RNS Number : 4263P
Sequoia Economic Infra Inc Fd Ld
02 July 2025

Sequoia Economic Infrastructure (SEQI)

02/07/2025

Results analysis from Kepler Trust Intelligence

Sequoia Economic Infrastructure Income (SEQI) has reported a NAV total return of 6.1% for the year ending 31/03/2024. The share price total return of 5.3% meant that the discount widened slightly to 15.4% from 13.5%. Since the year end, it has narrowed to 12% at the time of writing.

The numbers include the impact of fully cash-covered dividends totalling 6.875p, in line with the target and those paid a year earlier. These equate to a historic yield of 8.6% as of 26/06/2025.

SEQI invests primarily in private debt, although the weight fell from 97% to 91% over the year. Some investments in public bonds were made to boost liquidity and sector diversification, while one private loan was refinanced publicly with SEQI participating.

There was a slight uptick in credit quality over the year, with the allocation to senior secured loans growing c. 1% from a year earlier. The weighted average maturity ticked down, as did the duration and the yield-to-maturity, but all were marginal moves with the broad positioning remaining the same. The tilt to fixed rate debt remains, rising to 59.9% from 58.6%, as the managers anticipate rate cuts in the months and years to come.

Kepler View

Sequoia Economic Infrastructure Income (SEQI) has again delivered solid income performance, with high dividends in line with target and fully covered by cash earned from investments. While loans don't offer capital growth potential, SEQI's portfolio has to be marked to market to reflect changes in interest rates over the lives of the loans, which means there is a baked in pull-to-par gain expected if its loans perform to maturity. This could see the NAV gain an additional 4p, which means that the c. 12% discount of the share price at the time of writing could be seen as even wider in effect.

SEQI's discount is contributing to the high yield on offer to new shareholders. However, the board remains committed to closing it, using a range of measures from buybacks through to greater marketing and transparency on the NAV. It has repurchased 13% of the share capital since July 2022 to that end which has added 1.8p to NAV per share. In our view, market conditions mean some discount is likely to remain until further rate cuts see investors tilt back away from government bonds or conventional corporate debt. We note that rate cuts are expected in the UK this year. In the meantime, the board has plenty of cash and debt facilities on hand to continue buybacks and to fund new investments as existing ones mature. Cash cover of the dividend fell slightly over the year from 1.06x to 1x. But with cash drag and timing of payments partly responsible, we don't think this is alarming.

Infrastructure debt remains an attractive place to invest, in our view. It involves lending against projects in digital infrastructure, data centres and the power grid and renewables as well as roads, ports and railways. By making private loans, SEQI is able to offer a high yield without the use of structural gearing, and from a short-dated portfolio with limited interest rate risk. We think the low NAV volatility along with the high yield and the sector biases of the portfolio make the trust a potentially attractive component of an income portfolio.

CLICK HERE TO READ THE FULL REPORT

Visit Kepler Trust Intelligence for more high quality independent investment trust research.

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.

END

NRABLLFBEDLFBBD