



# ALERIAN ENERGY INFRASTRUCTURE ETF MONTHLY INSIGHTS

February 2018

Future efforts at pipeline capacity additions include Keystone XL, Enbridge's Line 3 Replacement and Kinder Morgan's Trans Mountain Expansion. Pipeline constraints are serving to widen the already natural WCS discount to higher quality WTI, according to the University of Calgary study.

## Two February Offenders From The U.S.

ENFR's US-based energy infrastructure holdings were stymied last month due in large part to the weak performance of Macquarie Infrastructure Corp. and SemGroup. In one trading day, Macquarie Infrastructure plunged 41% after the company slashed its 2018 dividend guidance to \$1 a share per quarter from the \$1.44 per share declared for the fourth quarter of 2017. SemGroup also provided 2018 EBITDA guidance that disappointed relative to consensus expectations.

Last year, on Macquarie's third-quarter earnings conference call, CEO James Hooke said, "People slashing their dividend saying we're going to slash our dividend to deploy capital internally, I don't think you'll see us do that."

The dividend reduction and lowered EBITDA guidance sparked analyst downgrades from JPMorgan, SunTrust and Wells Fargo.

Despite decent fourth quarter results, shares of SemGroup Corp. slumped 8.82% on February 26th after the company provided 2018 EBITDA guidance that disappointed investors. While SemGroup has moved to divest non-core assets, bolstering its cash position in the process, some investors may be concerned the dividend is not growing as rapidly as previously hoped.

## Growing Natural Gas Production Supports Growing Infrastructure

Looking at natural gas, production is expected to continue growing in the U.S. and Canada in 2018. The U.S. Energy Information Administration (EIA) expects dry U.S. natural gas production to jump by 8.1 billion cubic feet per day (Bcf/d) this year, which represents year-over-year growth of 11.0%. Canada's National Energy Board expects Canadian natural gas production to grow by approximately 0.8 Bcf/d this year or 5.4% year-over-year. Growing natural gas production provides opportunities for new infrastructure.<sup>1</sup>

For example, TransCanada Corporation (TSX:TRP) announced in mid-February that the company will be expanding its Nova Gas Transmission Line (NGTL) System with a \$2.4 billion investment resulting in 1 Bcf/d of additional capacity<sup>2</sup>; Gulf Coast Express Pipeline LLC, a joint venture under Kinder Morgan, Inc (NYSE: KMI), DCP Midstream, LP (NYSE: DCP) and Targa Resources Corp (NYSE: TRGP) announced binding season for the remaining capacity on the pipeline project<sup>3</sup>; Oneok Inc (OKE) planning \$2.3 billion infrastructure investment through 2020, to name a few.<sup>4</sup>

## Performance as of 12/31/2017

Total Returns	1 Month	3 Month	YTD	1 Year <sup>1</sup>	3 Year <sup>1</sup>	Since Inception <sup>1</sup>
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) <sup>2</sup>	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 <sup>®</sup> 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](http://www.alpsfunds.com).

<sup>1</sup> Annualized.

<sup>2</sup> 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.

# ALERIAN ENERGY INFRASTRUCTURE ETF MONTHLY INSIGHTS

February 2018

## Important Disclosures & Definitions

*An investor should consider the 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](http://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.*

*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.*

*ALPS Portfolio Solutions Distributor, Inc., 1290 Broadway, Ste. 1100, Denver, CO 80203 is the distributor for the Alerian Energy Infrastructure ETF, Alerian MLP ETF, ALPS | Alerian MLP Infrastructure Index Fund and ALPS | Alerian Energy Infrastructure Portfolio.*

*ALPS Portfolio Solutions Distributor, Inc. is not affiliated with Alerian.*

*Not FDIC Insured • No Bank Guarantee • May Lose Value*

<sup>1</sup> <https://www.eia.gov/outlooks/steo/>

<sup>2</sup> <https://www.cnbc.com/2018/02/15/reuters-america-update-3-transcanada-to-proceed-with-canada-gas-line-expansion-profit-beats.html>

<sup>3</sup> <http://ir.kindermorgan.com/press-release/gulf-coast-express-pipeline-llc-announces-binding-open-season-limited-remaining-capaci>

<sup>4</sup> [http://www.tulsaworld.com/business/oneok-planning-billion-infrastructure-investment-through/article\\_6b733466-836c-5900-9cb3-9f2bdde65430.html](http://www.tulsaworld.com/business/oneok-planning-billion-infrastructure-investment-through/article_6b733466-836c-5900-9cb3-9f2bdde65430.html)

ALR000671 6/29/2018