

infra300® 2024Q2 Release

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Executive Summary

- The infra300 index saw a largely flat quarter with a 0.4% total return.
- Renewable Power and the Power Generation x-Renewables sectors were the main return drivers.
- Contracted companies had the highest contribution to the index returns, reflecting their safe revenue streams from secured offtake agreements and inflation indexation.
- The economic slowdown, coupled with upcoming general elections in Europe, is causing investors to be cautious.
- Steag State Power Inc was replaced last quarter by Northwind Power Development and Thames Water will be removed effective 1st July.

The infra300® Index

The Infra300® Equity Index is a comprehensive global index representing the monthly total return of 300 unlisted infrastructure companies. This ESMA-registered market benchmark for private infrastructure investments is meticulously designed to provide an accurate reflection of the performance of the unlisted infrastructure sector by tracking various TICCS® segments, ensuring a broad and detailed representation of the unlisted infrastructure universe. It had a market capitalization of USD 290 billion and saw a 0.4% total return (USD, equal weights) quarter-over-quarter as of 30 June 2024. Market capitalization fell by \$4.9 billion from the previous quarter and \$11 billion from last year.

Index Allocation

Transport (TICCS IC60) and Renewable Power (IC70) have the largest allocation in the index at 27% and 20% respectively. The index has the lowest allocation to Environmental Services (TICCS IC20) and Data Infrastructure (TICCS IC50) at 5% and 4.33% respectively. Europe leads with 68.7%, followed by Oceania (14%), Americas (10%), and Asia (7.33%). Project finance (TICCS CS1) comprises 60% of the index. Regarding business models, 47% are Contracted (TICCS BR1), 28% are Regulated (TICCS BR2), and 25.3% are Merchant (TICCS BR3).

Figure 1: Infra300 TICCS representation.

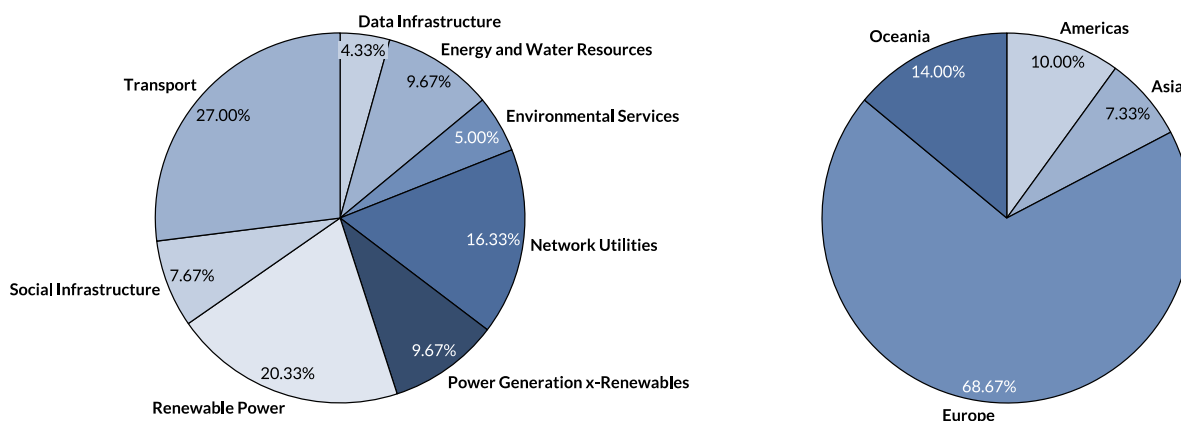
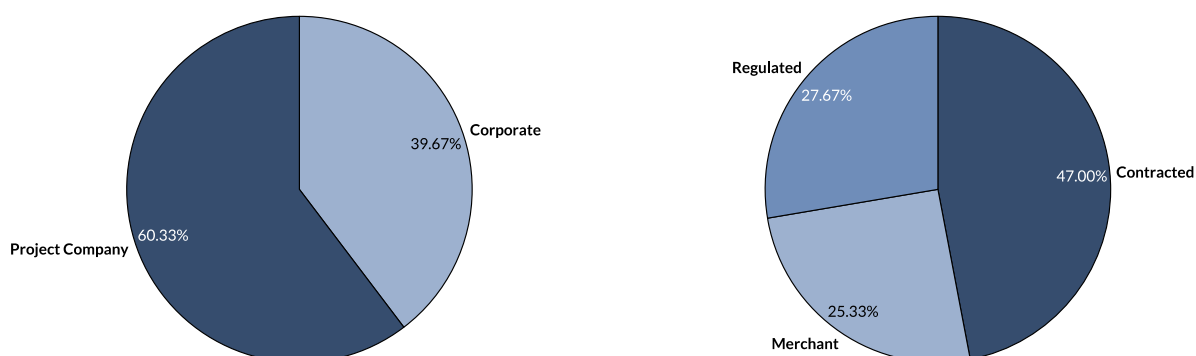


Figure 2 (continued): Infra300 TICCS representation.



