

Global Infrastructure Index

MONTHLY COMMENTARY | FEBRUARY 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 28 February 2021)

	1 Month	3 Months	1 Year	3 Year	Since Inception*
Global Infrastructure Index (USD, Net Returns)	1.1	1.7	1.3	5.9	6.4
S&P Global Infrastructure Index (USD, Net Returns)	0.7	1.4	0.4	3.3	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 February, the Global Infrastructure Index (USD) returned +1.1%, outperforming the S&P Global Infrastructure Index (USD) by 40 bps. The reason for the outperformance is the Global Infrastructure Index's relative overweight to Japanese and North American Rail.
- ❖ 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 46% utilities and 54% economically-sensitive assets.

Top Contributors to Monthly Performance¹

1. East Japan Railway, a Japanese rail operator (+0.54%)

East Japan Railway (JR East) is Japan's largest passenger railway operator. Transporting 17 million passengers per day, JR East operates the Shinkansen highspeed rail lines north of Tokyo, as well as commuter trains within the Tokyo metropolitan network. The share price of JR East rallied with the expectation of COVID impacts bottoming, and an early lifting of the State of Emergency.

2. Central Japan Railway, a Japanese rail operator (+0.46%)

Central Japan Railway (JR Central) is a passenger railway company based in the Chubu region of central Japan. The company operates high-speed passenger trains (Shinkansen), linking Tokyo with Nagoya and Osaka, and a network of commuter lines centred in Nagoya. The share price of JR Central rallied with the expectation of COVID impacts bottoming, and an early lifting of the State of Emergency.

3. Canadian National Railway, a Canadian rail operator (+0.33%)

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 was a beneficiary of the market shift into beta stocks leveraged to the impending government stimulus and expectation of recovery in the U.S.

¹ All returns are in local currency.

Detractors from Monthly Performance²

1. Iberdrola, a Spanish electric utility (-0.31%)

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. The share price of IBE fell due to the rising bond yields in Spain and increased political risk in Brazil, following the Brazilian president's intervention in listed company Petrobras.

2. Enel SpA, an Italian electric utility (-0.18%)

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. The share price of Enel fell due to the rising bond yields in Italy and increased political risk in Brazil, following the Brazilian president's intervention in listed company Petrobras.

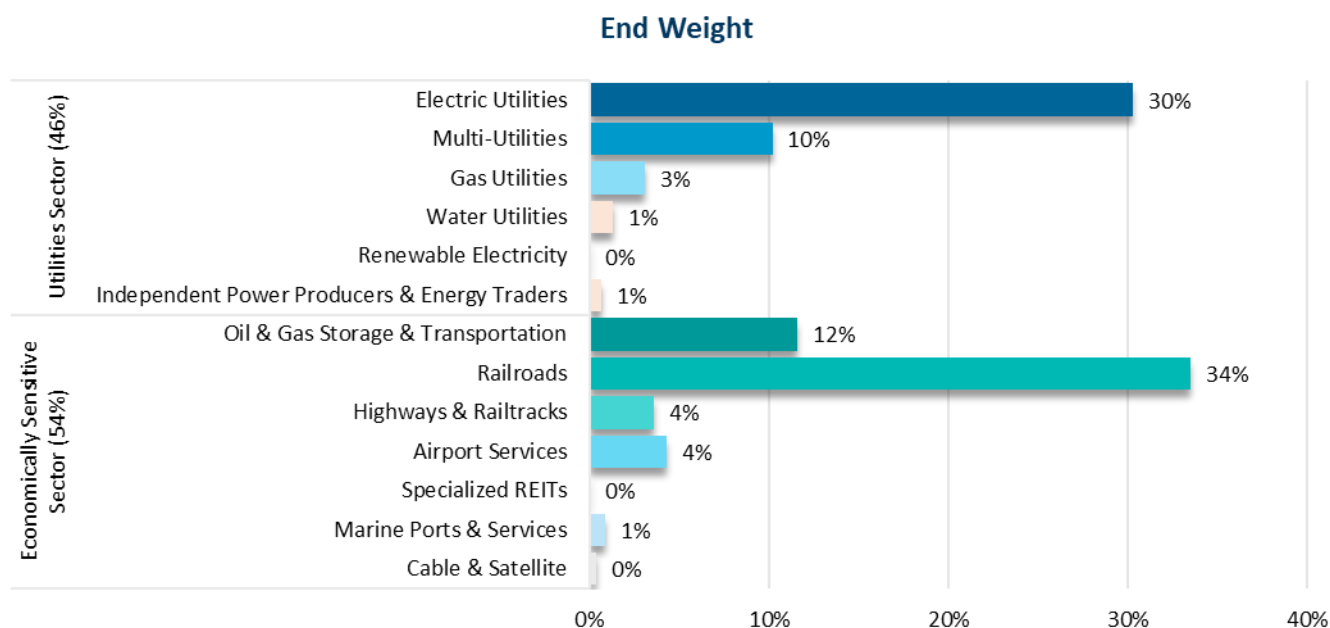
3. National Grid, a U.K. electric utility (-0.17%)

National Grid is one of the world's largest publicly owned utilities, focused on transmission and distribution activities in electricity and gas in both the United Kingdom and the United States. National Grid's share price declined due to concerns over rising bond yields, particularly in the U.S. where allowed returns are slow to reflect changes in yields.

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 28 February 2021.

Regional Breakdown

Regional Exposure	End Weight (%)
North America	47%
Europe	28%
Asia Pacific	18%
Emerging Markets	7%

Internal calculations for the Global Infrastructure Index. All index data sourced from FactSet. Data as at 28 February 2021.

Top 10 Holdings

Stock Name	GICS Sector	Region	End Weight (%)
Canadian National Railway	Railroads	North America	5.1%
CSX Corporation	Railroads	North America	5.0%
Union Pacific	Railroads	North America	5.0%
Enbridge	Oil & Gas Storage & Transportation	North America	4.9%
Norfolk Southern	Railroads	North America	4.6%
JR East	Railroads	Asia Pacific	4.5%
Iberdrola	Electric Utilities	Europe	4.5%
Enel SpA	Electric Utilities	Europe	4.3%
National Grid	Multi-Utilities	Europe	3.3%
JR Central	Railroads	Asia Pacific	3.1%
Top 10 Exposure			44.3%

Internal calculations for the Global Infrastructure Index. All index data sourced from FactSet. Data as at 28 February 2021.

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