

Global Infrastructure Index

MONTHLY COMMENTARY | OCTOBER 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 October 2021)

	1 Month	3 Months	1 Year	3 Year	Since Inception*
Global Infrastructure Index (USD, Net Returns)	7.6	3.2	24.0	9.9	6.8
S&P Global Infrastructure Index (USD, Net Returns)	3.6	4.0	27.9	8.5	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.

Monthly Highlights

- ❖ During the month, the Global Infrastructure Index (USD) returned +7.6%, outperforming the S&P Global Infrastructure Index (USD) by 400 bps. The reason for the outperformance is the Global Infrastructure Index's relative overweight North American Rail and European Electric Utilities.
- ❖ At the end of the September 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 58% utilities and 42% economically-sensitive assets.

Top Contributors to Monthly Performance¹

1. Union Pacific, a U.S. rail operator (+1.12%)

Union Pacific (UNP) is the largest listed railroad company in North America. Union Pacific performed well in October after the company beat market expectations on their third-quarter results. This was largely propelled by strong pricing and healthy commodity/coal volume driven by the current energy crisis. Furthermore, the fear of rising corporate tax rates, which would have affected railroads, seems to have dissipated with Biden turning his attention to other sources of funding.

2. Iberdrola, a Spanish electric utility (+0.81%)

Iberdrola (IBE) is a multinational integrated electric utility company headquartered in Spain. IBE is engaged in energy networks, renewables, and wholesale and retail operations. IBE has expanded internationally with operations in the U.K. (via Scottish Power), the U.S. (via Avangrid), Brazil (via Neoenergia), and Mexico. Iberdrola's share price rallied during the month due to as political risks receded after the gas clawback measures introduced in September were scaled back significantly.

3. CSX, a U.S. rail operator (+0.80%)

CSX is one of the 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 in October after the company beat market expectations on their third-quarter results. This was largely propelled by strong pricing and healthy commodity/coal volume driven by the current energy crisis. Furthermore, the fear of rising corporate tax rates, which would have affected railroads, seems to have dissipated with Biden turning his attention to other sources of funding.

¹ All returns are in local currency.

Detractors from Monthly Performance²

1. Aurizon, an Australian rail operator (-0.16%)

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 October as the market was not supportive of their acquisition of One Rail, intended to increase the share of bulk haulage (away from coal), but also involves the divestment of ~three fifths of the EBITDA purchased within the One Rail business, exposing equity to this divestment risk.

2. Transurban, an Australian toll road operator (-0.06%)

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 of Transurban declined during October on the back of concerns around rising inflation and bond rates.

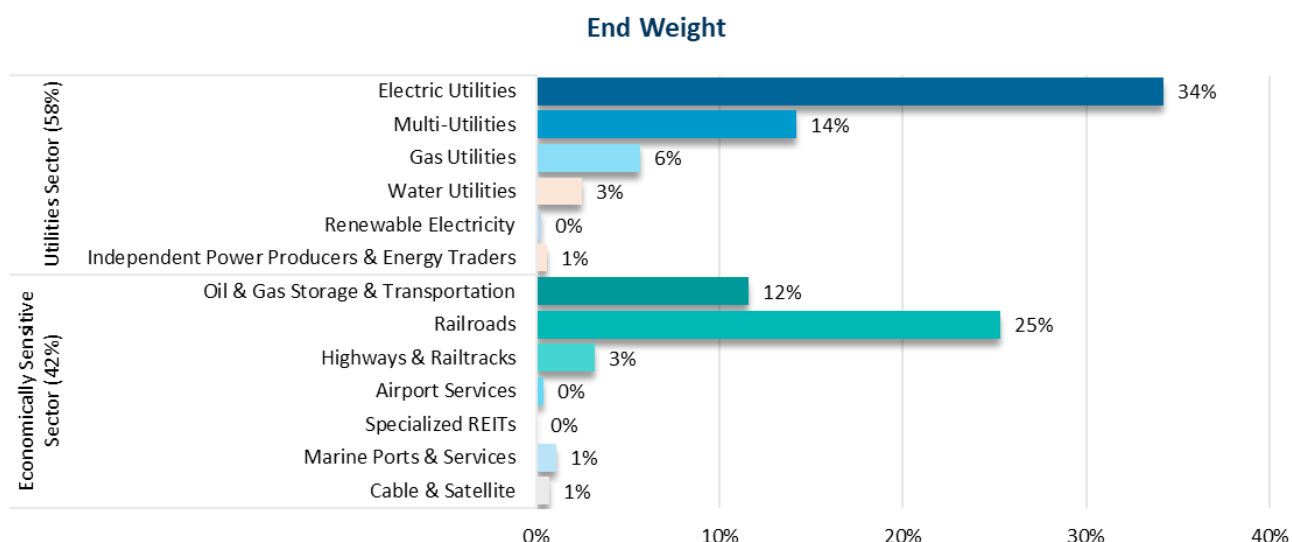
3. Chubu Electric Power, a Japanese electric utility (-0.06%)

Chubu Electric Power Company is a Japanese electric utility in the Chubu region of the Honshu island of Japan. The share price of Chubu Electric Power declined with general Japanese market risk and concerns around energy market reform.

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 October 2021.

Regional Breakdown

Regional Exposure	End Weight (%)
North America	48%
Europe	34%
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	5.7%
Iberdrola	Electric Utilities	Europe	5.5%
Canadian National Railway	Railroads	North America	5.3%
Enel SpA	Electric Utilities	Europe	4.9%
Enbridge	Oil & Gas Storage & Transportation	North America	4.9%
National Grid	Multi-Utilities	Europe	4.4%
CSX Corporation	Railroads	North America	4.0%
Canadian Pacific	Railroads	North America	3.8%
Norfolk Southern	Railroads	North America	3.5%
TC Energy	Oil & Gas Storage & Transportation	North America	2.6%
Top 10 Exposure			44.6%

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

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