

Global Infrastructure Index

QUARTERLY COMMENTARY | MARCH 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 March 2021)

	1 Month	3 Months	1 Year	3 Year	Since Inception*
Global Infrastructure Index (USD, Net Returns)	5.1	4.1	26.9	7.4	6.7
S&P Global Infrastructure Index (USD, Net Returns)	4.3	2.8	36.0	4.7	5.0

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 March quarter, the Global Infrastructure Index (USD) returned +5.1%, outperforming the S&P Global Infrastructure Index (USD) by 80 bps. The reason for the outperformance is the Global Infrastructure Index's relative overweight to North American Rail and underweight to European Airports.
- ❖ The LEI Index increased by 0.6% during the quarter, which would normally trigger a 5% additional weighting to the economically-sensitive sector, however weight to the sector is at its maximum, so the index mix remained 40% utilities and 60% economically-sensitive assets.

Top Contributors to Quarterly Performance¹

1. Enbridge, a Canadian energy infrastructure company (+0.67%)

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. Energy stocks were in favour during the first quarter, as they are viewed as beneficiaries of the eventual economic recovery, as COVID-19 vaccines get rolled out through 2021. Enbridge has already experienced substantial recovery in its oil throughput in their pipeline systems, and is expected to fully recover by year-end as refinery demand normalises.

2. East Japan Railway, a Japanese rail operator (+0.62%)

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.

3. Norfolk Southern, a U.S. rail operator (+0.56%)

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. Despite impacts from the polar vortex, NSC was the beneficiary of a market shift into beta stocks, further bolstered by Biden's stimulus package + infrastructure bill.

4. Kansas City Southern, a U.S. rail operator (+0.39%)

Kansas City Southern (KSU) owns and operates railroads which span across Mexico and the Southern U.S. states. The company's signature asset is their Laredo border crossing which is often considered the best border crossing for freight traffic coming in and out of the U.S./Mexico. Kansas City Southern have been subject to takeover bids from Canadian Pacific, and more recently Canadian National pushing prices higher.

¹ All returns are in local currency.

5. **Central Japan Railway, a Japanese rail operator (+0.38%)**

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.

Detractors from Quarterly Performance²

1. **Iberdrola, a Spanish electric utility (-0.24%)**

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. **Energias de Portugal, a Portuguese renewables utility (-0.07%)**

Energias de Portugal (EDP) is an integrated utility based in Iberia, operating electricity distribution, generation, and energy supply businesses. It has a growing exposure to global renewables, through its 83%-owned subsidiary EDPR and mostly being onshore wind farms and operates electricity distribution and generation businesses in Brazil through its 50%-owned EDP Brasil. The share price of EDP fell due to a global sell-down in renewables and clean-tech names since January, along with EDPR's capital increase in early March, and the Portuguese bond yield rise over the quarter.

3. **Red Electrica, a Spanish electric utility (-0.07%)**

Red Electrica (REE) is engaged in the supply and transmission of electricity, and is the sole high-voltage transmission agent and system operator in Spain. Shares fell on the back of a weaker-than-expected guidance on capex and dividend for the next few years in the strategic plan update, as well as the Spanish bond yield increase from the all-time low at YE2020.

4. **Contact Energy Limited, a New Zealand electric utility (-0.06%)**

Contact Energy Limited is a New Zealand electricity generator, natural gas wholesaler and electricity, natural gas, broadband and LPG retailer. The share price of Contact Energy fell due to a global sell-down in renewables and clean-tech names as well as the the rising bond yield environment.