Index Performance

The Infra300 Index EW USD had a 3-month cumulative return of 0.43%. Year-to-date, the index has achieved a return of -0.20%. On a longer-term horizon, the index has an annualized return of 8.69% and 7.24% over 5-year and 10-year periods respectively. The 5-year volatility of the Infra300 Index is higher than the 10-year annualized volatility by 1.2%, driven by uncertain macroeconomic conditions over the last 5 years, as well as COVID-19.

Table 1: Total Return Performance and Volatility for infra300 in Q2 2024.

Index	3-Month Cum. Ret.	YTD	5-YR Ann. Return	10-Yr Ann. Return	5-Yr Ann. Volatility	10-Yr Ann. Volatility
Infra300 EW USD	0.43%	-0.20%	8.69%	7.24%	14.72%	13.57%
Infra300 EW LCU	0.44%	2.12%	9.18%	9.96%	10.95%	10.84%
Infra300 VW USD	-0.26%	-0.51%	6.15%	5.15%	16.49%	15.36%
Infra300 VW LCU	-0.23%	1.26%	6.44%	7.76%	14.14%	13.41%

Economic Drivers

Economic Slowdown and Political Uncertainty: Implications for Infrastructure Revenues

In this quarter, we observed economic signs pointing to a slowdown in both the US and Europe. In the US, the Atlanta Fed's GDP Now estimate for the second quarter of 2024 has dropped from roughly 4.5% in early April to about 2% by early July. However, it is anticipated that the central bank will cut the interest rates in the coming quarter which could provide for economic growth.

Germany, one of the larger contributors to Europe's GDP, is experiencing minimal growth, with a decline in GDP per capita in the second quarter at -0.15%, mainly due to high energy costs from the ongoing conflict in Ukraine. Similarly, in the UK, we observed a decline in GDP per capita at -0.43% this year. High inflation and rising interest rates are adding further strain on the economy. This slowdown would affect the revenue of the infrastructure sector, decreasing demand for infrastructure services and potentially leading to renegotiation of revenue contracts at lower rates.

Ongoing and upcoming elections in various countries will have implications for infrastructure revenues. These impacts range from inflation movements affecting contracted infrastructure assets (BR1), tariffs set for regulated entities (BR3), and market dynamics influencing merchant infrastructure assets (BR2).

Policy changes could either halt or progress infrastructure investment expansion. The Infra300 index has significant representation from each of the three business models and will be particularly sensitive to political changes.

In the UK, the Labour Party's absolute majority win is expected to bring political stability, improving revenue prospects for the infrastructure sector. Conversely, in France, the left-wing New Popular Front's victory brings political shifts that could affect the market. This shift may reduce the recent immediate rise in natural gas prices with higher tariffs, set to increase by almost 12% from July 2024, affecting around 10.5 million households (The Connexion, 2024). This is relevant to the utilities (IC80) sector.

UK Utilities Face Significant Price Increases Amid PR24 Review

The utilities sector is the third largest sector group in the Infra300 index, with an allocation of 16.33%. It includes Gas Distribution Companies (3.33%), Water and Sewerage Companies (6.33%), Electricity Transmission Companies (1.67%), and Electricity Distribution Companies (4.67%). The performance and stability of these utilities are crucial as they are the largest assets among the sectors and are subject to regulatory reviews and tariff adjustments. The UK utilities (IC80) are currently undergoing the PR24 price review, expected to conclude by the end of the year. In the latest proposals by utility companies, significant increases have been observed, ranging from 16.75% for Anglian Water to 72.87% for Southern Water (Ofwat, 2023). Thames Water, which is under heavy scrutiny and faces potential nationalization, has proposed an increase of 40% starting in 2025. If these proposals are accepted, there would be an upward adjustment to our utility companies' valuations.

