Choose your beast wisely

Why infrastructure and general corporate debt are worlds apart.

Update
21 May 2026

“All animals are equal but some animals are more equal than others.” George Orwell may have been critiquing communism rather than financial markets per se, but we’ll borrow the literary license just this once.

Enter private debt. With traditional banks retrenching after the global financial crisis, private lenders have stepped in to fill a void that has since ballooned into a multi-trillion dollar industry.

With geopolitical and economic turbulence showing little sign of abating, debt has come back into focus as a natural counterweight to equity exposure. Investors may gravitate towards the well-trodden safety of bonds, but private debt offers similar defensive ballast with the added benefit of a higher yield, courtesy of the illiquidity premium that comes from lending outside public markets.

But not all private debt is created equal. The label covers everything from asset-backed lending to mezzanine finance, with vastly different risk and reward profiles. Bundling them together makes about as much sense as grouping together NVIDIA, Toyota and Domino’s on the basis they’re all equities.

Choosing the right kind of private debt can matter just as much as choosing the right asset class - and the difference between general corporate and infrastructure debt can be critical when it comes to building resilience.

Solid foundations

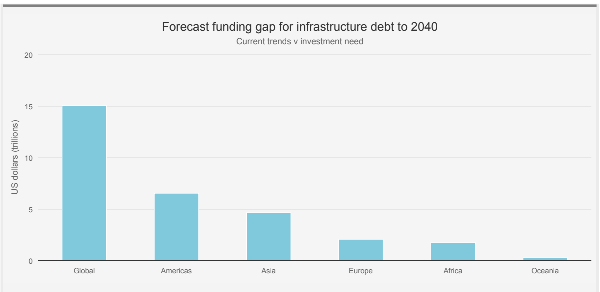
The energy transition, digitalisation and the replacement of ageing transport, utility and power infrastructure are driving soaring demand for long-term capital. As the chart below shows, the trillion dollar funding gap is forecast to widen further, making infrastructure debt largely a lender’s market. Added to this, infrastructure represents less than 10% of the broader private debt market, and unlike mainstream private debt, has not attracted the US mega funds competing to deploy capital.

Infrastructure’s underlying revenue drivers add a further layer of resilience. Demand is relatively inelastic, providing essential services such as electricity, transport and mobile connectivity that people need regardless of the macro backdrop. Revenue streams are typically contracted and often inflation-linked, while the debt itself is secured against critical hard assets that are expensive and slow to replace.

Analysts:

Jo Groves
jo@keplerpartners.com

Fig.1: The Supply-Demand Imbalance Is Widening



Source: G20 Global Infrastructure Outlook

Demand for corporate debt, by contrast, is driven by the economic cycle rather than the long-term structural forces underpinning infrastructure demand. For corporate borrowers, particularly consumer-facing ones, a slowing economy can also put revenues and debt servicing under pressure. Without the same quality of asset backing, this can result in higher default and lower recovery rates.

Accessing the opportunity

Private debt has traditionally been the preserve of institutions, but investment trusts provide a natural wrapper for less liquid assets, with the ability to take a long-term view without the pressure of poorly-timed disposals to meet redemptions.

But not all these vehicles are equal, with returns driven by the expertise of the team sourcing, structuring and managing the loans. Knowing which jurisdictions, sectors and borrowers to back (and which to avoid) requires in-depth experience across the lifecycle of the loan. **Sequoia Economic Infrastructure Income Fund (SEQI)** offers such expertise, managed by SIMCo, a dedicated infrastructure debt specialist whose founding partners bring 25-plus years of experience from leading banks and asset managers.

Since launch in 2015, SEQI has delivered a cumulative NAV total return of 92%, compared to 46% for the iShares Global High Yield Corp Bond (GBP-hedged) ETF. This demonstrates both the illiquidity premium available in private markets and the alpha generated through skilled, active management.

SEQI is currently trading on a dividend yield of 9%, with a fully cash-covered dividend. As the chart below illustrates, this yield sits comfortably above forecast returns for both government and investment grade corporate bonds, as well as major equity markets. The trust is also one of the first global infrastructure debt funds to achieve the milestone of paying over $1 billion of dividends since inception.

Fig.1: How Seqi's Yield Compares To Returns From Other Assets

Source: JPMorgan long-term capital market assumptions, April 2026

Lifting the bonnet

SEQI's managers focus on the mid-market, where competition is lower and spreads tend to be wider. The portfolio holds around 50 investments across eight sectors - including renewable energy, data centres, healthcare and student housing - with a focus on assets carrying substantial equity cushions and high replacement costs.

The majority of holdings are operational rather than higher-risk construction projects, which reduces loss and default rates. The portfolio is refreshed regularly, with an average loan life of under four years providing the flexibility to pivot towards the most compelling opportunities. A high proportion of floating-rate loans also limits sensitivity to interest rate movements, which could be a useful feature given current uncertainty over the base rate trajectory.

Active management enables the team to tilt the portfolio to both capture opportunity and manage risk. The managers stepped in to acquire some of the secondary loans offloaded by banks post the European sovereign debt crisis, while reducing exposure to transportation projects during the pandemic. Data centres remain a key growth area, but the team has become more selective here as spreads have tightened.

Solid foundations

The inhabitants of Animal Farm discovered to their cost that equality can mask a very different reality. Private debt follows a similar script - one label, but beneath it, not all exposures are created equal.

Infrastructure debt is structurally supported, asset backed and built to weather a challenging economic and geopolitical backdrop in a way that general corporate credit struggles to match. For investors seeking resilience without sacrificing yield, SEQI has a decade-plus track record of delivering on both counts.

Data as at 30/04/2026 unless otherwise specified. Returns data sourced from SEQI monthly factsheet.

View the latest research note here

Click here to add SEQI 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.