Analyst: Sabelo Mnisi

Satrix Global Infrastructure Feeder ETF(JSE:STXIFR)

21.04.2023

Fund suitability

This ETF is suitable for investors with a high risk appetite seeking exposure to offshore-listed stocks.

Fees

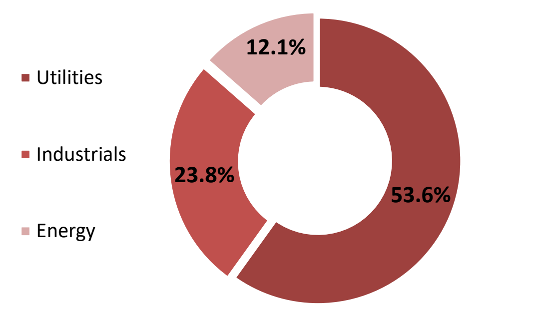
The fund has a total expense ratio of 0.77%.

Alternative funds

Satrix Smart City Infrastructure ETF (TER:0.60%)

"Another attractive feature for investors is that infrastructure assets tend to have predictable cashflows due to long-term projects and operational agreements"

Sector allocation– top 3 (%)



The world needs more infrastructure – and in response to the Covid lockdowns, many developed countries announced massive infrastructure rollout plans to stimulate their economic recoveries. Developed markets need investment to refurbish their infrastructure, while emerging markets need infrastructure to urbanise and grow their economies.

The Satrix Global Infrastructure Feeder ETF provides investors with exposure to global public companies involved in infrastructure activities, which index provider FTSE Russell defines as listed companies which "include the development, ownership, operation, management and maintenance of structures used for the processing or moving of goods". Companies must derive at least 65% of their revenue from the FTSE Russell-defined core infrastructure to be included in the index.

Infrastructure is expected to be the second-fastest growing private asset class, with Preqin Research expecting annual growth of 13.3% in assets under management up to 2027.

Infrastructure assets act as a potential hedge against inflation. Transport assets such as toll roads often have revenue models that are indexed to inflation. Fibre networks and mobile towers often have annual price increases that are linked to inflation.

Another attractive feature for investors is that infrastructure assets tend to have predictable cashflows due to long-term projects and operational agreements.

There is a global infrastructure funding gap of about $2.59tn that needs to be filled over the next decade, according to the American Society of Civil Engineers. The society notes that surface transportation, water systems and schools are among the categories that most need infrastructure investment.

More than two thirds of the underlying index's funds are invested in the US, whose infrastructure index (NYSE FactSet Infrastructure) has delivered 63.1% over the last five years. The impressive returns can be attributed to increased government focus and a greater interest from investors for thematic investments.

US President Joe Biden signed the Infrastructure Investment and Jobs Act (IIJA) in November 2021. The legislation targets transportation, energy, broadband internet and water infrastructure. About $1.2tn has been allocated for these categories, with about $550bn of that apportioned for new investment programmes.

Engineering and infrastructure companies have bigger high aspirations for 2023. Jacobs Solutions, a US construction firm, noted in its Q4 2022 earnings report that the IIJA is starting to come into play and that it expects more relevant spending in the second half of this year. Deere & Company, also late last year, noted that there are higher levels of demand in North America, which can be attributable to IIJA spending. While the IIJA is in its early stages, preliminary results are encouraging for construction companies.

The package is a long-term investment rather than an instant stimulus. As a result, more projects will come to play for years beyond 2023.

The Satrix Global Infrastructure Feeder ETF is a cost-efficient vehicle for investors who want to benefit from this infrastructure spending. Over half of the fund's assets are invested in the utilities sector, which has performed well over the last five years in the US, with the S&P Utilities Sector Index gaining just over 20%.

, we believe the global infrastructure market offers good potential and has scope to expand. In the face the $2.6tn global funding gap, the World Bank estimates that there is a pipeline of only $1.2tn of "investable" infrastructure projects, many of which are not yet shovel-ready.

