

ALPS Electrification Infrastructure ETF

Ticker: ELFY



White Paper | 2025

Investing for the Electrification of the United States

The US has now reached an inflection point where immediate and prolonged investment in electrification is required to maintain global economic and technological leadership, creating a multi-decade opportunity for investors.

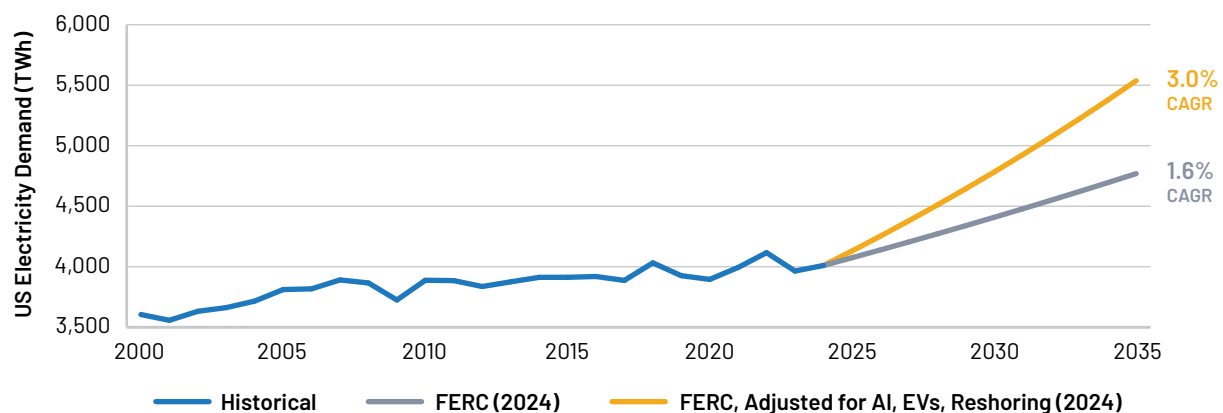
Soaring US Power Demand

Total US electricity sales growth has been muted over the past 20 years, growing at an annualized 0.4%, but electricity demand, driven by rapidly advancing technology, commercial efficiency, and regulatory requirements, is beginning to surge.⁽¹⁾ US electricity demand is expected to grow in excess of 8% through 2029,⁽²⁾ far above expected GDP growth, due to a variety of fundamental tailwinds including:

- Artificial intelligence (AI)/data center development
- Evolving national security concerns
- The energy transition of conventional fossil fuels to renewable technologies
- Expanding electric vehicle infrastructure
- Manufacturing reshoring

Notably, the last time electricity demand grew at a rate equal to or greater than GDP growth was in the 1930-40s and 1960s, aided by technological advances in refrigeration and air conditioning. New-age advancements pose a fresh wave of challenges for US electricity generation imbalances and underinvested grid infrastructure, exemplified by energy-intensive data centers which are expected to consume 11-15% of total US electricity generation by 2030, a sharp increase from 6-8% total consumption today.⁽³⁾

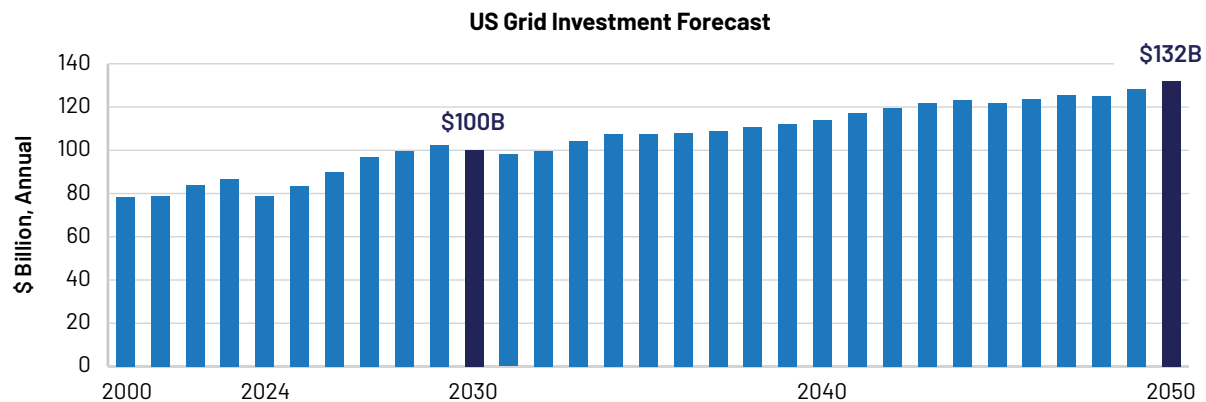
Forecasted US Electricity Demand (TWh)



Sources: BloombergNEF (historical data) and GridStrategies⁽²⁾
Data references Federal Energy Regulatory Commission (FERC) implied growth rates as of 12/31/2024.
"TWh" refers to terawatt hour. "EVs" refer to electric vehicles. "CAGR" refers to Compound Annual Growth Rate.

