

# Alerian Energy Infrastructure ETF

Monthly Insights | April 2022

## Key Takeaways

- The Alerian Midstream Energy Select Index (AMEI), ENFR's underlying index, fell -2.18% in April, outperforming the -8.72% decline in the S&P 500, which registered its worst month since March 2020.
- The outlook for midstream income remains constructive. Out of the 25 dividend-paying constituents that have announced their 1Q22 payouts, eight are increasing their dividends sequentially and seventeen are maintaining payouts.
- Even with a total return of 18.88% YTD, the AMEI has an attractive yield of 5.64% and is currently trading at a slight discount to its 3-year average forward enterprise multiple (EV/EBITDA).

## Performance Notes

AMEI, ENFR's underlying index, fell -2.18% in April on a total-return basis as gains in commodity prices and inflation concerns contributed to the outperformance of energy equities relative to the broader market, with the S&P 500 down -8.72% for the month. WTI oil prices continued their upward trend in April, rising 4.40% to end the month just under \$105 per barrel. Natural gas prices saw counter-seasonal strength last month, soaring by 28.39% on colder weather, tight inventories and continued robust demand from liquefied natural gas (LNG) export facilities. Every subsector in the AMEI was down last month, though the Petroleum Transportation grouping had the best performance, down only -1.87%. The AMEI modestly trailed the broader energy sector, represented by the Energy Select Sector Index (IXE), which was down -1.53% in April. Energy equities, including midstream, have strongly outperformed thus far in 2022 as broad market indices saw their worst performance for the first four months of the calendar in over 80 years. Year to date, the AMEI has gained 18.88% on a total-return basis, while the S&P 500 has fallen -12.92%.

## Outlook

April marked the start of 1Q22 earnings season for midstream, with a handful of names reporting 1Q22 results and all but three dividend-paying names in the portfolio announcing their payouts. As shown below, eight constituents, representing 28.05% of the index by weight, announced sequential distribution increases, while seventeen names, representing 55.41% of the index by weight, maintained their dividends. Some of the more notable sequential increases include Plains All American (PAA, 4.66% Weight\*), who raised its quarterly distribution by 20%, and Energy Transfer (ET, 6.45% Weight\*), who raised its distribution by ~14% following a ~15% sequential increase to the 4Q21 payout. The outlook for midstream dividends remains constructive in view of the increased financial flexibility provided by strong free cash flow generation. Kinder Morgan (KMI, 4.89% Weight\*) kicked off earnings season with a solid 1Q22 print that included an earnings before interest, taxes, depreciation and amortization (EBITDA) beat and management expectations for full-year results to be favorable, relative to the budget previously provided. As midstream earnings season continues, investors will be looking for updates on capital allocation, including buyback activity and how companies plan to capitalize on opportunities stemming from the strengthened energy macro backdrop. With inflation and a rising rate environment continuing to weigh on broad equity markets, energy infrastructure companies remain well positioned due to their energy and real asset exposure, as well as their contracts that typically have annual inflation adjustments.

\* Weight in ENFR as of 4/30/2022

## April 2022 Performance

	Apr-22	QTD	YTD	1 Y
Alerian Midstream Energy Select Index (AMEI)	-2.18%	-2.18%	18.88%	30.85%
Industry Grouping Attribution				
Gathering & Processing	-2.09%	-2.09%	21.93%	47.41%
Natural Gas Transportation	-2.16%	-2.16%	15.77%	17.53%
Petroleum Transportation	-1.87%	-1.87%	15.74%	21.92%
Storage	-3.99%	-3.99%	8.80%	20.62%
Liquefaction	-3.08%	-3.08%	40.29%	84.32%
Energy Select Sector Index (IXE)				
S&P Oil & Gas E&P Select Index (SPSIOP)	-2.04%	-2.04%	38.14%	67.66%
S&P Oil & Gas Equip Select Index (SPSIOS)	-6.37%	-6.37%	42.48%	40.03%
Crude Oil (WTI)	4.40%	4.40%	39.20%	64.66%
Crude Oil (WCS - Western Canadian Select)	2.39%	2.39%	45.76%	77.87%

Source: Bloomberg L.P., as of 4/30/2022

**Past performance is no guarantee of future results.**

For standardized performance please see page 2.

