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 August 2021)

	1 Month	3 Months	1 Year	3 Year	Since Inception*
Global Infrastructure Index (USD, Net Returns)	1.2	-0.6	15.6	7.7	6.8
S&P Global Infrastructure Index (USD, Net Returns)	1.7	0.8	20.0	5.9	5.2

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%, underperforming the S&P Global Infrastructure Index (USD) by 50 bps. The reason for the underperformance is the Global Infrastructure Index's relative underweight to North American Electric Utilities and underweight North American Rail.

❖ 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 (+0.48%)**
   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 U.S. and the Gulf of Mexico. CNR is currently in the midst of an attempted takeover of Kansas City Southern (KSU). In the last few months, the probability of this takeover took a hit following President Biden's executive order discouraging M&A amongst railroads, combined with a rejection by the Surface Transportation Board of CNR/KSU's request to use a Voting Trust structure to acquire KSU shares. CNR shares responded favourably to this as shareholders felt their offer price was higher than desired and cash would be best used elsewhere in the short-to-medium term.

2. **Iberdrola, a Spanish electric utility (+0.16%)**
   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 Iberdrola rose on the back of more clarity about the Spanish carbon windfall tax. It also appeared unlikely the government would propose meaningful intervention in power prices based on the Minister's comments.

3. **E.ON SE, a German electric utility (+0.12%)**
   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 solid 2Q results, in which the company also highlighted portfolio rationalisation potential along with constructive outlook for grid digitisation.

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[1] All returns are in local currency.

Detractors from Monthly Performance[2]

1. **Canadian Pacific, a Canadian rail operator (-0.27%)**

   Canadian Pacific Railway (CP) is a rail freight business. CP operates a network of approximately 13,700 miles, serving the principal business centres of Canada from Montreal, Quebec to Vancouver, British Columbia; and the U.S. Northeast and Midwest regions. Canadian Pacific is currently in the midst of a takeover battle for Kansas City Southern against their local rival Canadian National. Shares of the acquiring company often underperform and during August the probability of CP winning increased substantially following Biden's executive order.

2. **Kinder Morgan, a U.S. energy infrastructure company (-0.06%)**

   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 fell in line with rest of the midstream sector, which sold off as the market increased concern on the impacts of the Delta variant.

3. **CLP Holdings, a Hong Kong electric utility (-0.05%)**

   CLP Holdings Limited generates, transmits, and distributes electricity in Hong Kong, China, India, Southeast Asia, Taiwan, and Australia. CLP's share price retreated together with other Hong Kong utility peers, after strong outperformance over the market year-to-date.

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[2] All returns are in local currency.

Portfolio Composition

Sector Breakdown
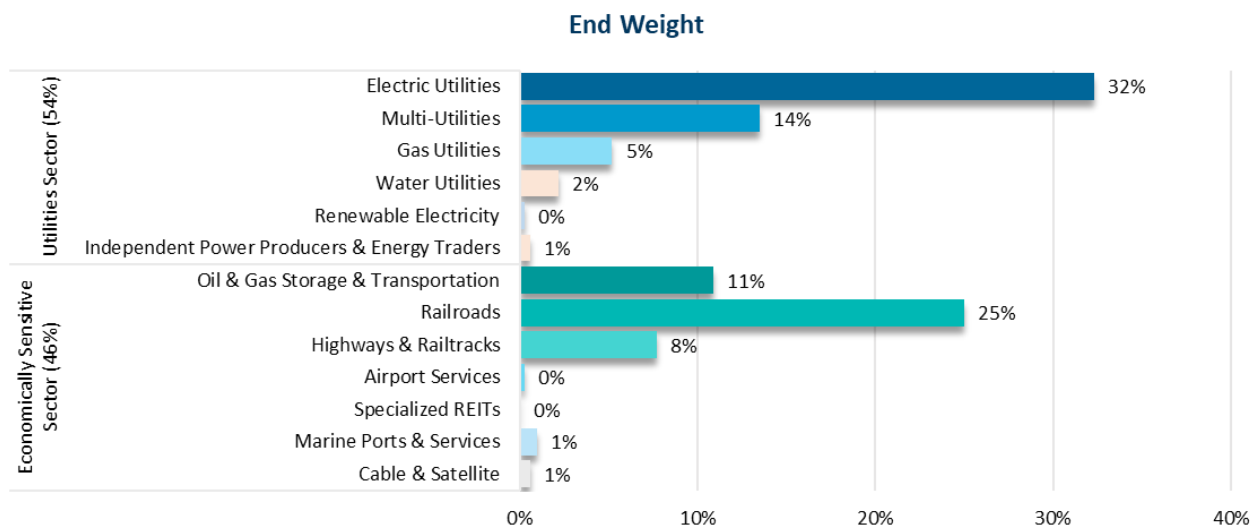
End Weight

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

Regional Breakdown

Regional Exposure	End Weight (%)
North America	49%
Europe	30%
Asia Pacific	14%
Emerging Markets	7%

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

Top 10 Holdings

Stock Name	GICS Sector	Region	End Weight (%)
Canadian National Railway	Railroads	North America	5.5%
Iberdrola	Electric Utilities	Europe	5.0%
Union Pacific	Railroads	North America	4.9%
Transurban	Highways & Railtracks	Asia Pacific	4.8%
Enel SpA	Electric Utilities	Europe	4.7%
Enbridge	Oil & Gas Storage & Transportation	North America	4.6%
CSX Corporation	Railroads	North America	4.3%
Canadian Pacific	Railroads	North America	3.9%
National Grid	Multi-Utilities	Europe	3.9%
Norfolk Southern	Railroads	North America	3.7%
Top 10 Exposure			**45.2%**

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

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