Global Infrastructure Index

The **Global Infrastructure Index** seeks to provide focused exposure to infrastructure companies by analysing the actual sources of corporate cash flows rather than high-level industry classifications.

Based on a proprietary methodology, this Index uses a dynamic process that re-weights between more growth-sensitive sectors and defensive sectors according to prevailing economic conditions.

The Global Infrastructure Index methodology includes:

1. **Infrastructure Filter**: The MSCI ACWI All-Cap Index is filtered to include companies within 13 GICS infrastructure sub-industries.

2. **Liquidity Filter**: Companies are screened for a minimum of $500M market capitalisation and 1-year average daily value traded of $2M.

3. **Exposure Score**: Leverages publicly available financial data to score exposure to infrastructure and utilities — including only companies that meet our criteria for infrastructure exposure, quality and focus.

4. **Dividend Yield and Cash Flow Yield Rank**: Companies are ranked from highest to lowest dividend yield and cash flow yield. Lower-yielding companies are removed, and highest cash flow companies are added back after being screened for dividends.

5. **Index Weighting**: Weighting determined quarterly by market capitalisation and free float (shares publicly available for trading), exposure score, price volatility and region.

6. **Sector Weighting**: On a quarterly basis, the OECD G7 Leading Economic Indicators Index ("LEI Index") is used to establish weight between economically sensitive sectors and more regulated/defensive sectors. Exposure caps and minimums are put in place.

7. **Security Weighting**: The Index's securities are **reconstituted** and **rebalanced quarterly**.

Performance (as at 31 July 2021)

	1 Month	3 Months	1 Year	3 Year	Since Inception*
Global Infrastructure Index (USD, Net Returns)	1.2	0.0	16.4	6.4	6.7
S&P Global Infrastructure Index (USD, Net Returns)	0.9	-0.4	19.8	4.4	5.1

Internal calculations for the Global Infrastructure Index. All index data sourced from FactSet. Results over one year annualised.

* Inception date of the Global Infrastructure Index is 10 July 2006. Note returns series is backtested from 10 July 2006 to 28 December 2016. The Index went live on 29 December 2016.

Past performance is not indicative of future performance.

Monthly Highlights

❖ During the month, the Global Infrastructure Index (USD) returned +1.2%, outperforming the S&P Global Infrastructure Index (USD) by 30 bps. The reason for the outperformance is the Global Infrastructure Index's relative underweight to European Airports and North American Oil and Gas Transportation and Storage.

❖ At the end of the June quarter, the Index mix was allocated as 40% utilities and 60% economically-sensitive assets. Due to market performance,regional and market cap scaling, the mix is now 54% utilities and 46% economically-sensitive assets.

Top Contributors to Monthly Performance[1]

1. **Canadian National Railway, a Canadian rail operator (+0.18%)**
Canadian National Railway (CNR) is the largest listed railroad in Canada. CNR's network is highly extensive, spanning over 20,000 miles across Canada, the United States and into the Gulf of Mexico. CNR is currently in the midst of an attempted takeover of Kansas City Southern. In July, the probability of this takeover declined following Biden's Executive Order discouraging M&A amongst railroads. CNR shares responded favorably to this announcement as shareholders felt their office price was higher than desired and cash would be best used elsewhere in the short to medium term.

2. **Duke Energy, a U.S. electric utility (+0.14%)**
Duke Energy (DUK) is among the largest electric power companies in the U.S., serving approximately 7.2 million customers in the Carolinas, the Midwest, and Florida, as well as natural gas distribution services in Ohio and Kentucky. The utility sector performed well in July as defensive sectors outperformed as Delta variant COVID cases started to accelerate.

3. **E.ON SE, a German electric utility (+0.09%)**
E.ON SE is a European electric utility company based in Essen, Germany. It runs one of the world's largest investor-owned electric utility service providers. The share price of E.ON rose on the back of a sharp decline in the German bond yield, along with the announced draft return for networks in the next period by the regulator, improving the visibility.

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[1] All returns are in local currency.

Detractors from Monthly Performance[2]

1. **Norfolk Southern, a U.S. rail operator (-0.14%)**

    Norfolk Southern (NSC) is one of the five leading North American rail companies, engaged in the transportation of rail freight in the Southeast, East and Midwest U.S. via interchange with other rail carriers, to and from the rest of the U.S. and Canada. In the midst of the M&A buzz in the railroad sector, NSC were considered a potential takeover target and attracted a slight premium. However, following Biden's Executive Order discouraging M&A amongst railroads, the chances of this happening look far slimmer causing a slight pull back in share prices.

2. **Kansas City Southern, a U.S. rail operator (-0.09%)**

    Kansas City Southern (KSU) owns and operates railroads which span across Mexico and the Southern U.S. states. The company's signature asset is their Laredo border crossing which is often considered the best border crossing for freight traffic coming in and out of the U.S./Mexico. KSU currently have a $325 takeover offer from Canadian National. Following Biden's Executive Order discouraging M&A amongst railroads, the chances of this deal receiving regulatory approval diminished causing some weakness in KSU shares.