Index returns are total returns.

# Alerian Energy Infrastructure ETF

## Constituent News

- Enterprise Products Partners (EPD, 8.26% Weight\*) hosted its analyst day where it highlighted its constructive outlook for natural gas, natural gas liquids (NGL) and petrochemicals. EPD also announced several capital-efficient growth projects leveraging its integrated asset base. Separately, EPD revealed a signed letter of intent with Oxy Low Carbon Ventures to develop a carbon capture and sequestration project on the Texas Gulf Coast.
- TC Energy Corp (TRP CN, 6.89% Weight\*) reported 1Q22 results largely in line with estimates and reaffirmed its 2022 guidance. As previously announced, TRP CN raised its quarterly dividend by ~3% for 1Q22.
- Energy Transfer (ET, 6.45% Weight\*) raised its quarterly distribution by 14.30% to \$0.20 per unit, a 30% distribution increase year-over-year.
- Kinder Morgan (KMI, 4.89% Weight\*) reported 1Q22 results that beat adjusted EBITDA estimates by \$92 million. Management expects 2022 results to compare favorably to its 2022 adjusted EBITDA guidance of \$7.2 billion. KMI also raised its quarterly dividend by 2.77% to \$0.2775 for 1Q22, as was previously announced.
- Plains All American (PAA, 4.66% Weight\*) raised its quarterly distribution by 20% to \$0.2175 per common unit, in line with guidance provided earlier this year. PAA also announced it signed a memorandum of understanding with Atura Power to assess the feasibility of an underground hydrogen storage project in Canada.

## Valuation Update

- At month end, AMEI was trading at a slight discount to its 3-year average EV/EBITDA ratio.
- The current yield for the AMEI is 132 basis points (bps) below its 3-year average.

### AMEI Current Valuations

	Current	3 Year Avg	Delta
Price/Cash Flow (TTM)	5.51x	5.02x	9.72%
Enterprise Value/EBITDA*	10.09x	10.22x	-1.27%
Yield	5.64%	6.96%	-18.97%
ENFR 30-Day SEC Yield	5.47%		

Source: Bloomberg L.P. and Alerian, as of 4/30/2022

**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 4/30/2022

## Alerian Energy Infrastructure ETF (ENFR) Performance

Total Returns	Cumulative as of 4/30/2022				Annualized as of 3/31/2022			
	1 M	3 M	YTD	SI <sup>1</sup>	1 Y	3 Y	5 Y	SI <sup>1</sup>
NAV (Net Asset Value)	-2.21%	9.76%	18.60%	28.73%	40.69%	8.43%	4.35%	3.32%
Market Price	-2.29%	9.75%	18.21%	28.85%	40.78%	8.49%	4.35%	3.34%
Alerian Midstream Energy Select Index - TR	-2.18%	9.92%	18.88%	38.63%	41.72%	9.46%	5.31%	4.23%
Alerian MLP Index - TR	-0.09%	6.88%	18.70%	-11.30%	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](http://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.

<sup>1</sup> Fund inception date: 10/31/2013

Total Operating Expenses: **0.35%**

## Top 10 Holdings

ENBRIDGE INC	9.87%	TARGA RESOURCES CORP	5.27%
ENTERPRISE PRODUCTS PARTNERS	8.26%	PEMBINA PIPELINE CORP	5.17%
TC ENERGY CORP	6.89%	CHENIERE ENERGY INC	5.12%
ENERGY TRANSFER LP	6.45%	KINDER MORGAN INC	4.89%
WILLIAMS COS INC	5.50%	ONEOK INC	4.69%

As of 4/30/2022, subject to change

Daily holdings are available at [www.alpsfunds.com](http://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.

Basis Point (bps): a unit that is equal to 1/100th of 1% and is used to denote the change in a financial instrument.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA): a measure of a company's overall financial performance.

Enterprise Multiple (EV/EBITDA): a ratio used to determine the value of a company by considering the company's debt. The enterprise multiple is the enterprise value (EV) (market capitalization + total debt – cash and cash equivalents) divided by EBITDA (earnings before interest, taxes, depreciation and amortization).

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

ALR001462 5/31/2023