

# ALERIAN ENERGY INFRASTRUCTURE ETF (ENFR) MONTHLY INSIGHTS

November 2018

## Key Takeaways

- The Alerian Midstream Energy Select Index (AMEI) was down -0.10% in November 2018 as both WTI Crude and WCS Crude were lower for the month, -22.02% and -1.70% respectively.
- Seventeen AMEI constituents grew their distributions from 2Q18 to 3Q18, while 19 maintained and one cut.
- Select constituents are guiding to double-digit EBITDA growth in 2019 relative to 2018.

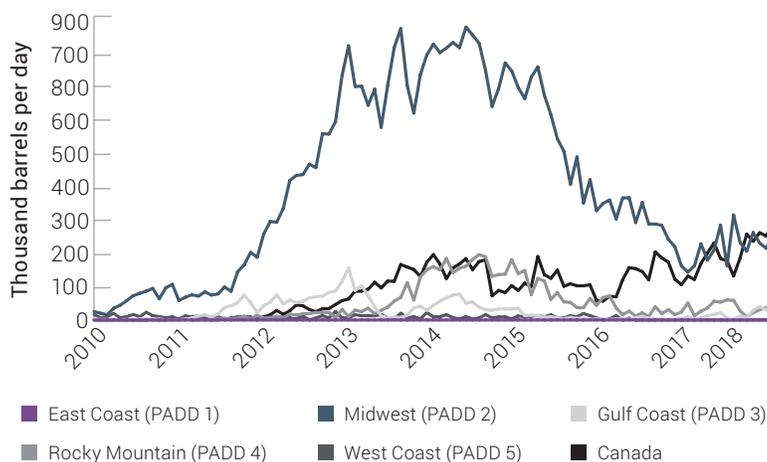
## Performance Notes

- ENFR, the Alerian Energy Infrastructure ETF that tracks the AMEI, was down for the month of November 2018 as the broader energy sector traded lower on continued concerns of an oil surplus and slowing global growth, which contributed to the steep fall in oil prices.
- The AMEI outperformed the broader Energy Sector, as represented by the Energy Select Sector Index (-1.60%), the S&P Oil & Gas Exploration & Production Index (-9.25%) and the S&P Oil & Gas Equipment Index (-12.66%).
- Pipeline transportation was the best performing segment in the AMEI in November 2018 on the heels of strong 3Q18 earnings and solid 2019 guidance, despite the fall in crude prices.
- Canada's National Energy Board raised its crude production estimate for 2018 by 22,000 barrels per day, despite current oil takeaway capacity constraints. (It should be noted that in early December, Alberta ordered a production cut, which begins on January 1, 2019 to help alleviate the crude glut in Canada that has weighed on WCS prices.)
- The growth in Canadian crude production has significantly outpaced the takeaway capacity for the region. While crude by rail movements have mainly been dominated by the Bakken (Midwest) since 2010, Canadian crude by rail volumes have taken the top spot recently. Crude by rail will likely fill the gap until pipeline solutions can be added, including Enbridge's (ENB, 10.74% in AMEI) Line 3 replacement project which is expected online in 2H19.

November 2018 Performance			
	Oct-18	YTD	1YR
<b>The Alerian Midstream Energy Select Index (AMEI)</b>	-0.10%	-8.99%	-5.49%
<b>Industry Grouping Attribution</b>			
Other (Liquefaction)	0.02%	-0.03%	0.04%
Storage	0.29%	-0.97%	-1.07%
Pipeline Transportation	1.18%	-5.70%	-2.36%
Gathering + Processing	-1.58%	-2.41%	-1.37%
<b>Security type Attribution</b>			
MLPs	-0.43%	-2.42%	-1.09%
Canadian Midstream Corporations	1.12%	-2.93%	-2.39%
US Midstream Corporations	-0.79%	-3.64%	-2.00%
<b>Crude Oil (WTI)</b>	-22.02%	-15.71%	-11.27%
<b>Crude Oil (WCS-Western Canada)</b>	-1.70%	-36.29%	-45.58%

