

# ALERIAN ENERGY INFRASTRUCTURE ETF MONTHLY INSIGHTS

July 2018

## Key Takeaways

- ENFR returned 3.66% in July despite a decrease in WTI and WCS crude prices.
- The Federal Energy Regulatory Commission ("FERC") followed up its March policy revision with a more lenient final ruling for MLP-owned natural gas pipelines.
- The methodology for the underlying index changed during July and the index's name was changed to the Alerian Midstream Energy Select Index.

## Performance Notes

- AMEI, the index that ENFR tracks, continued its streak in July, increasing 3.66% to mark 4th straight months of gains.
- The strong month was driven by Gathering + Processing as Williams Cos Inc (**WMB; 10.52% weight in the AMEI**) contributed 64 basis points (bps) on the heels of the FERC final ruling, as well as the announcement of an asset sale and an acquisition.
- The index methodology was updated in July and now provides pure midstream exposure across the North American energy landscape.

## July 2018 Performance

	Jul-18	YTD	1YR
The Alerian Midstream Energy Select Total Return Index (AMEIX)	3.67%	1.41%	0.53%
Gathering + Processing	1.26%	2.51%	2.24%
Pipeline Transportation	1.66%	-0.42%	-0.68%
Storage	0.39%	-1.01%	-1.46%
Distribution	0.32%	0.13%	0.26%
Other (Liquefaction)	0.11%	0.21%	0.27%
Crude Oil (WTI)	-7.27%	13.80%	37.05%
Crude Oil (WCS-Western Canada)	-25.19%	15.51%	-0.65%

Source: Bloomberg, L.P., as of 07/31/2018

**Past performance does not guarantee future results.**

For standardized performance, please see page 3

## AMEIX Methodology Changes

### What's changed?

- Easier to explain
  - Four categories eliminated
- Weighting scheme
  - All constituents weight by float-adjusted market capitalization
  - 10% weighting cap
- Pure midstream
  - Utility General Partnerships ("GPs") now ineligible

### What's the same?

- North American energy infrastructure
- 25% cap for MLP exposure
- Liquidity requirements

## Return Attribution

- Heavy crude, as represented by the Western Canadian Select spot price, reached its largest discount to US WTI in the last 5 years as July came to a close. The discount represents transportation and other processing costs, however, the spread now reflects constrained pipelines amidst capacity issues from our northern counterparts.
- Despite issues with the heavy benchmark price, AMEI's Canadian holdings contributed positively to July's return. Transcanada Corp (**TRP; 10.20% weight in the AMEI**) contributed the most during the month as one of its Topolobampo pipeline officially started operations on July 16th, 2018, to transport natural gas down to northern Mexico.

## 1 YR Weekly WTI-WCS Spread



Source: Bloomberg, L.P., as of 07/31/2018

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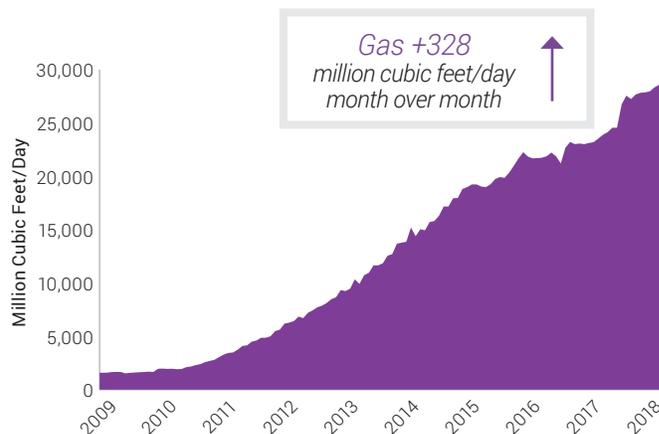
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## Constituent News

