

FTSE Infrastructure Index Series Methodology Enhancement – effective September 2024

Executive summary

The FTSE Infrastructure Index Series is designed to measure the performance of infrastructure and infrastructure-related listed equity securities worldwide. FTSE Russell defines infrastructure as: companies that own, manage or operate structures or networks, which are used for the processing or movement of goods, services, information/data, people, energy and necessities from one location to another.

FTSE Russell reviews index methodologies regularly (at least once a year), considers feedback from index users, and evolution of markets to ensure that they continue to best reflect the objectives of the index series.

Based on client and market feedback, effective with the September 2024 index review, the FTSE Infrastructure Index Series will be enhanced with the addition of a newly eligible subsector, update of sector caps (target weights) at the semi-annual index reviews for the FTSE Core Infrastructure 50/50 and Capped indices, and clarification of included and excluded businesses to specific FTSE Infrastructure indices. Additional details can be found in this document regarding the upcoming changes.



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FTSE Infrastructure Index Series methodology enhancement FAQs

1. What is FTSE Infrastructure Index Series?

The FTSE Infrastructure Index Series is designed to measure the performance of infrastructure and infrastructure-related listed equity securities worldwide. The series offers a variety of indices including the FTSE Core Infrastructure Indices (uncapped and capped versions) that include companies involved in the FTSE Russell-defined “core” infrastructure activities, as well as the FTSE Infrastructure Indices and FTSE Infrastructure Opportunities Indices that include companies involved in both core infrastructure and infrastructure-related activities.

The series consists of the following indices:

Available indices	FTSE Infrastructure	FTSE Infrastructure Opportunities	FTSE Core Infrastructure	FTSE Core Infrastructure (Capped)	Available indices
Global	✓	✓	✓	50/50	Global
Developed	✓	✓	✓	50/50	Developed
Emerging	✓	✓	✓		Emerging
Developed APAC				50/50	Developed APAC
Developed Europe				Capped	Developed Europe
USA				Capped	USA

2. How does FTSE Russell define infrastructure?

FTSE Russell defines infrastructure as: companies that own, manage or operate structures or networks, which are used for the processing or movement of goods, services, information/data, people, energy and necessities from one location to another. The definition also includes the business that provide the means of conveyance and the conveyance itself, not the goods or services that are carried by the conveyance. This includes both the network (e.g. roads, bridges, tunnels, pipelines, wires, wireless, depots, ports, airports, etc.) and the actual “rolling stock” that conveys the goods, services, information/data, people, energy and necessities.

3. What is the methodology review process and frequency for the FTSE Infrastructure Index Series?

FTSE Russell reviews index methodologies regularly (at least once a year), considers feedback from index users, and evolution of markets to ensure that they continue to best reflect the objectives of the index series.

When reviewing the methodology of the FTSE Infrastructure Index Series, and based feedback from index users, FTSE Russell identifies ICB subsectors to consider for eligibility, based on the definition of infrastructure stated in the Ground Rules. With the evolution of the market and companies, some ICB subsectors may become newly-eligible for inclusion in the FTSE Infrastructure Index Series, while some may become obsolete and be removed from the eligible ICB subsectors list.

FTSE Russell shares with LPX Group the list of newly-identified ICB subsectors to be considered for eligibility for the FTSE Infrastructure Index Series. LPX Group then reviews the list and identifies potential eligible securities to test for core infrastructure activity and infrastructure-related activity. Based on the findings, LPX Group provides a recommendation as to whether or not the specific ICB subsectors can be added or not. FTSE Russell finalizes the list of eligible ICB subsectors after the assessment, following the governance process outlined in [FTSE Russell Policy for Benchmark Methodology Changes: Ground Rules \(lseg.com\)](#).

Apart from ICB subsectors updates, FTSE Russell will also review the definition of Infrastructure, index construction process and capping under the index series.

4. What is the enhancement and why?

As announced on 23 May 2024 (<https://research.ftserussell.com/products/index-notice/home/getmethodology/?id=2612437>), effective with the September 2024 index review, the FTSE Infrastructure Index Series will be enhanced with the addition of a newly eligible subsector, update of sector caps (target weights) at the semi-annual index reviews for the FTSE Core Infrastructure 50/50 and Capped indices, and clarification of included and excluded businesses to specific FTSE Infrastructure indices.

The FTSE Infrastructure Index Series was launched in March 2011. Over the years, FTSE Russell has collaborated with LPX Group, who is responsible for the fundamental research and infrastructure screening of the constituents of the FTSE Infrastructure Index Series, to account for the evolution of the markets and to ensure that the FTSE Infrastructure indices continue to accurately represent the infrastructure and infrastructure-related markets.

In 2023, ICB subsector additions and deletions were updated. In 2024, FTSE Russell continues to enhance the series, to continue to reflect the evolution of the underlying listed infrastructure equity market. Additional details of the enhancements effective at the September 2024 index review are provided in 4.1, 4.2, and 4.3.

4.1 Addition of eligible ICB subsector

The FTSE Infrastructure Opportunities Indices will add ICB subsector 35102070 Specialty REITs as an eligible subsector. REITs that primarily invest in any single type of facility or property not specifically defined within another REIT subsector are classified as Specialty REITs.