Source: Bloomberg, L.P., as of 11/30/2018. **Past performance does not indicate future returns. Standardized performance on page 3.**

## Crude oil movements via rail by area of origin



Source: U.S. Energy Information Administration, Petroleum Supply Monthly As of September 30, 2018

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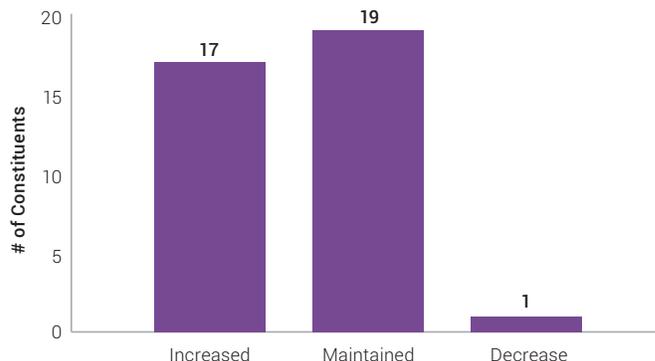
## Constituent News

- For 3Q18, 17 of the AMEI constituents increased distributions over the previous quarter; 19 maintained their distributions while one cut its distribution. The distribution cut in the AMEI was from Buckeye Partners (BPL; 0.81% in AMEI), which cut to shore up its balance sheet.
- The Williams Companies (WMB; 6.51% in AMEI) provided 2019 EBITDA guidance implying a 10% growth at the midpoint relative to 2018. Strong fundamentals for midstream persist as US oil and natural gas production grows, and these positive trends support healthy EBITDA growth projections.
- Cheniere Energy Inc. (LNG; 5.02% in AMEI) was up 1.18% for the month after providing 2019 EBITDA guidance that represents a 22% year-over year increase at the midpoint relative to 2018 guidance. Cheniere recently began commissioning its LNG export facility at Corpus Christi, which is coming online under budget and six months before the first supply contract begins.

## Valuation Notes

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

## 3Q18 AMEI Constituent Distribution Actions



\* 2 Constituents in the AMEI do not pay a distribution, Cheniere Energy Inc. (LNG) and Tellurian Inc. (TELL).

\*\* 3Q18 distributions are paid in Q4 based on 3Q performance.

Source: Bloomberg as of 11/30/2018.

## AMEI Current Valuations

	Current	3YR Avg	Delta
Price/Cash Flow	6.21x	7.33x	-15.27%
Enterprise Value/EBITDA	11.45x	12.47x	-8.15%
Yield (TTM)	6.17%	5.60%	10.18%

Source: Bloomberg, L.P., as of 11/30/2018.

**Past performance does not indicate future returns.**

## Alerian Energy Infrastructure ETF Performance as of 9/30/2018

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)	-1.73%	0.36%	-2.20%	-2.84%	7.79%	0.29%
Alerian Energy Infrastructure ETF (Market Price) <sup>2</sup>	-1.11%	0.55%	-1.85%	-2.78%	7.96%	0.36%
Alerian Midstream Energy Select Index	-1.72%	0.53%	-1.66%	-1.99%	8.73%	1.12%
S&P 500® Total Return Index	0.57%	7.71%	10.56%	17.91%	17.31%	13.17%

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>

ENBRIDGE INC	10.74
TRANSCANADA CORP	8.23
ENTERPRISE PRODU	7.17
KINDER MORGAN IN	7.16
WILLIAMS COS INC	6.51
ENERGY TRANSFER	6.26
PEMBINA PIPELINE	5.51
ONEOK INC	5.34
CHENIERE ENERGY	5.10
PLAINS GP HOLD-A	4.79

<sup>^</sup> As of November 30, 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.

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 Energy Infrastructure ETF

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