

Alerian Energy Infrastructure ETF

Monthly Insights | March 2022

Key Takeaways

- The Alerian Midstream Energy Select Index (AMEI), ENFR's underlying index, gained 7.44% in March to extend its outperformance year to date, ending 1Q22 with a total return of 21.53%.
- With the outlook for significant free cash flow intact, the financial flexibility to return more capital to shareholders complements macro tailwinds that are fueling the strong outperformance for midstream.
- Despite extended equity outperformance through March, the AMEI has an attractive yield of 5.31% and is currently trading at a slight premium to its 3-year average forward EV/EBITDA multiple.

Performance Notes

AMEI, ENFR's underlying index, gained 7.44% in March on a total-return basis as rising commodity prices fueled the continued outperformance of energy equities despite heightened volatility from the ongoing Russia-Ukraine conflict. WTI oil prices saw sharp swings in March, hitting an intraday high of \$130.50 per barrel (bbl) on March 7, 2022 before settling above \$100/bbl to finish 4.76% higher for the month. WTI ended 1Q22 with a 33.33% gain and its best quarter since March 2020. Natural gas prices at Henry Hub soared by 28.17% in March to over \$5 per million British thermal unit, notching a 51.26% gain for the quarter. Liquefaction names led portfolio performance with a gain of 11.52%, benefitting from the strengthening outlook for US liquified natural gas (LNG) given Europe's need to diversify its gas supplies. Liquefaction includes Cheniere Energy (LNG, 5.08% Weight*) and Tellurian (TELL, 1.77% Weight*), which were up 7.30% and 39.10%, respectively. Natural Gas Transportation names also posted strong performance with a 7.44% rally fueled by the continuing surge in natural gas prices stemming from a tighter market. The AMEI slightly trailed the broader energy sector, represented by the Energy Select Sector Index (IXE), which gained 9.23% in March. Energy equities, including midstream, significantly outperformed the S&P 500's 3.71% total return in March, extending their outperformance since the start of 2022 as concerns over rising rates, inflation and the war in Ukraine weighed heavily on broad market indices in 1Q22. Year to date, the AMEI has gained 21.53% while the S&P 500 has fallen -4.60% on a total-return basis – its worst quarterly performance since the start of the pandemic.

Outlook

Energy infrastructure companies continued to benefit from strengthening energy sentiment as oil and gas prices extended their surge in March. While the rally in commodity prices has been accompanied by sharp price swings and increased uncertainty following recent geopolitical events, energy infrastructure companies are better insulated from a volatile commodity price environment due to fee-based businesses that generate steady cash flows. Distribution growth has become more prevalent across the energy infrastructure space as companies prioritize returning more capital to shareholders. Though yields have come down with stronger equity performance, the energy infrastructure space continues to offer yields well above other income-oriented sectors. Distribution growth is also being complemented by increased return of capital in the form of buybacks. In 4Q21, energy infrastructure companies, led by MLPs, repurchased \$650 million of their equity on aggregate, including \$165 million in buybacks from MPLX (MPLX, 3.47% Weight*) and \$125 million from Enterprise Products Partners (EPD, 8.00% Weight*). As of March 31, 2022, approximately 65% of AMEI constituents by weighting had a buyback authorization in place. Looking ahead, with the outlook for significant free cash flow intact, the financial flexibility to return more capital to shareholders complements macro tailwinds that are fueling the strong outperformance for energy infrastructure companies.

* Weight in ENFR as of 3/31/2022

March 2022 Performance

	Mar-22	QTD	YTD	1 Y
Alerian Midstream Energy Select Index (AMEI)	7.43%	21.53%	21.53%	41.70%
Industry Grouping Attribution				
Gathering & Processing	7.44%	24.53%	24.53%	59.58%
Natural Gas Transportation	9.82%	18.32%	18.32%	28.09%
Petroleum Transportation	5.24%	17.94%	17.94%	30.87%
Storage	4.00%	13.33%	13.33%	30.43%
Liquefaction	11.52%	44.75%	44.75%	102.16%
Energy Select Sector Index (IXE)				
S&P Oil & Gas E&P Select Index (SPSIOP)	15.51%	41.01%	41.01%	69.12%
S&P Oil & Gas Equip Select Index (SPSIOS)	16.94%	52.18%	52.18%	41.85%
Crude Oil (WTI)	4.76%	33.33%	33.33%	69.51%
Crude Oil (WCS - Western Canadian Select)	6.57%	42.36%	42.36%	83.03%

Source: Bloomberg L.P., as of 3/31/2022

Past performance is no guarantee of future results.

For standardized performance please see page 2.

Index returns are total returns.

