

Alerian Energy Infrastructure ETF

Monthly Insights | December 2021

Key Takeaways

- The Alerian Midstream Energy Select Index (AMEI), ENFR's underlying index, gained 1.66% in December to deliver a total return of 40.75% in 2021.
- The outlook for 2022 remains constructive with free cash flow generation and buybacks continued themes for the space. Additionally, multiple names have guided to dividend growth for 2022.
- Despite strong equity performance in 2021, AMEI offers an attractive yield of 6.43% and is currently trading at a 6.36% discount to its 3-year average EV/EBITDA multiple.

Performance Notes

- AMEI, ENFR's underlying index, gained 1.66% in December on a total-return basis as oil prices and energy sentiment benefited from subsiding Omicron fears. WTI oil prices closed the year with a 55.01% gain after rallying 13.64% in December. Natural gas prices at Henry Hub fell by 18.38% in December amid warmer weather but remained elevated relative to recent years, ending 2021 with a 46.85% gain on strong demand and constrained supply. Petroleum Transportation names led subsector performance with a 3.35% gain in December against the backdrop of rising oil prices. AMEI underperformed the broader energy sector, represented by the Energy Select Sector Index (IXE), which gained 3.08% in December. In 2021, the AMEI Index gained 40.92% on a total-return basis as energy commodities and equities broadly recovered, outperforming the S&P 500 total return of 28.78% but lagging the IXE, which traded more in line with oil prices.

December 2021 Performance

	Dec-21	QTD	YTD	1YR
Alerian Midstream Energy Select Index (AMEI)	1.67%	-0.77%	40.92%	40.92%
Industry Grouping Attribution				
Gathering & Processing	1.66%	1.75%	58.75%	58.75%
Natural Gas Transportation	1.98%	-2.16%	26.78%	26.78%
Petroleum Transportation	3.35%	-1.88%	35.63%	35.63%
Storage	0.14%	-1.35%	31.36%	31.36%
Liquefaction	-3.24%	0.63%	71.15%	71.15%
Energy Select Sector Index (IXE)	3.08%	7.87%	53.43%	53.43%
S&P Oil & Gas E&P Select Index (SPSIOP)	-1.00%	-0.24%	67.58%	67.58%
S&P Oil & Gas Equip Select Index (SPSIOS)	2.81%	-8.99%	12.24%	12.24%
Crude Oil (WTI)	13.64%	0.24%	55.01%	55.01%
Crude Oil (WCS - Western Canadian Select)	32.11%	-0.85%	89.54%	89.54%

Index returns are total returns.

Source: Bloomberg, L.P., as of 12/31/21.

Past performance does not indicate future returns.

Standardized performance on page 3.

Outlook

- Looking ahead to 2022, key themes from 2021 remain intact, namely free cash flow generation and the potential for buybacks as evidenced by the recent announcement of Enbridge's (ENB, 10.25% Weight) \$1.5 billion buyback program and Pembina Pipeline's (PPL, 5.07% Weight) 2022 capital allocation plan (see more below). As of December 31, 2021, over 70% of the AMEI Index by weighting had a buyback authorization in place. In addition to free cash flow generation, improving balance sheets, more normalized yields, and a relatively stable macro environment may support dividend increases in 2022 as exemplified by EnLink's (ENLC, 2.55% Weight) announcement of plans to raise its payout by 20% (see below). For the space broadly, dividend growth is likely to align with the low-to-mid single digit increases announced by Kinder Morgan (KMI, 5.00% Weight), TC Energy (TRP 7.39% Weight), and ENB as shown in the table below. The improvement in commodity prices should support moderate growth in US oil and natural gas production in 2022, which should also bode well for midstream. The space remains well positioned for inflation given real asset exposure and the nature of midstream contracts, which often have built-in inflation adjustments. Overall, a constructive macro environment and company-level tailwinds from solid free cash flow generation should be supportive for midstream in 2022.