List of impacted indices:

- FTSE Global Infrastructure Opportunities Index
- FTSE Developed Infrastructure Opportunities Index
- FTSE Emerging Infrastructure Opportunities Index
- FTSE Global Infrastructure Index
- FTSE Developed Infrastructure Index
- FTSE Emerging Infrastructure Index

4.2 Update of sector caps (target weights) at semi-annual index reviews

FTSE Core Infrastructure 50/50 Indices and Capped Indices will update the following sector caps:

Group	ICB Subsectors	New	Old
Transportation	Railroads and Travel & Tourism	12.5%	7.5%
	Constructure and Transportation Services	17.5%	22.5%

List of impacted indices:

- FTSE Global Core Infrastructure 50/50 Index
- FTSE Developed Core Infrastructure 50/50 Index
- FTSE Developed Asia-Pacific Core Infrastructure 50/50 Index
- FTSE Developed Europe Core Infrastructure Capped Index
- FTSE USA Core Infrastructure Capped Index

4.3 Clarifications in Appendix A—Included and excluded businesses that provide more detailed descriptions of core infrastructure and infrastructure-related activities (no impact to specific indices)

- 4.3.1 Energy Core Infrastructure
- 4.3.2 Telecommunications Core Infrastructure
- 4.3.3 Infrastructure-related Communications Services

5. When will the FTSE Infrastructure Index Series adopt the enhancement?

The enhancement will be reflected in the FTSE Infrastructure Index Series as of the September 2024 index review, which takes effect at the market open of September 23, 2024.

6. What supporting materials are available?

An updated copy of the FTSE Infrastructure Index Series Ground Rules (v3.8) is now available using the following link: [FTSE Infrastructure Index Series: Ground Rules \(lseg.com\)](https://www.lseg.com/infrastructure)

7. How many companies will enter the FTSE Infrastructure Opportunities Indices with the addition of ICB subsector 35102070 Specialty REITs?

Approximately 20 candidate companies from ICB subsector 35102070 Specialty REITs will be reviewed and assessed for their eligibility to be included to the respective FTSE Infrastructure Opportunities Indices. 5 out of the 20 companies have been identified as potential additions based on data as of March 2024.

8. Can FTSE Russell provide a proforma estimate of the capping change to FTSE Core Infrastructure 50/50 Indices?

Below are estimates of the new weights and differences for FTSE Global Core Infrastructure 50/50 Index and FTSE Developed Core Infrastructure 50/50 Index, based on data as of 18 March 2024.

Top 10 constituents under the Transportation Group in FTSE Global Core Infrastructure 50/50 Index by new weight:

Group	Stock Name	ICB Subsectors	New Weight %	Old Weight %	Diff %
Transportation	Union Pacific Corp	Railroads	3.79	2.27	1.52
	Transurban Group	Transportation Services	3.25	4.18	-0.93
	Canadian Pacific Kansas City Limited	Railroads	1.97	1.18	0.79
	CSX Corp	Railroads	1.85	1.11	0.74
	Canadian National Railway	Railroads	1.83	1.10	0.73
	Aena SME SA	Transportation Services	1.59	2.05	-0.46

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Group	Stock Name	ICB Subsectors	New Weight %	Old Weight %	Diff %
	Norfolk Sthn Corp	Railroads	1.44	0.86	0.58
	Adani Ports and Special Economic Zone	Transportation Services	1.42	1.82	-0.40
	Airports of Thailand	Transportation Services	0.93	1.20	-0.27
	Auckland International Airport	Transportation Services	0.78	1.00	-0.22

Top 10 constituents under the Transportation Group in FTSE Developed Core Infrastructure 50/50 Index by new weight:

Group	Stock Name	ICB Subsectors	New Weight %	Old Weight %	Diff %
	Transurban Group	Transportation Services	5.00	5.00	0.00
	Aena SME SA	Transportation Services	4.27	5.00	-0.73
	Union Pacific Corp	Railroads	3.84	2.30	1.53
	Auckland International Airport	Transportation Services	2.08	3.17	-1.08
Transportation	Canadian Pacific Kansas City Limited	Railroads	2.00	1.20	0.80
	CSX Corp	Railroads	1.88	1.13	0.75
	Canadian National Railway	Railroads	1.86	1.11	0.74
	Norfolk Sthn Corp	Railroads	1.46	0.87	0.58
	Aeroports de Paris	Transportation Services	1.40	2.13	-0.73
	Flughafen Zurich	Transportation Services	1.28	1.95	-0.67

9. When and where will clients be able to access the details of the upcoming index review changes?

Subscribers to the FTSE Infrastructure Index Series product files will be able to access the indicative review files starting 2 weeks prior to the review effective date. Please refer to the FTSE Russell Index Review Timetable—2024 (<https://research.ftserussell.com/products/index-notices/home/getnotice?id=2611265>)

10. Will there be any effect on the FTSE Infrastructure Indices due to the update of Appendix A—Included and excluded businesses?

Updates to Appendix A—Included and excluded businesses will not impact the construction of the FTSE Infrastructure indices, as the updated language clarifies and provides additional details regarding eligible infrastructure business activities.

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For over 35 years we have been at the forefront of driving change for the investor, always innovating to shape the next generation of benchmarks and investment solutions that open up new opportunities for the global investment community.

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