

# Investing in Global Listed Infrastructure - Product Comparison



As a real asset category, infrastructure offers risk, return and diversification characteristics distinct from other asset classes, and merits consideration for allocation in a diversified portfolio.

**Scott O’Ryan**, Business Development Manager, Russell Investments

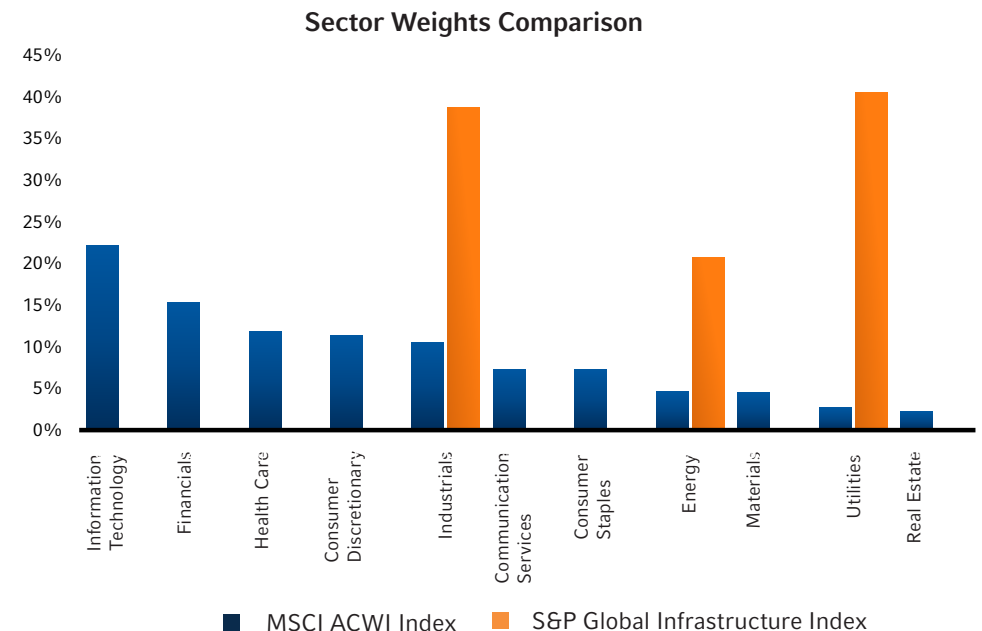
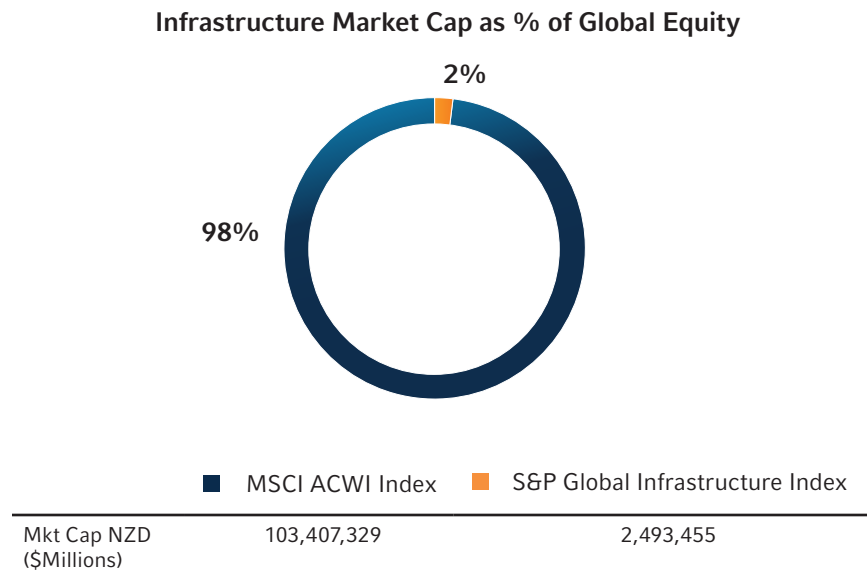
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## INFRASTRUCTURE AS AN ASSET CLASS, DISTINCT FROM BROADER GLOBAL EQUITY

Listed infrastructure is classified as a listed alternative (aka real asset) as much of the underlying assets are physical assets, vital to the functioning of the real economy. The infrastructure asset class represents a small slice of the global equity market and is concentrated in the industrials, energy and utilities sectors. The asset class offers high dividend yields, and a track record of outperformance during down cycles in the broader global equities universe, appealing attributes for investors.

### Exhibit 1 – The Investable Universe

Global infrastructure universe versus global equity universe (as of 30 June 2023)



Source: MSCI, S&P, Morningstar Direct. As at 30 June 2023.

## WHY INFRASTRUCTURE?

Infrastructure investments generally feature steady cash flows derived from tangible, long-lived assets with monopolistic-like pricing power; many are regulated and may feature income linked directly to inflation. The non-competitive position of the assets is driven by high barriers to entry, due to the considerable fixed costs required in development as well as a high degree of regulation. “Pure play” infrastructure assets – which include toll roads, regulated utilities, airports, seaports, and cell phone towers – are essential to the fluid, effective functioning of societies, and accordingly feature highly inelastic demand patterns.