3. **Transurban, an Australian toll road operator (-0.08%)**

    Transurban owns a suite of intra-urban toll road assets that dominate the Australian toll road network in the three state capital cities on the eastern seaboard. Additionally, they have several toll roads in North America, predominantly the Washington DC area of Virginia, U.S.A. Transurban's share price declined during July over concerns on traffic as both Sydney and Melbourne entered lockdowns as a result of the COVID Delta variants.

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[2] All returns are in local currency.

Portfolio Composition

Sector Breakdown
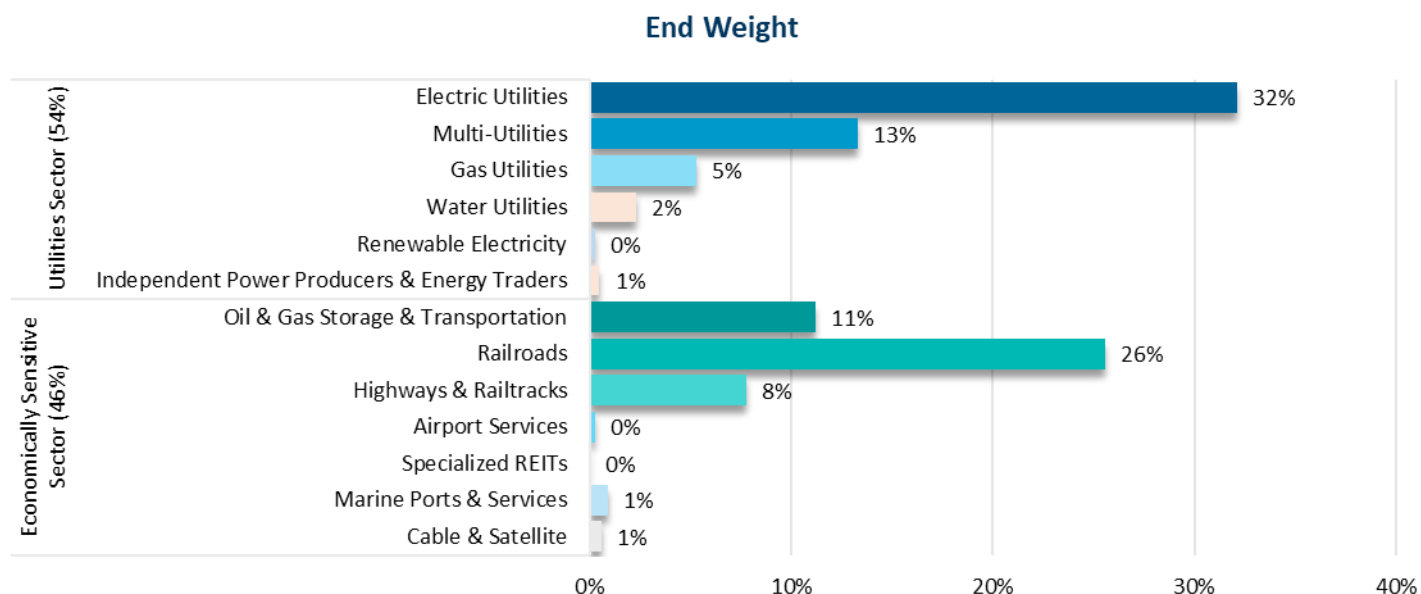
End Weight

Sector	Subsector	End Weight
Utilities Sector (54%)	Electric Utilities	32%
	Multi-Utilities	13%
	Gas Utilities	5%
	Water Utilities	2%
	Renewable Electricity	0%
	Independent Power Producers & Energy Traders	1%
Economically Sensitive Sector (46%)	Oil & Gas Storage & Transportation	11%
	Railroads	26%
	Highways & Railtracks	8%
	Airport Services	0%
	Specialized REITs	0%
	Marine Ports & Services	1%
	Cable & Satellite	1%

Internal calculations for the Global Infrastructure Index. All index data sourced from FactSet. Data as at 31 July 2021.

Regional Breakdown

Regional Exposure	End Weight (%)
North America	50%
Europe	29%
Asia Pacific	14%
Emerging Markets	6%

Internal calculations for the Global Infrastructure Index. All index data sourced from FactSet. Data as as 31 July 2021.

Top 10 Holdings

Stock Name	GICS Sector	Region	End Weight (%)
Canadian National Railway	Railroads	North America	5.1%
Union Pacific	Railroads	North America	5.0%
Iberdrola	Electric Utilities	Europe	4.9%
Transurban	Highways & Railtracks	Asia Pacific	4.9%
Enel SpA	Electric Utilities	Europe	4.8%
Enbridge	Oil & Gas Storage & Transportation	North America	4.6%
Canadian Pacific	Railroads	North America	4.3%
CSX Corporation	Railroads	North America	4.3%
National Grid	Multi-Utilities	Europe	3.9%
Norfolk Southern	Railroads	North America	3.7%
Top 10 Exposure			**45.6%**

Internal calculations for the Global Infrastructure Index. All index data sourced from FactSet. Data as at 31 July 2021.

Important Information

ClearBridge
Investments