

# Index Construction

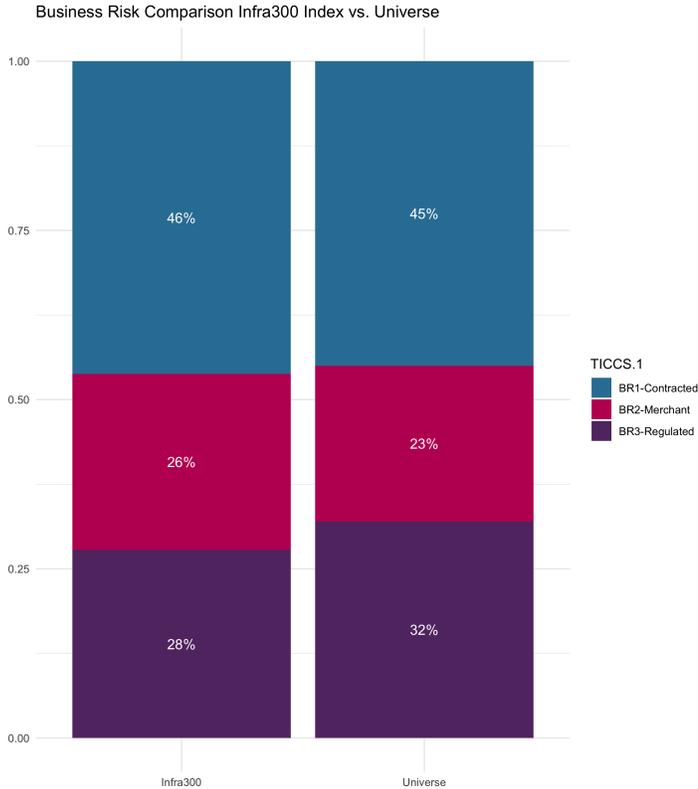
The construction of the index is done in two stages:

- Rule-based inclusion in the index universe
- Determination of constituent weights

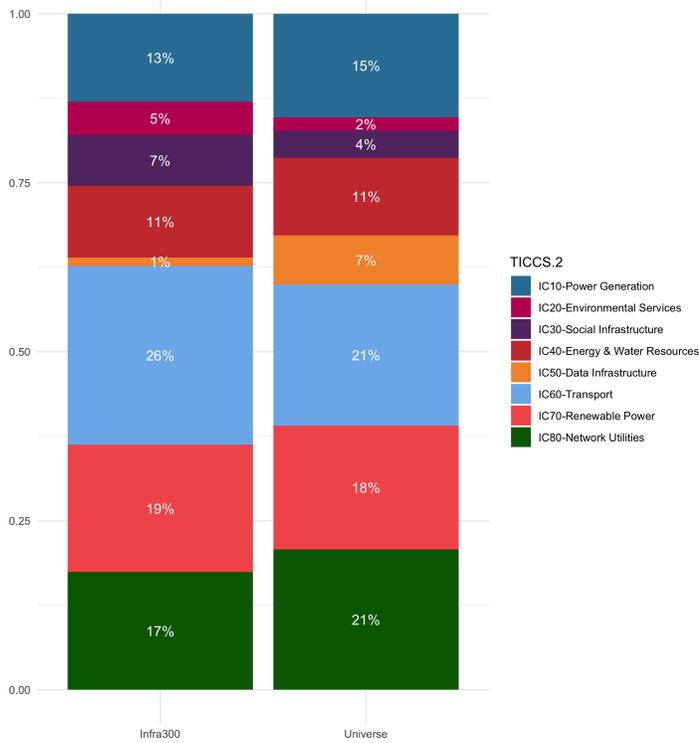
## Infra300™ Index Construction

The Infra300™ index is designed to track the different TICCS® segments of the unlisted infrastructure reference universe identified as the national markets qualifying as 'principal markets' (IFRS 13). The index is equally weighted. Its coverage of each TICCS pillar of the investable universe reflects the availability of data and the trade-off made to match each segment as accurately as possible while restricting the index to 300 constituents.

