SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE PERIOD FROM
30 DECEMBER 2014 (DATE OF INCORPORATION) TO 31 MARCH 2016

Contents

Highlights

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

- Initial public offering ("IPO") over-subscribed, raising net proceeds of £147.0 million after issue costs
- C Share issue in November 2015 raised net proceeds of £143.9 million
- C Share issue in June 2016 raised net proceeds of approximately £172.2 million
- As at 31 March 2016 the invested portfolio, including investments in the process of settling, was 95.7% of net asset value ("NAV")
- Annualised portfolio yield-to-maturity of 8.2% as at 31 March 2016

Financial Highlights at 31 March 2016	
Total net assets	£297,105,680
NAV per Ordinary Share	98.20p
Share price	106.25p
Premium to NAV	8.2%

Company Summary

Principal Activity

Sequoia Economic Infrastructure Income Fund Limited (the "Company") was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 on 30 December 2014. The Company's registration number is 59596 and it is regulated by the Guernsey Financial Services Commission as a registered closed-ended collective investment scheme under The Registered Collective Investment Scheme Rules 2015. The Company is listed and began trading on the Main Market of the London Stock Exchange and was admitted to the premium segment of the Official List of the UK Listing Authority on 3 March 2015.

The Company invests in a diversified portfolio of senior and subordinated economic infrastructure debt investments through its subsidiary Sequoia IDF Asset Holdings S.A. (the "Subsidiary", together the "Group" or the "Fund"). The Company controls the Subsidiary through a holding of 100% of its shares.

Investment Objective

The Company's investment objective is to provide investors with regular, sustained, long term distributions and capital appreciation from a diversified portfolio of senior and subordinated economic infrastructure debt investments. This objective is subject to the Fund having a sufficient level of investment capital from time to time and the ability of the Fund to invest its cash in suitable investments.

Investment Policy

The Company's principal investment policy is to invest in a portfolio of loans, notes and bonds where all or substantially all of the associated underlying revenues are from business activities in the following market sectors: transport, transportation equipment, utilities, power, renewable energy, telecommunications infrastructure and infrastructure accommodation. The revenues should derive from certain eligible jurisdictions, as defined in the Company's Prospectus. In addition, once fully invested, in excess of 50% of the portfolio should be floating rate or inflation-linked debt, and not more than 10% by value of the Fund's investments (at the time of investment) should relate to any one individual infrastructure asset.

Dividend Policy

The Company's dividend policy, subject to sufficient profits being available and taking into account working capital and liquidity requirements, is to pay dividends totalling 5% per annum of the Company's original issue price per Ordinary Share in the first year of operations, and 6% per annum thereafter. The Company pays dividends on a quarterly basis.

Chairman's Statement

Dear Shareholder,

It is my pleasure to present to you the Annual Report and Audited Financial Statements of the Company for the financial period ended 31 March 2016.

Company Performance

On 3 March 2015 the Company was admitted to the premium segment of the Official List on the London Stock Exchange (the "LSE") with a closing first day market capitalisation in excess of £156m, following an over-subscribed initial public offering ("IPO"). The Company was the first, and remains the only, investment fund listed on the London Stock Exchange that focuses exclusively on economic infrastructure debt, and it is advised by an investment adviser with significant prior experience in that asset class, Sequoia Investment Management Company Limited ("SIMC" or the "Investment Adviser").

Following the successful deployment of the proceeds of the IPO, the Company launched a C Share issue with the goal of growing the Company and thereby increasing the diversification of its investment portfolio, improving the liquidity of its shares and reducing its operating costs as a proportion of its investment income. This C Share issue closed on 2 November 2015, approximately doubling the size of Company by raising net proceeds of £143.9m. This cash was invested in a range of infrastructure debt investments over a period of approximately three to four months, and the C Shares converted into Ordinary Shares on 3 March 2016, coincidentally exactly one year after the IPO.

Since the IPO and up to 31 March 2016, the Company's Ordinary Share price has risen by 6.25% and investors in the IPO have received dividends of 3.5p per Ordinary Share, resulting in a gain of 9.8%. Investors in the C Share have received 1.0375 Ordinary Shares for each C Share they bought, generating a gain of 10.2% based upon the closing Ordinary Share price on 31 March 2016.

Net Asset Value

Over the financial period, the Company's NAV has gained moderately from 98.0p per Ordinary Share to 98.2p per Ordinary Share. Given the overall turbulence in the financial markets, this preservation of investors' capital is testament to the defensive nature of infrastructure debt investments. Moreover, this performance includes a number of one-off adjustments, including writing-down the acquired assets to their bid price (about 0.9p per Ordinary Share).

As at 31 March 2016, the share price was trading at a premium of 8.2% to the NAV, which reflects the attractiveness of the investment proposition.

The Investment Portfolio

Since the Company's IPO, the Board of Directors of the Company (the "Board") has been pleased with the progress made by the Investment Adviser in building a portfolio of attractive infrastructure debt investments. As at 31 March 2016, the portfolio comprised 34 investments, diversified by borrower, jurisdiction, sector and sub-sector, and generating an average yield-to-maturity of 8.2%. The yield on the portfolio has the potential to increase if LIBOR increases, since approximately half of the assets have floating-rate interest income.

In constructing the portfolio, the Investment Adviser was mindful of a number of factors. Paramount is credit quality, with each investment subject to rigorous scrutiny and due diligence. In addition, the yield on investments needs to be attractive both in relative terms (when compared to assets of a similar quality) and in absolute terms (to ensure the Company can meet its target of paying a dividend of 6.0% per annum of the original issue price per Ordinary Share from its second year onwards). Finally, a range of other criteria must also be met, including compliance with concentration limits to ensure a well-diversified portfolio, and targeting floating rate investments for at least half the portfolio.

Events after the end of the reporting period and growth prospects

On 6 May 2016, the Company published its Prospectus relating to a further C Share issue, and announced that it was seeking to issue 150 million new C Shares at an issue price of £1 per Share. Demand for the C Shares exceeded expectations and on 10 June 2016 over 175 million C Shares were admitted to the LSE, raising net proceeds of approximately £172.2 million. The Board believes that it is in investors' interests to grow the size of the Company, which will deliver important benefits of scale. However, growth cannot come at the expense of the credit quality or the performance of the investment portfolio, and therefore the Board is pleased to see that the Investment Adviser has developed a strong pipeline of potential investments for the Company which it expects will maintain the portfolio's yield at 8% or higher, without taking an undue level of credit risk. In general the market for infrastructure debt remains strong especially in the US and in mezzanine lending opportunities in the UK and Europe, across a range of sectors including transportation, power and utilities.

Chairman's Statement (continued)

Events after the end of the reporting period and growth prospects (continued)
Global capital markets have been volatile over most of the Company's first period of operations, with political risk increasing in Europe as a result of the Greek crisis and the forthcoming UK referendum on EU membership; stock market declines globally; low commodity prices causing financial problems across a number of sectors; Chinese growth slowing; and heightened tensions in the Middle East. Many of these risks continue to be present. However, it is in such periods of volatility that the stability of infrastructure debt will demonstrate its value to investors. The Board believes that the Company's portfolio will continue to deliver an attractive risk-adjusted return with a relatively low correlation to the broader financial markets.

The Investment Adviser will continue to update you on the Company's progress by way of the monthly Investor Reports.

Your Board has now been working together for a little over a year. In that time, we have conducted ourselves in a manner which we believe is both required for and consistent with delivering satisfactory returns to our Shareholders. Specifically we routinely and actively challenge our advisers on all key issues that affect our net asset value per share performance including the selection and retention of investments in our portfolio, our potential use of leverage, our policies towards capital raising and to share redemption, our approach to risk and risk allocation and the terms of engagement of all our advisers.

I have been very pleased with the way in which the Board and our advisers have pulled together as a well-balanced team and how our approach has evolved over these early stages in our Company's life. This has helped the Company to achieve its target dividend yield in 2015/16 while also protecting net asset value per share. We see our duty going forward as being to remain as actively focussed as we have been to date so that we can sustain the target yield while also advancing net asset value per share. In turn this should help to support the premium at which our shares have traded over the period since our admission to listing on 3 March 2015.

I would like to close by thanking you for your commitment and support.

Robert Jennings
Chairman

13 June 2016

Investment Adviser's Report

The Investment Adviser's Objectives for the Period

Over the course of the Company's first period of operations, the Investment Adviser has had a number of objectives:

- To invest the IPO proceeds in a diversified portfolio of high-quality infrastructure loans and bonds that is capable of generating a gross return of 8-9%, and a total return to Shareholders of 7-8%;
- To grow the Company's NAV while paying a dividend of 5% per annum of the original issue price of the Ordinary Shares in relation to the first year, and 6% per annum subsequently;
- To help the Company to grow through further capital raises, with the goals of further increasing the diversification of the portfolio, improving the liquidity in the Company's Ordinary Shares, and delivering economies of scale; and
- To ensure that communication with investors is clear, transparent and timely.

SIMC is pleased to report to Shareholders that these four objectives have been met: the Company is practically fully invested in a portfolio of infrastructure loans and bonds that yields in excess of 8%; its NAV per share has grown over the period, albeit modestly; we have announced dividends totalling 5p per Ordinary Share to be paid from earnings for the financial period; the size of the Company has approximately doubled through a C Share issue in November 2015; and investors have been provided with clear monthly reports with best-in-class transparency.

