

# ALERIAN MLP ETF MONTHLY INSIGHTS (AMLPL)

## September 2018

### Key Takeaways

- Master Limited Partnerships (“MLPs”) moved lower in September, finishing down -1.95% as represented by the Alerian MLP Infrastructure Index (AMZI).
- WTI continued to rally +4.94% in September, marching higher in five of the past six weeks.
- The United States is now the largest global crude oil producer above Saudi Arabia and Russia.

### Performance Notes

- In a reversal from August’s performance, the AMZI was down in September while the broader energy sector (the Energy Select Sector Index) was up 2.45% on the heels of a stronger WTI crude price.
- Crude prices gained in September on anticipation of supply concerns related to the upcoming Nov 4th, 2018 effective date for US sanctions of Iranian oil and continued production declines from Venezuela.
- Weakness in the AMZI relative to the broader energy market in September was attributed to Colorado’s Initiative 112 on the November ballot, rising interest rates, and Permian crude oil differentials tightening on additional pipeline capacity announcements.
- The EIA announced the U.S. is now the largest global crude oil producer above Saudi Arabia and Russia. At a 45.3% weight in the AMZI, the Petroleum (crude) Transportation group fared the best for MLPs in September, off -1.39% which detracted -0.63% from the AMZI.
- Crude price differentials between Midland, Texas, and Houston have been very wide over the past few months, peaking at \$23.00/bbl, due to a lack of pipeline capacity. That differential has dropped to \$14.50/bbl to end September as more MLPs have announced crude pipeline projects from the Permian basin to the Gulf Coast.

### September 2018 Performance

	Sep-18	QTD	YTD	1YR
AMZI (MLP Infrastructure Index)	-1.95%	6.99%	5.20%	3.34%
<i>Gathering &amp; Processing</i>	-0.65%	2.07%	3.26%	3.42%
<i>Natural Gas Transportation</i>	-0.67%	3.00%	1.72%	1.70%
<i>Petroleum Transportation</i>	-0.63%	1.95%	0.24%	-1.76%
Energy Select Sector Index	2.45%	0.41%	7.19%	13.70%
S&P Oil & Gas E&P Select Index	2.39%	0.73%	16.79%	27.84%
S&P Oil & Gas Equip Select Index	3.02%	-1.38%	-1.99%	1.59%
Crude Oil (WTI)	4.94%	-1.21%	21.23%	41.77%
10 YR Treasury Yield (Return)	7.02%	7.03%	27.26%	31.18%

Index returns are total returns.

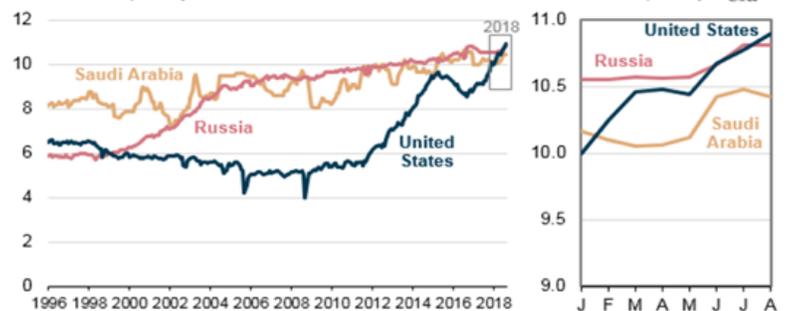
Source: Bloomberg, L.P., as of 9/30/2018.

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

For standardized performance, please see page 3.

### The United States is now the largest global crude oil producer

Monthly crude oil production (Jan 1994-Aug 2018)  
million barrels per day



Source: U. S. Energy Information Administration as of 9/12/2018

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### Constituent News

- DCP Midstream (**DCP; 3.27% in AMZI**), made comments in September that hotter weather in the third quarter made it harder to strip NGLs (natural gas liquids) into ethane, butane, propane, and raw gasoline. As shown in the chart on the right, NGL prices gained recently due to increased demand amid a limited summer supply, with ethane prices alone rising 43.00% in September. Rising prices for NGLs has been positive for those MLPs involved in NGL fractionation (processing NGLs into usable products).
- Colorado's Initiative 112 on the November ballot, which calls for a ban on fracking within 2,500 sq ft of the nearest "dwelling", has impacted some constituents with exposure to the Denver-Julesburg (DJ) basin, such as Western Gas Partners (**WES; 4.27% in AMZI**), Tallgrass Energy (**TGE; 3.15% weight in the AMZI**), and DCP Midstream (**DCP; 3.27% in AMZI**). Preliminary polls suggest the initiative will not pass.
- Enbridge (ENB) announced sweetened offers its MLPs, Enbridge Energy Partners (**EET; 2.14% in AMZI**) and Spectra Energy Partners (**SEP; 2.76% in AMZI**), after incorporating the positive impact of the final FERC ruling for natural gas pipelines announced in mid-July.

### U.S. NGL Composite Price



Source: U.S. Energy Information Administration, as of 09/30/2018

### Valuation Update

- As MLPs struggled in September with negative returns, they continue to trade at depressed valuations to historic norms.
- The AMZI trades much cheaper than the broader energy market (the Energy Select Sector Index) on a Price/Cash flow basis: **7.04X vs. 10.45X**

### AMZI Current Valuations

	Current	3YR Avg	Delta
Price/Cash Flow (TTM)	7.04x	8.18x	-13.9%
Enterprise Value/EBITDA	10.84x	11.19x	-3.1%
Yield	7.76%	7.64%	0.12%

Source: Bloomberg, L.P., as of 9/30/2018

### AMLPL Performance as of September 30, 2018

Total Returns	Cumulative				Annualized			
	1 Mo.	3 Mo.	YTD	S.I.	1 Yr.	3 Yr.	5 Yr.	S.I.
Alerian MLP ETF (Net Asset Value)	-1.57%	6.74%	4.49%	24.45%	2.42%	2.93%	-2.48%	2.74%
Alerian MLP ETF (Market Price)	-1.66%	6.64%	4.68%	24.45%	2.60%	2.91%	-2.47%	2.74%
Alerian MLP Infrastructure Index	-1.95%	6.99%	5.20%	49.91%	3.34%	3.86%	-2.80%	5.12%

**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. 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 8/25/2010

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

ENTERPRISE PRODU	10.24%
MAGELLAN MIDSTRE	10.12%
ENERGY TRANSFER	10.06%
PLAINS ALL AMER	9.64%
MPLX LP	9.03%
BUCKEYE PARTNERS	4.72%
WESTERN GAS PART	3.96%
EQT MIDSTREAM PA	3.96%
ANDEAVOR LOGISTI	3.90%
DCP MIDSTREAM LP	3.24%

<sup>^</sup> As of September 30th, 2018

Daily holdings are available on the [alpsfunds.com](http://alpsfunds.com) website  
Holdings are subject to change

### 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.**

**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 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.

One may not invest directly in an index.

MLPs represented by the Alerian MLP Infrastructure Index (AMZI)

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 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.

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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