

## **An investment process that's driven by data**

The amount of data the world is creating has exploded in recent years. Data analysis has huge potential to inform investment decisions, but that's easier said than done. Not all data is useful, so it's vital to identify which data points are relevant for each investment case.

We manage our global listed infrastructure strategy according to a bottom-up approach, picking stocks based on our fundamental analysis. But data plays a big role in increasing the efficiency of our process, helping us identify opportunities more quickly and informing our discussions with company management teams so we can be sure we're asking them the right questions. It also helps us identify risks that companies might be exposed to.

### **Taking data usage to the next level**

Of course, other companies use data in their investment processes too, but we believe the granularity of the data we use sets us apart, as does the way we are able to visualise it through customised dashboards, especially at the asset level. This makes it easy to link our data analysis into our investment process and valuation models.

### **A worthwhile investment**

Our global listed infrastructure strategy has strongly outperformed its benchmark since we launched it at the start of 2019. There are a number of reasons for this, one of which is the unique way in which we use data in our investment process.

Finding the right data requires a big investment of time and money – there's a lot of trial and error involved, and the data has to be cleaned and verified. You've also got to know what you're looking for if you want to find the right data to help you value companies accurately, but if you get it right it has big benefits.

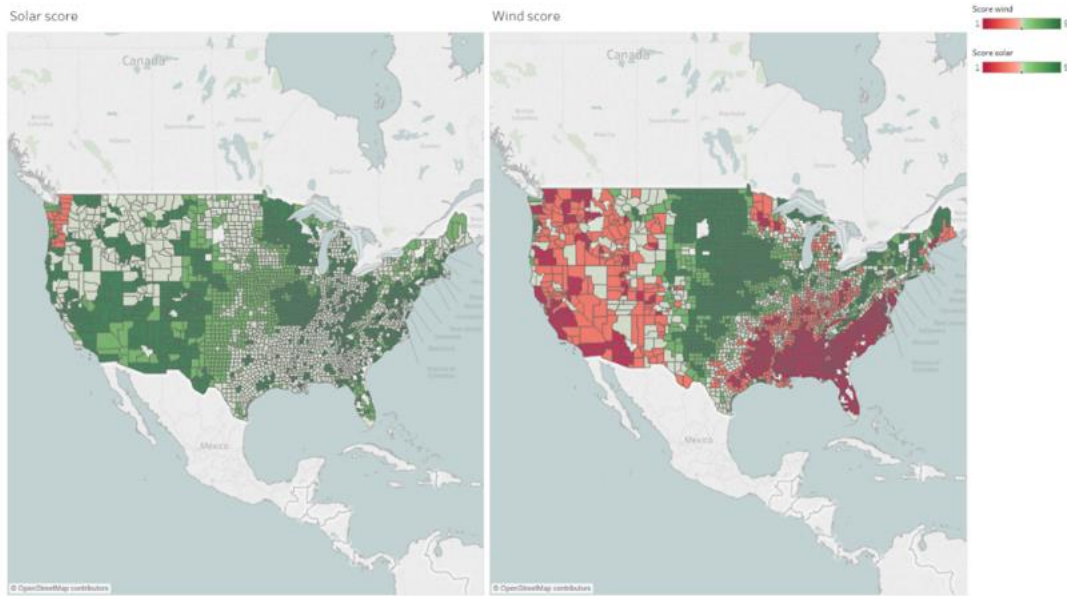
Let's take a look at some examples of how we use data in our investment process.

### **Identifying potential opportunities to transition to renewables**

With the world looking to rapidly decarbonise, many utilities are transitioning from fossil fuel power generation to renewable energy. We use weather data from bodies such as NASA, the US government and the UK and German weather authorities to identify firms with fossil fuel plants in very sunny or windy areas that could be transitioned into solar power or wind farms. Again, we discuss our findings with management teams, highlighting what we believe to be the best opportunities.

We can even use data about political preferences to inform our decisions. For example, in the US, new renewables farms are more likely to be approved in Democrat-leaning areas, which are on average more inclined to support the transition to clean energy than Republican regions.