US Infrastructure and Grid Investment Expected to Rise

Meeting unprecedented electricity demand and improving energy efficiency in the US will require significant new investments in the electric power sector and grid infrastructure. The expansion of AI-driven data centers, efficient industrial manufacturing facilities, and an ongoing shift to electrified transportation necessitates substantial investments in grid infrastructure and electricity generation capacity, with annual grid investment forecasted to reach US\$100 billion in the US by 2030.⁽⁴⁾ This will require record amounts of capital expenditures (CapEx) from utility and power generators to close a growing power supply gap and increase generation capacity. The next-century infrastructure will embrace the evolution of energy technology across nuclear, wind, solar, and natural gas while modernizing the national transmission grid to align with secular US initiatives and maintaining the highest global standards of reliability, safety, and security.



Source: BloombergNEF Economic Transition Scenario, base case, as of 10/28/2024

An Opportunistic Environment

The US remains at the early stages of this industry transformation with long-term investment opportunities appearing throughout infrastructure and power ecosystems. Considerable public and private investment are expected to drive earnings growth and higher levels of CapEx, where the projected increase in electricity demand is supported by unprecedented private and government spending. Broadly, cyclical sectors are poised to benefit from “The Electrification of Everything” with specific industries positioned to benefit:

- Merchant generators
- Electric and gas utilities
- Developers of new power plant technologies
- Power plant engineering and construction
- Equipment suppliers
- Electrical contractors
- Midstream energy suppliers

In our view, now may be an advantageous time for some investors, given their suitability requirements, to gain exposure to electrification infrastructure. A modernized and enhanced grid infrastructure, capable of supporting several types of energy sources, will be necessary to meet surging energy demand. These and other fundamental tailwinds may make for a compelling investment opportunity for some investors. With a diverse set of beneficiaries, a portfolio of complementary exposures to this theme may allow for effective growth through compounding returns over the long term without the challenge of concentration that is common in parts of the equity market today.

⁽¹⁾ US Energy Information Administration (EIA). (February 2025). Monthly Energy Review. EIA.

⁽²⁾ Wilson, J., Zimmerman, Z., & Gramlich, R. (December 2024). Strategic Industries Surging: Driving US Power Demand. GridStrategies.

⁽³⁾ Keefe, T., Hardin, K., & Nagdeo, J. (December 2024). 2025 Power and Utilities Industry Outlook. Deloitte.

⁽⁴⁾ BloombergNEF. (October 2024). North America Grid Investment, Net Zero Scenario. BloombergNEF.

Definitions

Capital Expenditures (CapEx): refers to investments in physical assets such as plant and machinery.

Compound Annual Growth Rate (CAGR): the mean annual growth rate of an investment or asset over a specified period of time longer than one year.

Reshoring: the practice of transferring a business operation that was moved overseas back to the country from which it was originally relocated.

Tailwind: a certain situation or condition that may lead to higher profits, revenue or growth.

Important Disclosures

An investor should consider the investment objectives, risks, charges and expenses carefully before investing. To obtain a prospectus containing this and other information, call 1-866-759-5679 or visit www.alpsfunds.com. Read the prospectus carefully before investing.

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemable.

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.

The Fund is new and has limited operating history.

The Fund invests in companies that are involved in conventional and alternative electricity generation, transmission, and distribution and technological solutions, as well as the development of grid infrastructure and smart grid technologies. General risks include the general state of the economy, intense competition, consolidation, domestic and international politics and excess capacity.

The Fund seeks to track the underlying index, which itself may have concentration in certain regions, economies, countries, markets, industries or sectors. Underperformance or increased risk in such concentrated areas may result in underperformance or increased risk in the Fund.

The Fund may be subject to risks relating to its investment in Canadian securities. Investments in securities of Canadian issuers involve risks and special considerations not typically associated with investments in the US securities markets and can make investments in the Fund more volatile and potentially less liquid than other types of investments.

Investing in securities of medium capitalization companies involves greater risk than customarily is associated with investing in larger, more established companies. The large capitalization companies in which the Fund invests may underperform other segments of the equity market or the equity market as a whole.

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.

ALPS Advisors, Inc., registered investment adviser with the SEC, is the investment adviser to the Fund. ALPS Advisors, Inc. and ALPS Portfolio Solutions Distributor, Inc., affiliated entities, are unaffiliated with Osaic Holdings, Inc. and its subsidiaries (including Ladenburg Thalmann Index, LLC).

ALPS Portfolio Solutions Distributor, Inc. is the distributor for the Fund.

Not FDIC Insured • No Bank Guarantee • May Lose Value

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