### What sets infrastructure apart?

- **Capital intensive assets capable of producing stable, high-visibility cash flows over a relatively long period**
  - Limited operational competition– regulation or natural monopoly
  - Essentiality of services to daily economic life
  - Variety of sectors, assets and investment structures
- **Massive need for infrastructure spending**
  - Driven by increasing global populations, increases in living standards, and the global energy transition.
- **Asset class offers distinct benefits in a portfolio**
  - Low correlation to traditional asset classes
  - Inflation protection

Asset Class Correlation	3 Year	5 year	10 Year
Global Equities	0.54	0.67	0.55
NZ Fixed	0.21	0.15	0.19
Global Real Estate	0.82	0.88	0.84
Global Fixed	0.49	0.38	0.42
NZ Equities	0.57	0.67	0.62
Global Listed Infrastructure	1.00	1.00	1.00



### New Zealand investors are increasingly considering the merits of global listed infrastructure investing:

- Stable earnings, high dividends
- Diversification benefits
- Access to global growth in infrastructure spending
- Inflation-protection
- Add value with active management

### Key considerations for investors looking to access global listed infrastructure as an asset class:

- Active management or indexing (net of fee performance)
- Benchmark selection
- Hedged or unhedged
- Multi-or single manager
- Fossil fuel exclusions and ESG profile
- Fund domicile and structure

Source: Morningstar Direct, Russell Investments. Global Equity: MSCI ACWI NR; NZ Fixed: Bloomberg NZBond Composite 0+ Yr TR; Global Real Estate: FTSE EPRA NAREIT Developed NR HN2D; Global Fixed: Bloomberg Global Aggregate TR Hdq NZD; NZ Equities: S&P/NZX 50 with Imputation TR; Global Infrastructure: S&P Global Infrastructure Hdq NR, as at 30 June 2023.

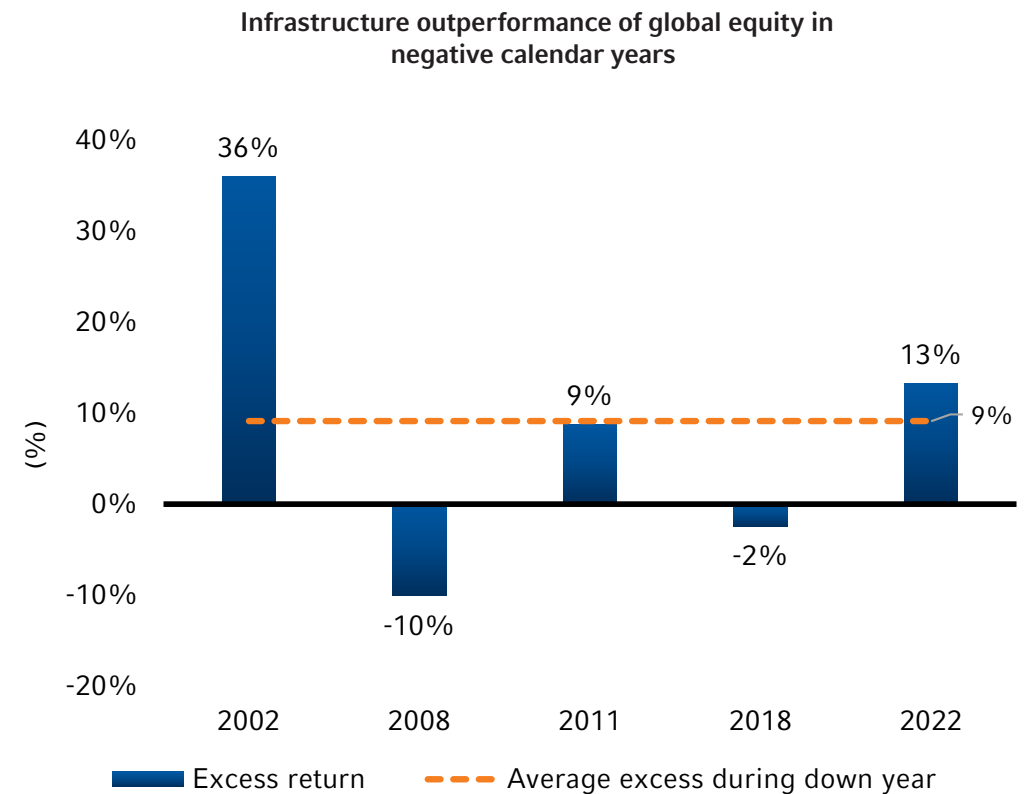
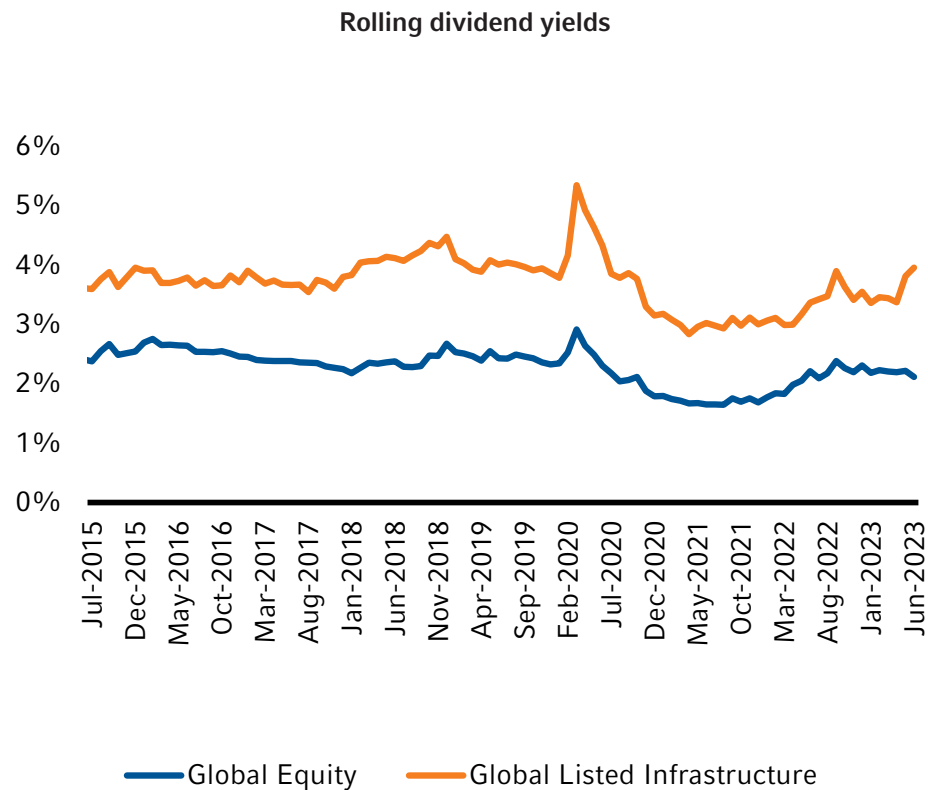
## RATIONALE FOR INCLUSION IN A PORTFOLIO