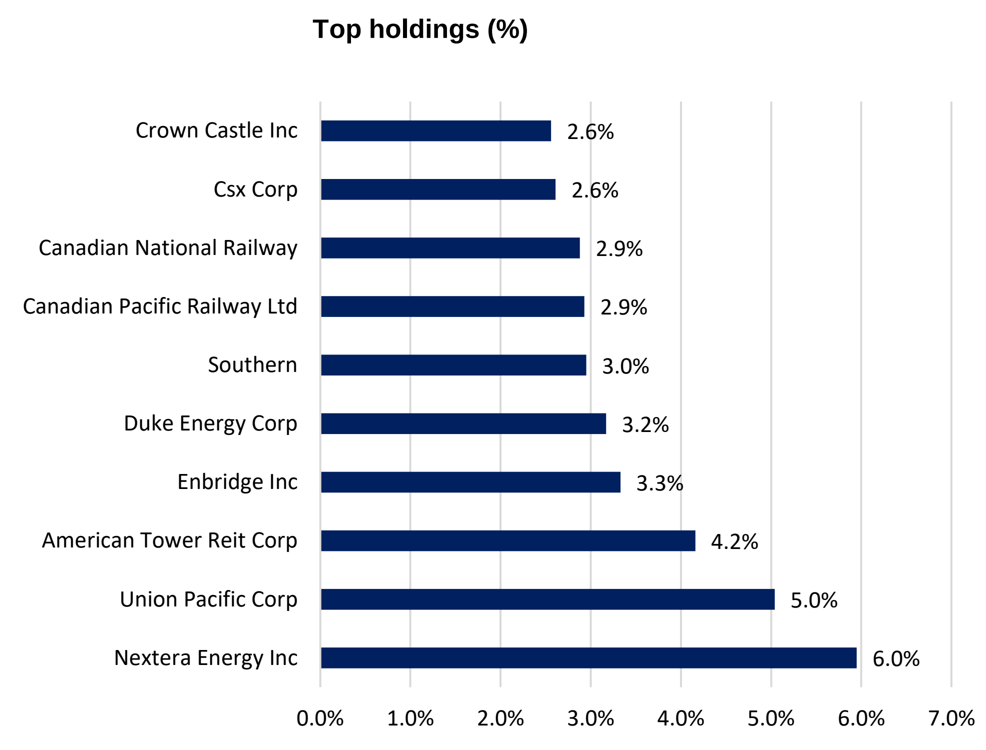
This ETF is suitable for risk-tolerant investors who have a long-term investment horizon. The underlying index had 15.5% volatility over the last five years, which is lower than the FTSE Emerging Markets Infrastructure Index's 18.3%. The ETF returned 9.9% over the past year and 14.5% since inception. It has a total expense ratio of 0.77% and while all infrastructure funds are in this range, the Satrix ETF is among the most expensive.

Investment term of the week: Inflation hedge

An inflation hedge is an investment that is considered to protect the decreased purchasing power of a currency that results from the loss of its value due to rising prices.

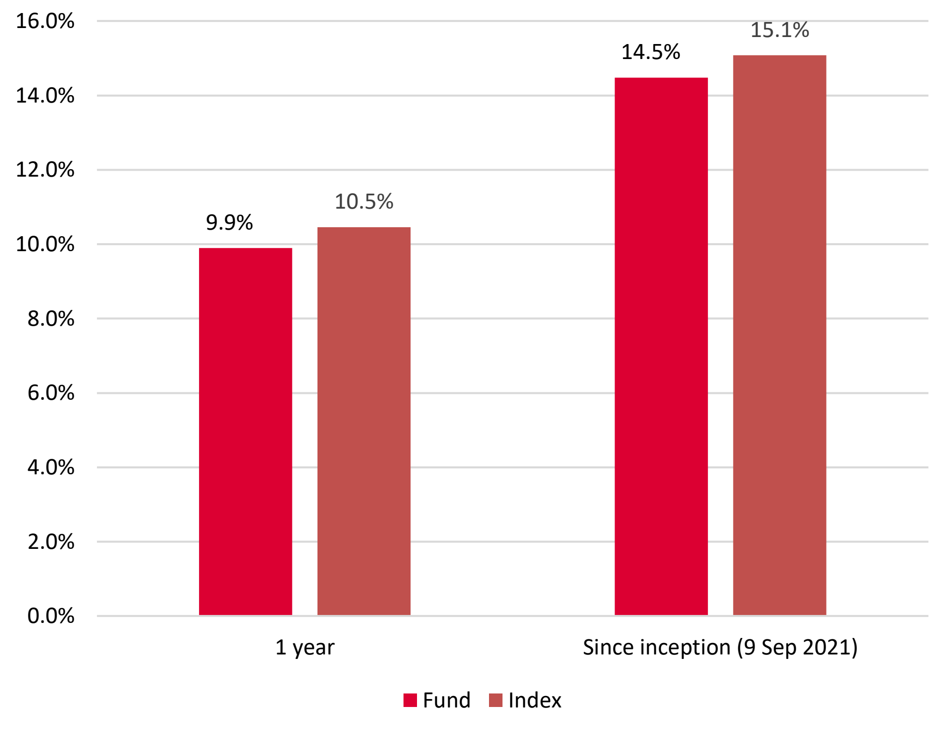
Investment approach and portfolio composition

The Satrix Global Infrastructure Feeder ETF provides investors with exposure to worldwide listed companies involved in the FTSE Russell-defined "core" infrastructure activities industry



Performance

Index performance to end-January 2023 (annualised for periods longer than one year; with dividends reinvested)



Fund information as at 31 January 2023

Launch date	9 September 2021
Trading symbol (JSE)	STXIFR
Weighted average market cap.	R234m
Total expense ratio	0.77%
Risk rating	High
Benchmark	FTSE Global Core Infrastructure Index

Market data: 20 April 2023

Spot price	R56.63
12-month high	R60.62
12-month low	R47.89
Average monthly volume	8,002
Gross dividend yield	1.87%

Source: Infront, yahoo finance