

# ALPS Clean Energy ETF

Monthly Insights | August 2020

## Key Takeaways

- The ALPS Clean Energy ETF (ACES) gained 18.94% in August 2020, with all 7 segments finishing in the green.
- EV/Storage was the best performing segment in ACES as Tesla (TSLA; 10.17% weight\*) continues to make record highs.
- SunPower Corp. (SPWR; 1.32% weight\*), a solar name, was the top performer in ACES, after completing the spin-off of their solar panel manufacturing segment.

## Performance

- The ALPS Clean Energy ETF (ACES) gained 18.94% in August 2020, trailing the WilderHill Clean Energy Index (ECO), with the bulk of its outperformance coming from NIO Inc. (NIO, not in ACES). China-based NIO gained over 70% this month after record quarterly deliveries of its EVs. ACES holds only US and Canadian-based names for their increased financial transparency and reduced volatility.
- In positive news for the EV/Storage space, Edison International (a California utility) recently received approval from the California Public Utilities Commission (CPUC) to make \$437mn in investments primarily related to EV charging infrastructure. The program will add ~38,000 charging stations and help accelerate electric vehicle sales, which are an important focus for the State. Specifically, the state is attempting to achieve 5 million zero-emission vehicles on the road by 2030, and the chargers under the new “Charge Ready” program will prioritize multi-unit dwellings and disadvantaged communities. Other states have made similar commitments in recent memory, like New York’s previous \$750mn commitment to EV infrastructure.

	Aug-20	Year to Date	1 Year
ACES (NAV)	18.94%	60.30%	78.24%
NACEXT-CIBC Atlas Clean Energy Index	18.72%	60.65%	78.83%
ECO-WilderHill Clean Energy Index	21.87%	66.85%	95.12%

As of 8/31/2020

**Performance data quoted represent past performance. Past performance is no guarantee of future results so that shares, when redeemed may be worth more or less than their original cost. The investment return and principal value will fluctuate. Current performance may be higher or lower than the performance quoted. For the most current month-end performance data please call 844.234.5852. Performance includes reinvested distributions and capital gains.**

For standard performance, please see page 3

## Strategy

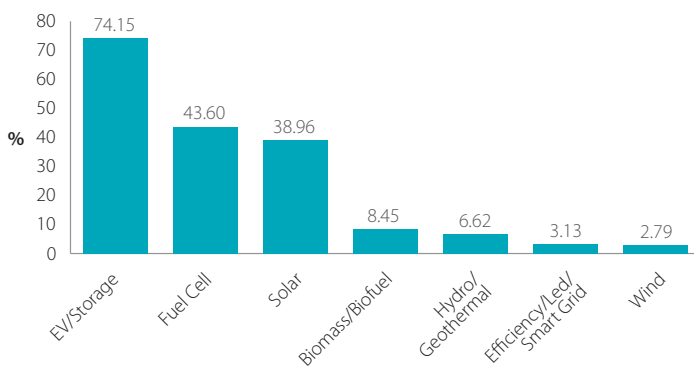
- Seven thematic segments across two categories (Renewables and Clean Technology)
- Pure Play: Constituent companies derive a majority of their value from clean energy businesses
- U.S. and Canadian based companies for increased business transparency and reduced volatility
- Incorporates sustainability guidelines into the portfolio management process to meet ESG standards\*\*



## Attribution

- EV/Storage was ACES best performing segment this month while Wind, although still positive, was the laggard. The Wind segment had a few underlying names gain over 20% but that was offset by Nextera Energy Partners LP (NEP; 4.16% weight\*), which was weaker on a valuation downgrade after a strong YTD rally.
- EV/Storage led all segments as Tesla Inc. (TSLA; 10.17% weight\*) gained 74.15%. Tesla continues to reach record highs as record deliveries of its EV’s continue worldwide. Analysts continue to raise their price targets on Tesla and the stock underwent a 5 for 1 stock split at the end of its strong month.
- Fuel Cell was the second best performing segment in ACES with both underlying securities in the green, led by Plug Power Inc. (PLUG; 6.13% weight\*). The hydrogen fuel cell maker jumped 68.35% this month after reporting strong earnings that beat analyst estimates. Plug Power CEO, Andrew Marsh, also said they are working on several new deals in the heavy duty truck space for early next year, exciting investors.

ACES Thematic Segment Performance - August 2020



Source: Bloomberg, as of 8/31/20.

**Past performance does not guarantee future results**

\* Weight in ACES as of 8/31/2020

\*\* ESG: Investments that consider environmental, social, and governance impact

# ALPS Clean Energy ETF

## Valuation

- ACES's underlying index, the CIBC Atlas Clean Energy Index, has a price-to-earnings ratio (P/E ratio) of 38.29x, a premium to both the WilderHill Clean Energy Index and NASDAQ Clean Edge U.S. Liquid Series Index.
- ACES ~31% weight to utilities is within more expensive Yieldco's, which garner higher P/E's but lower P/CF (Price to Cash flow) metrics.