**FIGURE 1** Identifying the best counties for solar and wind



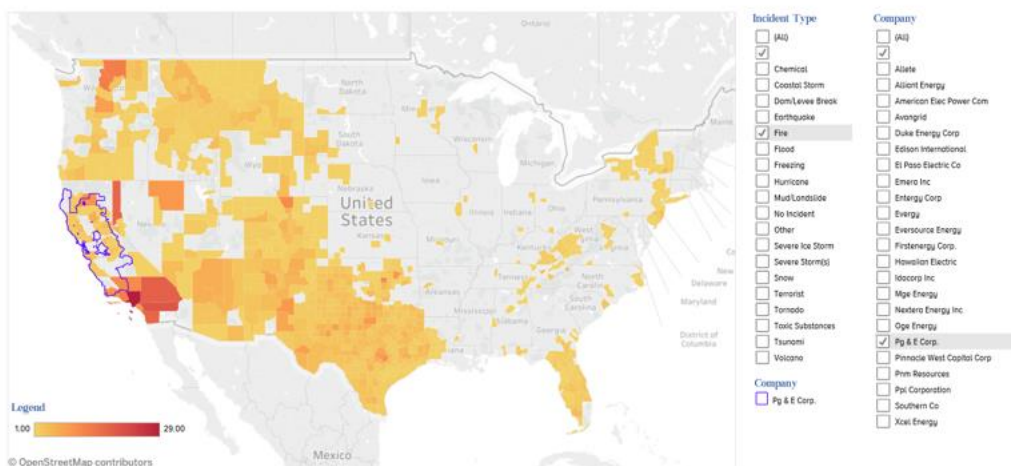
Source: SNL, National Weather Service, Kempen, May-2021

**Identifying physical risks**

Data can also help us identify physical risks that potential holdings might be exposed to. For example, we look at where the main weather-related risk events, such as flooding and wildfires, occur and plot them against existing infrastructure assets such as railways, communications towers and power plants. This enables us to determine the main climate-related risks that infrastructure firms are exposed to.

If all else is equal between two firms, we'd invest in the firm with assets in a lower-risk area. But if the valuation of the higher-risk company reflects the risks it's exposed to, or discounts them more than we believe is appropriate, it could still represent a good investment opportunity. Before investing, we would make sure we discuss the risks with the management team to ensure they're addressing it properly and seeking to mitigate any risks.

**FIGURE 2** Climate risk: Example of 22 types of disasters vs. Infrastructure asset location



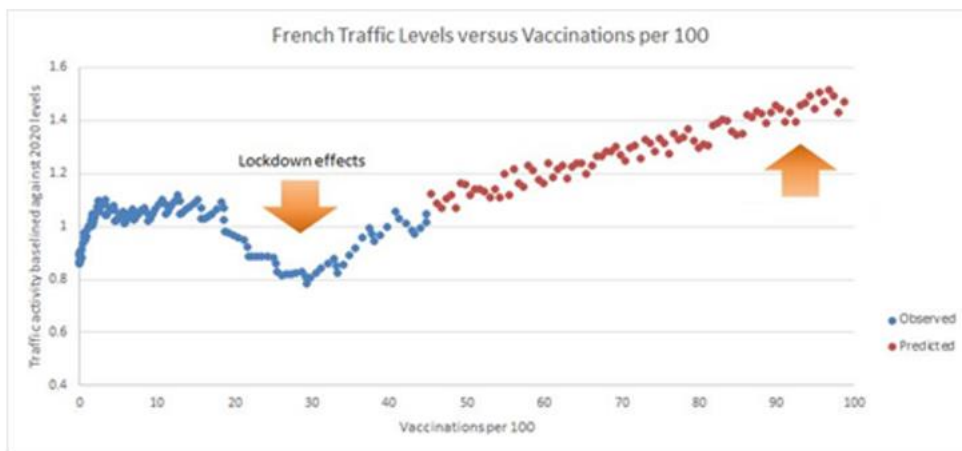
Source: SNL, Federal Emergency Management Agency, Kempen, May-2021

### Identifying which transport assets are recovering after the pandemic

Companies involved in transportation infrastructure form an important part of our investment universe. As everyone knows, transportation took a hit during the lockdowns, but it's now on the road to recovery as economies gradually reopen. Looking at data can tell us which assets are recovering fastest.

For example, as well as looking at the number of cars on toll roads, we're analysing airport passenger numbers to determine the pace of the recovery. We do not rely solely on the traffic figures reported by companies, looking at traffic data from multiple sources. We measure these figures against vaccination roll-outs and lockdown measures. With traffic having recovered quicker in the US given the success of its vaccination strategy, we use that data to calibrate our European traffic forecasts as the vaccine roll-out continues in European countries.

**FIGURE 3** Expected recovery in French Traffic levels versus vaccinations per 100 inhabitants



Source: Ourworldindata.org, Kempen, May-2021

### Tune into our webinar

To find out more about the unique way in which we use data in our investment process and lots more about our global listed infrastructure strategy, please register [here](#) for our webinar on Friday 2 July.

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