



Results analysis: Sequoia Economic Infrastructure Income

SEI has hit its high dividend targets while improving the quality of the portfolio.

Update
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- SEI has delivered a NAV total return of 8.4% for the year ending 31/03/2026, net of all fees and costs, above the 7%-8% targeted gross annual return. The portfolio valuation was modestly positive, net of forex and hedge movements.,
- Dividends for the year totalled 6.875p, paid in four equal quarterly instalments. This equates to a historic yield of 8.3% on the share price at the time of writing.
- The risk profile of the strategy improved, with dividend cash cover rising to 1.06x from 1x, and the quality characteristics of the portfolio also rising. The weight in senior secured debt rose from 59.9% to 63.5% over the year, while exposure to NPLs fell to 0.3% from 1%.
- The managers invested £422m in new loans over the period at a weighted average yield-to-maturity of 9.6%, comfortably within the target.
- The company also spent £59.5m repurchasing its own shares, and funded all this while ending the period with an undrawn credit facility and an ungeared portfolio. The discount widened slightly over the year from 15.4% to 17.8%, however, we believe this was due to the war in Iran which broke out in February. Since the end of the financial year, the discount has narrowed again to 12.8%.
- Over the year, the proportion in fixed rate debt rose slightly to 58.5% and the duration ticked up from 1.9 to 2.3 as the managers prepared for rate cuts.
- The board is planning to consult shareholders on changes to the investment policy to allow more investment in OECD or investment-grade rated countries outside its current remit, most significantly in Asia.
- Chair of the board, James Stewart, said: “Our performance demonstrates the resilience of SEI’s diversified infrastructure debt portfolio in a period characterised by heightened geopolitical uncertainty and market volatility.”

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of private lending to mid-market infrastructure projects and businesses. The valuation of the loan book has been stable despite macro uncertainty and despite the issues in the US private credit market. SEI lends only against infrastructure, inherently a defensive and non-cyclical sector backed by real assets, in sharp contrast to the asset-light software businesses which have run into competition from AI. Additionally, SEI’s model does not involve gearing, and it is able to generate a high income without it. Some important quality metrics have also been improving, with cash cover up and the security profile of the book overall moving higher. Finally, we think it is notable that the managers continue to be able to invest significant amounts of new money at their target rate of return.

With loans being made on a three to five-year basis, there is a constant flow of money back into the portfolio allowing the managers to be flexible with their positioning. The portfolio includes exposures to new economy industries and themes such as artificial intelligence and energy security. In the light of the rapid expansion of data centres for AI,

Kepler View

We think **Sequoia Economic Infrastructure Income’s (SEI)** results are encouraging across the board and highlight the attractiveness



the managers have been focusing on less competitive opportunities in the chain where pricing is more attractive and covenants better. This includes power infrastructure, such as the €75m commitment to Project Grange, an Irish standby power generation project which generates a yield-to-maturity of 9%. As for energy security, in the 2026 financial year, SEQI invested in two interconnector transactions linking power grids across jurisdictions, which support grid resilience and cross-border energy balancing, as well as adding solar generation exposure in Europe.

We note the proposed change to the investment policy which, subject to shareholder agreement, could see the portfolio invest more outside Europe, the US and the UK, most significantly into Asia, which would be capped at 30% under the current planned proposals. The managers argue that since SEQI launched in 2015, the opportunity set has expanded rapidly, with heavy investment in infrastructure in different jurisdictions with strong regulatory frameworks. The policy would limit investment to OECD countries, or those with investment credit grade ratings. We think this could be highly attractive from a diversification perspective, helping bring exposure to fast-growing, highly-developed Asian economies.

As well as its attractions from an income perspective, we think SEQI could serve as a useful portfolio diversifier to investors who own investment companies invested in infrastructure equity. The low NAV volatility and more secured cashflows differentiate it from an equity investment, while its investments sit higher up the capital structure and so have more security. At the current moment, SEQI's double digit discount is an additional attraction for new shareholders, in our view. Narrowing the discount remains a key objective of the board, which has had some success on that front, notwithstanding volatility due to the war in the Middle East. Given the defensiveness of the portfolio, lack of structural gearing and high yield, we view a double digit discount as particularly attractive.

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