

# Global Infrastructure Index

MONTHLY COMMENTARY | JANUARY 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 January 2021)

	1 Month	3 Months	1 Year	3 Year	Since Inception*
Global Infrastructure Index (USD, Net Returns)	-2.0	10.7	-7.9	3.5	6.3
S&P Global Infrastructure Index (USD, Net Returns)	-2.2	13.6	-9.9	0.7	4.7

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 January, the Global Infrastructure Index (USD) returned -2.0%, outperforming the S&P Global Infrastructure Index (USD) by 20 bps. The reason for the outperformance is the Global Infrastructure Index's relative underweight to European Airports and Toll Roads.
- ❖ At the end of the December quarter, the Index mix was allocated as 40% utilities and 60% economically-sensitive assets. Due to market performance, the mix is now 48% utilities and 52% economically-sensitive assets.

## Top Contributors to Monthly Performance<sup>1</sup>

### 1. Enbridge, a Canadian energy infrastructure company (+0.22%)

Enbridge (ENB) owns and operates one of the largest oil and gas pipeline networks in North America. The company also owns regulated gas distribution utilities in Ontario, Canada. Enbridge shares rallied along with the energy sector, fuelled by a combination of a stronger oil price outlook and the expectation of economic normalisation as the COVID-19 vaccines get rolled out.

### 2. TC Energy, a Canadian energy infrastructure company (+0.14%)

TC Energy (TRP) is a high-quality North American energy infrastructure company leveraged to the natural gas growth thematic. TRP shares rallied along with the energy sector, fuelled by a combination of a stronger oil price outlook and the expectation of economic normalisation as the COVID-19 vaccines get rolled out.

### 3. Enel SpA, an Italian electric utility (+0.07%)

Enel is an integrated utility which operates power generation, supply, and distribution headquartered in Italy, and has expanded internationally into regions such as Spain, Latin America, and eastern Europe. Enel's shares, together with other Italian utilities, were supported by a decline in the Italian-German bond yield spread.

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<sup>1</sup> All returns are in local currency.

## Detractors from Monthly Performance<sup>2</sup>

### 1. Canadian National Railway, a Canadian rail operator (-0.38%)

Canadian National (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 reported a strong quarterly result but share performance was weak due to the lack of guidance provided by management.

### 2. CSX, a U.S. rail operator (-0.29%)

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 reported a strong quarterly result but share performance was weak due to the lack of guidance provided by management.

### 3. Union Pacific, a U.S. rail operator (-0.26%)

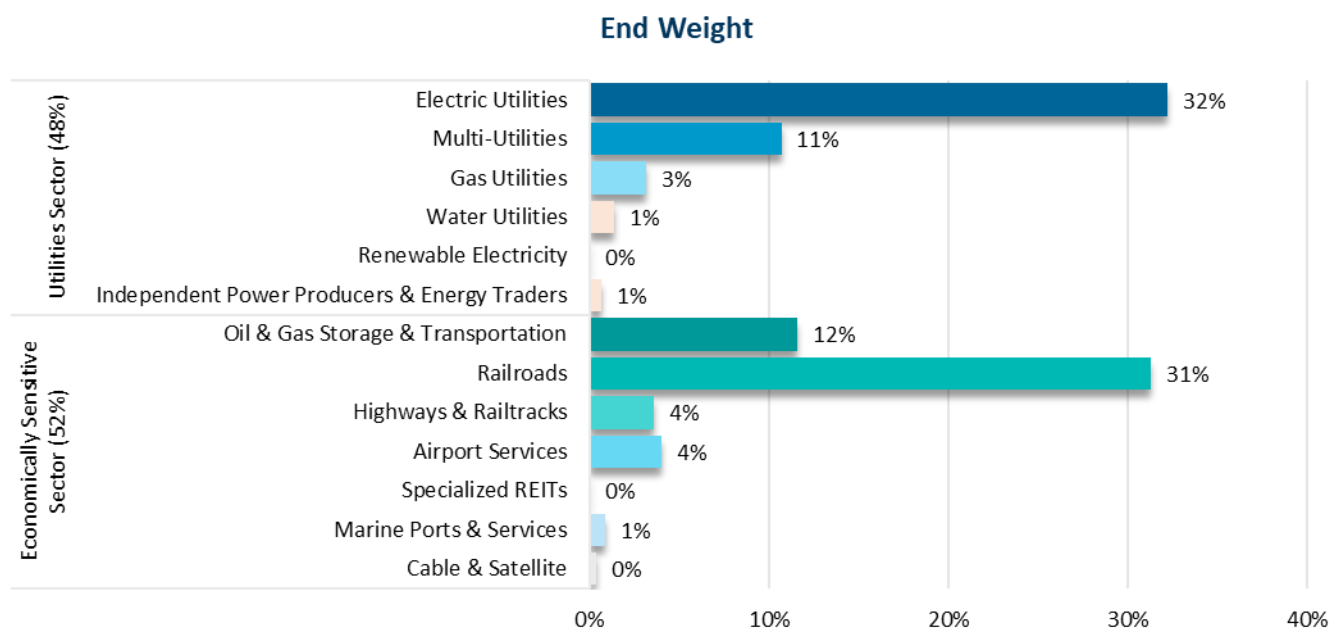
Union Pacific (UNP) is the largest listed railroad company in North America. UNP reported a strong quarterly result but share performance was weak due to the lack of guidance provided by management.

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# Portfolio Composition

## Sector Breakdown



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

## Regional Breakdown

Regional Exposure	End Weight (%)
North America	47%
Europe	29%
Asia Pacific	17%
Emerging Markets	6%

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## Top 10 Holdings

Stock Name	GICS Sector	Region	End Weight (%)
Enbridge	Oil & Gas Storage & Transportation	North America	4.9%
Iberdrola	Electric Utilities	Europe	4.8%
Union Pacific	Railroads	North America	4.8%
CSX Corporation	Railroads	North America	4.7%
Canadian National Railway	Railroads	North America	4.7%
Enel SpA	Electric Utilities	Europe	4.5%
Norfolk Southern	Railroads	North America	4.3%
JR East	Railroads	Asia Pacific	4.1%
National Grid	Multi-Utilities	Europe	3.4%
TC Energy	Oil & Gas Storage & Transportation	North America	2.9%
<b>Top 10 Exposure</b>			<b>42.5%</b>

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