



Results analysis: Sequoia Economic Infrastructure Income

SEI has delivered a double-digit NAV total return when annualised.

Update
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- Sequoia Economic Infrastructure Income (SEI) has reported strong results for the half year ending 30/09/2025. The NAV total return when annualised was 10.1%, well in excess of the targeted gross portfolio return of 8-9%.
- The NAV per share itself was up 1.2% to 93.67p, and dividends of 3.44p were paid or declared, consistent with the full year target of 6.875p. These dividends are fully cash covered and as of 27/11/2025 the prospective yield on the shares was 8.6%. Meanwhile, there is pull-to-par upside of 3.1p per share within the current portfolio valuation.
- Share price total returns were 7.7%; despite dividends delivering a high share price yield, the price itself fell slightly from 78.3p to 77.9p as the discount widened from 15.4% to 16.8%.
- The management team have continued to invest in new loans at highly attractive rates, recycling £213m into new investments at a weighted average yield-to-maturity of 8.9%.
- One shift has been to reduce the weighting to the US in the light of policy uncertainty on renewables and tariffs. New loans have been made in the EU and the UK instead. Meanwhile, exposure to data centres has come down as the team react to weakening covenants in a crowded trade and look to reallocate to areas more attractive on a risk/reward basis.

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average life being just 3.2 years. Lending at shorter maturities has allowed agility in portfolio positioning. As well as the geographical move from the US to Europe, it has facilitated first entry into the data centre market, and more recently a dialling back of exposure as investors crowd in. The team highlight the weakening of covenants as the key to their decision to reduce exposure to data centres during the AI craze, which speaks to the defensiveness of approach which we think should appeal to income investors looking to invest in the private debt markets.

At the end of the year, the trust held £84.9m in cash and had drawn down just £33.2m of its revolving credit facility of £300m. The team thus have plenty of liquidity and it is worth noting that the high yield of 8.6% is being delivered without the structural use of gearing, in contrast to many other high-yield options in the closed-ended fund space. The average yield-to-maturity of 8.9% on new loans during the year is in line with the targeted gross portfolio return of 8-9%, although it is slightly down on the current overall portfolio yield of 9.7% (itself down marginally from 9.9% at 31/03/2025). Falling base rates present

Kepler View

Sequoia Economic Infrastructure Income's (SEI) portfolio of conservatively managed infrastructure loans looks like an attractive source of yield in the current environment. With economic risks front and centre, we think a portfolio mostly invested in senior secured loans (57%) and in non-cyclical but economically-vital sectors looks likely to prove resilient. Looking forward, the huge demand for infrastructure in a low growth world is not currently being satisfied by the supply of capital, creating a strong technical picture for an investment via a specialist-managed portfolio with the scale to participate in large projects while being highly diversified across assets, industries and themes.

We think the portfolio is benefitting from the relatively short maturity of the loans the team make, with the current weighted



a challenge, but with a high proportion of investments fixed rate or hedged and the team reporting spreads remaining at healthy levels, the outlook for the dividend looks stable to us, particularly when considering the uninvested cash and gearing, and the spend on buybacks which could be redirected.

For new investors we think the 16% discount adds to the attractions, boosting the dividend yield and providing scope for a capital return over time on top of the pull-to-par effect in the NAV which is expected to deliver a gain to NAV of 3.1p by 2028.

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