Capital Raised and Share Performance

The Company completed two capital raises during its first period of operations: the IPO on 3 March 2015 raised £147 million of net proceeds, and the issue of C Shares on 2 November 2015 raised approximately a further £143.9 million of net proceeds. Following the deployment of the substantial part of the C Share proceeds into a diversified portfolio of infrastructure loans and bonds, the C Share converted into Ordinary Shares on 3 March 2016.

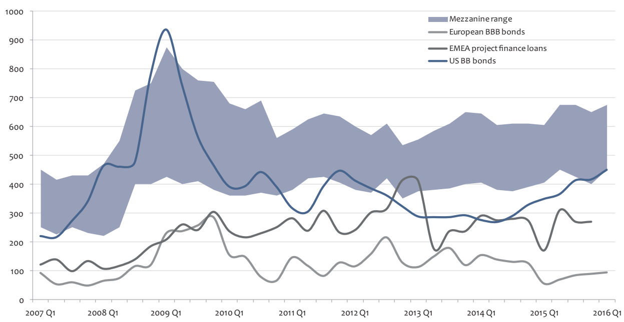
As at 31 March 2016, the Company had 302,548,728 Ordinary Shares in issue. The closing share price on that day was 106.25p per share, implying a market capitalisation for the Company of approximately £321.5 million.

Investors in the IPO have received, over the first period of the Company's operations, dividends of 3.5p per share plus 6.25p per share of capital appreciation on the share price, which in total represents a gain of approximately 9.8%.

Investors in the C Share have received 1.0375 Ordinary Shares for each C Share they acquired. Based on the Ordinary Share closing price on 31 March 2016, C Share investors have made a gain of 10.2%, or an annualised gain of approximately 25.5%.

The Market Environment during the Period

The Fund has operated in a volatile environment over the financial period, with the debt markets affected by negative economic and political news including the Greek crisis, significant falls in the price of oil, stock market declines, concerns over the Chinese economy, and fears around the forthcoming Brexit vote. These events were only partially offset by positive sentiment around the prospects for growth in the US economy and by the European Central Bank's continuing and expanding quantitative easing programmes. Overall, therefore, the credit markets in March 2016 were weaker than a year earlier, especially the US high yield bond and leverage loan markets. The infrastructure debt markets however were more robust than the broader credit markets, especially for the European and UK project finance loans where prices were generally firm over the period. The chart below shows long-term senior and mezzanine pricing on infrastructure debt, compared to the bond markets.[1]



Primary market issuance in the infrastructure loan markets has been strong, with 2015 volumes of US$257 billion, split approximately 34% in the Americas, 39% in EMEA and 28% in Asia[2]. In addition, there were significant amounts of infrastructure debt issued in the bond markets, and through bilateral loans and private placements that are not always captured in the market data. The opportunity for the Fund to deploy capital, therefore, is exceedingly large.

[1] Source: Sequoia, Credit Agricole, Bloomberg

[2] Source: Credit Agricole, Review of Project Finance Loan Markets 2015

Investment Adviser's Report (continued)

The Acquired Portfolio

The Company has assembled a diversified portfolio of infrastructure loans and bonds over its first period of operations. These investments are capable of providing the regular, sustained, and long-term distributions of income which is the primary stated investment objective of the Company. In addition, the Company has acquired in the secondary loan markets a number of assets at a material discount to their par value, which offer the potential for capital appreciation over time.

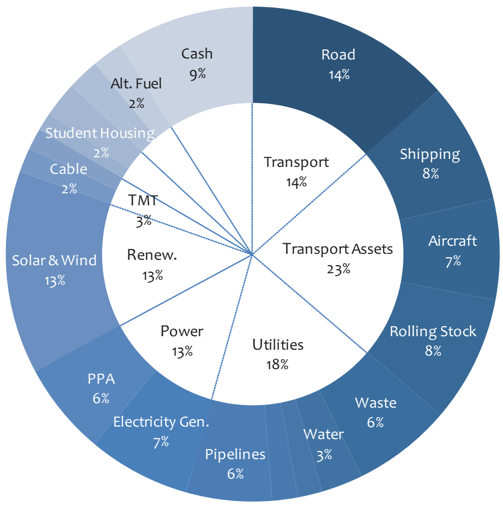
Portfolio Summary	
Number of investments	34
Aggregate valuation of acquired assets	£273.2 m
Number of investments in the process of settlement	3
Cost of investments in the process of settlement	£14.2 m
Portfolio valuation as a percentage of NAV[3]	95.7%
Weighted average yield-to-maturity[4]	8.2%
Largest / average size	£28.8m / £7.9m
Average maturity / average life (years)	7.5 / 6.1
Portfolio modified duration	3.4

The Company's focus is in economic infrastructure, which includes transportation, utility, power, telecommunication, renewable and other related sectors that exhibit infrastructure characteristics and typically have demand exposure. SIMC believes that lending into these sectors is more attractive than lending into availability-based PFI/PPP projects, which are often hotly contested among lenders and therefore offer lower yields. Moreover, economic infrastructure projects usually have much more conservative capital structures than availability-based PFI/PPP projects, with equity cushions of typically 20-30% rather than 10% and in SIMC's opinion this compensates for the potentially higher revenue risk.

Lending into the economic infrastructure sector has delivered an investment portfolio with equity-like returns but with the protections of debt, including lower volatility and less downside risk than equity. The Company has not suffered any impairment or default on the loans or bonds in the portfolio, which were selected, in part, based on their prospects for high recovery in the event of a default.

Each loan and bond in the portfolio is to a borrower with an adequate equity cushion which helps to protect the Company from credit losses.

SIMC believes that diversification is an important risk management tool for an infrastructure debt portfolio, since a large component of credit risk in infrastructure is idiosyncratic or project-specific risk, and is typically not highly correlated to exogenous factors such as the broader economy. As such, a properly diversified portfolio ought to have a more stable performance than one which is concentrated in one jurisdiction or sector (for example, a debt portfolio that was largely focused on financing UK renewable projects might be highly exposed to specific risks such as regulatory changes.) The Company's investment portfolio is therefore diversified by borrower, jurisdiction, sector and sub-sector, with strict investment limits in place to ensure that this remains the case. The chart below shows portfolio sectors and sub-sectors at 31 March 2016.



Geographically, the Company invests in stable low-risk jurisdictions. Under the terms of its investment criteria, the Company is limited to investment-grade countries but in addition SIMC has not pursued any opportunities in Spain or Italy, where in addition to the obvious economic challenges, infrastructure projects have also been exposed to regulatory and legal risks. The Company has been focused on the United States, Canada, Australia, the UK, and Northern, Western Europe.

[3] Including investments in the process of settlement at cost

[4] Or yield-to-worst in the case of callable bonds

Investment Adviser's Report (continued)

The Acquired Portfolio (continued)

The Company focuses predominantly on private debt which as at 31 March 2016 represented approximately 68% of its portfolio. This is because, typically, private debt enjoys an illiquidity premium: i.e. a higher yield than a liquid bond with otherwise similar characteristics. Since the Company's main investment strategy is "buy and hold", it makes sense to capture this illiquidity premium. SIMC's research indicates that infrastructure private debt instruments yield approximately 1% more than public, rated bonds. However, in some cases, bonds can also be an attractive investment for three reasons. Firstly, some bonds are "private placements" which, whilst in bond format, have an attractive yield that is comparable to loans. Secondly, some sectors, such as US utility companies, predominantly borrow through the bond markets, and therefore having an allocation to bonds can improve the diversification of the portfolio. And, thirdly, having some liquid assets in the portfolio can position the Company to take advantage of future opportunities and also can be used to satisfy the Company's potential obligations under its tender obligations.

Another important element of the Company's portfolio is its approach to managing interest rate risk. SIMC's approach is to target 50% or more of the Portfolio in floating rate investments. This has the dual merit of reducing the sensitivity of the NAV to long-term interest rates, and providing the Company with the potential for higher income if and when Libor begins to increase.

SIMC is aware that the Company is exposed to potential volatility caused by changes to foreign exchange rates. Under its investment policy, the Company hedges at a minimum 100% of its projected income over the next 12 months, 75% of the second year's income, 50% of the third year's income and 25% of the fourth year's income. In practice it has been hedging significantly more than this and at the end of March 2016, only 25% of its NAV was exposed to US Dollars, 11% to the Euro and 5% to other currencies.

NAV Performance

Over the financial period, the Company's NAV slightly improved from 98.0p per share to 98.2p per share, driven by the following effects:

- Interest income on the Company's investments of 4.5p per share; plus
- Gains on foreign exchange movements of 2.4p per share, net of the effect of the Company's hedges; less
- Adverse market movements of 2.2p per share, of which approximately 0.90p relates to the one-off cost of writing down acquired assets to their bid price; less
- Operating costs of 1.0p per share; less
- Dividends of 3.5p per share.

Whilst the adverse market movements are clearly disappointing, they reflect the generally challenging environment in the credit markets. To a large extent, these declines in asset valuations will be reversed over time as the prices of individual assets accrete to par. Moreover, approximately 40% of the price movement was caused by marking acquired assets down to their bid price. Another one-off effect on the NAV was the "cash drag" created by deployment of capital over the Company's first period of operations.

