

Business Markets

Martin Waller Tempus
Buy, sell or hold: today's best share tips



Solid fund still offers assured income

3i INFRASTRUCTURE

Net asset value per share 169p | **Dividend yield** 4%

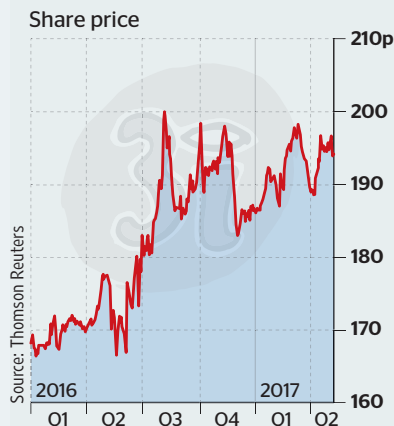
This column has championed infrastructure funds such as 3i's for years now as offering an assured income not easily available elsewhere. Yesterday's economic data and decision by the Bank of England to hold base rates yet again does nothing to make such investments any less attractive.

It is appropriate, then, that last June 3i Infrastructure should have carried out the biggest capital raising the quoted infrastructure sector has seen since the company floated in 2007, a total of £385 million, and seen it heftily oversubscribed.

Encouragingly, the fund managed to spend the money by the end of the year. Two investments were pending at the time of the cash raising, in Wireless Infrastructure Group, which puts up phone masts, and TCR, a Belgian provider of airport facilities.

Two more were completed

Structural strength



MY ADVICE Buy

WHY The fund's record speaks for itself and shares offer good prospects for capital growth as well as an attractive dividend yield

subsequently, in Valorem, a French wind farm operator, and Infinis, which supplies landfill gas for electricity generation. This left about £80 million of debt at the financial year end in March. 3i Infrastructure has plenty of borrowing facilities available but does not tend to borrow for long and at some stage will have to raise fresh funds.

There are other options open, though, than another share issue. The fund does not tend to go in for disposals, but several are available.

£479m
Total invested last financial year

Ten biggest investments

Elenia Power distribution	22% of total portfolio
Anglian Water Group	15%
Various PPP projects	12%
Oystercatcher Oil storage	11%
Infinis Landfill gas	10%
TCR Airport ground support	9%
ESVAGT Emergency rescue & response vessels	6%
Cross London Trains	6%
Wireless Infrastructure Group	4%
Valorem Onshore wind developer	3%

The recent purchase of Affinity, a water provider in the southeast, by a group including another infrastructure fund, HICL, has shown the potential for 3i's stake in Anglian Water, on the books at £281 million.

Elenia, a Finnish power distributor, will be on the market in due course and 3i's stake is valued at £418 million. Neither of the two offer the sort of yield 3i can get elsewhere, and disposals would not only pay off the debt, but they would also free up capital to invest elsewhere.

Last year a record £479 million was invested in those four companies and on a couple of public private finance projects, and this year's total should be well below this. Investors will have little to complain about. The shares, up 1p at 195p, are trading at well above the closing net asset value of 169p, but the return of 9.4 per cent last year is at the top end of the target range and the dividend forecast for this year suggests a forward yield of 4 per cent.