

The Daily Telegraph

The Daily Telegraph Thursday 4 September 2025

Business

This trust has had 14pc annualised returns since launching and boasts an enviable track record

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3i Infrastructure has a proven ability to recycle capital in order to generate value for investors

INFRASTRUCTURE investment companies have long offered retail investors access to stable, income-generating assets. In recent years, the sector has evolved beyond schools, hospitals, toll roads and utilities to embrace themes such as the energy transition and digitalisation.

Amid this shift, “core-plus strategies” – those targeting operational infrastructure businesses with growth potential – have gained prominence. Yet, as share price discounts have narrowed across listed infrastructure companies during 2025, one trust stands out for its consistency, scale and ability to generate value for shareholders: 3i Infrastructure (3IN).

Listed in 2007, 3IN is one of the longest-standing listed infrastructure investment companies. It focuses on asset-intensive businesses across the UK and Europe, with a portfolio aligned to four structural megatrends: the energy transition, digitalisation, renewing essential infrastructure and demographic change. The strategy has delivered a 14pc annualised net asset value (Nav) total return since IPO, underpinned by active asset management and a disciplined approach to capital recycling.

The current portfolio is concentrated across 11 holdings, with exposure to renewable energy service providers and digital infrastructure. ESVAGT (15pc of the portfolio)

3i Infrastructure BUY

The manager's active approach in driving growth and addressing challenges helps to support portfolio performance over time

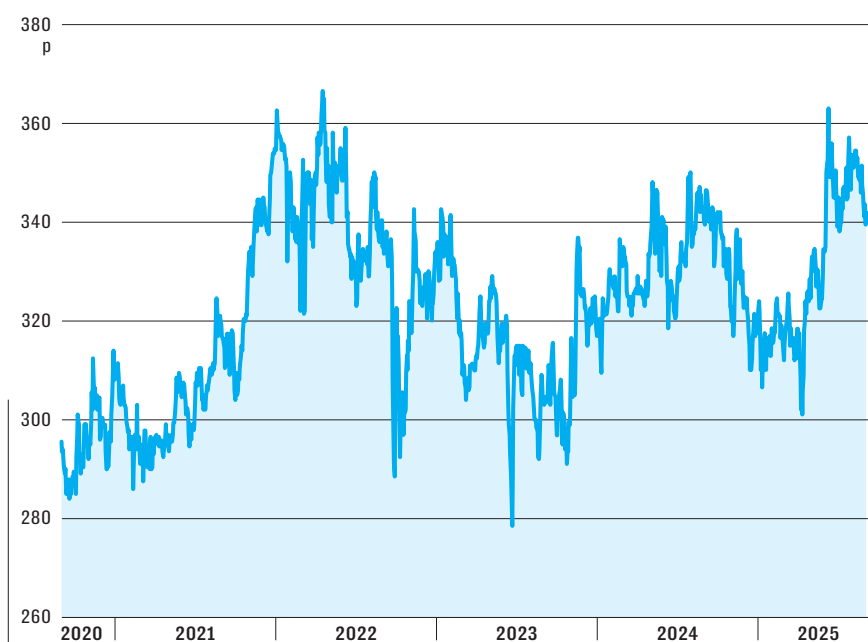
operates offshore wind maintenance vessels, while Joulz (9pc) provides energy infrastructure services in the Netherlands. Infinis (13pc) captures methane for energy generation in the UK, and Future Biogas (3pc) develops anaerobic digestion plants. On the digital front, Flag and Tampnet (each 10pc) offer global fibre and offshore communications networks, while DNS:NET (5pc) focuses on fibre-to-home in Berlin. Other holdings include TCR (17pc), a global airport ground support equipment provider, and Ionisos (8pc), which operates cold sterilisation facilities across Europe.

The trust is managed by 3i Group, which holds a 29.2pc stake in 3IN. This alignment of interest has supported a long-term focus on value creation. The manager has demonstrated a strong track record of realisations, including the sale of Valorem in 2024 (€309m net proceeds), Attero in 2023 (€215m) and Wireless Infrastructure Group in 2019 (£387m). These exits, often at double-digit premiums to carrying value, reflect the manager's ability to enhance asset performance and crystallise gains.

What helps set 3IN apart is its ability to combine growth with cash flow visibility. 3IN's businesses are typically asset-intensive, hard to replicate and benefit from long-term demand drivers. Moreover, the manager's active approach in driving growth and

3i Infrastructure

Close: 342p



Key numbers

- ◆ Market value: £3.1bn
- ◆ Year of listing: 2007
- ◆ Discount: -11pc
- ◆ Average discount over past year: -13pc
- ◆ Yield: 3.9pc
- ◆ Most recent year's dividend: 12.65p
- ◆ Gearing: 35pc
- ◆ Annual charge: 1.53pc

addressing challenges helps to support portfolio performance over time.

Dividend growth has been a hallmark of 3IN's strategy. The FY25 dividend was 12.65p per share, up 6.3pc from the prior year and fully covered. The FY26 target is 13.45p, implying a further 6.3pc increase. Since IPO, dividends have grown at a compound annual rate of 5.7pc, and while the current yield of 3.9pc may appear modest in today's higher-rate environment, it remains competitive within the core-plus infrastructure investment company peer group.

Recent activity underscores the trust's agility. In FY25, 3IN invested a total of £213m, including £30m in Future Biogas and £20m in DNS:NET. Disposals totalled £459m, with the sale of Valorem generating significant proceeds. This capital recycling has helped to reduce short-term borrowings, with average portfolio company debt at 35pc of gross asset value (GAV) as of March 2025. The

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company's £900m revolving credit facility had £343m drawn at end-June, and cash stood at £7m after the July dividend payment. 3IN has not had to make use of share buybacks in maintaining a superior share price rating to peers in recent years.

However, 3IN is not the cheapest. The investment management fees range from 1.2pc to 1.4pc of gross assets. Additionally, 3IN's management fee is supplemented by a transaction fee and performance fee. This remains a frustration, particularly given trends this year for infrastructure investment companies trading on discounts to adopt revised (lower) fees, which often incorporate an element of market capitalisation. While improved fee efficiency would strengthen the case further, we highlight 3IN's scale, track record and portfolio quality as key ingredients for our positive outlook.

Questor says: Buy

Ticker: 3IN

Share price at close: £3.42

Read Questor's rules of investment before you follow our tips: [telegraph.co.uk/go/questorrules](https://www.telegraph.co.uk/go/questorrules)