### High on diversification, higher still on dividend yield

Diversification is the key advantage of infrastructure ownership in a multi-asset, multi-sector portfolio. In this context infrastructure tends to provide low-beta exposure (relative to the broader global equity universe), a relatively high dividend yield, and – because tolls and user fees for many infrastructure assets are tied to inflation – a degree of long-run inflation protection. As a result of these exposures, infrastructure tends to underperform broader global equities in strong share market environments and conversely to outperform in weaker environments – exactly when you need your listed alternatives to fire within your portfolio.

## Exhibit 2 – Listed infrastructure in a portfolio

Global infrastructure yields and outperformance during negative broader equity annual performance (as of 30 June 2023)



Source: Morningstar Direct. As at 30 June 2023, all returns in NZD. Global Equity: MSCI ACWI NR, Global Listed Infrastructure: S&P Global Infrastructure Hdq NR NZD. Negative calendar years performance for MSCI ACWI – 2002: -36%, 2008: -24%, 2011: -7%, 2018: -4%, 2022: -12%. Past performance is not a reliable indicator of future performance.

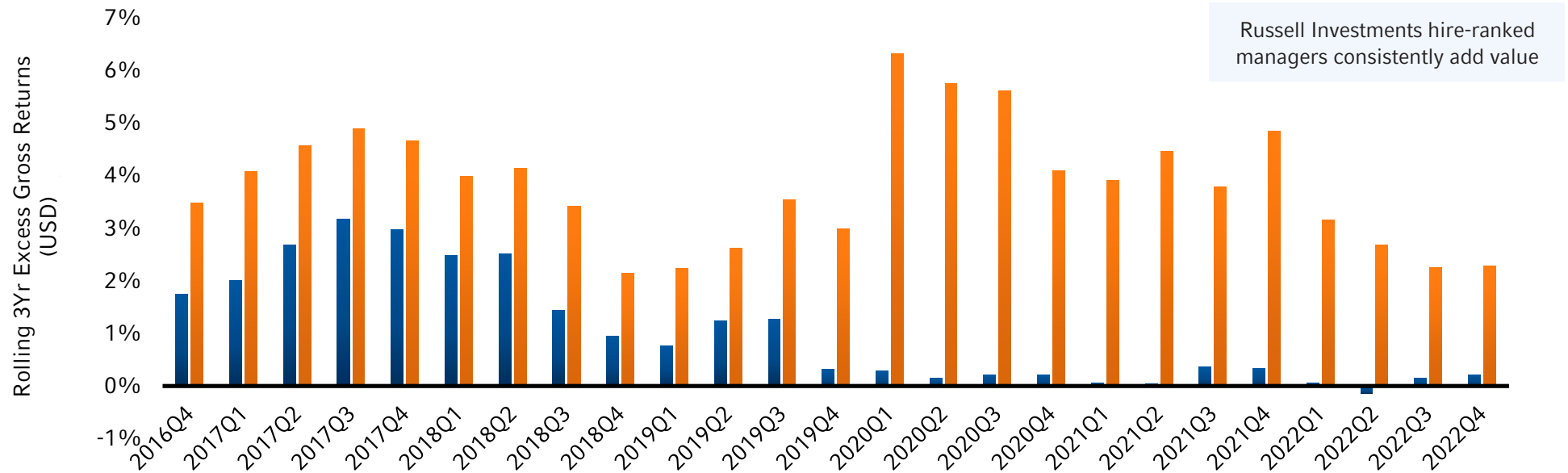
## ACTIVE MANAGEMENT WINS IN GLOBAL LISTED INFRASTRUCTURE

### Rich pickings for quality listed infrastructure active managers

We all know the benefits of indexing, particularly in highly efficient areas of the market like large cap US shares. Perhaps due to limitations with common indices used, infrastructure *is* the market segment where it pays to be active. The chart below illustrates the outperformance of our highest ranked infrastructure managers versus index and peers. Our team evaluates a broad universe of managers, not just those that have a fund in New Zealand. Accessing the best adds value consistently over time.

