

MIDAS SHARE TIPS UPDATE: From motorway to medical, our tip JLIF's healthy 50% return

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PUBLISHED: 22:01, 30 January 2016 | **UPDATED:** 10:44, 1 February 2016

Investments that provide stable, long-term, inflation-linked returns can be hard to find these days, with stock and bond markets increasingly prone to attacks of the jitters.

John Laing Infrastructure Fund aims to fill that gap. The company owns and operates hospitals in Newcastle and Vancouver, schools in Edinburgh and inner London, court houses in Avon and Somerset and part of the M40 motorway. It even owns police stations, tax offices and street lighting.

Despite the wide range of these assets, they all share certain important characteristics. They provide essential services and are run under multi-decade contracts with the Government or local authorities.



Essential: The Company owns the Forth Valley Royal Hospital near Falkirk

This means that JLIF receives a secure, annual income, as long as it manages the projects properly and delivers a good service to customers. So far, the group has done just that.

Midas recommended JLIF in November 2010, when it floated on the Stock Exchange at 100p. Today the shares are 117p, but there have also been generous twice-yearly dividends, so the total return for shareholders has been more than 50 per cent.

Looking ahead, the business should continue to deliver. On flotation, the group had 19 projects under its belt. Today there are 58 and several more in the pipeline.

JLIF was spun out of John Laing Group, which specialises in developing public-private partnership projects, financed by the Government but built and managed by the private sector.

John Laing Group focuses on the riskier construction phase of these projects, but once they are completed, it sells them and uses the cash for new work. JLIF has first refusal on every asset that its former parent builds, which provides it with a real advantage over other rivals in the sector.

Not only does JLIF see lots of projects before its peers, but the John Laing network provides it with infrastructure contacts across the globe.

This is particularly important now. Infrastructure investment used to be considered exceptionally dull, but it has become rather popular with big City institutions, so the prices of assets have been driven up and yields have fallen. JLIF avoids competitive auctions, where assets are sold to the highest bidder, preferring instead to use its network to find opportunities before they come on to the market.

Last week, for example, the group bought 40 per cent of a metro line in Barcelona for £85 million. The Spanish seller wanted to do the deal quickly and was keen to find a reliable purchaser – JLIF fitted the bill and the transaction is likely to prove highly profitable.

Midas Verdict: John Laing Infrastructure Fund offers investors an annual yield of at least 5 per cent, with some share price growth on top. The business is well run and takes care to look after the assets that it owns.

Existing investors should hold on to their stock. New investors could also tuck a few shares away for the long term.