

Global Infrastructure Index

QUARTERLY COMMENTARY | JUNE 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 30 June 2021)

	1 Month	3 Months	1 Year	3 Year	Since Inception*
Global Infrastructure Index (USD, Net Returns)	-2.9	1.0	17.7	6.6	6.7
S&P Global Infrastructure Index (USD, Net Returns)	-1.8	2.1	22.2	4.7	5.1

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 June quarter, the Global Infrastructure Index (USD) returned +1.0%, underperforming the S&P Global Infrastructure Index (USD) by 110 bps. The reason for the underperformance is the Global Infrastructure Index's relative underweight to North American Oil and Gas Transportation and Storage and overweight to North American Rail.
- ❖ 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 (+0.47%)

Enbridge 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's Line 3 Replacement Project received a favourable court ruling regarding the adequacy of its Environmental Impact Statement. This significantly lowers the execution risk for the project and enables the company to place the project into service later in the year.

2. National Grid, a U.K. electric utility (+0.35%)

National Grid is one of the world's largest publicly owned utilities, focused on transmission and distribution activities in electricity and gas. It owns and operates regulated electricity and gas network assets in both the U.K. and the U.S., which contribute about 95% of its earnings and equity value. National Grid's share price increased during the quarter following the announcement of its agreement to acquire WPD, a group of U.K. electricity distribution businesses, and sell part of its U.S. assets. It also announced its intention to dispose of a majority stake in its U.K. gas transmission business.

3. TC Energy, a Canadian gas utility (+0.23%)

TC Energy (TRP) is a North American energy infrastructure company leveraged to the natural gas growth thematic. TC Energy's shares moved higher along with the broader midstream sector, which is benefitting from the strength of the current commodity environment.

4. Williams Companies, a U.S. energy infrastructure company (+0.12%)

Williams owns and operates natural gas pipelines and associated midstream assets in the U.S. Williams performed in line with the broader pipelines sector, which has benefited from a strong energy environment.

5. Kansas City Southern, a U.S. rail operator (+0.11%)

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 transports freight in and out of the U.S. and Mexico. KSU have been subject to takeover bids from Canadian Pacific, and more recently Canadian National, which has pushed the share price higher.

¹ All returns are in local currency.

Detractors from Quarterly Performance²

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 United States and into the Gulf of Mexico. Canadian National lagged peers during the quarter due to their attempted takeover of Kansas City Southern. In 2Q, Canadian National placed an offer 18% higher than their local competitor Canadian Pacific.

2. Enel SpA, an Italian electric utility (-0.35%)

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 in May to claw back windfall profits of hydro and nuclear plants, causing concern for Enel through its Spanish affiliate Endesa.

3. Iberdrola, a Spanish electric utility (-0.35%)

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. Iberdrola was down mainly due to the Spanish government's proposal in May of claw-back on windfall gain from high carbon and power prices, as well as the chairman being summoned as a suspect for a long-running corporate espionage court case.

4. Royal Vopak, a Dutch infrastructure company (-0.07%)

Royal Vopak is an independent tank terminal operator. The company provides conditioned storage facilities for bulk liquids such as oil products, gaseous chemicals, petrochemicals, biofuels and vegetable oils. Shares in Vopak declined as Q1 earnings disappointed, mainly due to the winter storms in Texas.

