

ALERIAN ENERGY INFRASTRUCTURE ETF (ENFR) MONTHLY INSIGHTS

December 2018

Key Takeaways

- The Alerian Midstream Energy Select Index (AMEI) was down -9.54% in December 2018 on the heels of a weaker WTI Crude price -10.84% related to oversupply fears, but AMEI outperformed other sectors within energy.
- In a surprise move, Alberta, Canada, announced mandatory cuts to its crude production. The production cut was expected to take effect January 1, 2019 and has helped increase the price of WCS (Western Canadian Select) crude.
- 2019 AMEI constituent consensus EBITDA (Earnings Before Interest, Taxes, Depreciation & Amortization) estimates imply healthy 13.31% growth over 2018 per Bloomberg estimates.

Performance Notes

- The AMEI, which is tracked by the Alerian Energy Infrastructure ETF (ENFR), was down for the month of December 2018 as the broader energy sector traded lower on continued crude oversupply fears.
- The AMEI outperformed the broader Energy Sector, as represented by the Energy Select Sector Index -12.52%, the S&P Oil & Gas Exploration & Production Index -18.79%, and the S&P Oil & Gas Equipment Index -23.92%.
- Liquefaction, the conversion of natural gas to a liquid state, held up relatively well during the month as constituent, Cheniere Energy Inc. (LNG; 5.37% of AMEI), loaded and shipped its first LNG (liquefied natural gas) export cargo from its new liquefaction facility in Corpus Christi, Texas.
- The Alberta oil production cut is especially noteworthy as Canada is struggling to add pipeline takeaway capacity with storage at record volumes. Current oil storage is cited by officials at 35 million barrels, well above the historical average of 16 million barrels. The mandatory cuts are an 8.7% reduction in 2019, representing 325,000 barrels per day of crude.
- Also in December 2018, OPEC and its allies, namely Russia, agreed to cut crude production for the first six months of 2019 by 1.2 million barrels per day. Meanwhile, the Energy Information Administration (EIA) expects continued record crude production in the U.S., which is supportive of MLP/midstream fundamentals as volume-driven businesses.

December 2018 Performance			
	Dec-18	QTD	1YR
The Alerian Midstream Energy Select Index (AMEI)	-9.54%	-16.28%	-17.67%
Industry Grouping Attribution			
Other (Liquefaction)	-0.16%	-0.82%	-0.19%
Storage	-0.43%	-0.53%	-1.33%
Pipeline Transportation	-5.17%	-7.85%	-10.36%
Gathering + Processing	-3.77%	-7.08%	-5.90%
Security type Attribution			
MLPs	-1.78%	-4.04%	-4.00%
Canadian Midstream Corporations	-3.23%	-3.44%	-5.87%
US Midstream Corporations	-4.53%	-8.80%	-7.79%
Crude Oil (WTI)	-10.84%	-38.01%	-24.84%
Crude Oil (WCS-Western Canada)	35.25%	-22.66%	-13.83%

Source: Bloomberg, L.P., as of 12/31/2018. **Past performance does not indicate future returns. Standardized performance on page 2.**

WTI - WCS Spread has narrowed as Production Cuts for WCS in Alberta were announced.



Source: Bloomberg as of 12/31/2018

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Constituent News

- Kinder Morgan Inc. (KMI; 7.20% of AMEI) announced 2019 EBITDA guidance that implies 4% annual growth and reiterated prior guidance for a 25% year-over-year dividend increase in 2019. Midstream fundamentals continue to be strong despite the temporary weakness in crude prices. 2019 EBITDA growth for AMEI constituents is expected to be 13.31% based on Bloomberg estimates, with 35 constituents expected to grow their EBITDA and only 5 expected to see their EBITDA decline.
- On December 20, 2018 Enbridge Inc., (ENB; 10.48% of AMEI) completed its acquisition of Spectra Energy Partners LP (SEP). In a separate transaction on December 20, 2018, ENB completed its acquisition of Enbridge Energy Partners LP (EEP). With MLP and midstream consolidations in late innings, uncertainty should subside, and focus should return to underlying fundamentals.
- Tallgrass Energy (TGE; 2.32 % of AMEI) caught a tailwind as Stonepeak Infrastructure Partners, a private equity firm, was reported by Bloomberg on December 19, 2018 to be part of a group considering a bid for TGE. The news sent shares of TGE up 13.68% on the day. Though a transaction has not been confirmed, a major private equity deal could serve as a catalyst for the midstream space.

Valuation Notes

- The AMEI Index continues to trade at a discount to its 3-year averages across the valuation metrics shown.

AMEI Constituent 2019 Estimated EBITDA Growth		
Increasing	Neutral	Decreasing
35	0	5

AMEI Expected 2019 EBITDA Growth **13.31%**

Source: Bloomberg, L.P., as of 12/31/2018.

Past performance does not indicate future returns.

- * EBITDA Growth is a weighted average based on the index weightings as of 12/31/2018 and Bloomberg consensus estimates for FY2018 and FY2019.

AMEI Current Valuations			
	Current	3YR Avg	Delta
Price/Cash Flow (TTM)	5.56x	7.29x	-23.71%
Enterprise Value/EBITDA	11.00x	12.42x	-11.47%
Yield	6.89%	5.61%	22.82%

Source: Bloomberg, L.P., as of 12/31/2018.

Past performance does not guarantee future results. Current performance may be higher or lower than actual data quoted.

Alerian Energy Infrastructure ETF Performance as of 12/31/2018

Total Returns	1 Month	3 Month	YTD	1 Year ¹	3 Year ¹	5 Year ¹	Since Inception ¹
Alerian Energy Infrastructure ETF (Net Asset Value)	-9.54%	-16.45%	-18.29%	-18.29%	5.04%	-3.92%	-3.15%
Alerian Energy Infrastructure ETF (Market Price) ²	-9.55%	-16.84%	-18.38%	-18.38%	5.02%	-3.98%	-3.17%
Alerian Midstream Energy Select Index	-9.54%	-16.29%	-17.67%	-17.67%	5.99%	-3.14%	-2.35%
S&P 500® Total Return Index	-9.03%	-13.52%	-4.38%	-4.38%	9.26%	8.49%	9.37%

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. 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: **0.85%**

Fund inception date of 11/01/2013

¹ Annualized.

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.

As of June 29, 2018, the benchmark for the Fund changed from the Alerian Energy Infrastructure Index (AMEI) to the Alerian Midstream Energy Select Index (AMEI).



ALERIAN ENERGY INFRASTRUCTURE ETF (ENFR) MONTHLY INSIGHTS

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Top 10 Holdings[^]

ENBRIDGE INC	10.48
TRANSCANADA CORP	7.86
ENTERPRISE PRODUCTS PARTNERS	7.36
KINDER MORGAN INC	7.20
WILLIAMS COS INC	6.16
ENERGY TRANSFER LP	5.98
CHENIERE ENERGY INC	5.37
ONEOK INC	5.10
PLAINS GP HOLDINGS LP-CL A	5.03
PEMBINA PIPELINE CORP	4.88

[^] As of 12/31/2018, Source: Bloomberg
Holdings subject to change.

Important Disclosures & Definitions

An investor should consider investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus, which contains this and other information, call 1.877.398.8461 or visit 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.

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 Master Limited 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 of 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

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