



# PAVE

## Global X US Infrastructure Development ETF



### Build Your Wealth

#### Thematic Growth – Infrastructure & Environment

#### FUND DETAILS

ASX Code	PAVE
Bloomberg Code	PAVE AU Equity
IRESS Code	PAVE.AXW
Benchmark	Indxx U.S. Infrastructure Development Index
Mgt. Fee (% p.a.)*	0.47%
Rebalance Frequency	Annually
Distribution Frequency	Semi-Annually
W-8 BEN Form Required	No

\* Calculated on the Net Asset Value (NAV) of the Fund. All fees and costs are inclusive of GST. Refer to the PDS for a complete list of fees and costs.

#### INTRODUCING PAVE

The Global X US Infrastructure Development ETF (PAVE) aims to capture a resurging focus on infrastructure in the world's largest economy. It does so by investing in US-domiciled companies involved in the construction, engineering, material procurement, transportation, and equipment distribution processes of infrastructure projects.

#### DID YOU KNOW?

- According to the World Infrastructure Hub, the US currently requires at least US\$3.8 trillion in additional investment to adequately repair existing infrastructure and keep pace with economic expansion.<sup>2</sup> This figure marks the largest single country infrastructure investment gap in the world.
- While spending on infrastructure construction has nominally increased at an annualised rate of 4.5% over the last 22 years, it has actually decreased at an annualised rate of -2.5% once controlling for inflation and real GDP growth.<sup>3,4</sup>
- A growing driver of demand for infrastructure investment is the increased frequency of natural disasters. In 2023, the US experienced a record-breaking 28 weather and climate disasters, each costing more than a billion USD.<sup>5</sup>

#### KEY FEATURES



##### Compelling Need

The American Society of Civil Engineers assigned a letter grade of C- to the state of U.S. infrastructure in its 2021 report card, highlighting the need for investment.<sup>1</sup>



##### Multiple Long-Term Catalysts

America is committed to improving its aging infrastructure. The Infrastructure Investment and Jobs Act, Inflation Reduction Act, and CHIPS and Science Act appropriated nearly US\$1tn to fund critical infrastructure projects.



##### Unconstrained Approach

As the economy evolves, so do infrastructure needs. PAVE seeks to capture this trend by investing in companies that are part of the infrastructure theme, regardless of sector or industry classification.

#### WHY IS INFRASTRUCTURE DEVELOPMENT IMPORTANT?

Infrastructure refers to the essential physical and organisational structures needed for the operation of a country or enterprise, such as transportation systems, utilities, water ways, and communication networks. Infrastructure development involves the planning, designing, financing, construction, and maintenance of these structures.

Infrastructure is a critical backbone of economic prosperity and societal well-being, and here, in the 21st century, it has never been more crucial. As the world grapples with unprecedented challenges—from rapid urbanisation and climate change to technological disruption—modern, resilient infrastructure systems are vital for sustainable development. Furthermore, consequences of geopolitical tension have driven a trend of deglobalisation, reshaping future infrastructure development and providing new, government-backed, opportunities for investors to capitalise upon.

Despite being the world's leading economy, the US's outdated infrastructure assets are in dire need of a 21st century overhaul. As of 2023, only 30% of the US population is 'fairly satisfied' with the country's national infrastructure – far below leading nations such as Singapore, Netherlands, or Japan, and under the global average of 38%.<sup>6</sup> The country's global infrastructure ranking, as measured by IMD School of Business, has also declined from 1st place in 2019 to 6th in 2023.<sup>7</sup>



## THE RESURGENCE OF US INFRASTRUCTURE INVESTMENT

Deteriorating roads, waterways, airports and seaports have become liabilities to US's economic future, affecting employment, productivity, public health, and quality of life. Luckily, these circumstances may soon change as the US has sought to address these issues through aggressive policies which encourage infrastructure investment.

The Infrastructure Investment and Jobs Act (IIJA), Inflation Reduction Act (IRA), and Creating Helpful Incentives to Produce Semiconductors (CHIPS) Acts initiated by the US government over the past five years all represent meaningful opportunities for US infrastructure development. Passed in late 2021, the IIJA is considered by many to be a major step toward rebuilding America's infrastructure. The bill contained US\$550 billion in new appropriations through to 2030, of which roughly US\$270 billion was allocated to transportation, US\$90 billion to clean energy projects, and US\$85 billion to water infrastructure and environmental remediation.<sup>8</sup> The IRA and CHIPS Acts seek to bolster US competitiveness in disruptive technologies. As such, we expect the packages will also encourage the build-out of manufacturing capacity, distribution networks, and other domestic supply chain assets – leading naturally to investment in infrastructure development.

Federal spending is also encouraging the private sector to act. Since the CHIPS Act and IRA passed in August 2022, private funding for areas like semiconductors, clean power and equipment, and EVs and batteries totalled US\$866 billion as of April 2024.<sup>9</sup>

## HOW TO USE PAVE IN A PORTFOLIO

- As a satellite portfolio component to gain exposure to growing demand and investment in the US Infrastructure Development industry.
- As a thematic tilt towards megatrends, including US Infrastructure Development.
- To diversify exposure away from major technology stocks in the S&P 500 and Nasdaq 100.

For more information on Global X US Infrastructure Development ETF (ASX Code: PAVE), please speak to Global X ETFs.

## Client Services

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[1] ASCE. (n.d.) Report Card For America's Infrastructure

[2] Global X ETFs. (March 30, 2023). Thematic Investing Whitepaper: Infrastructure Development

[3] Global X ETFs using data from U.S. Census Bureau. (n.d.) Based on 2023 Construction Spending Survey. Dataset starts in 2002

[4] Global X ETFs using data from U.S. Census Bureau. (May 17, 2024). Based on 2023 Construction Spending Survey

[5] Climate.gov. (January 8, 2024). 2023: A historic year of U.S. billion-dollar weather and climate disasters

[6] Statista. (September, 2023). People who are very or fairly satisfied with their country's national infrastructure worldwide in 2023, by country

[7] IMD Business School. (2023). World Competitiveness Ranking - Overall and Factor Rankings - Infrastructure. Accessed on 10/05/2024

[8] Global X ETFs. (November 11, 2021). Congress Passed the Infrastructure Investment & Jobs Act. What Does This Mean for Investors?

[9] The White House. (April, 2024). Investing in America.

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## HOW PAVE WORKS

The Indxx U.S. Infrastructure Development Index is designed measure the performance of companies that provide exposure to infrastructure development in the United States. This includes companies involved in the construction and engineering of infrastructure projects; the production of infrastructure raw materials, composites and products and producers/distributors of heavy construction equipment. The index applies a modified market cap-weighting approach with a weight cap of 3% and a minimum weight floor of 0.3%. The top 100 infrastructure development companies by market cap will form the final index. The index is rebalanced annually, and distributions are paid semi-annually.

## CONSIDERATIONS FOR INVESTING IN FUND

- PAVE invests primarily in companies that are expected to benefit from the development of Infrastructure in the United States, particularly companies involved in the construction and engineering of infrastructure projects, the production of infrastructure raw materials, composites and products, and producers/distributors of heavy construction equipment. These companies typically face intense competition and can be adversely impacted by shifts in government regulations and actions.
- Market or economic factors impacting US Infrastructure Development companies and companies that rely heavily on technology advances could influence the value of PAVE's investments.
- Concentration risk to a particular stock could adversely impact the Net Asset Value of the Fund, in the case of decline in the value of any stock to which the Index, and therefore the Fund, is exposed.