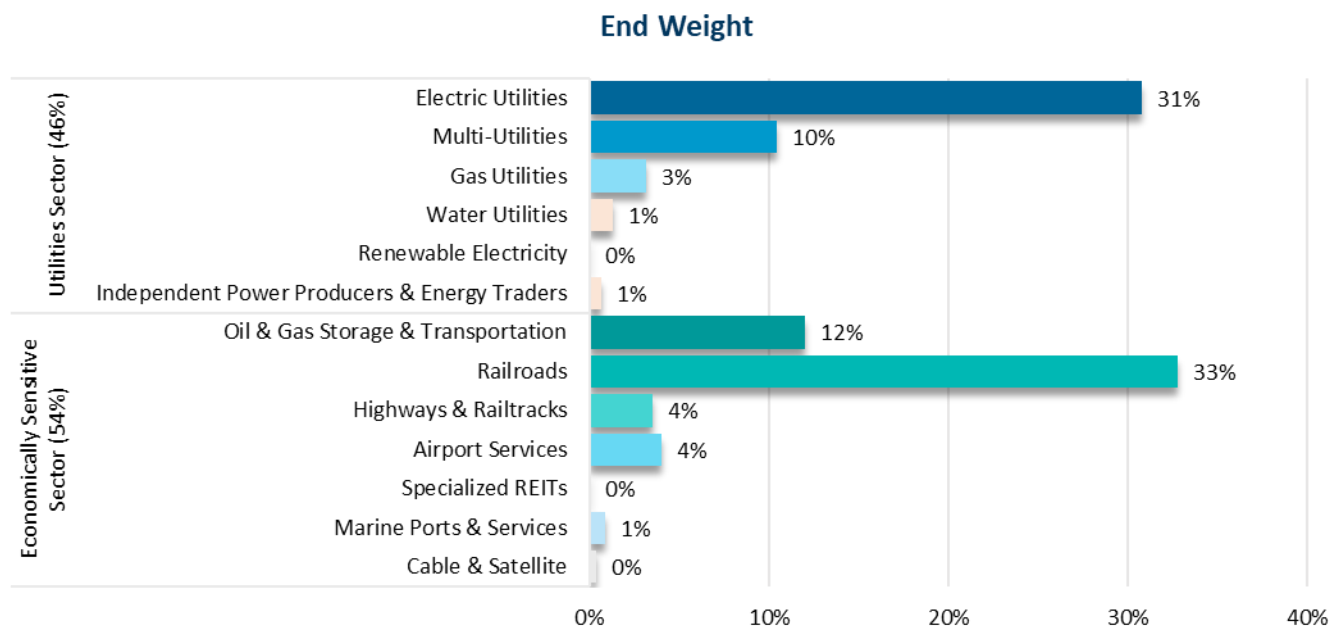
5. **Dominion Energy, a U.S. electric utility (-0.05%)**

Dominion Energy (D) is a high quality U.S. diversified energy infrastructure company that owns a premium quality regulated electric company based in Virginia, and a growing portfolio of FERC-regulated natural gas transmission assets, state-regulated local gas distribution companies, and midstream gathering and processing operations across the Midwest, Eastern and Rockies region of the U.S. Shares were down in the rising bond yield environment.

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 March 2021.

Regional Breakdown

Regional Exposure	End Weight (%)
North America	49%
Europe	28%
Asia Pacific	17%
Emerging Markets	6%

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

Top 10 Holdings

Stock Name	GICS Sector	Region	End Weight (%)
Union Pacific	Railroads	North America	5.1%
Canadian National Railway	Railroads	North America	5.1%
CSX Corporation	Railroads	North America	5.0%
Enbridge	Oil & Gas Storage & Transportation	North America	5.0%
Norfolk Southern	Railroads	North America	4.7%
Iberdrola	Electric Utilities	Europe	4.4%
Enel SpA	Electric Utilities	Europe	4.3%
JR East	Railroads	Asia Pacific	4.2%
National Grid	Multi-Utilities	Europe	3.3%
TC Energy	Oil & Gas Storage & Transportation	North America	2.9%
Top 10 Exposure			44.3%

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

Major Weight Changes

Stock Name	Sector	Region	End Weight (%) 31 December 2020	End Weight (%) 31 March 2021	Weight Change (%)
Top Five Additions					
Dominion Energy	Multi-Utilities	North America	0.0%	1.5%	1.5%
JR East	Railroads	Asia Pacific	4.0%	4.8%	0.8%
Sempra Energy	Multi-Utilities	North America	0.0%	0.6%	0.6%
WEC Energy Group	Multi-Utilities	North America	0.0%	0.6%	0.6%
Tokyo Gas	Gas Utilities	Asia Pacific	0.0%	0.5%	0.5%
Top Five Reductions					
Aena	Airport Services	Europe	2.0%	0.0%	-2.0%
Taiwan High Speed Rail Corporation	Highways & Railroads	Emerging Markets	0.7%	0.0%	-0.7%
CMS Energy Corporation	Multi-Utilities	North America	0.7%	0.0%	-0.7%
Zurich Airport	Airport Services	Europe	0.5%	0.0%	-0.5%
Grupo Aeroportuario del Sureste	Airport Services	Emerging Markets	0.5%	0.0%	-0.5%

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