

John Laing to provide bang for your buck

» Low-risk infrastructure fund to provide dependable dividends

Whilst it might not set the high-octane trader's pulse racing, in many ways **John Laing Infrastructure Fund (JLIF)** ticks almost every box for the patient investor. Its low-risk portfolio produces a strong and relatively predictable dividend yield. It has exposure to defensive Government and public sector work and thus generates cashflow from long-term contracts. Ready access to a pipeline of infrastructure assets, inflation-linked returns and a degree of international diversification further bolster its attractions.

Strong foundations

This Guernsey registered closed-end fund joined the Official List in November 2010 when it raised £270 million. Within 22 days of its flotation, the fund completed the acquisition of 19 public private partnership (PPP) assets from infrastructure scheme manager and investor John Laing, the former building and construction firm which has a 6.7% stake in the company.

By facilitating the purchase of Government-backed, inflation-linked assets, the initial public offering provided a platform for further investments. It also freed up capital for John Laing to invest in new projects which the fund could potentially acquire at a later date.

Since its listing, the investment trust has raised over £520 million, hit its stated dividend targets and seen its shares perform strongly. At the time of writing they traded at a 7.9% premium to net asset value (NAV).

Steady strategy

Speaking to *Shares*, fund managers David Marshall and Andrew Charlesworth explain the portfolio's objective is to generate a strong and predictable yield with an annual minimum goal of 6% and an internal rate of return (IRR) target of between 7% and 8%.

'We are targeting the low-risk end of the spectrum,' says Marshall, who stresses the focus on 'availability-based' projects 'where

FAST FUND FACTS

John Laing Infrastructure Fund

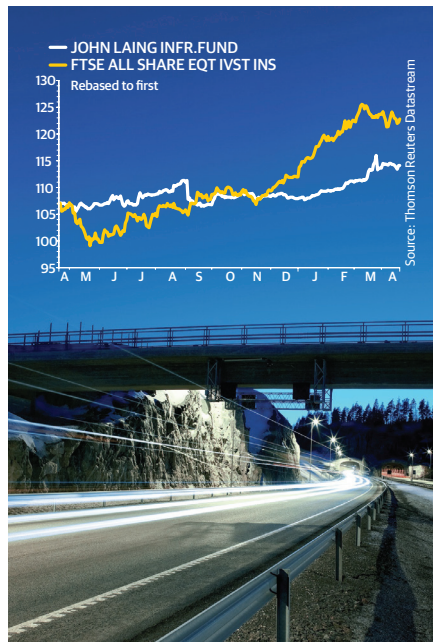
Share price – 114.1p (as at 18 Apr)

Market Cap – £579.1 million (as at 18 Apr)

Net assets – £542.4 million (as at 31 Dec '12)

NAV – 105.7p (as at 31 Dec '12)

Ongoing charges – 1.23%



there's no demand risk,' as payments from the concession do not depend on the level of project use. The portfolio is spread across several sectors with an emphasis on 'social infrastructure' such as hospitals, roads and schools. While the bulk of the book is invested in Britain, John Laing Infrastructure also offers exposure to Canada and Northern Europe, including projects in Finland and the Netherlands.

Following this month's (11 Apr) acquisition of a 30% stake in Peterborough Hospital for £26.7 million, the fund sports spans 38 operational PPP infrastructure projects. A high quality hospital with a concession period stretching out to 2042, Peterborough

not only takes the total worldwide number of health sector investments to ten, it also extends the average life of the portfolio from 19.6 to 20.1 years.

Other current projects range from LUL Connect (Citylink) to Forth Valley Royal Hospital, Scotland's biggest ever NHS construction project with a 'concession end' of 2042. Another is Roseberry Park Hospital, a 312 bed hospital and mental health facility in Middlesbrough with a lengthy concession period running to 2040.

Marshall and Charlesworth are upbeat about what they see as an active secondary market for operational projects both in the UK and overseas. Here in the UK, the coalition Government is firmly of the view infrastructure development can help deliver economic growth, while the pair also pinpoint active markets in Australia, Canada and Continental Europe as well as potential in the United States market too.

Adding value

Through its relationship with John Laing, whose pipeline is both strong and global in nature, the fund gets the chance to buy appropriately-priced assets that fit its investment criteria. 'The first offer agreement is a very valuable agreement to JLIF and to John Laing', enthuses Charlesworth. 'When it wants to sell, John Laing is obliged to offer these projects to JLIF first,' he explains.

'We have a ready-made pipeline of projects from John Laing,' continues Marshall, pointing to the fund's new £150 million debt facility which means 'we can move quickly to buy these projects,' even if opportunities arise outside of capital raising periods. 'We have access to 300-plus professionals at John Laing who are experts at running these projects,' explains Marshall.

Last year, the fund grew its portfolio by £157 million as one-third of its investments were put in to projects from vendors other than John Laing. The Peterborough Hospital acquisition continues the trend of sourcing more assets from other parties in the secondary market. John Laing Infrastructure owns 11 such projects with a combined valuation of £95 million and investors can expect further such activity going forwards.

Last month's (18 Mar) annual figures for 2012 demonstrated the success of the fund's approach. Net asset value (NAV) burgeoned by 22.8% and investors were rewarded for their support with a 6.125p dividend for the full year. **S**