

3i INFRASTRUCTURE TRUST

Market cap £2.9 billion	Discount to NAV -15.4%
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The 3i Infrastructure Trust has been steadily growing its net asset value for years through a multi-billion pound portfolio of high quality infrastructure assets. Yet its shares are stuck at a double-digit discount, as rising interest rates and higher bond yields have put investors off the sector. Is time to revisit the FTSE 250 business?

The trust, which launched in 2007, has built a portfolio of infrastructure assets that falls into four different trends: the energy transition, digitalisation, renewing essential infrastructure and demographic change. This was spread across 12 different assets as of the end of September, such as TCR Group, which rents out airport ground support equipment, and ESVAGT, which provides high-performance maintenance vessels to offshore wind farms.

In the 12 months ended in September, the companies across the portfolio reported a 10 per cent rise in adjusted cash profits.

The fund also has a strong track record – since 2016 3i Infrastructure has reported around a 37 per cent average increase in the realisation of its assets, according to analysis by

the broker Winterflood.

It continued to make progress last year after receiving a binding offer for its stake in Valorem, a renewable energy developer in Europe, at a 15 per cent uplift against its valuation at the end of March and around a 31 per cent uplift since the start of the sale process. The trust's ability to sell its assets at a premium should give investors some comfort in its valuation process too.

In this light the discount on the fund looks too wide, especially given its strong growth in net asset value.

On this basis it has delivered a total return of 85 per cent in its last five financial years, compared with a 37 per cent rise in the S&P Global Infrastructure index over the same period.

The shares have lagged its NAV, and as such it trades at a 15.4 per cent discount, compared with a 9.8 per cent average discount over the past 12 months. This looks too wide for a trust with a well-resourced, diligent team that has racked up a solid record for returns.

ADVICE Buy

WHY High-quality fund available at a discount