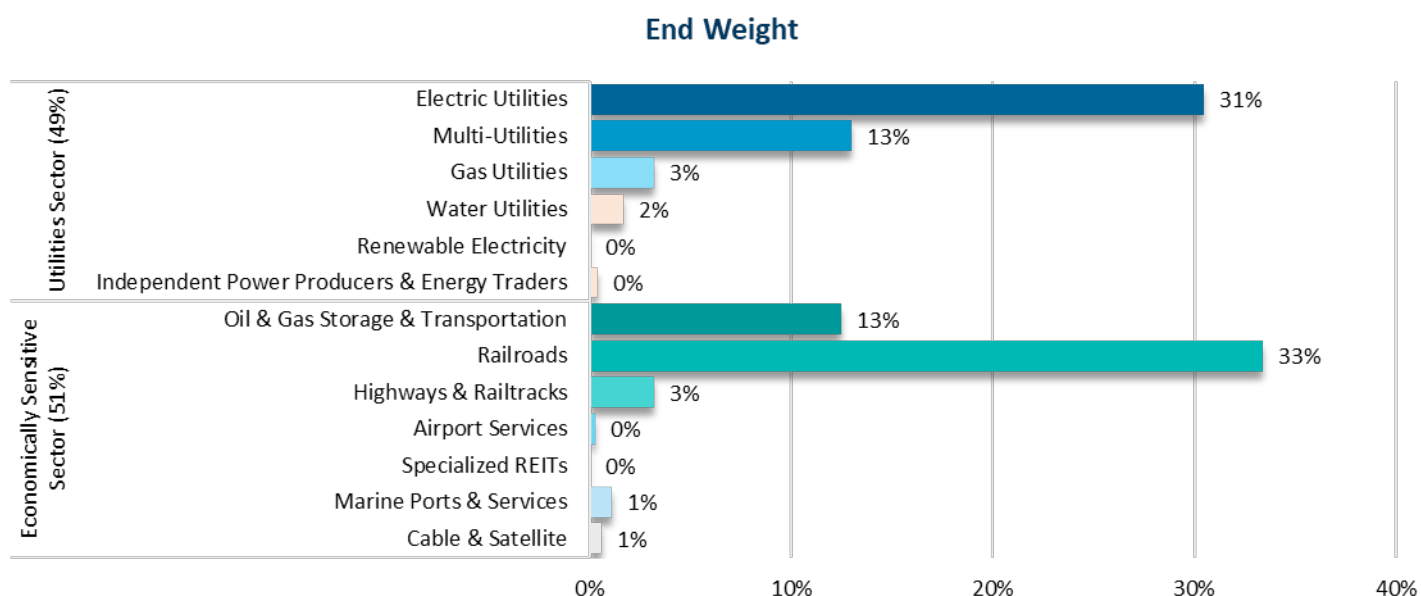
5. Keikyu Corporation, a Japanese rail operator (-0.07%)

Keikyu Corporation is a private railroad that connects inner Tokyo to Kawasaki, Yokohama, Yokosuka and other points on the Miura Peninsula in Kanagawa Prefecture. It also provides rail access to Haneda Airport in Tokyo. The share price of Keikyu declined with a spike in COVID cases in Japan impacting passenger volumes.

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 30 June 2021.

Regional Breakdown

Regional Exposure	End Weight (%)
North America	48%
Europe	26%
Asia Pacific	20%
Emerging Markets	6%

Internal calculations for the Global Infrastructure Index. All index data sourced from FactSet. Data as at 30 June 2021.

Top 10 Holdings

Stock Name	GICS Sector	Region	End Weight (%)
Enbridge	Oil & Gas Storage & Transportation	North America	5.2%
Union Pacific	Railroads	North America	5.0%
JR East	Railroads	Asia Pacific	4.9%
Iberdrola	Electric Utilities	Europe	4.7%
CSX Corporation	Railroads	North America	4.6%
Norfolk Southern	Railroads	North America	4.6%
Canadian National Railway	Railroads	North America	4.6%
Enel SpA	Electric Utilities	Europe	4.2%
National Grid	Multi-Utilities	Europe	3.8%
JR Central	Railroads	Asia Pacific	3.3%
Top 10 Exposure			44.8%

Internal calculations for the Global Infrastructure Index. All index data sourced from FactSet. Data as at 30 June 2021.

Major Weight Changes

Stock Name	Sector	Region	End Weight (%) 31 March 2021	End Weight (%) 30 June 2021	Weight Change (%)
Top Five Additions					
Transurban	Highways & Railtracks	Asia Pacific	0.0%	5.0%	5.0%
Canadian Pacific Railway	Railroads	North America	0.0%	4.5%	4.5%
Hong Kong & China Gas	Gas Utilities	Asia Pacific	0.0%	1.1%	1.1%
Fortum	Electric Utilities	Europe	0.0%	0.5%	0.5%
ENN Energy	Gas Utilities	Emerging Markets	0.0%	0.4%	0.4%
Top Five Reductions					
JR East	Railroads	Asia Pacific	4.8%	0.0%	-4.8%
JR Central	Railroads	Asia Pacific	3.2%	0.0%	-3.2%
JR West	Railroads	Asia Pacific	1.5%	0.0%	-1.5%
Tobu Railway	Railroads	Asia Pacific	1.0%	0.0%	-1.0%
Norfolk Southern	Railroads	North America	4.6%	3.9%	-0.7%

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