Offsetting these declines, the Company benefitted from the overall weakness in Sterling versus the US Dollar and the Euro, especially in its fourth quarter. The Company has been gradually increasing its currency hedging ratio over the course of the period as it has been successful in securing more foreign exchange hedging lines with a number of banks.

Origination Activities

The Company's strategy is to invest in both the primary and secondary debt markets. SIMC believes that this combination delivers a number of benefits: participating in the primary markets allows the Company to generate upfront lending fees and to structure investments to meet its own requirements; buying investments in the secondary markets can permit the rapid deployment of capital into seasoned assets with a proven track record.

Primary market origination

The primary loan markets are an important opportunity for the Company. The Investment Adviser has sourced bilateral loans and participated in "club" deals, where a small number of lenders join together, and the Company has also participated in more widely-syndicated infrastructure loans. Primary market loans often have favourable economics because the Company, as lender, benefits from upfront lending fees. The Company takes a very conservative approach to construction risk, with less than 2% of its portfolio having exposure to this risk, and therefore the primary financings it focuses on are generally refinancings of operational projects.

Investment Adviser's Report (continued)

Case Study – Neoen Production 1 S.A.S.U. (French renewables)

This private loan is backed by a portfolio of 13 solar and wind renewable energy projects, mostly in France. These projects are all operational and are performing in line with initial expectations. They benefit from long-term contractual agreements with Electricité de France for the sale of electricity at a fixed price and are therefore not exposed to the market price of electricity.

The loan carries an interest rate of 7%. Although it is subordinated to pre-existing loans secured on the renewable projects, the strong cashflow generation of the projects means that the Company's loan can survive highly adverse assumptions on future levels of wind and solar irradiation.

SIMC originated this investment through extensive negotiations with the borrower. It underwrote approximately half the loan, with the rest taken by M&G Illiquid Credit Opportunities Fund Ltd.

Secondary market origination

The majority of the Company's investments were acquired from banks or other lenders in the secondary markets. This enabled a relatively rapid deployment of capital, since primary market transactions in infrastructure debt can often take a considerable time to execute. In addition, secondary market loans have performance history that permits credit analysis on actual results rather than financial forecasts. Finally, research[5] shows that infrastructure loans improve in credit quality over time so secondary loans in many cases have improved in credit quality from the time of their initial origination.

Case Study – A'lienor S.A.S. (A65 toll toad, France)

The Company acquired €42 million of a €980 million senior syndicated loan, backed by the A65 toll road in South West France, from a UK bank that was withdrawing from the French market. The loan was purchased at a material discount to par, reflecting its relatively low interest income, which dates from before the credit crisis. SIMC believes that this loan may be refinanced by the borrower before its maturity, which would result in a gain for the Company given the loan's low purchase price.

The A65 toll road became operational in 2010, and suffered initially from traffic volumes significantly below expectations, caused in part by the recession in Spain. However recent performance has been very strong with the result that the loan's financial ratios are in line with expectations. The loan is structured as a traditional project financing with full security over the project and a comprehensive covenant package.

Outlook

SIMC has developed a very strong pipeline of mostly private debt infrastructure lending opportunities, which are expected to become executable mostly over the next three to nine months. Pricing on these opportunities is consistent with the Company generating a gross return in excess of 8%. The potential investments are widely spread across a range of sectors and jurisdictions. SIMC is especially excited about potential investments in the transport and power sectors where the current portfolio is arguably underweight and additional investments would be desirable.

SIMC expects project finance senior lending margins, especially in the UK and Europe and for "core" infrastructure projects and availability-based PFI/PPP projects, to remain tight, driven by sustained commercial bank appetite for these types of assets and by increasing demand from institutional investors such as continental European insurance companies. However spreads in the mezzanine market, and for senior debt in the US and some asset classes in the UK and Europe, are expected to remain more attractive.

US Dollar Libor has begun to increase and SIMC expects this trend to continue over time, increasing the average cash-on-cash yield of the portfolio. Note that this potential growth is not being relied upon to pay dividends, and SIMC's estimations of investment yields are based on constant Libor. There is some potential for Sterling Libor also to increase, although this is not expected to happen as quickly, or by as much, as for US Dollar Libor.

Overall, the opportunity for the Company in economic infrastructure debt is strong and the asset class remains under-invested and attractive. SIMC is optimistic about the prospects for growing the Company without jeopardising its track record of sourcing suitable investments and delivering to Shareholders a total return of 7-8%.

Sequoia Investment Management Company Limited
Investment Adviser

13 June 2016

[5] Average annual European broad infrastructure and global project finance default rates. Moody's, "Default and Recovery Rates for Project Finance Bank Loans 1983-2013," Mar 2015 and 1983-2013 Addendum, Sept 2015.

Board of Directors

The Directors of the Company, all of whom are non-executive and independent, are as follows:

Robert Jennings, CBE (Chairman)
Robert Jennings is a resident of the United Kingdom and qualified as a Chartered Accountant in 1979. He has over 25 years experience in the infrastructure sector. Mr Jennings was a managing director of UBS Investment Bank and was joint head of the Bank's Infrastructure Group until 2007. In that role, he particularly focused on the railway sector advising companies and governments across a very broad geographic range. He has twice acted as a special senior adviser to HM Treasury; in 2001/02 during Railtrack's administration and again in 2007/08 in relation to Crossrail. Mr Jennings is also a non executive director of Crossrail and non executive chairman of Southern Water.

Jan Pethick
Jan Pethick is a resident of the United Kingdom and has over 35 years experience in the debt sector. Mr Pethick was Chairman of Merrill Lynch International Debt Capital Markets for 10 years, from 2000 to 2010. He had previously been Head of Global Debt Origination at Dresdner Kleinwort Benson which had acquired the credit research boutique, Luthy Baillie which he had co founded in 1990. Prior to that, he worked for 12 years at Lehman Brothers where he was a member of the Executive Management Committee in Europe. Mr Pethick is currently also Chairman of Troy Asset Management and an independent member of the Supervisory Board of Moody's Investor Services Europe.

Jonathan (Jon) Bridel
Jon Bridel is a resident of Guernsey. Mr Bridel is currently a non executive director of a number of investment funds and managers including Alcentra European Floating Rate Income Fund Limited, The Renewables Infrastructure Group Limited, Funding Circle SME Income Fund Limited and Starwood European Real Estate Finance Limited, which are listed on the Main Market of the London Stock Exchange, and of DP Aircraft I Limited and Fair Oaks Income Fund Limited. Mr Bridel was previously Managing Director of Royal Bank of Canada's investment businesses in the Channel Islands.

After qualifying as a Chartered Accountant in 1987, Mr Bridel worked with Price Waterhouse Corporate Finance in London. He subsequently held senior positions in banking, credit and corporate finance, investment management and private international businesses where he was Chief Financial Officer.

Mr Bridel holds a Master of Business Administration and also holds qualifications from the Institute of Chartered Accountants in England and Wales, where he is a Fellow, the Chartered Institute of Marketing, where he is a Chartered Marketer, and the Australian Institute of Company Directors. He is also a member of the Chartered Institute of Marketing, the Institute of Directors and is a Chartered Fellow of the Chartered Institute for Securities and Investment.

Sandra Platts
Sandra Platts is a resident of Guernsey and holds a Masters in Business Administration. Mrs Platts joined Kleinwort Benson (CI) Ltd in 1986 and was appointed to the board in 1992. She undertook the role of Chief Operating Officer for the Channel Islands business and in 2000 for the Kleinwort Benson Private Bank Group – UK and Channel Islands. In January 2007, she was appointed to the position of Managing Director of the Guernsey Branch of Kleinwort Benson and led strategic change programmes as part of her role as Group Chief Operating Officer. Mrs Platts also held directorships on the strategic holding board of the KB Group, as well as sitting on the Bank, Trust Company and Operational Boards. She resigned from these boards in 2010. Mrs Platts is a non executive director of NB Global Floating Rate Income Fund and UK Commercial Property Trust (both listed on the Main Market of the London Stock Exchange) and Investec Bank (Channel Islands) Limited, plus a number of other investment companies. She is a member of the Institute of Directors.

Disclosure of Directorships in Public Companies Listed on Recognised Stock Exchanges

The Directors hold the following directorships in other public companies:

Company Name	Stock Exchange
Robert Jennings, CBE	
None	
Jan Pethick	
None	
Jon Bridel	
Alcentra European Floating Rate Income Fund Limited	London Stock Exchange – Main Market
DP Aircraft 1 Limited	London Stock Exchange – SFM
Fair Oaks Income Fund Limited	London Stock Exchange – SFM
Funding Circle SME Income Fund (appointed 19 August 2015)	London Stock Exchange – Main Market
Starwood European Real Estate Finance Limited	London Stock Exchange – Main Market
The Renewables Infrastructure Group Limited	London Stock Exchange – Main Market
Sandra Platts	
NB Global Floating Rate Income Fund Limited	London Stock Exchange – Main Market
UK Commercial Property Trust	London Stock Exchange – Main Market

Directors' Report

The Directors of Sequoia Economic Infrastructure Income Fund Limited (the "Company") are pleased to submit their Annual Report and the Audited Financial Statements (the "Financial Statements") for the period from 30 December 2014 (date of incorporation) to 31 March 2016.