- Aside from the roll-up of WPZ and asset level M&A, WMB announced on July 18 that the construction on the Atlantic Sunrise pipeline project was almost complete, and the pipeline expected to reach full capacity of 1.7 Bcf/day towards the end of August.
- NuStar GP Holdings LLC (**NSH; .21% weight in the AMEI as of 7/20/18.**) was acquired by the LP NuStar Energy LP (NS) on 7/23/18. The merger was announced back in February and approved by shareholders on July 20th, 2018. The fund now holds NuStar Energy LP (NS), which was a 23 bps holding as of July 31st, 2018.
- In other exciting news, Enbridge Inc (**ENB; 1.08% weighting in the AMEI**), announced a sale of its Canadian natural gas gathering and processing business. In addition, regulators in Minnesota finally gave the go ahead for its line 3 replacement pipeline. The sale raised \$4.3B and added to ENB's non-core asset sales for the year.

## Appalachia Region Natural Gas Production



Source: U.S. Energy Information Administration as of 7/31/2018

Projects like the Atlantic Sunrise pipeline will help connect growing natural gas production out of the Marcellus and Utica basins with demand centers.

## Valuation Notes

- The AMEI Index continues to mostly trade at a discount to its 3-year averages across the valuation metrics shown.

## AMEI Current Valuations

	Current	3YR Avg	Delta
Price/Cash Flow	7.11	7.45	-4.6%
Enterprise Value/EBITDA	12.08	12.91	-6.4%
Yield (TTM)	5.30%	5.41%	-2.0%

Source: Bloomberg, L.P., as of 07/31/2018

## Alerian Energy Infrastructure ETF Performance as of 6/30/2018

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)	1.89%	12.36%	-2.56%	-1.08%	-1.40%	0.23%
Alerian Energy Infrastructure ETF (Market Price) <sup>2</sup>	2.03%	12.62%	-2.38%	-0.98%	-1.35%	0.27%
Alerian Midstream Energy Select Index	1.98%	12.70%	-2.18%	-0.23%	-0.64%	1.07%
S&P 500® Total Return Index	0.62%	3.43%	2.65%	14.37%	11.93%	12.12%

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). The investment return and principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost.

Gross Expense Ratio: 0.85%

Fund inception date of 11/01/2013

<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.

As of June 29, 2018, the benchmark for the Fund changed from the Alerian Energy Infrastructure Index (AMEI) to the Alerian Midstream Energy Select Index (AMEI).



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## Top 10 Holdings<sup>^</sup>

TRANSCANADA CORP	10.21%
ENBRIDGE INC	10.09%
WILLIAMS COS INC	10.01%
KINDER MORGAN INC	9.68%
ONEOK INC	8.00%
ENTERPRISE PRODUCTS	7.10%
ENERGY TRANSFER EQU	6.48%
PEMBINA PIPELINE CORP	5.01%
CHENIERE ENERGY INC	4.93%
PLAINS GP HOLDINGS LP	3.99%

<sup>^</sup> As of July 31, 2018, Holdings subject to change.

## Important Disclosures & Definitions

**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](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.**

**Performance data quoted represents past performance. Past performance is not a guarantee of future results; current performance may be higher or lower than performance quotes.**

The AMEI Index is a composite of energy infrastructure midstream companies and partnerships (MLPs). The capped, float-adjusted, capitalization weighted index constituents earn the majority of their cash flow from midstream activities involving energy commodities.

One may not invest directly in an index.

Crude Oil (WTS-Western Canada): a heavy blended "https://en.wikipedia.org/wiki/Crude\_oil" \o "Crude oil" crude oil, composed mostly of "https://en.wikipedia.org/wiki/Bitumen" \o "Bitumen" bitumen blended with sweet synthetic and "https://en.wikipedia.org/wiki/Natural-gas\_condensate" \o "Natural-gas condensate" condensate diluents and 25 existing streams of both conventional and unconventional.

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.

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

Not FDIC Insured • No Bank Guarantee • May Lose Value

ALPS Portfolio Solutions, Inc. is the distributor for the Alerian MLP ETF

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