

# Global Infrastructure Index

MONTHLY COMMENTARY | MAY 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 May 2021)

	1 Month	3 Months	1 Year	3 Year	Since Inception*
Global Infrastructure Index (USD, Net Returns)	1.8	9.3	20.2	8.5	6.9
S&P Global Infrastructure Index (USD, Net Returns)	0.5	8.5	22.8	6.0	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 May, the Global Infrastructure Index (USD) returned +1.8%, outperforming the S&P Global Infrastructure Index (USD) by 130 bps. The reason for the outperformance is the Global Infrastructure Index's relative overweight to European electric and underweight North American electric.
- ❖ At the end of the March quarter, the Index mix was allocated as 40% utilities and 60% economically-sensitive assets. Due to market performance, the mix is now 50% utilities and 50% economically-sensitive assets.

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

### 1. National Grid, a U.K. electric utility (+0.12%)

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 increased during the month following the announcement of its agreement to acquire WPD, a group of U.K. electricity distribution businesses, sell part of its U.S. assets as well as an intention to dispose of a majority stake in its U.K. Gas Transmission business.

### 2. East Japan Railway, a Japanese rail operator (+0.10%)

East Japan Railway (JR East) is Japan's largest passenger railway operator. Transporting 17 million passengers per day, JR East operates the Shinkansen high-speed rail lines north of Tokyo, as well as commuter trains within the Tokyo metropolitan network. The share price of JR East increased as Japan's vaccinations accelerated along with COVID cases declining.

### 3. Union Pacific, a U.S. rail operator (+0.08%)

Union Pacific (UNP) is the largest listed railroad company in North America. UNP performed well during the month of May after a strong rebound in volumes following the polar vortex in 1Q and positive commentary regarding the outlook for the rest of 2021.

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

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

### 1. Enel SpA, an Italian electric utility (-0.11%)

Enel SpA 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. The share price fell after the Spanish government's proposal to claw back windfall profits of hydro and nuclear plants, causing concern for Enel through its Spanish affiliate Endesa.

### 2. Iberdrola, a Spanish electric utility (-0.11%)

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 fell mainly due to market concern about the Spanish government's proposal to claw back windfall profits of hydro and nuclear plants.

### 3. Enbridge, a Canadian energy infrastructure company (-0.07%)

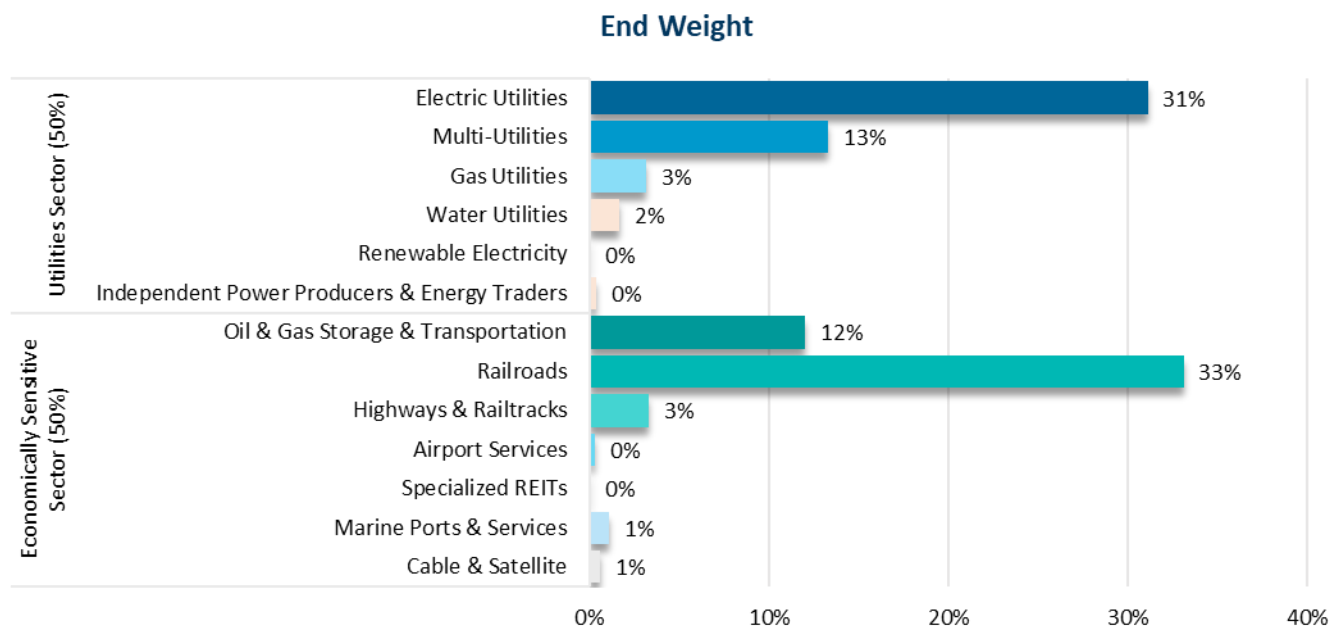
Enbridge (ENB) owns and operates one of the largest oil and gas pipeline networks in North America. The company also owns regulated gas distribution utilities in Ontario, Canada. The share price of Enbridge fell with general market movement.

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<sup>2</sup> 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 May 2021.

## Regional Breakdown

Regional Exposure	End Weight (%)
North America	48%
Europe	28%
Asia Pacific	19%
Emerging Markets	5%

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## Top 10 Holdings

Stock Name	GICS Sector	Region	End Weight (%)
Iberdrola	Electric Utilities	Europe	5.1%
Union Pacific	Railroads	North America	5.0%
Enbridge	Oil & Gas Storage & Transportation	North America	4.7%
Norfolk Southern	Railroads	North America	4.7%
CSX Corporation	Railroads	North America	4.7%
Canadian National Railway	Railroads	North America	4.7%
JR East	Railroads	Asia Pacific	4.7%
Enel SpA	Electric Utilities	Europe	4.3%
National Grid	Multi-Utilities	Europe	3.8%
JR Central	Railroads	Asia Pacific	3.1%
<b>Top 10 Exposure</b>			<b>44.8%</b>

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

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