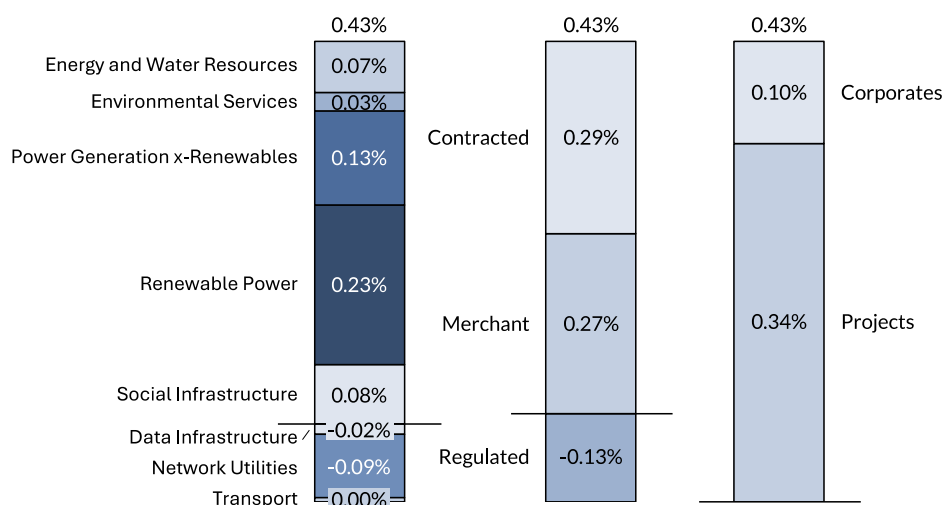
Overall, we view the anticipated interest rate cuts as potentially stimulating growth, but the outlook remains cautious. Political shifts from elections could influence market conditions and revenue. We will continue to closely monitor and adjust our forecasts accordingly.

Index Performance Drivers

Renewable Power and Contracted Project Finance companies led the returns this quarter

This quarter, the Infra300 index saw notable contributions from Renewable Power and Power Generation x-Renewables sectors, adding 0.23% and 0.13% respectively. Companies in these two sectors have outperformed others with an average total return of 1.12% and 1.37% respectively. Companies with contracted revenue streams contributed 0.29% to the index, a consequence of their positive performance and large weight in the index. Project finance business structure firms also boosted returns, contributing 0.34% return to the index.

Figure 3: infra300 EW USD return contribution by TICCS pillars.



Cash Returns were the Main Drivers for the Index Performance

Unlisted Infrastructure is a high-income asset class, with cash yield being an important driver of the index returns. This quarter, the Infra300 index saw a cash return of 0.85%, while the price return was -0.42%. While the cash return on average was low this quarter, it is important to note that it reflects distributions from only 26 constituents (since distributions follow an annual cycle for each company) at an average cash yield of 9.8%. On a year-on-year basis, the cash returns were 11.4%, reflecting substantial dividends paid in the past year. The small but negative price return indicates that on average, valuations were lower this quarter. Figure 3 details the index return breakdown for this and previous quarters. Figure 4 highlights that the distributions were higher in the Power Generation and Transport sectors.

Figure 4: Cash and Price Returns for Infra300 EW USD.

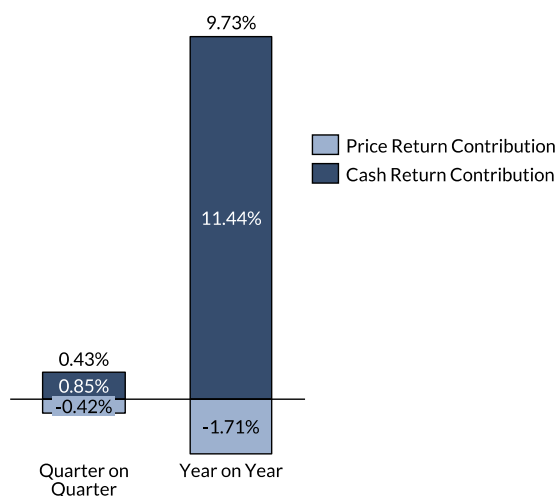
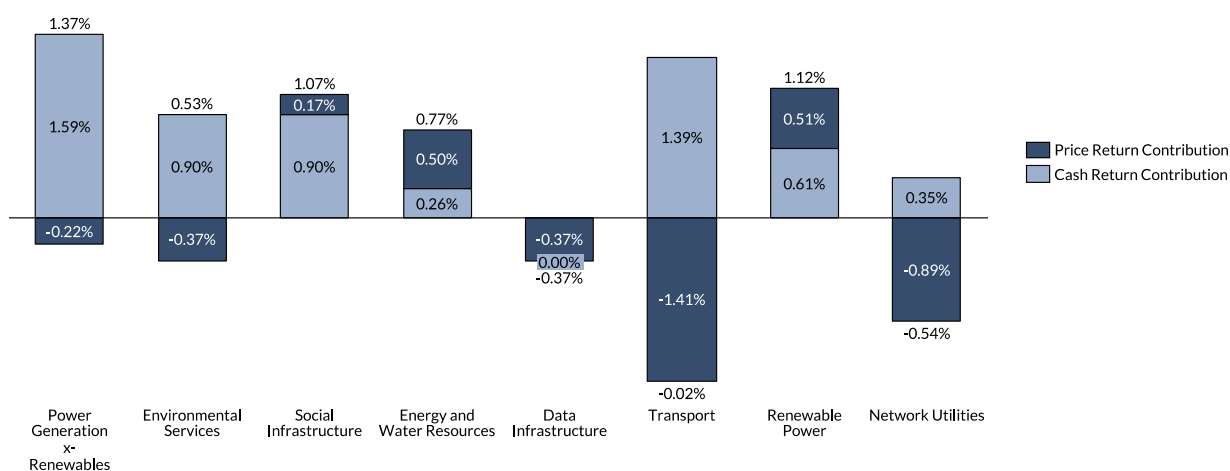


Figure 5: Cash and Price Return of infra300 EW USD index split by TICCS Industrial Superclass.