Alerian Energy Infrastructure ETF

2022 Dividend Guidance/Announcements

Company Name	Ticker	ENFR Weight	Expected Growth
Kinder Morgan	KMI	4.99%	3%
TC Energy	TRP CN	7.37%	3-5%
Enbridge	ENB CN	10.22%	3%
Hess Midstream Partners	HESM	0.99%	5%
Crestwood Equity Partners	CEQP	0.53%	5%
Enlink Midstream	ENLC	2.55%	20%*

* ENLC announced a 20% dividend increase for its 4Q21 payout.
Source: Alerian, Company Reports as of 12/31/2021.

Constituent News

- TC Energy (TRP CN, 7.39% Weight) held its annual investor day in December, highlighting its long-term growth outlook that includes growing the common dividend by 3-5% and EBITDA growth of 5% on average through 2026.
- Enbridge (ENB CN, 10.25% Weight) provided 2022 guidance consisting of 9% EBITDA growth and a 3% increase to its common dividend. ENB also formally introduced a share repurchase program of up to \$1.5 billion starting in 1Q22.
- Kinder Morgan (KMI, 5.00% Weight) announced its financial expectations for 2022, including 5% EBITDA growth (excluding the one-time storm benefits from 2021), a 3% increase to its common dividend, and up to \$750 million available for opportunistic buybacks.
- Pembina Pipeline (PPL CN, 5.07% Weight) announced 2022 guidance that incorporates 3% EBITDA growth and the expectation to allocate up to \$200 million of excess cash flow to buybacks in 1H22.
- EnLink Midstream (ENLC, 2.55% Weight) announced its intent to raise its quarterly distribution by 20% in 4Q21 and the reset of its repurchase program to \$100 million effective January 1, 2022.

Valuation Update

- AMEI trades at a 6.36% discount to its 3-year average EV/EBITDA ratio.
- The current yield for the AMEI is 57 basis points below its 3-year average.

	AMEI Current Valuations		
	Current	3YR Avg	Delta
Price/Cash Flow (TTM)	4.94x	5.13x	-3.76%
Enterprise Value/EBITDA*	9.64x	10.29x	-6.36%
Yield	6.43%	7.00%	-8.14%
ENFR SEC 30-day Yield	5.90%		

Source: Bloomberg, L.P., and Alerian as of 12/31/21.

Past performance does not indicate future returns.

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

* ETF holdings weights in ENFR are as of 12/31/21.

Alerian Energy Infrastructure ETF

Alerian Energy Infrastructure ETF Performance as of 12/31/2021

Total Returns	Cumulative as of 12/31/2021					Annualized as of 12/31/2021			
	1 Mo.	3 Mo.	6 Mo.	YTD	S.I.	1 Yr.	3 Yr.	5 Yr.	S.I. ¹
Alerian Energy Infrastructure ETF (Net Asset Value)	1.60%	-0.82%	-1.58%	39.60%	8.54%	39.60%	8.59%	0.89%	1.01%
Alerian Energy Infrastructure ETF (Market Price) ²	1.98%	-0.45%	-1.31%	40.19%	9.00%	40.19%	8.79%	0.94%	1.06%
Alerian Midstream Energy Select Total Return Index	1.67%	-0.77%	-1.41%	40.75%	16.61%	40.75%	9.66%	1.81%	1.90%
Alerian MLP Total Return Index	3.56%	0.55%	-5.19%	40.17%	-25.28%	40.17%	2.12%	-2.70%	-3.50%

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 1-866-759-5679 or visit www.alpsfunds.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.

Gross Expense Ratio: **0.35%**

¹ Fund inception date of 10/31/2013.

² 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 (%)^

ENBRIDGE INC	10.25%	KINDER MORGAN INC	5.00%
ENTERPRISE PRODUCTS PARTNERS	8.39%	KEYERA CORP	4.97%
TC ENERGY CORP	7.39%	PLAINS GP HOLDINGS LP-CL A	4.97%
WILLIAMS COS INC	5.12%	TARGA RESOURCES CORP	4.96%
PEMBINA PIPELINE CORP	5.07%	ENERGY TRANSFER LP	4.95%

[^] As of 12/31/21. Holdings are subject to change.

Important Disclosure & Definitions

This must be preceded or accompanied by the [Prospectus](#).

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 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 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

ALR001394 1/31/2023