The Company

The Company was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 on 30 December 2014. The Company's registration number is 59596 and it is regulated by the Guernsey Financial Services Commission as a registered closed-ended collective investment scheme under The Registered Collective Investment Scheme Rules 2015. The Company is listed and began trading on the Main Market of the London Stock Exchange and was admitted to the premium segment of the Official List of the UK Listing Authority on 3 March 2015.

The Company invests in a diversified portfolio of senior and subordinated economic infrastructure debt investments through its subsidiary Sequoia IDF Asset Holdings S.A. (the "Subsidiary", together the "Group" or the "Fund"). The Company controls the Subsidiary through a holding of 100% of its shares.

Going Concern

The Company has been incorporated with an unlimited life. In accordance with the Company's Articles of Incorporation, the Directors were required to propose an ordinary resolution (the "Continuation Resolution") on or before 3 September 2016 that the Company continues as a registered closed-ended collective investment scheme. The Continuation Resolution was passed by Shareholders at an Extraordinary General Meeting of the Company on 25 May 2016. Further Continuation Resolutions must be proposed on the nearest business day falling every three years thereafter. Should a Continuation Resolution not be passed, the Directors are required to put forward proposals within six months for the reconstruction or reorganisation of the Company to the Shareholders for their approval. These proposals may or may not involve winding up the Company and, accordingly, failure to pass a Continuation Resolution will not necessarily result in the winding up of the Company.

After a review of the Company's holdings in cash and cash equivalents, investments and a consideration of the income deriving from those investments, the Directors believe that it is appropriate to adopt the going concern basis in preparing the Financial Statements as the Company has adequate financial resources to meet its liabilities as they fall due.

Viability Statement

The Directors have assessed the viability of the Company over a four year period to May 2020, taking account of the Company's current position and the potential impact of the principal risks outlined in this statement.

In making this statement, the Directors have considered the resilience of the Company, taking into account its current position, the principal risks facing the Company in severe but reasonable scenarios and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period.

The Directors have determined that the four year period to May 2020 is an appropriate period over which to provide its viability statement as the average remaining life to maturity of the Group's portfolio of investments is 4.1 years. In making their assessment, the Directors have taken into account the Company's NAV, net income, cash flows, dividend cover, regulatory compliance and other key financial ratios over the period. These metrics are subject to sensitivity analysis, which involves flexing a number of main assumptions underlying the forecast. This analysis is carried out to evaluate the potential impact of the Company's principal risks actually occurring, primarily the following: severe changes in macro-economic conditions; increased defaults; deterioration in underlying credit ratings; and downgrading or illiquidity of loans. This analysis included stress-testing to simulate the combined effects of the recession of the early 2000s and the 2008 global financial crisis.

The Directors have also considered the possibility that a Continuation Proposal, due in May 2019, may not be passed by Shareholders. The Directors noted the overwhelming majority vote in favour of the Continuation Proposal passed in May 2016 and the strong appetite for the Company's investment proposition evidenced by the successful launch in March 2015 and two subsequent well-supported C Share issues. They also noted that the rejection of a Continuation Proposal by Shareholders does not necessarily oblige the Directors to wind up the Company.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to May 2020.

Directors' Report (continued)

Key Risks and Uncertainties

The Board has established a Risk Committee, which is responsible for reviewing the Company's overall risks and monitoring the risk control activity designed to mitigate these risks, and has appointed International Fund Management Limited ("IFML" or the "Investment Manager") as the Alternative Investment Fund Manager ("AIFM") to the Company. IFML is also responsible for providing risk management services compliant with that defined in the Alternative Investment Fund Managers Directive ("AIFMD") and as deemed appropriate by the Board.

Under the instruction of the Risk Committee, IFML is responsible for the implementation of a risk management policy and ensuring that appropriate risk mitigation processes are in place; for monitoring risk exposure; preparing quarterly Risk Reports to the Risk Committee; and otherwise reporting on an ad hoc basis to the Board as necessary.

The key risks associated with the Company are as follows:

Market Risk

The value of the investments made and intended to be made by the Company will change from time to time according to a variety of factors, including the performance of the underlying borrowers, expected and unexpected movements in interest rates, exchange rates, inflation and bond ratings and general market pricing of similar investments will all impact the Company and its net asset value.

Credit Risk

Borrowers in respect of loans or bonds in which the Group has invested may default on their obligations. Such default may adversely affect the income received by the Company and the value of the Company's assets.

Liquidity Risk

Infrastructure debt investments in loan form are not likely to be publicly-traded or freely marketable, and debt investments in bond form may have limited or no secondary market liquidity. Such investments may therefore be difficult to value or sell and therefore the price that is achievable for the investments might be lower than the valuation of these assets.

Counterparty Risk

Counterparty risk can arise through the Company's exposure to particular counterparties for executing transactions and the risk that the counterparties will not meet their contractual obligations.

Leverage Risk

Leverage risk arises where the Company takes on additional exposure to other risks because of the leverage of exposures, along with the specific potential for loss arising from a leverage counterparty being granted a charge over assets.

Compliance & Regulatory Risk

Compliance and Regulatory risk can arise where processes and procedures are not followed correctly or where incorrect judgement causes the Company to be unable to fulfil its objectives or obligation, exposing the Company to the risk of loss, sanction or action by Shareholders, counterparties or regulators.

Operational Risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This can include but is not limited to internal/external fraud, business disruption and system failures, data entry errors and damage to physical assets.

A detailed review of the financial risks faced by the Company is set out in note 5.

Results and Dividends

The results for the period are shown in the Statement of Comprehensive Income on page 27.

The Directors have declared and paid dividends of £5,252,534 for the period ended 31 March 2016. Further details of dividends declared or paid are detailed in note 4.

The Company's dividend policy, subject to sufficient profits being available and taking into account working capital and liquidity requirements, is to pay dividends totalling 5% per annum of the Company's original issue price per Ordinary Share in the first period of operations, and 6% per annum thereafter. The Company pays dividends on a quarterly basis, with the first dividend having been paid in July 2015 in respect of the quarter ended 30 June 2015.

Independent Auditor

KPMG Channel Islands Limited was appointed on 28 January 2015 and has served as Auditor during the Company's first financial period. A resolution to re-appoint KPMG Channel Islands Limited as Auditor will be put to the forthcoming Annual General Meeting ("AGM").

Directors' Report (continued)

Investment Manager and Investment Adviser

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's activities. The Company has entered into an Investment Management Agreement with International Fund Management Limited (the "Investment Manager") with effect from 28 January 2015. On the same date, the Investment Manager, with the consent of the Company, entered into an Investment Advisory Agreement with Sequoia Investment Management Company Limited (the "Investment Adviser") to manage the assets of the Company in accordance with the Company's investment policy. The Investment Adviser is responsible for the day-to-day management of the Company's portfolio and the provision of various other management services to the Company, subject to the overriding supervision of the Directors.

The Directors consider that the interests of Shareholders, as a whole, are best served by the continued appointment of the Investment Manager and the Investment Adviser to achieve the Company's investment objectives. A summary of the terms of their appointments, including the investment management and advisory fees and notice of termination periods, is set out in note 10 to the Financial Statements.

Custody Arrangements

The Company's assets are held in custody by The Bank of New York Mellon (the "Custodian") pursuant to a Custody Agreement dated 27 February 2015. A summary of the terms, including fees and notice of termination period, is set out in note 10 to the Financial Statements.

The Company's assets are registered in the name of the Custodian within a separate account designation and may not be appropriated by the Custodian for its own account.

The Board conducts an annual review of the custody arrangements as part of its general internal control review and is pleased to confirm that the Company's custody arrangements continue to operate satisfactorily. The Board also monitors the credit rating of the Custodian, to ensure the financial stability of the Custodian is being maintained to acceptable levels. As at 31 March 2016, the credit rating of the Custodian as reported by Standard and Poor's is AA-, which is deemed to be an acceptable level.

Directors and Directors' Interests

The Directors, all of whom are independent and non-executive, are listed on page 9.

None of the Directors has a service contract with the Company and no such contracts are proposed. Robert Jennings is entitled to a fee of £45,000 per annum for his services as Chairman of the Board of Directors (£52,000 per annum with effect from 1 April 2016). The remaining Directors are each entitled to a fee of £30,000 per annum for their services as Directors (£35,000 per annum with effect from 1 April 2016).

Robert Jennings serves as Chairman of the Nomination Committee; Jan Pethick as Chairman of the Management Engagement Committee; Jon Bridel as Chairman of the Risk Committee; and Sandra Platts as Chairman of the Audit Committee and the Remuneration Committee. Jan Pethick, Jon Bridel and Sandra Platts are each entitled to an additional fee of £5,000 per annum in relation to their roles as Committee Chairman (£5,500 with effect from 1 April 2016).

Robert Jennings, Jan Pethick, Jon Bridel and Sandra Platts each received a listing fee of £7,500, which was subject to Admission. This fee was required to be applied in subscribing for Ordinary Shares in the Company upon Admission.

Robert Jennings, Jan Pethick, Jon Bridel and Sandra Platts each received a listing fee of £5,000, which was subject to issue of the Prospectus, in connection with the listing of C Shares on 2 November 2015.

Subsequent to the period end, Robert Jennings, Jan Pethick, Jon Bridel and Sandra Platts each received a further listing fee of £5,000, which was subject to issue of the Prospectus, in connection with the listing of C Shares on 10 June 2016.

