

# ALERIAN ENERGY INFRASTRUCTURE ETF (ENFR) MONTHLY INSIGHTS

January 2019

## Key Takeaways

- The Alerian Midstream Energy Select Index (AMEI) was up 16.06% in January 2019 as WTI Crude and WCS Crude were both up for the month, 18.45% and 49.33% respectively.
- Western Canadian Select (WCS) crude gained on WTI as the spread narrowed to \$9.50/bbl as of 1/31/19, from a 3 year peak of \$50/bbl in October 2018.
- Over the one-year time horizon C-Corps held within the AMEI Index have outperformed their MLP counterparts.

## Performance Notes

- ENFR, the Alerian Energy Infrastructure ETF that tracks the AMEI, was up 16.06% for the month of January 2019 as the broader energy sector traded higher on rising oil prices supported by crude oil production cuts from OPEC and its partners.
- The Alerian Midstream Energy Select Index (AMEI) outperformed the broader Energy Sector, as represented by the Energy Select Sector Index (IXE; 11.27%) and the S&P Oil & Gas Exploration & Production Index (XOP; 15.11%); however, it trailed the S&P Oil & Gas Equipment Index (XES; 21.65%).
- Pipeline Transportation names led the way, up 9.69% for the month. The production cuts from Alberta effective January 1, 2019, OPEC production cuts, and Venezuelan crude sanctions have helped bolster prices for WTI and WCS.

January 2019 Performance		
	Jan-19	1YR
<b>The Alerian Midstream Energy Select Index (AMEI)</b>	16.06%	-4.83%
Industry Grouping Attribution		
Other (Liquefaction)	0.79%	0.50%
Storage	0.52%	-1.10%
Pipeline Transportation	9.69%	-1.90%
Gathering + Processing	5.06%	-2.78%
Security type Attribution		
MLPs	3.09%	-2.69%
Canadian Midstream Corporations	5.44%	-0.29%
US Midstream Corporations	7.53%	-1.84%
<b>Crude Oil (WTI)</b>	18.45%	-16.90%
<b>Crude Oil (WCS-Western Canada)</b>	49.33%	23.96%

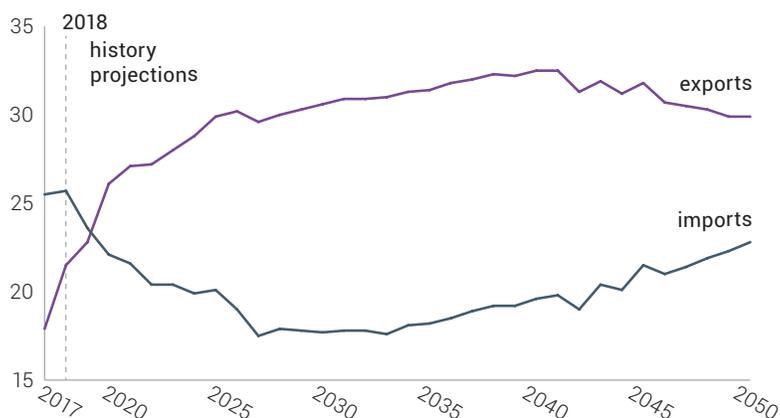
Source: Bloomberg, L.P., as of 1/31/2019.

**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](http://www.alpsfunds.com). The investment return and principal value and investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Standardized performance on page 2.**

- In the U.S. Energy Information Administration's (EIA) Annual Energy Outlook 2019, the EIA expects the U.S. to become a net energy exporter by 2020. Significant increases in crude oil, natural gas, and natural gas liquids (NGL) production, combined with more moderate growth in U.S. energy consumption, will shift the U.S. from a net importer to net exporter of energy. This dynamic supports the continued build out of midstream energy infrastructure.
- In 2019 and 2020, the EIA forecasts average U.S. crude oil production will increase to 12.1 million barrels per day (MMBpd) and 12.9 MMBpd, respectively, up from 10.9 MMBpd in 2018. Oil production growth may be slowing from the record 1.6 MMBpd increase seen in 2018 but remains robust and continues to support midstream growth opportunities.

## Gross Energy Trade (Reference Case)

quadrillion British thermal units  
2019-2050 EIA Projections



Source: U.S. Energy Information Administration, Annual Energy Outlook 2019, released 01/24/2019. Units are in BTU's, British Thermal Units.

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**ENFR**  
Alerian Energy Infrastructure ETF

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## Constituent News

- Kinder Morgan Inc.'s (KMI; 6.85% of AMEI) Investor day was held on the 23rd of January. Of note from the presentation was the positive downward trend in leverage metrics since 2016 and \$3.9 billion project backlog for 2019-2022. Earlier in the week KMI announced a joint venture with Tallgrass Energy (TGE; 2.42% of AMEI) to increase crude takeaway capacity from Wyoming and Colorado to Cushing.
- Over the last year, C-Corps in the AMEI Index have outperformed their MLP counterparts in the index based on price performance. However, MLPs typically pay a higher yield than their C-Corp counterparts.
- Enterprise Products Partners (EPD; 7.76% in AMEI) announced a \$2 billion multi-year common unit buyback program with its solid 4Q18 results. Strong credit metrics and self-funding equity has put EPD in a better position to return cash to unitholders, with management noting investor preference for buybacks over distribution growth.

## C-Corp vs. MLP performance, as of 1/31/2019



Source: Bloomberg as of 1/31/2019.

### Past performance does not indicate future returns.

\* Performance is calculated using current C-Corp and MLP constituents in the AMEI Index on a price performance basis.

## Valuation Notes

- The AMEI's Current Yield moved closer to its 3-year average after the strong return posted in January.
- On a Price-to-Cash-Flow and Enterprise Value-to-EBITDA basis, the AMEI continues to trade at a discount to its 3-year historical averages.

## AMEI Current Valuations

	Current	3YR Avg	Delta
Price/Cash Flow	6.36x	7.33x	-13.24%
Enterprise Value/EBITDA	10.50x	12.40x	-15.29%
Yield	6.18%	5.60%	10.36%

Source: Bloomberg, L.P., as of 1/31/2019.

### Past performance does not guarantee future results.

## Alerian Energy Infrastructure ETF Performance as of 1/31/2019

	Cumulative as of 1/31/2019				Annualized as of 12/31/2018			
	1 Mo.	3 Mo.	YTD	S.I.	1 Yr.	3 Yr.	5 Yr.	S.I.
Alerian Energy Infrastructure ETF (Net Asset Value)	15.87%	4.71%	15.87%	-1.80%	-18.29%	5.04%	-3.92%	-3.15%
Alerian Energy Infrastructure ETF (Market Price)	15.67%	4.05%	15.67%	-2.07%	-18.38%	5.02%	-3.98%	-3.17%
Alerian Midstream Energy Select Index	16.06%	4.90%	16.06%	2.64%	-17.67%	5.99%	-3.14%	-2.35%

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**Gross Expense Ratio: 0.85%**

Fund inception date of 11/01/2013

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).



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## Top 10 Holdings<sup>^</sup>

ENBRIDGE INC	9.97
TRANSCANADA CORP	7.79
ENTERPRISE PRODUCTS PARTNERS	7.76
KINDER MORGAN INC	6.85
WILLIAMS COS INC	6.25
ENERGY TRANSFER LP	6.24
CHENIERE ENERGY INC	5.23
ONEOK INC	5.07
PLAINS GP HOLDINGS LP-CL A	5.05
PEMBINA PIPELINE CORP	5.04

<sup>^</sup> As of 1/31/2019, 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](http://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 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

ALR000820 2/28/2020

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