### Russell Investments Hire-Ranked Infrastructure Manager Outperformance of Median Managers & Index

Q1 2014 – Q4 2022



#### Hire-Rated Manager Performance 2014 - 2022

■ Median Infrastructure Manager

■ S&P Global Infrastructure Index

Average Gross 3Yr Rolling Return

1.02%

3.83%

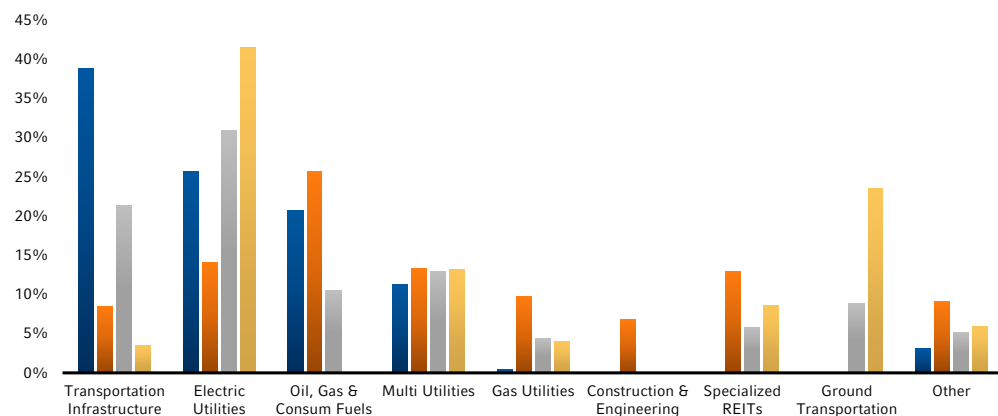
Source: Internal Russell Investments analytics dated from 1 January 2014 through to 31 December 2022. Hire ranked managers' performance does not necessarily reflect the actual performance of any Russell Investments' product. The Global Listed Infrastructure manager universe contains 22 funds/strategies as at 31 December 2022. Performance is gross of fees. Past performance is no guarantee of future results.

## BENCHMARK CONSTRUCTION VARIES SIGNIFICANTLY BETWEEN PROVIDERS

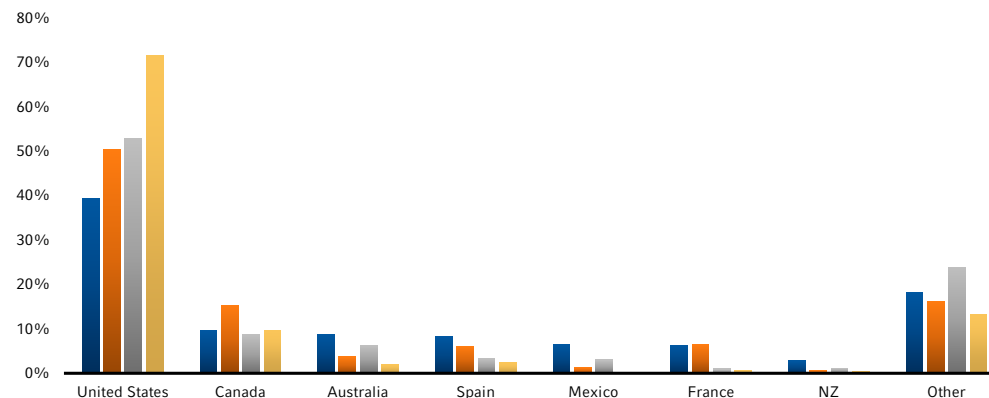
No unified asset class definition between index providers drives differences in benchmark characteristics and performance

Popular infrastructure indices have highly divergent allocations to industries and countries. As such, benchmark choice can result in materially different outcomes for index funds (though less so for active managers as fund managers typically go 'off benchmark' to access a full range of global infrastructure opportunities).

### GICS industry breakdown



### Country exposure



Constituent Market Cap Sizes (USDm)	■ S&P Global Infrastructure Index	■ Dow Jones Brookfield Global Infrastructure Index	■ FTSE Global Core Infrastructure 50/50 Index	■ FTSE Developed Core Infrastructure ex Pipelines Index
Average	20,450	14,536	9,701	15,364
Largest	150,137	90,384	120,585	145,744

Source: Morningstar Direct, S&P, FTSE. Data as at 30 June 2023. Care has been taken to align GICS industries with equivalent ICB classifications, though accuracy cannot be guaranteed.

## GLOBAL LISTED INFRASTRUCTURE INDEX COMPARISON

### Key statistics from commonly benchmarked indices

Benchmark choice is important for index funds, less so for active funds as fund managers typically go 'off benchmark' to access full range of global infrastructure opportunities and add value

	S&P Global Infrastructure	Dow Jones Brookfield Global Infrastructure Index	FTSE Global Core Infrastructure 50/50 Index	FTSE Developed Core Infrastructure ex Pipelines
<b>Stock Count</b>	75, Fixed	96, Variable	238, Variable	122, Variable
<b>Selection Process</b>	Based on GICS classifications. Clusters include Energy (20%), Transportation (40%), Utilities (40%)	Driven by cash flow from infrastructure-related operations (has to be in excess of 70%)	Based on ICB classifications. Clusters include Utilities (50%), Transportation (30%, including capping of 7.5% for railroads/railways), and others (20%). Revenue must be greater than 65% from the three clusters	FTSE Global Core Infrastructure 50/50 Index selection plus excludes operators of pipelines carrying oil, gas or other forms of fuel and pipeline operators that derive the majority of their revenues from direct sales to end users
<b>Top 10 Stock Concentration (%)</b>	38.1%	43.8%	29.3%	43.0%
<b>Individual Stock Weights</b>	Capped at 5%	Capped at 10%	Capped at 5%	Capped at 5%
<b>Sector Weights</b>	Energy: 15 stocks (20%); Transportation: 30 stocks (40%); Utilities: 30 stocks (40%)	Industry weights are capped at 50%	Utilities (50%), Transportation (30%), Others (20%)	Utilities (50%), Transportation (30%), Others (20%)
<b>Region Weights</b>	15 stocks from emerging markets and 60 from developed markets	Country weights are capped at 50%	None	None
<b>Index Launch</b>	22 February 2007	14 July 2008	2 March 2015	8 July 2022
<b>5 Year Ann. Return</b>	4.4%	4.9%	5.2%	5.5%
<b>5 Year Ann. Volatility</b>	18.6%	16.9%	15.8%	15.4%
<b>10 Year Ann. Return</b>	5.8%	6.0%	6.4%	N/A
<b>10 Year Ann. Volatility</b>	15.0%	14.0%	13.0%	N/A
<b>NZ Listed Companies</b>	1	1	3	3