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Constituent News

- Cheniere (LNG, 5.08% Weight*) announced amendments to its previous LNG sale and purchase agreement with French utility Engie, consisting of a volume increase and term extension past 2040. Cheniere also signed a contract to commence construction for its Corpus Christi Stage 3 project, which is expected to start providing LNG in 2025.
- Pembina Pipeline Corporation (PPL CN, 4.97% Weight*) entered a joint venture with KKR to merge their Western Canadian natural gas processing assets into a single entity. PPL will be the asset operator and own a 60% interest. PPL expects ~\$700 million of cash proceeds from the deal, of which \$550 million will be allocated to debt repayment and \$150 million towards buybacks. PPL also plans to increase its monthly common dividend by 3.6%, or \$0.0075 per share, upon the deal closing.
- Williams (WMB, 5.22% Weight*) announced a \$950 million acquisition of gathering and processing assets in the Haynesville from Trace Midstream, which will increase WMB's footprint in East Texas and support its clean energy initiatives, including gathering responsibly sourced natural gas and serving the growing LNG markets in the Gulf Coast.

Valuation Update

- At month end, AMEI was trading at a slight premium to its 3-year average EV/EBITDA ratio.
- The current yield for the AMEI is 167 basis points below its 3-year average.

	AMEI Current Valuations		
	Current	3 Year Avg	Delta
Price/Cash Flow (TTM)	5.59x	5.09x	9.66%
Enterprise Value/EBITDA*	10.40x	10.26x	1.34%
Yield	5.31%	6.98%	-23.93%
ENFR 30-Day SEC Yield	5.47%		

Source: Bloomberg L.P. and Alerian, as of 3/31/2022

Past performance is no guarantee of future results.

* MIC was excluded from the current EV/EBITDA calculation as an outlier.

* Weight in ENFR as of 3/31/2022

Alerian Energy Infrastructure ETF (ENFR) Performance

Total Returns	Cumulative as of 3/31/2022				Annualized as of 3/31/2022			
	1 M	3 M	YTD	SI ¹	1 Y	3 Y	5 Y	SI ¹
NAV (Net Asset Value)	7.35%	21.28%	21.28%	31.64%	40.69%	8.43%	4.35%	3.32%
Market Price	7.18%	20.98%	20.98%	31.87%	40.78%	8.49%	4.35%	3.34%
Alerian Midstream Energy Select Index - TR	7.44%	21.55%	21.55%	41.74%	41.72%	9.46%	5.31%	4.23%
Alerian MLP Index - TR	2.05%	18.81%	18.81%	-11.22%	36.56%	2.70%	-0.07%	-1.40%

Performance data quoted represents 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 current month-end performance call 1-866-759-5679 or visit www.alpsfunds.com. Performance includes reinvested distributions and capital gains.

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.

¹ Fund inception date: 10/31/2013

Total Operating Expenses: **0.35%**

Top 10 Holdings

ENBRIDGE INC	10.08%	WILLIAMS COS INC	5.22%
ENTERPRISE PRODUCTS PARTNERS	8.00%	ONEOK INC	5.08%
TC ENERGY CORP	7.12%	CHENIERE ENERGY INC	5.08%
ENERGY TRANSFER LP	6.33%	PEMBINA PIPELINE CORP	4.97%
TARGA RESOURCES CORP	5.27%	KINDER MORGAN INC	4.96%

As of 3/31/2022, subject to change

Daily holdings are available at www.alpsfunds.com.

Important Disclosures & Definitions

An investor should consider the investment objectives, risks, charges and expenses carefully before investing. This material must be preceded or accompanied by the [prospectus](#). 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 5,000, 25,000 or 50,000 shares.

Performance data quoted represents past performance. Past performance is no guarantee of future results; current performance may be higher or lower than performance quoted.

All investments are subject to risks, including the loss of money and the possible loss of the entire principal amount invested. Additional information regarding the risks of this investment is available in the prospectus.

Investments in securities of Master Limited Partnerships (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.

A portion of the benefits 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.

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 Fund employs a “passive management” - or indexing - investment approach and seeks investment results that correspond (before fees and expenses) generally to the performance of its underlying index. Unlike many investment companies, the Fund is not “actively” managed. Therefore, it would not necessarily sell or buy a security unless that security is removed from or added to the underlying index, respectively.

30-Day SEC Yield: reflects the dividends and interest earned during the period, after the deduction of the Fund's expenses.

Price/Cash Flow (P/CF) Ratio: 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.

Alerian Midstream Energy Select Index (AMEI): a composite of North American energy infrastructure companies. The capped, float-adjusted, capitalization-weighted index constituents are engaged in midstream activities involving energy commodities.

Alerian MLP Index (AMZ): the leading gauge of energy infrastructure 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.

ALPS Advisors, Inc. and ALPS Portfolio Solutions Distributor, Inc., affiliated entities, are unaffiliated with Alerian.

ALPS Portfolio Solutions Distributor, Inc. is the distributor for the Fund.

Not FDIC Insured • No Bank Guarantee • May Lose Value

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