## ACES Top/Bottom Performers August 2020

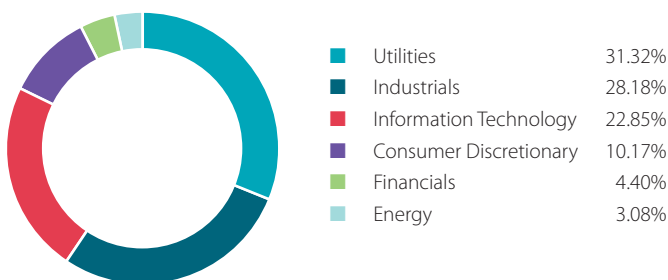
Leaders	Performance	Sub Segment
SUNPOWER CORP (SPWR US)	83.18%	Solar
TESLA INC (TSLA US)	74.15%	EV/Storage
PLUG POWER INC (PLUG US)	68.35%	Fuel Cell

Laggards	Performance	Theme
ITRON INC (ITRI US)	-14.36%	Efficiency/LED/ Smart Grid
CREE INC (CREE US)	-8.44%	Efficiency/LED/ Smart Grid
SUNNOVA ENERGY INTERNATIONAL (NOVA US)	-5.16%	Solar

ALPS as of 8/31/2020.

*Past performance is not indicative of future results.*

## Sector Allocations




## Price Multiples

	NACEXT Index	ECO index	CELS index
Price/Earnings Ratio	38.29x	17.07x	35.49x
Price/Cash Flow Ratio	13.04x	13.81x	18.65x
Price/Sales Ratio	3.17x	1.60x	3.46x
Average Market Capitalization (in Mil, \$)	\$51,939	\$26,662	\$78,585

Source: Bloomberg, as of 8/31/2020

## August 2020 Company Snapshot

Company: **SunPower Corp.**  
(SPWR; 1.32% weight\*)

 Segment:  
**Solar**

- SunPower is a clean energy company based in California that offers residential and commercial solar solutions.
- SunPower reported earnings at the beginning of the month that topped estimates, including revenues of \$352.9 million, \$50 million more than anticipated. CEO, Tom Werner, said the company was doing well despite the pandemic and that US business "continued to outperform with strong demand in our residential retrofit and new homes businesses."<sup>1</sup>
- In addition to stellar earnings, SunPower also completed its spinoff of Maxeon Solar Technologies (MAXN; 0.31% weight\*) towards the latter half of the month in a move that will allow SPWR to focus on solar and storage sales and MAXN to focus on solar panel manufacturing. "Solar power is poised for significant growth and now each company is well-positioned to succeed based on specific areas of specialization, technology innovation and economies of scale"<sup>2</sup>
- SunPower has gained 119.11% year to date.

\* As of 8/31/2020 in ACES

<sup>1</sup> <https://www.fool.com/earnings/call-transcripts/2020/08/06/sunpower-spwr-q2-2020-earnings-call-transcript.aspx>

<sup>2</sup> <https://newsroom.sunpower.com/2020-08-27-SunPower-and-Maxeon-Solar-Technologies-Close-Spin-Off-Transaction>

## ALPS Clean Energy ETF

## ACES Performance as of 8/31/2020

Total Returns	Cumulative as of 8/31/2020				Annualized as of 6/30/2020	
	1 Mo.	3 Mo.	YTD	S.I.	1 Yr.	S.I. <sup>1</sup>
ALPS Clean Energy ETF (Net Asset Value)	18.94%	48.76%	60.30%	121.60%	34.37%	27.01%
ALPS Clean Energy ETF (Market Price)	18.83%	48.96%	59.99%	121.89%	34.26%	27.03%
CIBC Atlas Clean Energy Index (Benchmark)	18.72%	49.01%	60.65%	124.97%	34.62%	27.89%

**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: **0.65%**

<sup>1</sup> Fund inception date of 6/28/2018

<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.

## Top 10 Holdings (%)^

TESLA INC	10.17%
SUNRUN INC	6.90%
PLUG POWER INC	6.13%
FIRST SOLAR INC	5.39%
ENPHASE ENERGY INC	5.12%
HANNON ARMSTRONG SUSTAINABLE	4.40%
NEXTERA ENERGY PARTNERS	4.16%
NORTHLAND POWER INC	4.08%
BROOKFIELD RENEWABLE COR - A	4.04%
BALLARD POWER SYSTEMS INC	3.92%

^ As of 8/31/20

Holdings subject to change.

Daily holdings are available on the [Alpsfunds.com](http://Alpsfunds.com) website.

## ALPS Clean Energy ETF

### Important Disclosures & Definitions

**An investor should consider the investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus which contain this and other information call 866.759.5679 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.**

There are risks involved with investing in ETFs including the loss of money. Additional information regarding the risks of this investment is available in the prospectus.

An investment in the Fund is subject to investment risk including the possible loss of the entire principal amount that you invest.