Source: Russell Investments, Morningstar Direct, S&P Dow Jones Indices, FTSE, as at 30 June 2023. Return are Net Total Return. Returns and volatility data are denoted in USD. Past performance is not a reliable indicator of future performance.

## HEDGED OR UNHEDGED EXPOSURE?

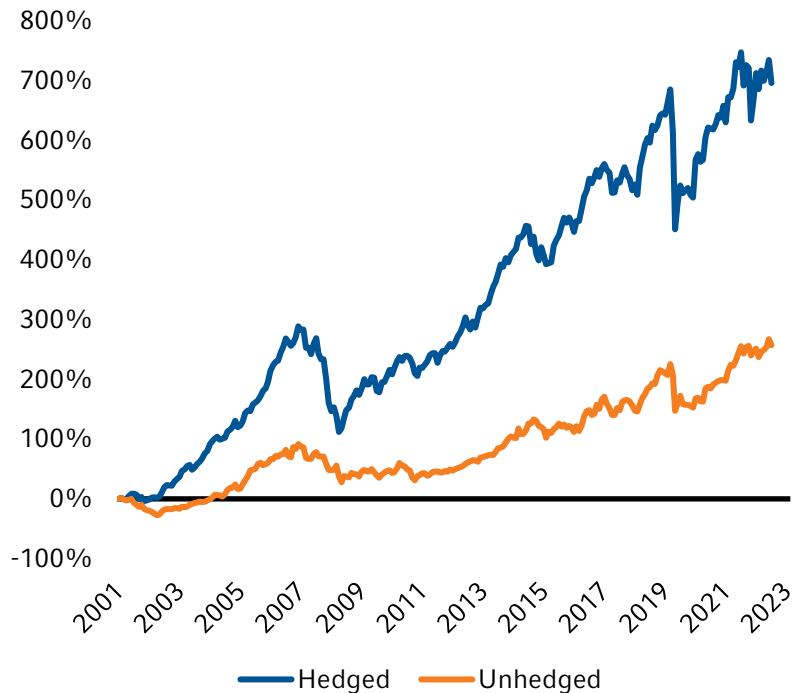
### Stay hedged to maintain pure exposure to attributes of global infrastructure asset class

Hedged is more volatile than unhedged infrastructure, however absolute and risk adjusted returns have been significantly higher over the long-term.

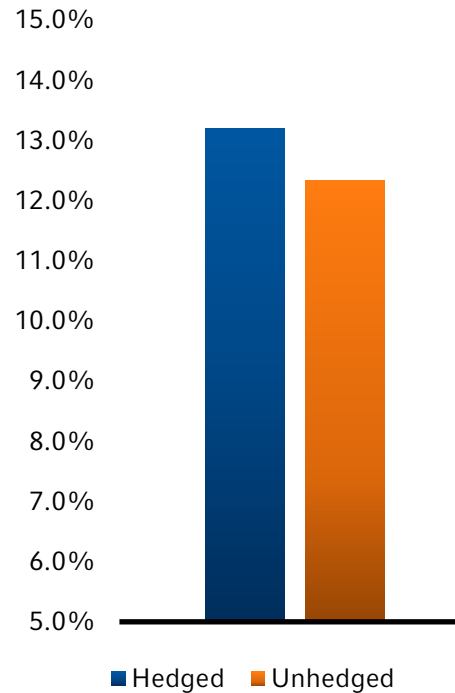
So, why currency hedged? Target the specific asset attributes without taking on currency risk:

- Higher long-term returns
- Pure play exposure

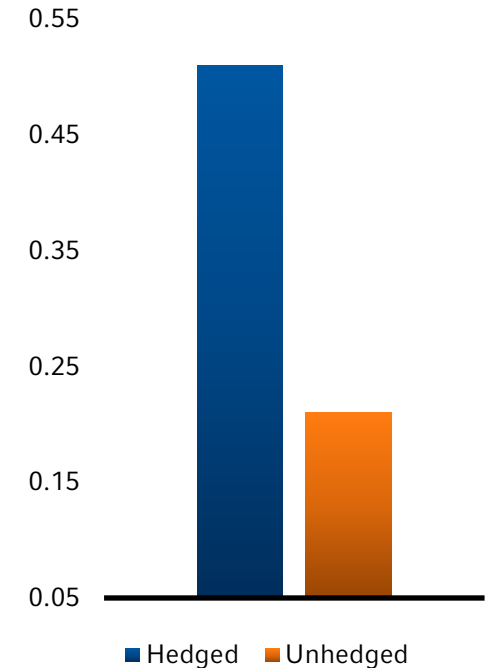
### Cumulative performance hedged vs. unhedged (in NZD)



