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**Questor**

## Questor share tip: John Laing builds on strong promise with PFI projects

Questor has recommended a number of listed infrastructure funds over the past couple of years. A relatively new player in the field is John Laing Infrastructure Fund (JLIF).

**By Garry White**  
 7:00AM BST 12 Oct 2011  
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**John Laing Infrastructure Fund**  
 105½p +0.38  
 Questor says BUY

The group was spun of our construction group John Laing last year and it has first refusal on any of the group's private finance initiative (PFI) assets that it puts up for sale. It is not, however, obliged to buy these assets. The main attraction of such funds is to investors seeking yield in these turbulent markets – and JLIF is no exception.

When it listed last November, the group said that it would pay a dividend of "at least" 6p a share. At this level, the fund is yielding a prospective 5.7pc, which is attractive. The interim dividend was 3p a share, so the group is on track to meet this commitment.

The shares are already trading without the right to the interim dividend. The plan is to increase the dividend so the shares yield 6pc, which is very healthy, indeed.

Last week the company said it was going to raise a further £155m to buy some new assets and pay down debt. The money will be raised at 105p a share. It wants to buy £100m of projects from John Laing, including 11pc of the M6 in Scotland, 15pc of Newcastle Hospitals and 100pc of North Swindon Schools.

Some money will also be used to pay down debt, leaving the company with £30m or so to invest in new projects.

Fundraisings are often disastrous for private investors because they dilute holdings in the company. This is particularly true of oil and mining exploration companies – and that's why Questor mostly steers clear of such businesses until they have actual revenues.

However, JLIF will raise funds to purchase assets – so there will be a consequent rise in the net asset value of the fund and dilution should not be an issue.

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Blackrock Lat Amn	766.50	531.25	▼ -30.69
European Gold	887.00	625.00	▼ -29.54
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Of course, no investment is without risk. One concern that some investors have in the sector relates to PFI projects. There are fears that the Government could renegotiate the terms.

Andrew Lansley, the Health Minister, last month attacked some projects. PFI, much loved by the previous Labour government, encouraged the private sector pay for new hospitals upfront – with the healthcare trust then paying the builders back over fixed periods with interest.

Mr Lansley said some NHS Trusts had PFI deals that "they simply cannot afford" and had been left "on the brink of financial collapse". He cited 22 hospitals that blamed PFI deals for their financial troubles. However, these claims have been refuted by some.

The risk of default by the Government on these deals is pretty small, in Questor's view, and these government-backed payments should be secure for many years to come.

Most of JLIF's assets are UK based, but there are assets in Europe and North America. Canada is a particularly interesting market for infrastructure, as many regard the country as "the next big thing" in PFI. JLIF already owns 100pc of Vancouver General Hospital, for example.

The shares are trading at a slight premium to net asset value (NAV), which is usual in the sector. Last week, the JLIF said its NAV per share had been estimated at 104.1p as of September 26.

Investors will get the offer to buy the new shares in the fundraising at 105p, should they so wish. But the current market value is similar.

The shares are a new buy for income-seekers, although there should be capital appreciation too over time.



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