Global Infrastructure Index

QUARTERLY COMMENTARY | DECEMBER 2021

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 December 2021)

	1 Month	3 Months	1 Year	3 Year	Since Inception*
Global Infrastructure Index (USD, Net Returns)	6.1	9.5	11.7	10.3	6.9
S&P Global Infrastructure Index (USD, Net Returns)	6.6	4.4	11.0	9.3	5.3

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.

Quarterly Highlights

- During the quarter, the Global Infrastructure Index (USD) returned +9.5%, outperforming the S&P Global Infrastructure Index (USD) by 510 bps. The reason for the outperformance is the Global Infrastructure Index's relative overweight North American Rail and European Electric Utilities.

- After adjusting for market cap, regional constraints and share price movements, the current sector allocation is 60% utilities and 40% economically-sensitive assets.

Top Contributors to Quarterly Performance[1]

1. **Union Pacific, a U.S. rail operator (+1.44%)**
   Union Pacific is the largest listed railroad company in North America. Union Pacific performed well during the quarter after the company beat market expectations on their third-quarter results. The beat was largely driven by strong pricing, which could be hitting record highs, and healthy commodity/coal volume driven by the current energy crisis.

2. **CSX Corporation, a U.S. rail operator (+1.01%)**
   CSX is one of five leading North American rail companies, with over 21,000 miles of rail, covering 23 states and 40+ ports. CSX is engaged in the transportation of rail freight in the Southeast, East and Midwest via interchange with other rail carriers, to and from the rest of the U.S. and Canada. CSX performed well during the quarter after the company beat market expectations on their third-quarter results. The beat was largely driven by strong pricing, which could be hitting record highs, and healthy commodity/coal volume driven by the current energy crisis.

3. **National Grid, a U.K. electric utility (+0.93%)**
   National Grid is one of the world's largest publicly owned utilities, focused on transmission and distribution activities in electricity and gas. National Grid performed strongly during the quarter as the business continued to de-risk following prior regulatory decisions and significant M&A. The company also benefited from falling real rates, a solid set of half-year results and strong Investor Day presentations.

4. **Iberdrola, a Spanish electric utility (+0.93%)**
   Iberdrola is a multinational integrated electric utility company headquartered in Spain. Iberdrola is engaged in energy networks, renewables and wholesale and retail operations. The company has expanded internationally with operations in the U.K. (via Scottish Power), the U.S. (via Avangrid), Brazil (via Neoenergia) and Mexico. The share price rallied as political risks receded after the gas clawback measures proposed by the Spanish government in September scaled back significantly.

[1] All returns are in local currency.

5. **Norfolk Southern, a U.S. rail operator (+0.84%)**
   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. Norfolk Southern performed well during the quarter after delivering strong third-quarter results. The beat was largely driven by strong pricing, which could be hitting record highs, and healthy commodity/coal volume driven by the current energy crisis.

Detractors from Quarterly Performance[2]

1. **Aurizon, an Australian rail operator (-0.12%)**
   Aurizon is Australia's largest rail freight operator with operations across coal, iron ore and other minerals as well as agricultural and general freight. Aurizon also owns and operates the Central Queensland Coal Network, the largest coal export rail network in the Southern Hemisphere. Aurizon's share price declined during the quarter following concerns on the announcement of a transaction aimed at increasing exposure to bulk goods, away from coal, however the transaction required divestment of approximately three-fifths of the acquired EBITDA, transferring divestment risk to equity.

2. **Royal Vopak, a German infrastructure company (-0.09%)**
   Royal Vopak is an independent tank terminal operator. The company provides conditioned storage facilities for bulk liquids such as oil products, gaseous chemicals, petrochemicals, biofuels and vegetable oils. Vopak's underperformance is attributable to falling returns, and more recently, with oil forward curves in backwardation leading to lower occupancy rates.

3. **Transurban, an Autralian toll road operator (-0.07%)**
   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. The share price declined owing to the fact Transurban has had minimum toll increases on a number of roads combined with increases of government bond rate (and hence discount rates), resulting in a reduction in valuation.