### Annualised Volatility



### Sharp ratio (risk-adjusted return)



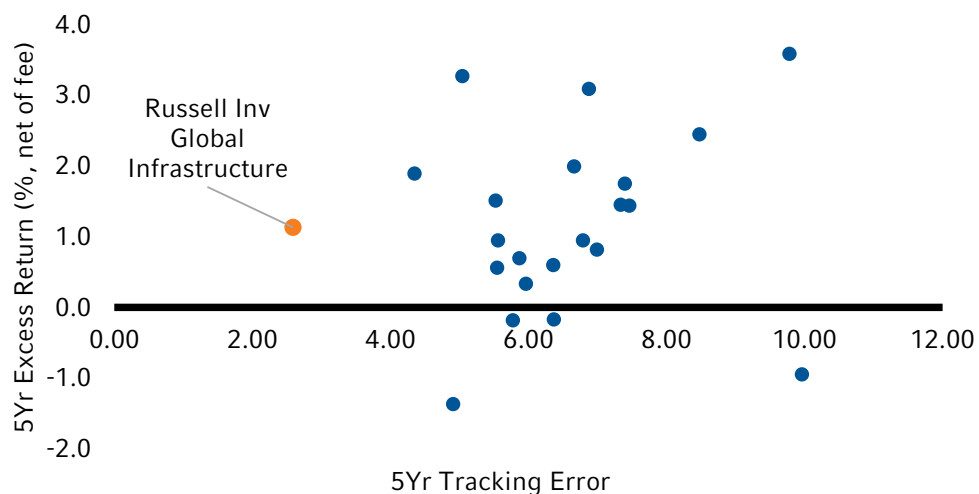
Source: S&P Dow Jones Indices, Morningstar Direct, cumulative performance in NZD from inception (Nov 2001 – May 2023) S&P Global Infrastructure (NR) NZD-H and S&P Global Infrastructure (NR). Volatility is standard deviation based on monthly returns Nov 2001 – May 2023 in NZD. Sharp ratio is arithmetic calculation, measuring return per unit of risk. Risk free rate is 90 day NZ government bill. Past performance is no guarantee of future results.

## MULTI-VS SINGLE MANAGER

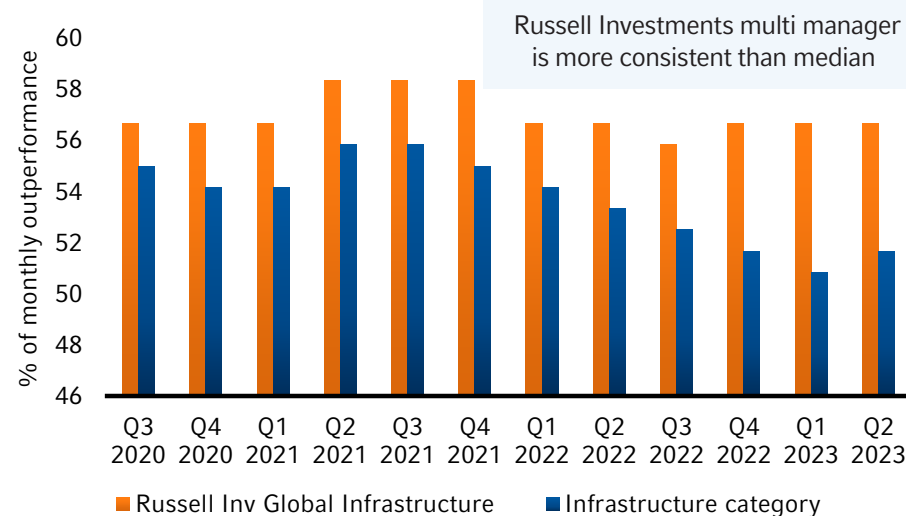
### Multi-manager expected to deliver less volatile and repeatable outperformance vs single manager peers

An actively managed multi-manager portfolio should help mitigate single manager risk and deliver less volatile excess returns. Multi-manager achieves this by accessing to the rich source of potential active management opportunities that infrastructure allows, including balanced sector exposures, alpha generation potential and prudent risk management.

**Russell Investments multi-manager vs category**  
5Yr excess return vs tracking error as at 30 June 2023



**Russell Investments multi-manager vs category**  
10Yr batting average, rolled quarterly to 30 June 2023



5Yr Risk Stats	Excess Return	Tracking Error	Information ratio	Beta	Standard deviation
Russell Inv Global Infrastructure	1.13%	2.59%	0.44	0.91	17.45%
Infrastructure category peers	0.91%	4.97%	0.18	0.86	16.49%

Source: Morningstar Direct, S&P. Data as at 30 June 2023. Peer group is Morningstar category US Fund Infrastructure, with Oldest Share Class used as representative class (Russell Inv Global Infrastructure Y). Calculation index is S&P Global Infrastructure NR USD. All performance data and risk stats denoted in USD. Batting Average is a measure of a manager's ability to consistently beat the market. It is calculated by dividing the number of months in which the manager beat or matched an index by the total number of months in the period. For example, a manager who meets or outperforms the market every month in a given period would have a batting average of 100. A manager who beats the market half of the time would have a batting average of 50. Past performance is no guarantee of future results.