**Clean Energy Sector Risk.** Obsolescence of existing technology, short product cycles, falling prices and profits, competition from new market entrants and general economic conditions can significantly affect companies in the clean energy sector. In addition, intense competition and legislation resulting in more strict government regulations and enforcement policies and specific expenditures for cleanup efforts can significantly affect this sector. Risks associated with hazardous materials, fluctuations in energy prices and supply and demand of alternative energy fuels, energy conservation, the success of exploration projects and tax and other government regulations can significantly affect companies in the clean energy sector. Also, supply and demand for specific products or services, the supply and demand for oil and gas, the price of oil and gas, production spending, government regulation, world events and economic conditions may affect this sector. Currently, certain valuation methods used to value companies involved in the clean energy sector, particularly those companies that have not yet traded publicly, have not been in widespread use for a significant period of time. As a result, the use of these valuation methods may serve to increase further the volatility of certain clean energy company share prices.

**Concentration Risk.** The fund seeks to track the underlying index, which itself may have concentration in certain regions, economies, countries, markets, industries or sectors. Underperformance or increased risk in such concentrated areas may result in underperformance or increased risk in the fund.

**Canadian Investment Risk.** The fund may be subject to risks relating to its investment in Canadian securities. The Canadian economy may be significantly affected by the U.S. economy, given that the United States is Canada's largest trading partner and foreign investor. Any negative changes in commodity markets could have a great impact on the Canadian economy. 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.

**Micro-Capitalization Company Risk.** Micro-cap stocks involve substantially greater risks of loss and price fluctuations because their earnings and revenues tend to be less predictable (and some companies may be experiencing significant losses), and their share prices tend to be more volatile. The shares of micro-cap companies tend to trade less frequently than those of larger, more established companies, which can adversely affect the pricing of these securities and the future ability to sell these securities.

**Small- and Mid-Capitalization Company Risk.** Smaller and mid-size companies often have narrower markets, less liquidity, more limited managerial and financial resources and a less diversified product offering than larger, more established companies. As a result, their performance can be more volatile, which may increase the volatility of the Fund's portfolio.

**Large Capitalization Company Risk.** The large capitalization companies in which the Fund invests may underperform other segments of the equity market or the equity market as a whole.

**NACEX Index –** The CIBC Atlas Clean Energy Index is an adjusted market cap weighted index designed to provide exposure to a diverse set of U.S. or Canadian based companies involved in the clean energy sector including renewables and clean technology.

One cannot invest directly in an index.

The fund is new and has limited operating history.

ALPS Portfolio Solutions Distributor, Inc. is the distributor for the ALPS Clean Energy ETF

There is no assurance that the market developments and sector growth discussed in this Insight will come to pass.

The Fund's investments in non-U.S. issuers may involve unique risks compared to investing in securities of U.S. issuers, including, among others, less liquidity generally, greater market volatility than U.S. securities and less complete financial information than for U.S. issuers. In addition, adverse political, economic or social developments could undermine the value of the Fund's investments or prevent the Fund from realizing the full value of its investments. Finally, the value of the currency of the country in which the Fund has invested could decline relative to the value of the U.S. dollar, which may affect the value of the investment to U.S. investors.

**Price/Earnings Ratio –** A valuation ratio of a company's current share price compared to its per-share earnings.

**Price/Book Ratio –** The weighted average of the price/book ratios of all the stocks in a portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value.

**Price/Cash Flow Ratio –** This represents the weighted average of the price/cash-flow ratios of the stocks in a portfolio. Price/cash-flow represents the amount an investor is willing to pay for a dollar generated from a particular company's operations.

**Price/Sales Ratio –** This represents the weighted average of the price/sales ratios of the stocks in a portfolio. Price/sales represent the amount an investor is willing to pay for a dollar generated from a particular company's operations.

The NASDAQ Clean Edge U.S. Liquid Series Indexes are modified market capitalization weighted indexes designed to track the performance of clean-energy companies that are publicly traded in the U.S.

The WilderHill Clean Energy Index is a modified equal dollar weighted index comprised of publicly traded companies whose business's stand to benefit substantially from societal transition toward the use of cleaner energy and conservation. The index benchmark value is 100.00 at the close of trading on December 30, 2002. \* Disseminated by AMEX \*

The S&P Global Clean Energy Index provides liquid and tradable exposure to 30 companies from around the world that are involved in clean energy related businesses. The index is comprised of a diversified mix of Clean Energy Production and Clean Energy Technology and Equipment Providers companies.

The Fund employs a "passive management"- or indexing- investment approach and seeks to track the investment results of an index composed of global companies that enter traditional markets with new digital forms of production and distribution, and are likely to disrupt an existing market or value network. Unlike many investment companies, the Fund is not "actively" managed. Therefore, it would not necessarily sell a security because the security's issuer was in financial trouble unless that security is removed from the CIBC Atlas Clean Energy Index. Similarly, the Fund does not buy a security because the security is deemed attractive unless that security is added to CIBC Atlas Clean Energy Index.

The inclusion or exclusion of a company in the CIBC Atlas Clean Energy Index is not a recommendation to buy or to sell securities, and not an offer to buy or sell securities.

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