As at 31 March 2016, the Directors had the following interests in the shares of the Company.

Name	Number of Ordinary Shares	Percentage of Ordinary Shares in issue
Robert Jennings (Chairman)	115,000	0.04%
Jan Pethick	157,500	0.05%
Jon Bridel (with his spouse)	7,500	0.0%
Sandra Platts	7,500	0.0%

Directors' Report (continued)

Directors and Directors' Interests (continued)

Subsequent to the period end, the Directors (including family members) acquired the following holdings in the listing of C Shares on 10 June 2016: Robert Jennings 63,000 C Shares; Jan Pethick 63,000 C Shares; Jon Bridel 3,000 C Shares; and Sandra Platts 3,000 C Shares. There have been no other changes to the Directors' shareholdings since 31 March 2016.

Substantial Shareholdings

As at 22 April 2016, the Company had the following shareholdings in excess of 5% of the issued Share Capital:

Name	Number of Ordinary Shares	Percentage
SEB Pensionsforsikring	55,902,539	18.48%
Investec Wealth & Investment	23,964,538	7.92%
EFG Harris Allday	18,544,555	6.13%
Fondförsäkringsaktiebolaget SEB Trygg Liv	18,451,250	6.10%
Smith & Williamson Investment Management	17,344,043	5.73%
Rathbone Investment Management	15,557,589	5.14%

Related Parties

Details of transactions with related parties are disclosed in note 10 to the Financial Statements.

Listing Requirements

Since its listing on the Main Market of the London Stock Exchange and admission to the premium segment of the Official List of the UK Listing Authority, the Company has complied with the Prospectus Rules, the Disclosure and Transparency Rules and the Market Abuse Directive (as implemented in the UK through Financial Services and Markets Authority).

Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("FATCA") became effective on 1 January 2013. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US tax compliance with respect to those assets. On 13 December 2013, the States of Guernsey entered into an intergovernmental agreement ("IGA") with US Treasury, in order to facilitate the requirements of FATCA. The Company registered with the Internal Revenue Service ("IRS") on 25 February 2015 as a Foreign Financial Institution ("FFI") and a Sponsoring Entity.

United Kingdom-Guernsey Intergovernmental Agreement

On 22 October 2013, the Chief Minister of Guernsey signed an intergovernmental agreement with the United Kingdom ("UK-Guernsey IGA") under which certain disclosure requirements may be imposed in respect of certain Shareholders in the Company who are, or are entities that are controlled by one or more, residents of the United Kingdom. The UK-Guernsey IGA is implemented through Guernsey's domestic legislation, in accordance with guidance which is currently published in draft form.

Alternative Investment Fund Managers Directive

The Company is categorised as a non-EU Alternative Investment Fund ("AIF"). The Alternative Investment Fund Managers Directive ("AIFMD") seeks to regulate managers of alternative investment funds ("AIFs"), such as the Company. It imposes obligations on managers ("AIFMs") who manage AIFs in a member state of the European Economic Area ("EEA state"), or who market shares in AIFs to investors who are domiciled, or with a registered office, in an EEA state. Under the AIFMD, an Alternative Investment Fund Manager ("AIFM") must be appointed and must comply with various organisational, operational and transparency requirements.

On 28 January 2015, the Company appointed the Investment Manager to act as AIFM on behalf of the Company. The Investment Manager is responsible for fulfilling the role of the AIFM and ensuring the Company complies with the AIFMD requirements. Details of the total amount of remuneration for the financial period, split into fixed and variable remuneration, paid by the AIFM to its staff, and the number of beneficiaries, are made available to Shareholders on request to the Investment Manager.

By order of the Board

Sandra Platts
Director

13 June 2016

Corporate Governance

Compliance

The Board has taken note of the Code of Corporate Governance issued by the Guernsey Financial Services Commission (the "Guernsey Code"). The Guernsey Code provides a governance framework for GFSC licensed entities, authorised and registered collective investment schemes. Companies reporting against the UK Corporate Governance Code (the "UK Code") or the Association of Investment Companies Code of Corporate Governance (the "AIC Code"), which was published in February 2015, are deemed to satisfy the provisions of the Guernsey Code. The UK Code is available on the Financial Reporting Council website, www.frc.org.uk. The AIC code is available on the AIC website, www.theaic.co.uk.

The Board places a high degree of importance on ensuring that high standards of corporate governance are maintained, and has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for investment companies (the "AIC Guide"). The AIC Code, as explained in the AIC Guide, addresses all the principles set out in the UK Code. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to Shareholders.

For the period ended 31 March 2016, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code, except as set out below, and it is the intention of the Board that the Company will continue to do so throughout the year ending 31 March 2017.

- *The appointment of a Senior Independent Director:* Given the size and composition of the Board it is not felt necessary to separate the roles of Chairman and Senior Independent Director. The Board considers that all the independent Directors have different qualities and areas of expertise on which they may lead where issues arise and to whom concerns can be conveyed.
- *Internal audit function:* The Board has reviewed the need for an internal audit function and due to the size of the Company and the delegation of day-to-day operations to regulated service providers, an internal audit function is not considered necessary. The Directors will continue to monitor the systems of internal controls in place in order to provide assurance that they operate as intended.

For the reasons set out in the AIC Guide, and as explained in the UK Code, the Board considers that these provisions are not relevant to the position of the Company, being an externally-managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

Composition of the Board and Independence of Directors

As at 31 March 2016, the Board of Directors comprised four non-executive and independent Directors as set out below. The Company has no executive Directors or any employees. The Directors' biographies are disclosed on page 9.

Robert Jennings is the Chairman of the Board and of the Nomination Committee.

Jan Pethick is the Chairman of the Management Engagement Committee.

Jon Bridel is the Chairman of the Risk Committee.

Sandra Platts is the Chairman of the Audit Committee and of the Remuneration Committee.

In considering the independence of the Chairman, the Board has taken note of the provisions of the AIC Code relating to independence and has determined that Robert Jennings is an Independent Director.

Under the terms of their appointment, all non-executive Directors are subject to re-election at the first Annual General Meeting ("AGM") and annually thereafter.

Although no formal training is given to Directors by the Company, the Directors are kept up to date on various matters such as Corporate Governance issues through bulletins and training materials provided from time to time by the Company Secretary, the AIC and other professional firms.

Corporate Governance (continued)

Composition of the Board and Independence of Directors (continued)

The Board receives quarterly reports and meets at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its disposal. At these meetings the Board monitors the investment performance of the Company. The Directors also review the Company's activities every quarter to ensure that it adheres to the Company's investment policy. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

The Board monitors the level of the share price premium or discount to determine what action, if any, is required.

The Board and relevant personnel of the Investment Adviser acknowledges and adheres to the Model Code of Directors' Dealings contained in the UK Listing Authority Listing Rules (the "Listing Rules").

Directors' Performance Evaluation

The Board has established an informal system for the evaluation of its own performance and that of the Company's individual Directors. It considers this to be appropriate having regard to the non-executive role of the Directors and the significant outsourcing of services by the Company to external providers.

The Directors undertake, on an annual basis, an assessment of the effectiveness of the Board particularly in relation to its oversight and monitoring of the performance of the Investment Manager, Investment Adviser and other key service providers. The evaluations consider the balance of skills, experience, independence and knowledge of the Company. The Board also evaluates the effectiveness of each of the Directors.

Directors' Remuneration

It is the responsibility of the Remuneration Committee to debate and make recommendations to the Board in relation to the Directors' remuneration, having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. The Chairman of the Board, who is a member of the Committee, takes no part in discussions relating to his own remuneration.

No Director has a service contract with the Company and details of the Directors' remuneration can be found in the Directors Remuneration Report on page 20.

Directors' and Officers' Liability Insurance

The Company maintains insurance in respect of directors' and officers' liability in relation to the Directors' actions on behalf of the Company.

Relations with Shareholders

The Company reports to Shareholders twice a year by way of the Interim and Annual Reports. In addition, net asset values are published monthly and the Investment Adviser publishes monthly reports to Shareholders on its website www.seqifund.com.

The Board receives quarterly reports on the Shareholder profile of the Company and regular contact with major Shareholders is undertaken by the Company's corporate brokers and the executives of the Investment Adviser. Any issues raised by major Shareholders are reported to the Board on a regular basis.

The Chairman and individual Directors are willing to meet major Shareholders to discuss any particular items of concern regarding the performance of the Company. Members of the Board, including the Chairman and the Audit Committee Chairman, and the Investment Adviser, are also available to answer any questions which may be raised by any Shareholder at the Company's Annual General Meeting.

Corporate Governance (continued)

Directors' Meetings and Attendance

The table below shows the Directors' attendance at Board and Committee meetings during the period.

Name	Board - scheduled	Board - ad hoc/ committee	Audit Committee	Risk Committee	Nomination Committee	Remuneration Committee	Management Engagement Committee
Number of meetings held	5	17	3	4	1	1	1
Robert Jennings*	5	12	3	4	1	1	N/A
Jan Pethick*	5	9	N/A	4	N/A	N/A	1
Jon Bridel	5	17	3	4	1	1	N/A
Sandra Platts	5	17	3	4	1	1	1

* Onshore Directors
'N/A' - attendance record not applicable, as the Director concerned is not a member of the stated Committee.

