

# Alerian MLP ETF

Monthly Insights | December 2021

## Key Takeaways

- The Alerian MLP Infrastructure Index (AMZI), the underlying index for AMLP, gained 3.69% in December to close the year with a 40.92% total-return in 2021.
- Stronger balance sheets and robust free cash flow generation in 2022 could support increased return of capital in the form of buybacks and dividend increases.
- The AMZI offers an attractive yield of 7.91% and is currently trading at a 6.79% discount to its 3-year average EV/EBITDA multiple.

## Performance Notes

- The AMZI Index gained 3.69% in December on a total-return basis as easing concerns over the Omicron variant boosted oil prices and energy sentiment. WTI oil prices rallied 13.64% for the month to close the year with a 55.01% gain. Natural gas prices at Henry Hub fell by 18.38% in December amid warmer weather but remained elevated relative to recent years and ended 2021 with a 46.85% gain on strong demand and constrained supply. Gathering and Processing names, which tend to be more sensitive to commodity price moves, led portfolio subsector performance with a gain of 9.48%. The AMZI outperformed the broader energy sector, represented by the Energy Select Sector Index (IXE), which gained 3.08% in December. In 2021, the AMZI 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% for the year but lagging the IXE, which traded more in line with oil prices.

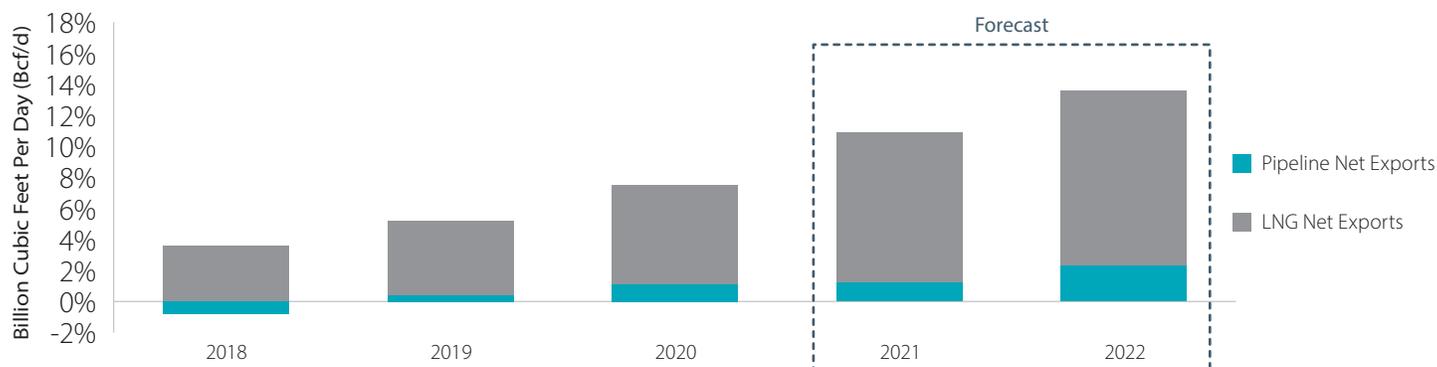
## Outlook

- Looking ahead to 2022, key themes from 2021 remain intact, namely free cash flow generation and the potential for buybacks. As of December 31, 2021, over 70% of the AMZI 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 distribution increases in 2022 as exemplified by EnLink's (ENLC 5.85% Weight) announcement of plans to raise its payout by 20% (see below). For the space broadly, distribution increases are likely to be more moderate. 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 MLPs. The space remains well positioned for inflation given real asset exposure and the nature of midstream contracts, which often have built-in inflation adjustments. A constructive macro environment and company-level tailwinds from solid free cash flow generation should be supportive for MLPs in 2022.

December 2021 Performance				
	Dec-21	QTD	YTD	1YR
Alerian MLP Infrastructure Index (AMZI)	3.69%	0.85%	40.92%	40.92%
Gathering & Processing	9.48%	2.62%	68.97%	68.97%
Natural Gas Transportation	0.23%	-4.88%	28.70%	28.70%
Liquefaction	0.07%	5.48%	27.82%	27.82%
Petroleum Transportation	2.31%	1.87%	34.48%	34.48%
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%

Index returns are total returns.  
 Source: Bloomberg, L.P., as of 12/31/2021  
**Past performance does not indicate future returns.**  
 Standardized performance on page 2.

