

infra300® 2024Q3 Index Release

A representative market index of the performance of private infrastructure market

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Executive Summary

- infra300 index saw improved performance in Q3 compared to Q2, with a 5.59% total return driven primarily from higher valuations due to interest rates cuts and lower equity risk premium.
- The recent interest rate cuts in the US and Europe, coupled with expectations for a soft landing in the global economy, are driving an increase in infrastructure companies' valuations more broadly, which is also reflected in the infra300 index performance.
- The cash returns of the index were 11.4% year-on-year basis, reflecting the substantial dividends paid by infrastructure companies in the past full year.
- The Transport and the Renewable sectors were the main return drivers, having returns of 1.58% and 1.04% respectively.
- Contracted revenue companies led index returns, highlighting their stable cash flows and strong investor appeal for predictable returns amid economic uncertainty.
- The recent interest rate cuts in the US and Europe, coupled with expectations for a soft landing in the global economy, are driving an increase in infrastructure companies' valuations.
- The top five performing companies saw an average valuation increase of 17.5% quarter-over-quarter driven by a reduction in discount rates applied in their valuations.
- Three companies remain on the watchlist due to potential financial difficulties.

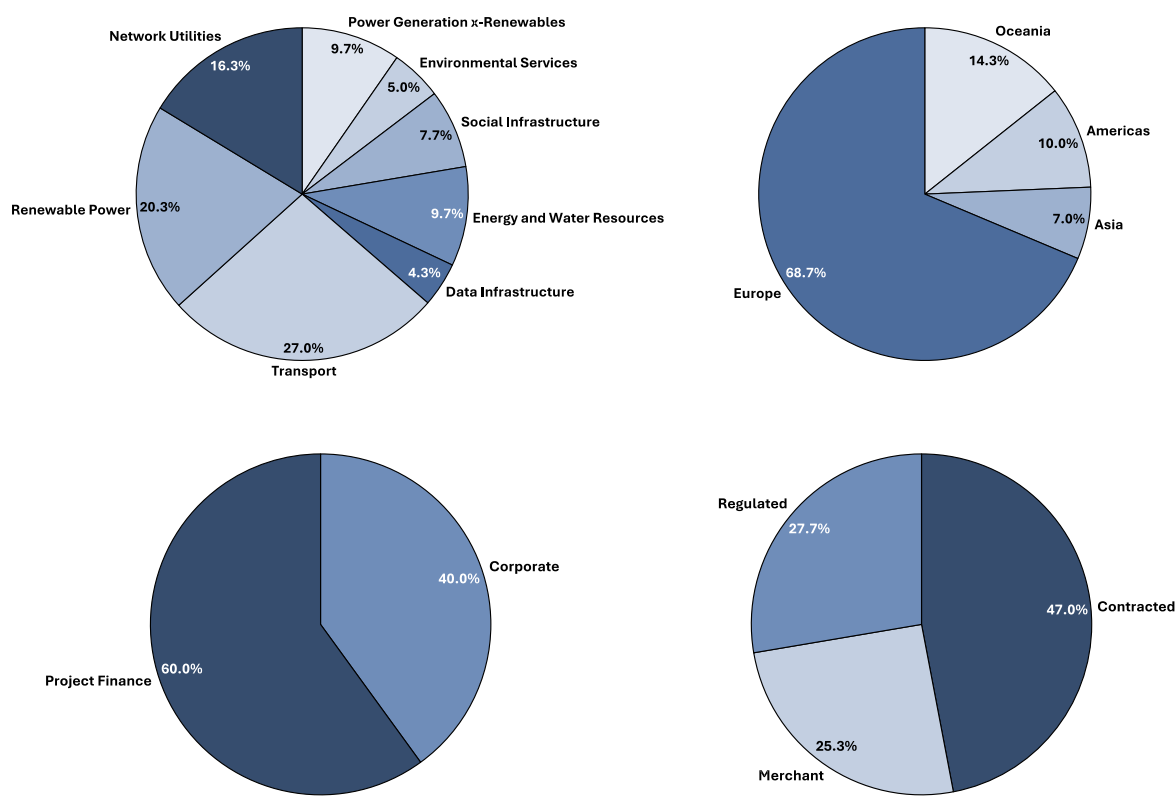
The infra300 Index

Index Description

The infra300® Equity Index is a comprehensive global index that represents the monthly total return of 300 unlisted infrastructure companies. This index, an ESMA-registered market benchmark for private infrastructure investments, is designed to provide an accurate reflection of the performance of the unlisted infrastructure sector. It achieves this by tracking the various TICCS® segments, ensuring a broad and detailed representation of the unlisted infrastructure universe. It had a market capitalisation of USD341.7 billion and saw a rise of 5.59% in total return (local currency, equal weights) quarter-over-quarter as of 30 September 2024. Market capitalization rose by USD32.1 billion from the previous quarter and USD61.2 billion from last year.