Board Committees

Audit Committee

The Audit Committee comprises Sandra Platts, Jon Bridel and Robert Jennings and meets at least three times a year. It is chaired by Sandra Platts.

The key objectives of the Audit Committee include a review of the Financial Statements to ensure they are prepared to a high standard and comply with all relevant legislation and guidelines, where appropriate, and to maintain an effective relationship with the Auditor. With respect to the Auditor, the Audit Committee's role will include the assessment of their independence and the effectiveness of the audit, and a review of the Auditor's engagement letter and remuneration and any non-audit services provided by the Auditor. For the principal duties and report of the Audit Committee please refer to the Report of the Audit Committee on page 21.

Risk Committee

The Risk Committee comprises Jon Bridel, Robert Jennings, Jan Pethick and Sandra Platts and meets at least twice a year. It is chaired by Jon Bridel.

The principal function of the Risk Committee is to identify, assess, monitor and, where possible, oversee the management of risks to which the Company's investments are exposed, principally to enable the Company to achieve its target investment objective of regular, sustained, long-term distributions over the planned life of the Company, with regular reporting to the Board. As the Company is an externally managed non-EU AIFM for the purposes of AIFMD, the Directors have appointed the Investment Manager as AIFM to manage the additional risks faced by the Company as well as the relevant disclosures to be made to investors and the necessary regulators. On 30 January 2015, the FCA confirmed that the Company was eligible to be marketed via the FCA's National Private Placement Regime and the Company will comply with Article 22 and 23 of the AIFMD for the period ended 31 March 2016.

Nomination Committee

The Nomination Committee comprises Robert Jennings, Jon Bridel and Sandra Platts and meets at least once a year. It is chaired by Robert Jennings.

The Committee's key duties include, but are not limited to, reviewing the structure, size and composition of the Board, to consider the succession planning for directors and senior executives, reviewing the leadership needs of the organisation and identifying candidates for appointment to the Board.

Remuneration Committee

The Remuneration Committee comprises Sandra Platts, Jon Bridel and Robert Jennings and meets at least once a year. It is chaired by Sandra Platts.

The Committee is responsible for considering the remuneration of the Directors. For details of the remuneration of the Directors during the period, please refer to the Directors' Remuneration Report on page 20.

Corporate Governance (continued)

Board Committees (continued)

Management Engagement Committee

The Management Engagement Committee comprises Jan Pethick and Sandra Platts and meets at least once a year. It is chaired by Jan Pethick.

The Committee is responsible for the regular review of the terms of the Investment Advisory and Investment Management Agreements, along with the performance of the Administrator, Investment Adviser and the Investment Manager and the Group's other service providers.

Internal Control Review and Risk Management System

The Board of Directors is responsible for putting in place a system of internal controls relevant to the Company and for reviewing the effectiveness of those systems. The review of internal controls is an on going process for identifying and evaluating the risks faced by the Company, and which are designed to manage risks rather than eliminate the risk of failure to achieve the Company's objectives.

It is the responsibility of the Board to undertake risk assessment and review of the internal controls in the context of the Company's objectives that cover business strategy, operational, compliance and financial risks facing the Company. These internal controls are implemented by the Company's four main service providers, the Investment Adviser, the Investment Manager, the Administrator and the Custodian. The Board receives periodic updates from these main service providers at the quarterly Board meetings of the Company. The Board is satisfied that each service provider has effective controls in place to control the risks associated with the services that they are contracted to provide to the Company and are therefore satisfied with the internal controls of the Company.

The Board of Directors considers the arrangements for the provision of Investment Advisory, Investment Management, Administration and Custody services to the Company on an on-going basis and a formal review is conducted annually. As part of this review the Board considered the quality of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date.

Anti-bribery and Corruption

The Board acknowledge that the Company's international operations may give rise to possible claims of bribery and corruption. In consideration of The Bribery Act 2010, enacted in the UK, at the date of this report the Board had conducted an assessment of the perceived risks to the Company arising from bribery and corruption to identify aspects of business which may be improved to mitigate such risks. The Board has adopted a zero tolerance policy towards bribery and has reiterated its commitment to carry out business fairly, honestly and openly.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB and the Companies (Guernsey) Law, 2008, which give a true and fair view of the state of affairs of the Company and its profit or loss for that period.

Company law requires that the Directors prepare Financial Statements, which present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

In preparing Financial Statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008 and the Listing Rules of the Main Market of the London Stock Exchange. They are also responsible for the system of internal controls, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with these requirements in preparing the Financial Statements.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as the Directors are aware, there is no relevant audit information of which the Company's Auditor is unaware, having taken all the steps the Directors ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Responsibility Statement

Each of the Directors, whose names and functions are listed on page 9, confirms to the best of each person's knowledge and belief:

- the Financial Statements, prepared in accordance with the International Financial Reporting Standards as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Company, as required by DTR 4.1.12R; and
- the Management Report (comprising the Chairman's Statement, the Investment Adviser's Report, the Directors' Report and other Committee Reports), taken as a whole, is fair, balanced and understandable and includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces, as required by DTR 4.1.11R.

In the opinion of the Directors, the Annual Report and Audited Financial Statements are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

Directors' Remuneration Report

The Company's policy in regard to Directors' remuneration is to ensure that the Company maintains a competitive fee structure in order to recruit, retain and motivate non-executive Directors of excellent quality in the overall interests of Shareholders.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long term incentive plans from the Company.

The Directors received the following remuneration in the form of Directors' fees:

	Per annum £	For the period from 30 December 2014 (date of incorporation) to 31 March 2016 Actual £
Robert Jennings (Chairman of the Board and the Nomination Committee)	45,000	55,625
Jan Pethick (Chairman of the Management Engagement Committee)	35,000	43,264
Jon Bridel (Chairman of the Risk Committee Chairman)	35,000	43,264
Sandra Platts (Chairman of the Audit and Remuneration Committees)	35,000	43,264
Total	**150,000**	**185,417**

In addition, further one-off payments were made to each Director relating to the following:

- £7,500 in respect of work performed prior to Admission to the Main Market of the London Stock Exchange;
- £5,000 in respect of work performed in connection with the listing of C Shares on 2 November 2015, subject to issue of the Prospectus;
- Subsequent to the period end, £5,000 in respect of work performed in connection with the listing of C Shares on 10 June 2016, subject to issue of the Prospectus.

The remuneration policy set out above is the one applied for the period ended 31 March 2016. With effect from 1 April 2016, Robert Jennings' annual fee increased to £52,000 per annum, and the annual fees for Jan Pethick, Jon Bridel and Sandra Platts increased to £40,500 each, comprising a basic fee of £35,000 per annum and a fee for their services as Committee Chairman of £5,500 per annum.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The Directors were appointed as non-executive Directors by letters issued on 6 January 2015. Each Director's appointment letter provides that, upon the termination of their appointment, they must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. The notice period for the removal of Directors is two months as specified in the Director's appointment letter. The Articles provide that the office of director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from board meetings for twelve months or more; (c) unanimous written request of the other directors; and (d) an ordinary resolution of the Company.

Under the terms of their appointment, each Director is subject to re-election at the first Annual General Meeting ("AGM") and annually thereafter. The Company may terminate the appointment of a Director immediately on serving written notice and no compensation is payable upon termination of office as a director of the Company becoming effective.

The amounts payable to Directors as at 31 March 2016 are shown in note 10 and related to services provided as non-executive Directors.

No Director has a service contract with the Company, nor are any such contracts proposed.

Sandra Platts
Remuneration Committee Chairman

Report of the Audit Committee

The Company has established an Audit Committee with formally delegated duties and responsibilities within written terms of reference (which are available from the Company's Secretary).

Chairman and Membership

The Audit Committee is chaired by Sandra Platts and its other members are Jon Bridel and Robert Jennings. All members of the Committee are independent Directors; have no links with KPMG Channel Islands Limited, the Company's Auditor (the "Auditor" or "KPMG"); and are independent of the Investment Manager and Investment Adviser. The membership of the Audit Committee and its terms of reference are kept under review. The relevant qualifications and experience of each member of the Audit Committee are detailed on page 9 of these Financial Statements. The Audit Committee's intention is to meet three times a year in any full year and to meet with the Auditor as appropriate.

Duties

The Audit Committee's main role and responsibilities is to provide advice to the Board on whether the Annual Report and Audited Financial Statements and Interim Report and Unaudited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy. The Audit Committee gives full consideration and recommendation to the Board for the approval of the contents of the Interim and Annual Financial Statements of the Company, which includes reviewing the Auditor's report.

The other principal duties of the Committee are to consider the appointment of the Auditor; to discuss and agree with the Auditor the nature and scope of the audit; to keep under review the scope, results and effectiveness of the audit and the independence and objectivity of the Auditor; and to review the Auditor's letter of engagement, planning report for the financial period and management letter, as applicable.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of the Company's internal control and risk management systems. The Audit Committee also focuses particularly on compliance with legal requirements, accounting standards and the relevant Listing Rules and ensuring that an effective system of internal financial control is maintained.

The Audit Committee also reviews, considers and, if appropriate, recommends for the purposes of the Company's Financial Statements the valuations prepared by the Investment Manager and Investment Adviser. These valuations are the most critical element in the Company's Financial Statements and the Audit Committee considers them carefully.

