs are regarded for their low correlations to traditional assets, such as bonds and stocks, and as well as the ability for above average yields. ENFR yields about 3%, more than a percent higher than the dividend yield on the S&P 500.

Performance as of 12/31/2017

| Total Returns | 1 Month | 3 Month | YTD | 1 Year ¹ | 3 Year ¹ | Since Inception ¹ |
|---|---------|---------|--------|---------------------|---------------------|------------------------------|
| Alerian Energy Infrastructure ETF (Net Asset Value) | 3.76% | -0.65% | -0.09% | -0.09% | -3.83% | 0.88% |
| Alerian Energy Infrastructure ETF (Market Price) ² | 3.81% | -0.95% | -0.30% | -0.30% | -3.83% | 0.88% |
| Alerian Energy Infrastructure Index | 3.87% | -0.34% | 0.76% | 0.76% | -3.12% | 1.73% |
| S&P 500® Total Return Index | 1.11% | 6.64% | 21.83% | 21.83% | 11.41% | 12.95% |

Source: ALPS, Bloomberg, as of 12/31/2017. Performance data quoted represents past performance, which is not a guarantee of future results. Current performance may be lower or higher than the performance quoted. You can obtain performance data current to the most recent month end by calling (866)759-5679 or www.alpsfunds.com.

¹ Annualized.

² 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.

Important Disclosures & Definitions

An investor should consider the investment objectives, risks, charges and expenses carefully before investing. To obtain a An investor should consider investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus, which contains this and other information, call 1.877.398.8461 or visit www.alpsfunds.com. Read the prospectus carefully before investing.

Shares are not individually redeemable. Investors buy and sell shares on a secondary market. Only market makers or "authorized participants" may trade directly with the Fund, typically in blocks of 50,000 shares.

Investments in securities of 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.

Alerian Energy Infrastructure Index: Index comprised of 30 core North American energy infrastructure companies that engage in the transportation, storage, and processing of energy commodities.

The Alerian Energy Infrastructure ETF is not suitable for all investors. Subject to investment risks, including possible loss of the principal amount invested

USDCAD - Represents the spot exchange rate of 1 United States dollar in relation to the Canadian Dollar.

S&P 500® Index is the Standard & Poor's composite index of 500 stocks, a widely recognized, unmanaged index of common stock prices. One cannot invest directly in an index. Index performance does not reflect fund performance.

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