

# ALERIAN MLP ETF MONTHLY INSIGHTS

May 2018

## Key Takeaways

- MLPs saw continued strong performance in May, resulting in positive year-to-date returns
- U.S. crude and petroleum product exports remain near record highs in May
- Distribution payouts for most MLPs are continuing to increase
- MLP valuations relative to their 3-year averages are still attractive, despite their recent price improvement

- MLPs followed a strong month of April with an impressive month of May, up +4.31%, despite the WTI crude price falling -2.23% in May. This has resulted in positive year-to-date returns.
- Strong MLP performance was most evident in the Gathering & Processing segment. This segment continues to benefit from improving NGL (natural gas liquids) fractionation spreads. It has also been the most shielded from the recent FERC ruling that may impact future pipeline tariff rates.

- Weekly U.S. exports of crude oil and petroleum products remained near record highs in May, averaging 6.9 million barrels per day.
- Since curbing their production in 2017, OPEC's (Organization of Petroleum Exporting Countries) Gulf producers and Russia have about 1.3M barrels a day of idle output, per the IEA (International Energy Agency).
- With Venezuelan oil production languishing by 700K barrels per day since 2016, per the EIA, and UBS predicting that re-imposed U.S. sanctions on Iran could lead to a reduction of oil exports by 200-500K barrels per day over the first 6 months, OPEC indicated it may have to pump more barrels. That statement weakened crude prices at the end of May.

## May 2018 Performance

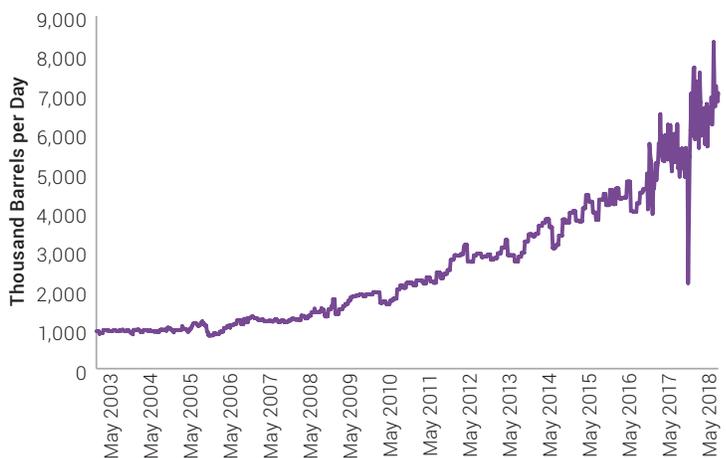
|                                   | May-18 | YTD    | 1YR    |
|-----------------------------------|--------|--------|--------|
| AMZI (MLP Infrastructure Index)   | 4.31%  | 0.43%  | -6.76% |
| <i>Gathering &amp; Processing</i> | 2.73%  | 2.17%  | 2.36%  |
| <i>Natural Gas Transportation</i> | 0.75%  | -1.12% | -2.53% |
| <i>Petroleum Transportation</i>   | 0.83%  | -1.48% | -6.60% |
| Energy Select Sector Index        | 3.01%  | 6.14%  | 20.32% |
| S&P Oil & Gas E&P Select Index    | 7.30%  | 13.67% | 31.00% |
| S&P Oil & Gas Equip Select Index  | 1.41%  | 1.16%  | 9.62%  |
| Crude Oil (WTI)                   | -2.23% | 10.96% | 38.74% |
| 10 YR Treasury Yield              | -3.20% | 18.84% | 29.77% |

Source: Bloomberg, L.P., as of 5/31/2018

**Past performance is not indicative of future results.**

For standardized performance, please see page 3.

