



Locked and loaded

Infrastructure debt ticks the box for both resilience and returns beyond the AI hype.

Update
19 November 2025

The current wave of AI euphoria brings to mind John Templeton's famous warning: "The four most dangerous words in investing are 'This time it's different.'" In fairness, those riding the Magnificent Seven juggernaut have been richly rewarded in recent years and AI may yet prove every bit as transformative as the hype.

But we've been here before: the railway mania of the 1840s, the post-war 'Nifty Fifty' and the dot-com boom were all fuelled by revolutionary paradigms but ended with investors nursing losses once over-exuberance morphed into reality.

Fast-forward to today's AI boom and the parallels seem familiar. As OpenAI's Sam Altman admits, bubbles are born when "smart people get overexcited about a kernel of truth," while David Solomon, CEO of Goldman Sachs, warns that much of the capital pouring into AI will "turn out not to deliver returns." When both the visionary and the banker urge caution, it might be an opportune time to look beyond AI-fuelled equities for future returns.

BlackRock's latest 10-year capital markets forecasts echo a similar view, projecting a modest 4% annual return for US equities (in GBP) versus a top-of-the-table 10% for direct lending. This highlights the growing appeal of private credit strategies such as infrastructure debt, which offers investors a combination of attractive yields, defensive grit and exposure to some of the leading global mega-trends.

Finding a sweet spot

The peaking of the interest rate cycle has created a fertile environment for infrastructure debt. As yields in public markets drift lower ahead of expected further rate cuts, investors have the opportunity to lock in attractive, high single-digit yields in private markets, with returns boosted by an illiquidity premium.

Infrastructure debt offers a compelling way to capture these higher yields, underpinned by favourable supply-demand dynamics. Traditional banks have retreated from long-term project lending since the global financial crisis, which has left a significant funding gap.

Indeed, the American Society of Civil Engineers (ASCE) forecasts a \$3.7 trillion shortfall in US infrastructure investment over the next decade (excluding an additional \$0.7 trillion deficit in schools, broadband and other projects) while Europe is also facing a significant deficit.

Analysts:

Jo Groves
jo@keplerpartners.com



Kepler Partners is not authorised to make recommendations to Retail Clients. This report is based on factual information only.

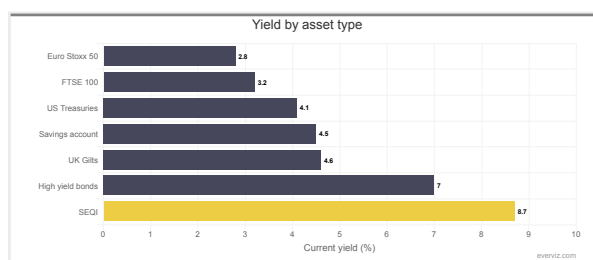
The material contained on this site is factual and provided for general informational purposes only. It is not an invitation or inducement to buy, sell or subscribe to any product described, nor is it a statement as to the suitability or otherwise of any investments for any person. The material on this site does not constitute a financial promotion within the meaning of the FCA rules or the financial promotions order. Persons wishing to invest in any of the securities discussed in the website should take their own independent advice with regard to the suitability of such investments and the tax consequences of such investment.

On the demand side, powerful structural trends such as the energy transition, digitalisation and the replacement of ageing infrastructure are driving an unprecedented need for long-term capital. With ballooning fiscal deficits, governments are increasingly leaning on private capital to bridge the gap.

Sequoia Economic Infrastructure Income (SEI) provides a late-cycle opportunity to lock in high yields, with a proven long-term track record of delivering a premium to high-yield bonds.

As shown in the chart below, SEI's current dividend yield of around 9% sits comfortably above traditional income sources, including UK and European

Fig.1: Infrastructure Debt Offers Superior Yields



Source: Data sourced from index factsheets (as at 31/10/2025) & The Financial Times (as at 17/11/2025), high yield bonds based on Bloomberg High Yield Bond Index



equities, US and UK government debt and even high-yield bonds.

Let's get defensive

Infrastructure debt also offers valuable diversification benefits at a time when equity markets look increasingly stretched. With historically low correlations to equities, property and commodities, the asset class can add stability in more volatile conditions.

Managed by a dedicated infrastructure credit team with deep expertise in private, illiquid markets, SEI has a strong track record of delivering attractive risk-adjusted returns. Its well-diversified portfolio spans 52 investments across eight sectors, 28 sub-sectors and 10 low-risk jurisdictions in the UK, North America and Europe.

The fund also taps into two of the major structural trends driving long-term demand for capital, the energy transition and digitalisation. Portfolio investments include hyperscale data centres with blue-chip tenants and global portfolios of mobile towers and subsea data cables, providing the critical backbone of the digital economy.

Renewable energy is another key theme, with SEI financing a wide range of assets from solar energy to waste projects. Many of these businesses benefit from long-term power purchase agreements and supportive public policy frameworks.

Demand for traditional infrastructure, such as transport, social housing and utilities, also remains strong as developed economies replace and upgrade ageing assets with energy-efficient systems.

One of the benefits of active management is the ability to tailor the portfolio to the macro backdrop. As a result, SEI's managers have recently increased the weighting to more resilient sectors (such as digital infrastructure, accommodation, utilities and renewables) to safeguard against slower economic growth.

A strong foundation

SEI offers exposure to tangible, essential assets backed by long-term contractual cash flows, many of which are inflation-linked, providing a valuable hedge in the current environment.

Infrastructure debt has historically demonstrated resilience through economic cycles, due to the underlying assets having high replacement costs, inelastic demand and predictable revenues.

Default and loss rates have also tended to be lower than comparable corporate credit. SEI invests exclusively in loans with a substantial equity buffer, currently averaging just under 40%, and with over 90% of the portfolio in operational-stage projects, construction risk remains limited.

Focusing on mid-market, modular assets also offers better pricing, as well as enabling careful due diligence and monitoring, avoiding the risks of mega-projects such as HS2.

Final thoughts

As expectations of rate cuts build, yield-seeking investors may find renewed appeal in trusts tapping the private debt markets. SEI's discount, which currently sits just below 15%, could also provide a kicker to returns if sentiment towards listed alternative income funds continues to improve.

As for investors beginning to question the "this time it's different" narrative of the AI boom with its concentrated focus on big-name stocks, diversified mid-market infrastructure debt might just provide the antidote: high yields, real assets and a reassuring dose of resilience.

All numbers as at 17/11/2025 unless otherwise specified.

[View the latest research note here](#)

[Click here to add SEI to your watchlist](#)

[Click here to read related research](#)



Disclaimer

This report has been issued by Kepler Partners LLP. **The analyst who has prepared this report is aware that Kepler Partners LLP has a relationship with the company covered in this report and/or a conflict of interest which may impair the objectivity of the research.**

Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

PLEASE SEE ALSO OUR TERMS AND CONDITIONS

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 70 Conduit Street, London W1S 2GF with registered number OC334771.