## GLOBAL LISTED INFRASTRUCTURE FUND COMPARISON

Increasing range of NZ domiciled fund bringing global capabilities to local investors

	Russell Investments Global Listed Infrastructure Fund	First Sentier Responsible Listed Infrastructure Fund	Kernel Global Infrastructure (NZD Hedged) Fund	Kernel Global Infrastructure Fund	Maple-Brown Abbott Global Listed Infrastructure Fund	Magellan Infrastructure Fund (Unhedged)	Mercer Macquarie Global Listed Infrastructure Fund	OneAnswer SAC International Listed Infrastructure Fund	Salt Sustainable Global Listed Infrastructure Fund
Firm AUM (\$B)	\$468B	\$240B	<\$1B	<\$1B	\$12B	\$101B	\$600B	\$30B	\$2B
Global Listed Infrastructure AUM (NZD M)	\$4,500m	\$6,158m	\$225m	\$225m	\$1,890m	\$4,193m	\$4,397m	\$40m	\$46m
Fund Size (NZD M)	\$115m	\$298m	\$54m	\$175m	\$1,231m	\$1,070m	\$173m	\$40m	\$46m
Investment strategy	Active multi manager	Concentrated active	Passive index	Passive index	Concentrated active	Concentrated active	Concentrated Active	Concentrated Active	Concentrated Active
Subadvisors	First Sentier, Cohen & Steers, Nuveen	N/A	N/A	N/A	N/A	N/A	Macquarie Investment Management Global	Maple-Brown Abbott	Cohen & Steers
Inception Date	16/03/2022	16/12/2013	27/07/2022	15/07/2020	18/12/2012	1/07/2013	7/09/2012	1/10/2021	18/08/2021
Domicile	New Zealand	New Zealand	New Zealand	New Zealand	Australia	Australia	New Zealand	New Zealand	New Zealand
Currency	NZD	NZD	NZD	NZD	AUD	AUD	NZD	NZD	NZD
Hedged	100% NZD	100% NZD	100% NZD	No	No	No	100% NZD	100% NZD	100% NZD
Total Cost Ratio	1.05%	1.01%	0.25%	0.25%	0.98%	1.19%	1.31%	1.08%	1.16%
Performance fees	No	No	No	No	No	Yes	No	No	No
Benchmark	S&P Global Infrastructure NZDH	FTSE Developed Core Infrastructure ex Pipelines NZDH	DJ Brookfield Global Infrastructure NZDH	DJ Brookfield Global Infrastructure	OECD Total Inflation Index + 5.5%	S&P Global Infrastructure	DJ Brookfield Global Infrastructure NZDH	FTSE Global CORE Infrastructure 50/50 Index net TR NZDH	FTSE Global CORE Infrastructure 50/50 Net Tax Index
Approx. # of stocks	117	33	99	99	30	31	39	29	52
Emerging markets	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
ESG criteria	Yes, 20% lower carbon emissions vs index	Yes, ex-pipelines index	No	No	Yes, integrated ESG investment process	No	Yes, integrated ESG investment process	No	Yes, integrated ESG investment process

Source: Russell Investments, Morningstar Direct, Manager Product Disclosure Statements, SIPO's. As at May 2023, AUM Data in NZD.

## PERFORMANCE COMPARISON TO 30 JUNE 2023

### Global listed infrastructure hedged

FUND NAME	TOTAL COST RATIO	INCEPTION DATE	YEAR-TO-DATE	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPT.
<b>Russell Investments Global Listed Infrastructure Fund (net)</b>	<b>1.05%</b>	<b>16 Mar 2022</b>	<b>4.20%</b>	<b>4.26%</b>	-	-	<b>3.24%</b>
S&P Global Listed Infrastructure (NR) NZD-H			3.23%	2.47%	-	-	2.80%
Excess (net)			0.97%	1.79%	-	-	0.44%
<b>First Sentier Responsible Listed Infrastructure Fund (net)</b>	<b>1.01%</b>	<b>16 Dec 2013</b>	<b>-3.30%</b>	<b>-4.42%</b>	<b>4.29%</b>	<b>3.99%</b>	<b>8.46</b>
FTSE Developed Core Infrastructure ex-Pipelines 100% Hedged NZD Net Tax			-2.27%	-4.16%	5.39%	4.65%	8.34
Excess (net)			-1.03%	-0.26%	-1.10%	-0.66%	0.12
<b>Kernel Global Infrastructure Fund (net)</b>	<b>0.25%</b>	<b>27 July 2022</b>	<b>1.27%</b>	-	-	-	<b>-5.74%</b>
DJ Brookfield Global Infrastructure New Zealand Dollar Hedged TR			0.99%	-	-	-	-5.35%
Excess (net)			0.28%	-	-	-	-0.39%
<b>Mercer Macquarie Global Listed Infrastructure Fund (net)</b>	<b>1.31%</b>	<b>07 Sep 2012</b>	<b>0.00%</b>	<b>0.16%</b>	<b>9.20%</b>	<b>7.39%</b>	<b>9.30%</b>
DJ Brookfield Global Infrastructure New Zealand Dollar Hedged NTR			0.99%	-1.93%	6.59%	5.69%	N/A
Excess (net)			-0.99%	2.09%	2.61%	2.69%	N/A
<b>OneAnswer SAC International Listed Infrastructure Fund (net)</b>	<b>1.08%</b>	<b>01 Oct 2021</b>	<b>5.42%</b>	<b>4.22%</b>	-	-	<b>6.48%</b>
FTSE Global CORE Infrastructure 50/50 Index net TR NZDH			N/A	N/A	-	-	N/A
Excess (net)			N/A	N/A	-	-	N/A
<b>Salt Sustainable Global Listed Infrastructure Fund (net)</b>	<b>1.16%</b>	<b>18 Aug 2021</b>	<b>-0.17%</b>	<b>-2.03%</b>	-	-	<b>0.82%</b>
FTSE Global Core Infrastructure 50/50 Net Tax Index			-0.67%	-2.40%	-	-	-0.10%
Excess (net)			0.50%	0.37%	-	-	0.92%

Source: Russell Investments, Data taken from manager fact sheets in the first instance, otherwise data taken from index provider fact sheets or Morningstar Direct. Data in NZD as at 30 June 2023. Past performance is not a reliable indicator of future performance.