Index Representation: Transport (IC60) holds the largest allocation at 27%, followed by Renewable Power (IC70) at 20.3%. Data Infrastructure and Environmental Services have the smallest allocations, at 4.3% and 5%, respectively. Geographically, Europe leads with a 68.7% allocation, followed by Oceania (14.3%), the Americas (10%), and Asia (7%). Project finance companies (TICCS CS1) comprise 60% of the index. By business model, 47% are Contracted (TICCS BR1), 27.7% are Regulated (TICCS BR2), and 25.3% are Merchant (TICCS BR3).

Figure 1: infra300 TICCS representation



Index Performance

The infra300 Index EW LCU delivered a three-month cumulative return of 5.59%. Year-to-date, the index has achieved a return of 6.89%. Over a longer horizon, the index has delivered an annualized return of 7.79% over five years and 9.79% over ten years. The long-term returns and volatility of the infra300 indices in local currency remain lower than those of their USD counterparts, primarily due to the avoidance of recent FX fluctuations impacting the USD index.

Table 1: Total Return Performance and Volatility for the infra300 in Q3 2024

Index	Three-month Cumulative Return	YTD Return	Five-year Ann. Return	10-year Ann. Return	Five-year Ann. Volatility	10-year Ann. Volatility
infra300 EW LCU	5.59%	6.89%	7.79%	9.79%	10.41%	10.76%
infra300 EW USD	9.94%	8.78%	8.69%	7.59%	14.69%	13.70%
infra300 VW LCU	5.37%	6.49%	5.69%	8.07%	13.80%	13.59%
infra300 VW USD	9.43%	8.65%	6.83%	5.91%	16.88%	15.80%

Economic Fundamentals Analysis

The latest quarter saw the starts of the interest rate cutting cycle in the US, and continuation of this cycle in Europe. We anticipate a soft landing for the global economy, but with upside inflation risks. This is due to geopolitical factors, which could significantly impact the global economy and tourism, particularly affecting those airports and ports with connections to the Middle East.

Rising oil prices also pose a risk, especially if potential supply disruptions escalate due to the Middle East conflict. While oil-fired power generation (IC10) may be affected, the overall impact is likely to be moderate, as Europe has largely transitioned to natural gas, coal, nuclear, and renewable energy sources. Oil-fired power generation, now limited to remote areas and backup needs, constitutes less than 1% of the infra300® and infra100® indices, thus minimally influencing these benchmarks.

Forward-looking indicators signal that the European economy may be contracting, with business activity in the Eurozone declining sharply, particularly in September. Further economic weakening could reduce infrastructure revenues as lower manufacturing output and private sector investment decrease demand, especially in transport and energy sectors. This may affect usage fees and toll revenues for transport assets—such as roads, airports, and railways—that rely on steady economic activity. While these impacts are typically lagging, we are actively monitoring the sector. These conditions are particularly relevant to the transport sector (IC60), which makes up the largest share of the Infra300® index at 27% (EW), respectively.

In addition, the growing importance of data infrastructure, which now represents some 7% of the infra300® index, (up from less than 1% in 2018), bolstering our view of the increased investor focus on “core-plus” investments. As interest rates ease, data companies are expanding their revenue-generating assets; recent transactions include Verizon Communications finalising a USD3.3 billion deal to sell the rights to lease, operate, and manage more 6,300 wireless communications towers, or cell sites, in the US to Vertical Bridge.