Financial Reporting and Audit

The Audit Committee has an active involvement and oversight in the preparation of both the interim and annual Financial Statements and in doing so is responsible for the identification and monitoring of the principal risks associated with the preparation of the Financial Statements. The principal risk identified in the preparation of these Financial Statements is the valuation of the Company's investment in the Subsidiary.

The Company's investment in the Subsidiary had a fair value of £292,199,356 as at 31 March 2016, representing a substantial proportion of the net assets of the Company, and as such is the biggest factor in relation to the accuracy of the Financial Statements. Mazars LLP ("Mazars") is engaged as Valuation Agent and is responsible for carrying out a fair market valuation of the Subsidiary's investments on a monthly basis. Draft pricing for the Subsidiary's investments is provided by the Investment Adviser for review by Mazars, who in turn produce a final valuation report for review and checking by the Investment Adviser and the Investment Manager. This report is then submitted to TMF Luxembourg S.A. (the "Subsidiary Administrator"), for inclusion in the Subsidiary's NAV. The Audit Committee, on an ongoing basis, discusses with the Investment Manager and Investment Adviser the methods of valuation used and reviews the controls and processes in the valuation methods used to value the Subsidiary's investments. The Audit Committee has also considered the Auditor's approach to their audit of the valuation of the Subsidiary's investments and discussed with the Auditor their approach to testing the appropriateness and robustness of the valuation methodologies applied. The Auditor has not reported any significant differences between the valuations used and the results of the work performed during their testing process. The Audit Committee regularly reviews the valuations prepared by the Investment Adviser for investments where market prices are not readily available. At the period end these represented 45.0% of total investments. Where appropriate these valuations are scrutinised and compared against valuations of investments with similar characteristics or subject to a sensitivity analysis based on changes in key assumptions. Based on the review and analysis described above, the Audit Committee is satisfied that the fair value of the Company's investment in the Subsidiary as at 31 March 2016, as stated in the Financial Statements, is reasonable.

Report of the Audit Committee (continued)

Financial Reporting and Audit (continued)
The Audit Committee reviewed the Company's accounting policies applied in the preparation of the Annual Financial Statements, together with the relevant critical judgements, estimates and assumptions made by the Board and, having discussed matters with the Auditor, determined that these were in compliance with International Financial Reporting Standards ("IFRS") and were reasonable. The Audit Committee reviewed the materiality levels applied by the Auditor to the financial statements as a whole and was satisfied that these materiality levels were appropriate. The Auditor reports to the Audit Committee all material corrected and uncorrected differences. The Auditor explained the results of their audit and that on the basis of their audit work, there were no adjustments proposed that were material in the context of the Financial Statements as a whole.

The Audit Committee also reviews the Company's financial reports as a whole to ensure that such reports appropriately describe the Company's activities and that all statements contained in such reports are consistent with the Company's financial results and projections. Accordingly, the Audit Committee was able to advise the Board that the Annual Report and Audited Financial Statements are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

External Auditor
The Audit Committee has responsibility for making a recommendation on the appointment, re-appointment or removal of the Auditor. KPMG was appointed as the first Auditor of the Company. During the period, the Audit Committee received and reviewed the audit plan and report from the Auditor. It is standard practice for the Auditor to meet privately with the Audit Committee without the Investment Manager or Investment Adviser being present at each Audit Committee meeting.

To assess the effectiveness of the Auditor, the Audit Committee reviewed:

- The Auditor's fulfilment of the agreed audit plan and variations from it;
- The Auditor's report to the Audit Committee highlighting the major issues that arose during the course of the audit; and
- Feedback from the Investment Manager, Investment Adviser and Administrator evaluating the performance of the audit team.

For the period ended 31 March 2016, the Audit Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be good.

Where non-audit services are to be provided to the Company by the Auditor, full consideration of the financial and other implications on the independence of the Auditor arising from any such engagement will be considered before proceeding. All non-audit services are pre-approved by the Audit Committee if it is satisfied that relevant safeguards are in place to protect the Auditors' objectivity and independence.

To fulfil its responsibility regarding the independence of the Auditor, the Audit Committee considered:

- a report from the Auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the Auditor.

During the period ended 31 March 2016, KPMG provided non-audit services in relation to reporting accountant services on the original listing and the C shares issuance. KPMG also provided non-audit services in relation to the subsequent C Shares conversion. At the Audit Committee meetings in March and June 2016, KPMG confirmed that this had not impacted their independence and outlined the reasons for this. The Audit Committee considered this and was satisfied these non-audit services had no bearing on the independence of the Auditor.

Report of the Audit Committee (continued)

External Auditor (continued)

The following table summarises the remuneration paid to KPMG and to other KPMG member firms for audit and non-audit services during the period ended 31 March 2016.

KPMG Channel Islands Limited	For the period from 30 December 2014 (date of incorporation) to 31 March 2016 £
- Annual audit of the Company	37,270
- Interim review of the Company	15,000
- Annual audit of the Subsidiary	19,320
- C share conversion	6,000
- Reporting accountant services – LSE Main Market Listing	80,000
- Reporting accountant services – issuance of C shares	86,000

Internal Controls

As the Company's investment objective is to invest all of its assets into the Subsidiary, the Audit Committee, after consultation with the Investment Manager, Investment Adviser and Auditor, considers the key risk of misstatement in its Financial Statements to be the valuation of its investment in the Subsidiary, but are also mindful of the risk of the override of controls by its service providers, the Investment Manager, the Investment Adviser and Administrator.

The Investment Manager, Investment Adviser and Administrator together maintain a system of internal control on which they report to the Board. The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Investment Manager, Investment Adviser and Administrator provide sufficient assurance that a sound system of risk management and internal control, which safeguards Shareholders' investment and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

The Audit Committee is responsible for reviewing and monitoring the effectiveness of the internal financial control systems and risk management systems on which the Company is reliant. These systems are designed to ensure proper accounting records are maintained, that the financial information on which the business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded. Such a system of internal financial controls can only provide reasonable and not absolute assurance against misstatement or loss.

In accordance with the guidance published in the 'Turnbull Report' by the Financial Reporting Council (the "FRC"), the Audit Committee has reviewed the Company's internal control procedures. These internal controls are implemented by the Company's four main service providers, the Investment Manager, the Investment Adviser, the Administrator and the Custodian. The Audit Committee has performed reviews of the internal financial control systems and risk management systems during the period. The Audit Committee is satisfied with the internal financial control systems of the Company.

Sandra Platts
Audit Committee Chairman

Independent Auditor's Report to the Members of Sequoia Economic Infrastructure Income Fund Limited

Opinions and conclusions arising from our audit

Opinion on financial statements
We have audited the financial statements of Sequoia Economic Infrastructure Income Fund Limited (the "Company") for the period from 30 December 2014 (date of incorporation) to 31 March 2016 which comprise the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of financial position, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards. In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its total comprehensive income for the period from 30 December 2014 (date of incorporation) to 31 March 2016;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- comply with the Companies (Guernsey) Law, 2008.

Our assessment of risks of material misstatement
The risks of material misstatement detailed in this section of this report are those risks that we have deemed, in our professional judgment, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

In arriving at our audit opinion above on the financial statements, the risk of material misstatement that had the greatest effect on our audit was as follows:

Valuation of investment in Subsidiary (£292,199,356 (equivalent to 98.35% of NAV))
Refer to page 21 of the Report of the Audit Committee, note 2 (significant accounting policies), note 3 (use of judgments and estimates) and note 6 (financial assets at fair value through profit or loss).

The risk – The Company's sole investment that is designated at fair value through profit or loss is its investment in Variable Funding Notes issued by Sequoia IDF Asset Holdings S.A. (the "Subsidiary"), where the Net Asset Value of the Subsidiary is assessed to be its fair value. A significant proportion of the Subsidiary's Net Asset Value is represented by a portfolio of unquoted and infrequently traded senior and subordinated economic infrastructure debt investments (the "Portfolio"). The valuation techniques applied by the Company in valuing the Portfolio are subjective and necessarily involve the selection of indicative broker price quotes or the use of discounted cash flow models. Indicative broker price quotes may not represent prices traded in an active market, and the determination of the amount and timing of cash flows and appropriate discount rates may be highly subjective. As a result there is a risk that the valuation techniques used by the Company in determining the fair value of the Portfolio and in turn the fair value of the Subsidiary may not be appropriate. Consequently, the valuation of the Portfolio is considered to be a significant risk and area of audit focus, given that it represents the majority of the Net Asset Value of the Subsidiary and in view of the subjectivity that may be involved in the determination of fair value.

Our response – Our audit procedures over the valuation of the Portfolio held by the Subsidiary included, but were not limited to, the following:

- We gained an understanding of the design and implementation of the controls around the valuation process adopted by the Company including the review, challenge and subsequent approval of the valuation of the Portfolio.
- We evaluated the competency of the Company's third-party Valuation Agent in the context of their ability to perform a reliable review of the valuation of the Portfolio prepared by the Company, by assessing their professional qualifications, experience, and objectivity from the Company.
- We engaged our own valuation specialists to support our challenge of the valuation of the Portfolio, the appropriateness of judgements made by the Company, and the review processes adopted by the Company's third-party Valuation Agent.