## Weekly U.S. Exports of Crude & Petroleum Products



Source: EIA (Energy Information Administration) as of 5/31/2018

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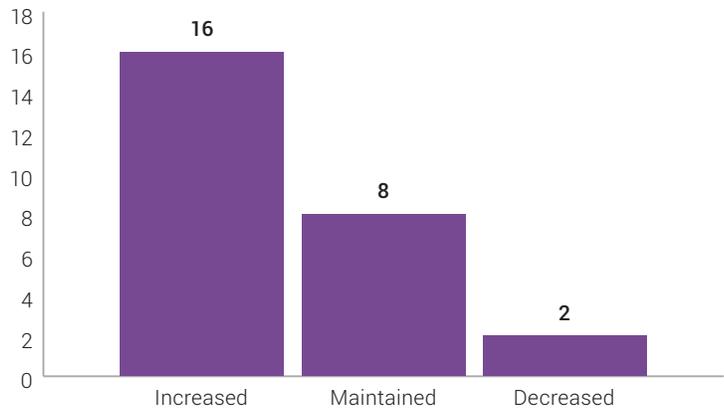
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## Constituent news

- Despite Nustar Energy LP (**NS**; **1.62% in AMZI**) and TC Pipelines (**TCP**, **1.10% in AMZI**) cutting their distributions, the weighted average distribution increase for the AMZI in the first quarter 2018 was still positive at 0.3% quarter-over-quarter.
- NS announced in February that it would cut its distribution to better position the company for the future after it announced the merger with its parent, Nustar GP Holdings (NSH). TCP cut its distribution citing the FERC policy revision, which may meaningfully reduce its future cash flows.
- It was a busy month for MLP simplifications. Williams Partners LP (**WPZ**; **8.51% in AMZI**), Spectra Energy Partners LP (**SEP**; **2.06% in AMZI**), and Enbridge Energy Partners LP (**EEP**; **1.78% weight in AMZI**) are being acquired by their corporate sponsors.

MLPs are continuing to increase their distribution payouts

## 1Q18 AMZI Constituent Distribution Actions



MLPs for the most part are continuing to increase their distribution payouts

Source: Bloomberg, L.P., as of 5/31/2018.

Past performance does not indicate future returns.

## Valuation Update

- The AMZI continues to trade at a discount to its 3-year averages across the valuation metrics shown, despite the strong April and May price performance.
- As spending on some major energy infrastructure projects winds down and cash flows begin to ramp, some of the larger MLPs in the AMZI expect their 2018 EBITDA margins to grow.

### AMZI Current Valuations

|                         | Current | 3YR Avg | Delta  |
|-------------------------|---------|---------|--------|
| Price/Cash Flow         | 7.41    | 8.41    | -11.9% |
| Enterprise Value/EBITDA | 10.45   | 11.37   | -8.0%  |
| Yield                   | 7.9%    | 7.5%    | 0.4%   |

Source: Bloomberg, L.P., as of 5/31/2018

## Alerian MLP ETF Performance as of 3/31/2018

| Total Returns                                  | 1 Mo.  | 3 Mo.   | YTD     | 1 Yr. <sup>1</sup> | 3 Yr. <sup>1</sup> | 5 Yr. <sup>1</sup> | S.I. <sup>1</sup> |
|--|--------|---------|---------|--------------------|--------------------|--------------------|-------------------|
| Alerian MLP ETF (Net Asset Value) <sup>2</sup> | -7.31% | -11.64% | -11.64% | -20.54%            | -10.32%            | -5.25%             | 0.67%             |
| Alerian MLP ETF (Market Price) <sup>3</sup>    | -6.72% | -10.91% | -10.91% | -19.97%            | -10.12%            | -5.13%             | 0.76%             |
| Alerian MLP Infrastructure Index               | -7.25% | -11.52% | -11.52% | -22.50%            | -11.66%            | -5.37%             | 3.10%             |
| S&P 500® Total Return Index                    | -2.54% | -0.76%  | -0.76%  | 13.99%             | 10.78%             | 13.31%             | 15.28%            |

Performance data quoted represents past performance. Past performance does not guarantee future results. Current performance may be higher or lower than actual data quoted. Call 1.877.398.8461 or visit [www.alerianmlp.com](http://www.alerianmlp.com) for current month end performance. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The ETF accrues deferred income taxes for future tax liabilities associated with the portion of MLP distributions considered to be a tax-deferred return of capital and for any net operating gains as well as capital appreciation of its investment. This deferred tax liability is reflected in the daily NAV and as a result the MLP fund's after-tax performance could differ significantly from the underlying assets even if the pre-tax performance is closely tracked.