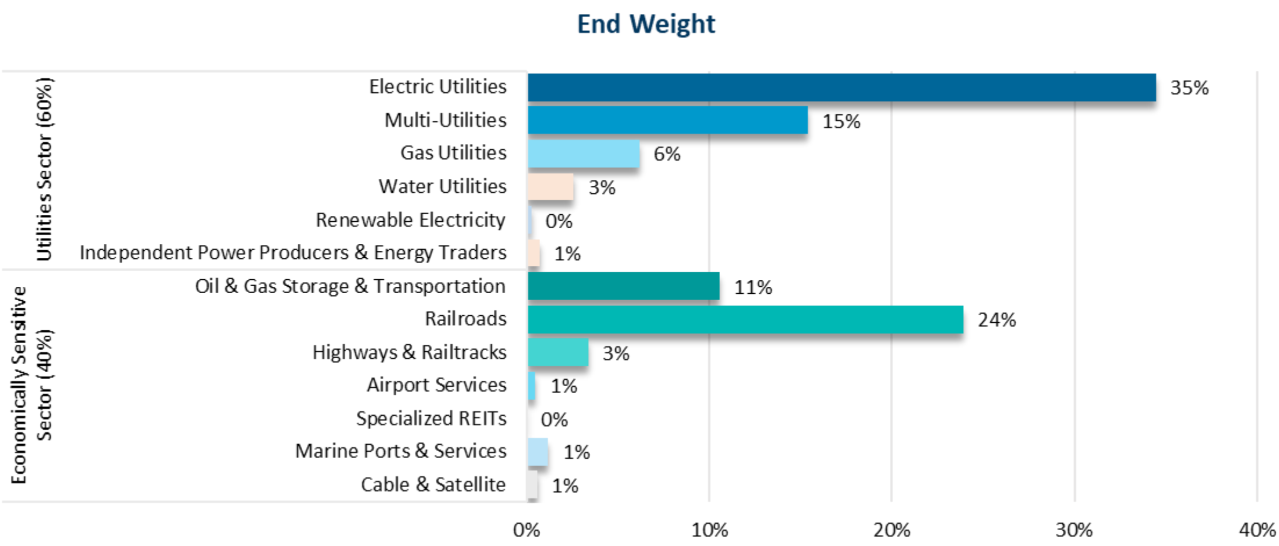
4. **Kinder Morgan, a U.S. energy infrastructure company (-0.05%)**
   Kinder Morgan (KMI) is a North American energy infrastructure company. KMI's key assets include natural gas pipelines, oil pipelines and terminals. The share price of Kinder Morgan was weaker with the broader midstream and energy sector, as the emergence of the Omicron variant caused concerns around further lockdowns and slowing of economic growth, which in turn has a read-through for energy consumption.

5. **Shenzhen International Holdings, a Chinese toll road operator (-0.05%)**
   Shenzhen International Holdings engages in providing logistic park warehousing facilities and transportation ancillary services. It operates the toll road business mainly through its subsidiary H/A-share-listed Shenzhen Expressway. It also holds a 49% stake in A-share-listed Shenzhen Airlines. Aside from developing logistics hub projects, SZI is also expanding its property investments. The share price of Shenzhen International fell due to an increase in COVID cases during the winter, causing weakness in traffic in its expressway and airline subsidiaries, while the Evergrande crisis and property market slowdown also triggered concerns for SZI's property exposure.

[2] All returns are in local currency.

Portfolio Composition

Sector Breakdown



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

Regional Breakdown

Regional Exposure	End Weight (%)
North America	47%
Europe	35%
Asia Pacific	10%
Emerging Markets	7%

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Top 10 Holdings

Stock Name	GICS Sector	Region	End Weight (%)
Union Pacific	Railroads	North America	6.0%
Iberdrola	Electric Utilities	Europe	5.5%
Canadian National Railway	Railroads	North America	5.0%
National Grid	Multi-Utilities	Europe	5.0%
Enel SpA	Electric Utilities	Europe	4.7%
Enbridge	Oil & Gas Storage & Transportation	North America	4.6%
CSX Corporation	Railroads	North America	4.2%
Norfolk Southern	Railroads	North America	3.6%
Canadian Pacific	Railroads	North America	3.5%
TC Energy	Oil & Gas Storage & Transportation	North America	2.2%
Top 10 Exposure			**44.3%**

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