Index Top/Bottom Performers [CLIENT VERSION ONLY]

Valuation Analysis [CLIENT VERSION ONLY]

Index Constituent Changes

A Coal Power Company was Replaced by a Wind Farm to Increase Asia Renewables Coverage

During this quarter, one constituent from the Power Generation x-Renewables (IC10) sector in the Philippines, Steag State Power Inc, was removed and replaced by Northwind Power Development Corporation, a Renewable company in the Philippines. The rationale for this change is to increase the coverage of Asian Renewable companies to ensure the representativity of the infra300 index. Company replacements do not affect the weights of the flagship infra300 Index, which is equal-weighted. On a value-weighted basis, the replaced constituent has a 0.12% lower weight in the index. Table 4 shows the name, sector, and country of the constituent removed and its replacement.

Table 2: Constituent changes in the infra300 index.

	Removed Companies			Replaced Companies			
#	Constituent	Sector	Country	Constituent	Country	Sector	Reason for replacing
1	Steag State Power Inc	Power Generation x-Renewables	Philippines	Northwind Power Development Corporation	Philippines	Renewable Power	Increasing Asian Renewables Coverage

Thames Water to be replaced.

Effective July 1, 2024, Thames Water will be removed from the infra300 index due to increasing regulatory uncertainties and challenges. To maintain the index's representation of high-quality private infrastructure investments, Thames Water will be replaced by UK Power Networks, another Network Utilities company.

Read the press release about the exclusion of Thames Water from infra300 [here](#).

Index Watchlist

Two Constituents on the infra300 Watchlist

Index watchlist is a list of companies that are monitored closely for various reasons such as financial instability, regulatory issues, or significant changes in business operations. These entities are placed on the watchlist due to potential risks that might affect their performance and eligibility within the index. If the concerns are not resolved, the companies may be removed from the index. Conversely, if the issues are mitigated, they might continue to be part of the index without any further action. The purpose of the watchlist is to maintain the integrity and performance standards of the index by ensuring only stable and compliant companies are included.

As of 30 June 2024, we are closely monitoring the development of two companies and have added them to the watchlist for the risk of dropping out of the infra300 index. These companies are in potential financial difficulties and could be facing significant valuation write-downs. Table 5 shows the names of these companies, their sector, and the country.

Table 3: infra300 watchlist as of 2024 Q2.

Company Name	Sector Code	Sector Name	Country
Southern Water	IC80	Network Utilities	UK
Digita Oy	IC50	Data Infrastructure	Finland

Index Methodology Changes

Index construction and calculation methodology remained unchanged this quarter.

Full index methodology is available [here](#).

Index Governance

infra300 index is registered with ESMA. The Regulation (EU) 2016/1011, entered into force on 30 June 2016 and since 1 January 2018, its provisions apply and affect both EU and non-EU entities that administer indices that are used in the EU as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds. This Regulation aims to "ensure the accuracy and integrity of indices used as benchmarks in financial instruments and financial contracts, or to measure the performance of investment funds in the Union."

In compliance with EU Benchmark Regulation (BMR), Scientific Infra and Private Assets Pte Ltd has established governance and processes to control the calculation and reporting of its benchmarks. It is achieved through the following index committees:

Index Oversight Committee (IOSC)

Chairman: Xavier Gendre

Voting members: Edward Grossi, Daniel Aguet

Non-voting members: Darwin Marcelo

The Index Oversight Committee ("IOSC") ensures oversight and to review integrity of all aspects of the provision of the benchmarks administered by the Company.

Index Review Committee (IRC)

Chairman: Abhishek Gupta

Voting members: Jack Lee, Srinivasan Selvam

Non-voting members: Tim Whittaker

The Index Review Committee ("IRC") is responsible for interpreting index methodologies in exceptional cases when discretion is required in the application of the Index determination and calculation rules in the Company.

Research and Index Offering Committee (RIOC)

Chairman: Tim Whittaker

Voting members: Fabrice Lee Choon, Jianyong Shen

Non-voting members: Abhishek Gupta

The Research and Index Offering Committee ("RIOC") is the decision-making authority in matters of methodologies for new offering and changes to existing methodologies and cessation of existing benchmarks in the Company.

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