## Additional Export Capacity and Steady Natural Gas Demand are Expected to Drive LNG Export Growth in 2022



Source: U.S. Energy Information Administration, Short-Term Energy Outlook, December 2021

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## Constituent News

- Enterprise Products Partners (EPD, 10.15% Weight) announced the completion of its Acadian natural gas pipeline expansion to serve the liquified natural gas (LNG) markets in the gulf Coast, adding approximately one billion cubic feet per day (Bcf/d) of transport capacity backed by long-term commitments.
- Cheniere Energy Partners (CQP 4.45% Weight) announced the initial production of LNG at its Sabine Pass Train 6, which is now expected to be fully commissioned in 1Q22 – one year ahead of schedule – to help meet rising global demand for natural gas in 2022.
- Midstream facilitates LNG exports by directly owning liquefaction assets and by operating pipelines that supply export facilities. Growing LNG exports from the US, as shown in the chart above, have provided growth opportunities for midstream companies as demonstrated by the news from EPD and CQP in December.
- EnLink Midstream (ENLC 5.85% 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

- AMZI finished December at a 6.97% discount to its 3-year average EV/EBITDA ratio.
- The current yield for the AMZI is 168 bps below its 3-year average.

\* AMLP holding weights are as of 12/31/21

	AMZI Current Valuations		
	Current	3YR Avg	Delta
Price/Cash Flow (TTM)	4.92x	4.76x	3.32%
Enterprise Value/EBITDA	8.51x	9.13x	-6.79%
Yield	7.91%	9.59%	-17.52%
AMLP SEC 30-day Yield	8.31%		

Source: Bloomberg, L.P., and Alerian as of 12/31/21  
**Past performance does not indicate future returns.**

## AMLP Performance as of 12/31/21

Total Returns	Cumulative as of 12/31/2021				Annualized as of 12/31/2021				
	1 Mo.	3 Mo.	YTD	S.I.	1 Yr.	3 Yr.	5 Yr.	10 Yr.	S.I.
Alerian MLP ETF (Net Asset Value)	3.60%	0.61%	39.49%	3.71%	39.49%	-0.10%	-4.30%	-1.41%	0.32%
Alerian MLP ETF (Market Price)	3.61%	0.64%	39.44%	3.68%	39.44%	-0.07%	-4.27%	-1.42%	0.32%
Alerian MLP Infrastructure Total Return Index	3.69%	0.85%	40.92%	30.09%	40.92%	1.00%	-3.72%	-0.27%	2.34%
Alerian MLP Total Return Index	3.56%	0.55%	40.17%	27.78%	40.17%	2.12%	-2.70%	-0.26%	2.18%

**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 1-866-759-5679 or visiting [www.alpsfunds.com](http://www.alpsfunds.com). The investment return and principal value of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost.**

Inception Date: 8/24/2010

Gross Expense Ratio: **0.90%**

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 (%)^

WESTERN MIDSTREAM PARTNERS LP	10.68%	ENERGY TRANSFER LP	9.36%
ENTERPRISE PRODUCTS PARTNERS	10.15%	PHILLIPS 66 PARTNERS LP	6.67%
MAGELLAN MIDSTREAM PARTNERS	10.08%	DCP MIDSTREAM LP	6.32%
MPLX LP	9.96%	ENLINK MIDSTREAM LLC	5.85%
PLAINS ALL AMER PIPELINE LP	9.72%	CHENIERE ENERGY PARTNERS LP	4.45%

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

## Alerian MLP ETF

### 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 5,000, 25,000 or 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 quoted.*

*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).*

*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 Alerian MLP Infrastructure Index. Similarly, the Fund does not buy a security because the security is deemed attractive unless that security is added to the Alerian MLP Infrastructure Index.*

*The inclusion or exclusion of a company in the Alerian MLP Infrastructure Index is not a recommendation to buy or to sell securities, and not an offer to buy or sell securities.*

*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 Distributor, Inc. is the distributor for the Alerian MLP ETF.*

*ALR001392 1/31/2023*