## PERFORMANCE COMPARISON TO 30 JUNE 2023

### Global listed infrastructure unhedged

FUND NAME	TOTAL COST RATIO	INCEPTION DATE	YEAR-TO-DATE	1 YEAR	3 YEARS	5 YEARS	SINCE INCEPT.
<b>Kernel Global Infrastructure Fund (net)</b>	<b>0.25%</b>	<b>15 Jul 2020</b>	<b>5.42%</b>	<b>0.81%</b>	-	-	<b>8.46%</b>
DJ Brookfield Global Infrastructure Index TR NZD			5.16%	1.15%	-	-	9.38%
Excess (net)			0.25%	-0.34%	-	-	-0.92%
<b>Maple-Brown Abbott Global Listed Infrastructure Fund (net)</b>	<b>0.98%</b>	<b>18 Dec 2012</b>	<b>8.89%</b>	<b>7.81%</b>	<b>11.40%</b>	<b>7.78%</b>	<b>10.6%</b>
OECD Total Inflation Index + 5.5% p.a.			N/A	13.6%	12.1%	10.3%	8.86%
Excess (net)			N/A	-5.79%	-0.70%	-2.52%	2.00%
<b>Magellan Infrastructure Fund (net)</b>	<b>1.19%</b>	<b>01 Jul 2013</b>	<b>7.14%</b>	<b>2.65%</b>	<b>6.56%</b>	<b>5.86%</b>	<b>9.37%</b>
S&P Global Listed Infrastructure Index (NR) NZD			6.63%	4.78%	11.58%	6.53%	6.06%
Excess (net)			0.51%	-2.13%	-5.02%	-0.67%	3.31%

Source: Russell Investments, Data taken from manager fact sheets in the first instance, otherwise data taken from index provider fact sheets or Morningstar Direct. Data in NZD as at 30 June 2023. Past performance is not a reliable indicator of future performance.

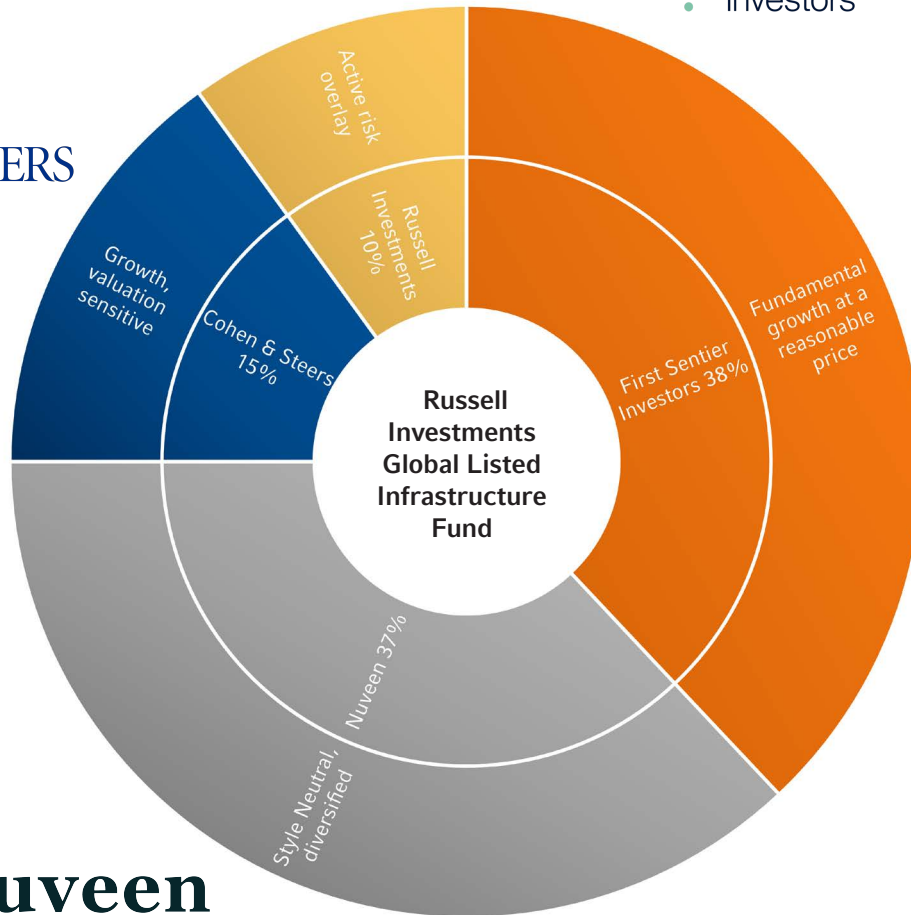
# THE RUSSELL INVESTMENTS GLOBAL LISTED INFRASTRUCTURE FUND

Active, pure-play, best-of-breed managers with a global infrastructure perspective



COHEN & STEERS

nuveen



## Meet the Manager



**Patrick Nikodem**  
Location: Chicago, U.S.

## Key facts

Fund size	\$117.5M
Est. Total Annual Fund Charge	1.05%
Target alpha	2% p.a. over a rolling market cycle
Fund distribution yield (%)	2.38%

**We manage global listed infrastructure investments for clients around the world.**

### We offer:

- Capital markets expertise
- Rigorous due diligence of the global manager universe
- Multi-manager portfolio construction, incorporating risk management and diversification for investors
- Efficient implementation of investment strategy
- Lower carbon infrastructure exposure

Source: Russell Investments. Managers and weightings liable to change. Data in NZD as at 30 June 2023.

## FOR MORE INFORMATION

Call Russell Investments at +09 357 6633  
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