<sup>1</sup> Annualized.

<sup>2</sup> Under current law, the Fund is not eligible to elect treatment as a regulated investment company due to its investments primarily in MLPs. The Fund must be taxed as a regular corporation for federal income purposes. Whereas the NAV of Fund Shares is reduced by the accrual of any deferred tax liabilities, the Alerian MLP Infrastructure Index is calculated without any tax deductions.

<sup>3</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.

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## ETF Stats

|  |                 |
|--|-----------------|
| Ticker:                                    | AMLP            |
| Underlying Index:                          | AMZI            |
| Listing Exchange:                          | NYSE Arca       |
| CUSIP:                                     | 00162Q866       |
| Fund Inception:                            | 8/25/10         |
| Net Assets:                                | \$9.979 billion |
| Net Asset Value:                           | \$9.38**        |
| Last Quarterly Distribution:               | 0.2066*         |
| Last Payable Date:                         | 5/17/18         |
| Dividends Paid:                            | Quarterly       |
| Total Expense Ratio:                       | <b>0.85%</b>    |
| Deferred Income Tax Expense <sup>2</sup> : | 0.00%           |
| Expense Ratio before Deferred Taxes:       | 0.85%           |

\* Dividend paid on May 17, 2018

\*\* As of March 31, 2018

## Important Disclosure & 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.**

The AMZI Index is a composite of energy infrastructure Master Limited Partnerships. The capped, float-adjusted, capitalization weighted index constituents earn the majority of their cash flow from midstream activities involving energy commodities.

AMZIX is the total return equivalent of the AMZI. We refer to the "AMZI" in the article as the index and its constituents. The AMZIX is used for return purposes as seen in the performance chart on the first page.

Energy Select Sector Index: represents companies from the oil, gas & consumable fuels and energy equipment & services industries.

S&P Oil & Gas E&P Select Index: represents the oil and gas exploration and production sub-industry portion of the S&P Total Markets Index.

S&P Oil & Gas Equip Select Index: represents the oil and gas equipment and services sub-industry portion of the S&P Total Markets Index.

Crude Oil (WTI): a grade of crude oil used as a benchmark in oil pricing. This grade is described as light because of its relatively low density, and sweet because of its low sulfur content.

10 YR Treasury Yield: a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance.

S&P 500<sup>®</sup> Total Return Index: a market capitalization weighted index of the 500 largest U.S. publicly traded companies by market value and including all sources of return.

One may not invest directly in an index.

MLPs represented by the Alerian MLP Infrastructure Index (AMZI)

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

|                              |        |
|------------------------------|--------|
| ENTERPRISE PRODUCTS PARTNERS | 11.10% |
| MAGELLAN MIDSTREAM PARTNERS  | 10.92% |
| ENERGY TRANSFER PARTNERS LP  | 10.18% |
| MPLX LP                      | 8.66%  |
| WILLIAMS PARTNERS LP         | 8.51%  |
| PLAINS ALL AMER PIPELINE LP  | 8.34%  |
| BUCKEYE PARTNERS LP          | 4.42%  |
| WESTERN GAS PARTNERS LP      | 4.35%  |
| ANDEAVOR LOGISTICS LP        | 3.19%  |
| DCP MIDSTREAM LP             | 3.18%  |

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

**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. An investor cannot 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 energy infrastructure companies which may be adversely affected by changes in worldwide energy prices, exploration, production spending, government regulation, changes in exchange rates, depletion of natural resources and risks that arise from extreme weather conditions.

All K-1s are received and processed by the Alerian MLP ETF. The Alerian MLP ETF distributes a single Form 1099 to its shareholders. This notice is provided to you for informational purposes only, and should not be considered tax advice. Please consult your tax advisor for further assistance.

There are risks involved with investing in ETFs including the loss of money. An investment in the Fund is subject to investment risk including the possible loss of the entire principal amount that you invest.

Not FDIC Insured • No Bank Guarantee • May Lose Value

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

ALR000712 9/30/2018