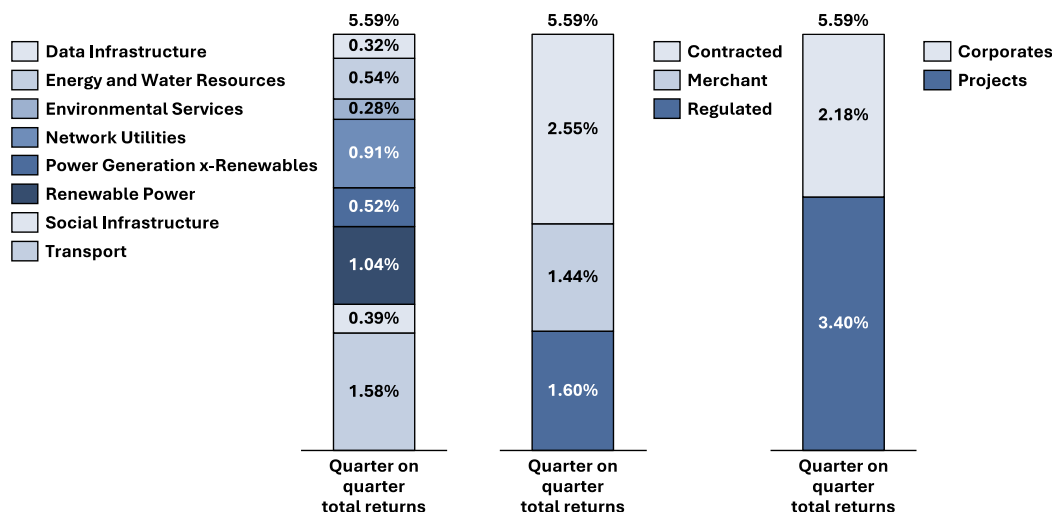
Meanwhile, the pipeline sector (IC40), which accounts for 20% of the Infra300® index, has faced reduced demand for gas for electricity generation, primarily due to increased production from renewable energy sources (e.g., hydropower, solar, wind). This has particularly affected pipeline companies in Europe.

In summary, while signs of recovery and easing inflation are emerging in regions like the U.S., economic slowdowns, geopolitical risks, and reduced gas demand continue to weigh on infrastructure revenues in Europe, especially in transport and pipelines. We are closely monitoring these developments and incorporating their effects into our revenue forecasts.

Index Performance Drivers

Transport and contracted project finance companies led returns this quarter: In the third quarter, the infra300 Index saw strong contributions from the Transport and Renewable sectors, which added 1.58% and 1.04% to returns, respectively. These sectors outperformed others, delivering average total returns of 5.84% and 5.14%. Companies with contracted revenue streams contributed 2.55% to the index, reflecting their solid performance and substantial weighting. Additionally, firms with a project finance business structure boosted returns, contributing 3.40% to the overall index performance.

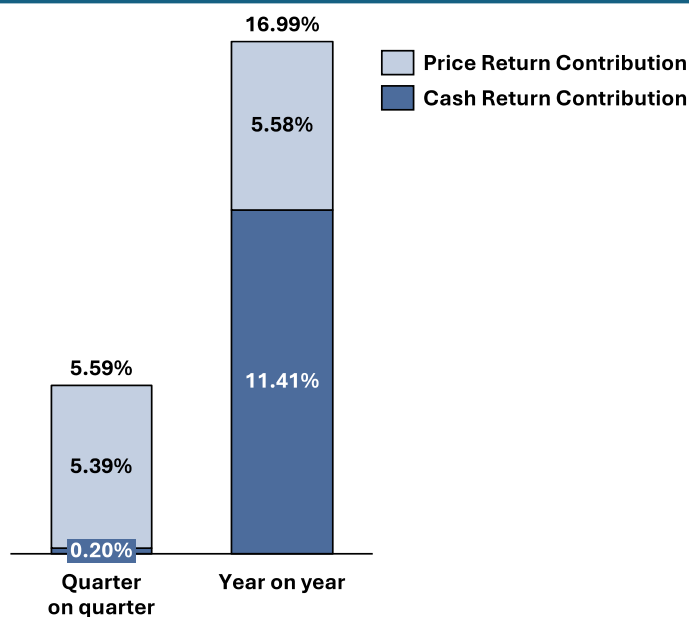
Figure 2: infra300 EW LCL return contribution by TICCS pillars.



Price returns are the main drivers of returns this quarter: Improved economic activity, driven by interest rate cuts, led to an increase in asset valuations. Throughout Q3, the infra300 Index achieved a price return of 5.39%. This substantial gain suggests that, on average, valuations were higher than in both the previous quarter and year, reflecting stable economic conditions during the period.