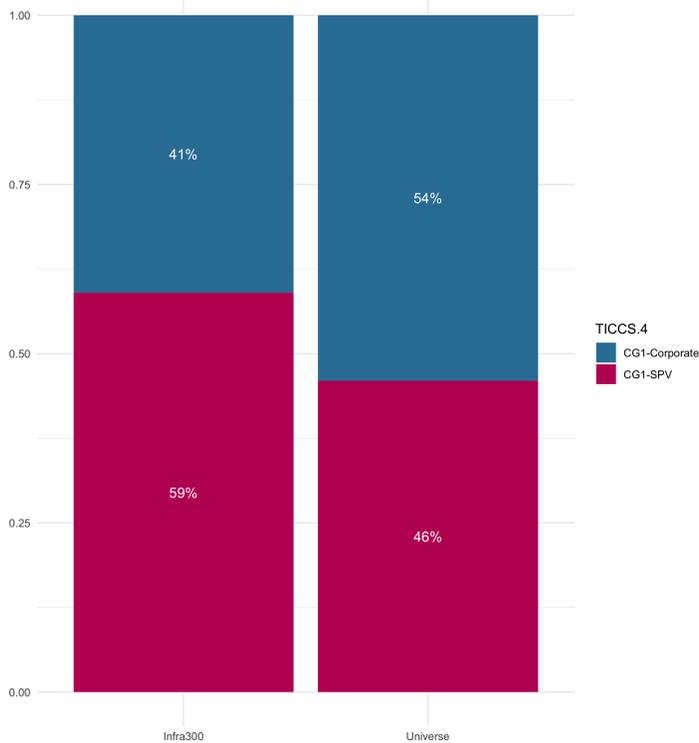
The bar charts below show the TICCS® structure of the universe using average values for the 2015-2020 period, compared to the TICCS® coverage of the Infra300 Index (data as of Q1 2020).



Industrial Activity Comparison Infra300 Index vs. Universe



Corporate Governance Comparison Infra300 Index vs. Universe



### Infra100 unlisted equity index construction

The infra100 equity indices are designed to represent the performance of the largest 100 companies in an infrastructure market segment. These indices are rebalanced annually in January.

### Market Indices Weighting Schemes

The broad market and other market indices are market-value weighted.

In value-weighted indices, each constituent influences the index in proportion to its value. The weights are calculated at each rebalancing date using the following formula:

$$w_{i,t} = \frac{V_{i,t}}{\sum_i^n V_{i,t}}$$

where:

$w_{i,t}$  denotes the weight of constituent  $i$  at time  $t$

$V_{i,t}$  denotes index constituent  $i$ 's estimate of fair value at time  $t$ .

The fair value is estimated using a consistent [asset pricing methodology](#). Index-constituent value weights are calculated in the reference currency so that all constituent market values denominated in a different currency than the reference currency are converted accordingly.

**i** Alternative weighting schemes are available including equal weights and capped weights, by which individual weights cannot exceed a 5% cap. A capped value-weight index follows the same calculation methodology as the value-weights scheme described above, however, prevents any single constituent from having a disproportionate influence on the index. A limit is imposed whereby individual constituent's weight are capped at 5%. Thereafter, the weights of the remaining index constituents are increased as a consequence of reducing the weights of the larger companies. The weights of the uncapped constituents are then checked and, if they exceed 5%, they are then also capped at 5%. This is an iterative process that is repeated until no company exceeds 5%.

### Customised weights

Custom weighting schemes can also be designed in order to over- or under-weight different [TICCS® segments](#).

## Constituent Entry and Exit

Constituents enter the index when they enter the index universe i.e. on the date of incorporation for greenfield infrastructure, or privatisation for existing firms or when the [minimum required data](#) becomes available, whichever is earlier.

Constituents exit the index if they reach the end of their planned life (project companies), are acquired and absorbed into another firm or cease to operate as a going concern (bankruptcy).

### **i** Note on the evolution of constituents financial structure

The same infrastructure asset could be considered under a different corporate entity over time as the financial structure of the business evolves. [TICCS®](#) guidelines suggest that the corporate entity to be considered should be the one that best represents the infrastructure business as a whole. It cannot be pre-determined whether the *HoldCo*, *BidCo* or *ProjCo* should be considered. This is a matter of judgement to be exercised on a case-by-case basis, depending on the nature of these corporate structures. For example, if the *HoldCo* carries most of the debt related to the underlying investment (e.g. Heathrow) then it would be considered the most relevant level for the purpose of identifying or classifying infrastructure investments. If this changes over time, the initial entity (e.g. *ProjCo*) leaves the index and is replaced by the new one (e.g. *HoldCo*) which is uniquely identified.

## Timing of Changes

The index is reviewed on a quarterly basis by the [index committee](#) for new entries and exits.