The cash return, meanwhile, amounted to just 0.2%. This is low on average for a quarterly return; however, it is important to note that it reflects distributions from just only index constituents (since distributions follow an annual cycle for each company) at an average cash yield of 12%. On a year-over-year basis, cash returns reached 11.41%, driven by substantial dividend payouts over the past year, indicating an overall increase in dividend cash flow. Figure 3 provides a detailed breakdown of the index returns for both the quarter and year-over-year.

Figure 3: Cash and Price Returns for infra300 EW LCU



Interest rate cuts helped to bolster companies' total returns: Tables 2 and 3 highlight the top and bottom five performers in terms of price returns. The top five companies span various sectors, including Transport, Data Infrastructure, Renewables, Network and Water Utilities, and Power x-Renewables. All saw valuation increases driven by their long duration reduced discount rates, combining the effects of falling interest rates and lower company-specific equity risk premiums.

Table 2: infra300 top performers

Company Name	Sector Code	Sector Name	Country	Price Return
Supernap Italia Data Center	IC50	Data Infrastructure	Italy	18.60%
Societa Gasdotti Italia	IC40	Energy & Water Resources	Italy	18.40%
Udine Hospital Cogeneration and District Heating	IC80	Network Utilities	Italy	18.10%
APEC Coal Plant	IC10	Power x-Renewables	Philippines	15.90%
Autopista Nororient	IC60	Transport	Chile	16.70%

Table 3 lists the five worst-performing companies in the index, each experiencing an average decline in valuation over the last quarter. These valuation decreases can be attributed to various factors, such as revisions in future cash flow projections or increases in equity risk premiums. Notably, the lowest performer, Lingbo Wind Park—a Swedish renewable company—saw its valuation decline due to an ex-post price adjustment following a substantial dividend distribution earlier in the year.

Table 3: infra300 bottom performers

Company Name	Sector Code	Sector Name	Country	Price Return
Lingbo Wind Park	IC70	Renewables	Sweden	-10.61%
Central Manchester Hospitals	IC30	Social Infrastructure	UK	-9.66%
Sparanise Power Plant	IC10	Power x-Renewables	Italy	-6.73%
Lakeside Energy from Waste facility	IC20	Environmental Services	UK	-4.91%
Alabama Gas	IC80	Network Utilities	USA	-3.66%

Valuation Analysis

This content is available in the client version only.

Index Constituent Changes

Thames Water was removed from the infra300, due to the high uncertainties regarding its financial position, and replaced by UK Power Networks, another Network Utilities company. Similarly, UT Singapore Services, an Energy and Water Resources company, was removed from the index due to the sale of its core business operations, making it no longer representative of its original industry or business activity. It has been replaced by Terminals Pty Ltd, a parallel company from the same sector, maintaining the IC40 sector allocation of the index.¹

Table 4: Constituent Changes in the infra300 index

Removed Company	Sector Code	Sector Name	Reason for Removal	Replaced Company	Country	Reason for Inclusion
Thames Water	IC80	Data Infrastructure	Financial uncertainty	UK Power Network	IC80	Maintaining sector allocation
UT Singapore Services Pte Ltd	IC40	Energy & Water Resources	Sale of business core operations	Terminals Pty Ltd	IC40	Maintaining sector allocation

¹ For more information about infra300 indices, please visit <https://scientificinfra.com/>

Three constituents are on the watchlist:

We are monitoring the development of three companies and have added them to the watchlist. 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 5: Infrastructure Watchlist as of Q3 2024

Company Name	Sector Code	Sector Name	Country
Southern Water	IC80	Network Utilities	UK
University Hospital Coventry	IC30	Social infrastructure	UK
Digita Oy	IC50	Data Infrastructure	Finland

Based on the latest development, Southern Water is experiencing heightened financial distress, facing potential credit downgrades that could lead to default if conditions worsen. We are keeping it on our watchlist and will consider replacing this asset as the situation develops.

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

Chairman: Xavier Gendre

Voting members: Edward Grossi,

Non-voting members: Moataz Farid

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

Index Review Committee

Chairman: Abhishek Gupta

Voting members: Jack Lee, Srinivasan Selvam

Non-voting members: Tim Whittaker

The Index Review Committee 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

Chairman: Tim Whittaker

Voting members: Fabrice Lee Choon, Jianyong Shen

Non-voting members: Abhishek Gupta

The Research and Index Offering Committee 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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