Independent Auditor's Report to the Members of Sequoia Economic Infrastructure Income Fund Limited (continued)

Opinions and conclusions arising from our audit (continued)

- We conducted substantive procedures on a sample of the investments in the Portfolio, which were valued using a discounted cash flow model, to determine whether there were any post-acquisition developments indicative of a credit event which may have necessitated a fair value adjustment.

We also considered the Company's disclosures (see note 3) in relation to the use of estimates and judgments in determining the fair value of investment in the Subsidiary and the Company's investment valuation policies adopted and fair value disclosures in note 2 and note 6 for compliance with International Financial Reporting Standards.

Our application of materiality and an overview of the scope of our audit

Materiality is a term used to describe the acceptable level of precision in financial statements. Auditing standards describe a misstatement or an omission as "material" if it could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The Auditor has to apply judgment in identifying whether a misstatement or omission is material and to do so the Auditor identifies a monetary amount as "materiality for the financial statements as a whole".

The materiality for the financial statements as a whole was set at £8,732,000. This has been calculated using a percentage of the Company's net asset value (of which it represents approximately 3%), which we believe is the most appropriate benchmark as net asset value is considered as the prime driver of return to the members.

We agreed with the audit committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £436k, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

Whilst the audit process is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather we plan the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant depth of work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the Responsible Individual, to subjective areas of the accounting and reporting process.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' viability statement on page 11, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Company continuing in operation over the four years to May 2020; or
- the disclosures in note 2 of the financial statements concerning the use of the going concern basis of accounting.

Independent Auditor's Report to the Members of Sequoia Economic Infrastructure Income Fund Limited (continued)

Opinions and conclusions arising from our audit (continued)

Matters on which we are required to report by exception

Under International Standards on Auditing ("ISAs") (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; or
- the Corporate Governance Report does not appropriately address matters communicated by us to the audit committee.

Under the Companies (Guernsey) Law, 2008, we are required to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

Under the Listing Rules we are required to review the part of the Corporate Governance Report on pages 15 to 18 relating to the Company's compliance with the eleven provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

The purpose of this report and restrictions on its use by persons other than the Company's members as a body

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and, in respect of any further matters on which we have agreed to report, on terms we have agreed with the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 19, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and ISAs (UK and Ireland). Those standards require us to comply with the UK Ethical Standards for Auditors.

Dermot A. Dempsey
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors, Guernsey

13 June 2016

Statement of Comprehensive Income

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

	Note	For the period from 30 December 2014 (date of incorporation) to 31 March 2016 £
Revenue		
Net gains on non-derivative financial assets at fair value through profit or loss	6	13,125,865
Net losses on derivative financial assets at fair value through profit or loss	7	(4,923,830)
Investment income	9	6,312,815
Net foreign exchange loss		(1,115,380)
Total revenue		**13,399,470**
Expenses		
Investment Adviser fees	10	1,269,449
Investment Manager fees	10	133,857
Directors' fees and expenses	10	186,674
Administration fees	10	207,978
Audit fees		52,270
Legal and professional fees		102,311
Valuation fees		139,408
Listing and regulatory fees		41,492
Other expenses		44,215
Total operating expenses		**2,177,654**
Profit and total comprehensive income for the period		**11,221,816**
Basic and diluted earnings per Ordinary Share	13	**5.39p**

All items in the above statement derive from continuing operations.

The accompanying notes on pages 31 to 52 form an integral part of the Financial Statements.

Statement of Changes in Shareholders' Equity

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

	Note	Share capital £	Retained deficit £	Total £
At 30 December 2014 (date of incorporation)		–	–	–
Issue of Ordinary Shares during the period, net of issue costs	12	147,185,871	–	147,185,871
Issue of C Shares converted to Ordinary Shares during the period, net of issue costs	12	143,950,527	–	143,950,527
Total comprehensive income for the period		–	11,221,816	11,221,816
Dividend paid during the period	4	–	(5,252,534)	(5,252,534)
At 31 March 2016		**291,136,398**	**5,969,282**	**297,105,680**

The accompanying notes on pages 31 to 52 form an integral part of the Financial Statements.

Statement of Financial Position

At 31 March 2016

	Note	31 March 2016 £
Non-current assets		
Non-derivative financial assets at fair value through profit or loss	6	292,199,356
Current assets		
Cash and cash equivalents	8	7,382,306
Trade and other receivables	14	1,675,766
Derivative financial assets at fair value through profit or loss	7	335,134
Total current assets		**9,393,206**
Total assets		**301,592,562**
Current liabilities		
Trade and other payables		685,814
Derivatives financial liabilities at fair value through profit or loss	7	3,801,068
Total liabilities		**4,486,882**
Net assets		**297,105,680**
Equity		
Share capital	12	291,136,398
Retained earnings		5,969,282
Total equity		**297,105,680**
Number of Ordinary Shares	12	**302,548,728**
Net asset value per Ordinary Share		**98.2p**

The Financial Statements on pages 27 to 52 were approved and authorised for issue by the Board of Directors on 13 June 2016 and signed on its behalf by:

Sandra Platts
Director

The accompanying notes on pages 31 to 52 form an integral part of the Financial Statements.

Statement of Cash Flows

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

	Note	For the period from 30 December 2014 (date of incorporation) to 31 March 2016 £
Cash flows from operating activities		
Profit for the period		11,221,816
Adjustments for:		
Net gains on revaluation of non-derivative financial assets at fair value through profit or loss	6	(13,125,865)
Net losses on derivative financial assets at fair value through profit or loss	7	4,923,830
Net foreign exchange loss		1,115,380
Increase in trade and other receivables		(1,675,766)
Increase in trade and other payables		685,814
		3,145,209
Net cash paid on settled forward contracts	7	(1,457,896)
Purchases of investments	6	(315,555,382)
Sales of investments	6	36,481,891
Net cash outflow from operating activities		**(277,386,178)**
Cash flows from financing activities		
Proceeds from issue of Ordinary Shares	12	291,136,398
Dividend paid	4	(5,252,534)
Net cash inflow from financing activities		**285,883,864**
Net increase in cash and cash equivalents		8,497,686
Cash and cash equivalents at beginning of period		–
Effect of foreign exchange rate changes on cash and cash equivalents during the period		(1,115,380)
Cash and cash equivalents at end of period		**7,382,306**

The accompanying notes on pages 31 to 52 form an integral part of the Financial Statements.

Notes to the Financial Statements

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

1. General Information

Sequoia Economic Infrastructure Income Fund Limited (the "Company") was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 on 30 December 2014. The Company's registration number is 59596 and it is regulated by the Guernsey Financial Services Commission as a registered closed ended collective investment scheme under The Registered Collective Investment Scheme Rules 2015. The Company is listed and began trading on the Main Market of the London Stock Exchange and was admitted to the premium segment of the Official List of the UK Listing Authority on 3 March 2015.

The Company makes its investments through Sequoia IDF Asset Holdings S.A. (the "Subsidiary"). The Company controls the Subsidiary through a holding of 100% of its shares. The Company further invests in the Subsidiary through the acquisition of Variable Funding Notes ("VFNs") issued by the Subsidiary. The Subsidiary is domiciled in Luxembourg and has no underlying subsidiaries.

Through its Subsidiary, the Company invests in a diversified portfolio of senior and subordinated economic infrastructure debt investments.

With effect from 28 January 2015, Sequoia Investment Management Company Limited (the "Investment Adviser") was appointed as the Investment Adviser and International Fund Management Limited (the "Investment Manager") was appointed as the Investment Manager.

2. Significant Accounting Policies

Statement of compliance

The Annual Financial Statements (the "Financial Statements"), which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and are in compliance with the Companies (Guernsey) Law, 2008, the Prospectus Rules, the Disclosure and Transparency Rules and the Market Abuse Directive (as implemented in the UK through Financial Services and Markets Authority).

Basis of preparation

The Company's Financial Statements have been prepared on a historical cost basis, as modified by the revaluation of financial instruments measured at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and judgements are discussed in note 3. The principal accounting policies adopted are set out below.

he Directors believe that the Annual Report and Financial Statements contain all of the information required to enable Shareholders and potential investors to make an informed appraisal of the investment activities and profits and losses of the Company for the period to which it relates and does not omit any matter or development of significance.

In accordance with the investment entities exemption contained in IFRS 10, "Consolidated Financial Statements", the Board has determined that the Company satisfies the criteria to be regarded as an investment entity and that the Company provides investment related services. As a result the Company is required to only prepare individual Financial Statements under IFRS and measures its investment in its Subsidiary at fair value. This determination involves a degree of judgement (see note 3 for further details).

Going concern

The Board has assessed the Company's financial position as at 31 March 2016 and the factors that may impact its performance in the forthcoming year and are of the opinion that it is appropriate to prepare these Financial Statements on a going concern basis.

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

2. Significant Accounting Policies (continued)

New accounting standards and interpretations applicable to future reporting periods

At the date of approval of these Financial Statements, the following relevant standards and interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective:

- IFRS 9, 'Financial Instruments' (relating to the classification and measurement of financial assets and liabilities, effective for periods commencing on or after 1 January 2018). This standard specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39 'Financial Statements: Recognition and Measurement' ("IAS 39").
- IFRS 10 (amended), "Consolidated Financial Statements" (amendments effective for periods commencing on or after 1 January 2016). These amendments relate to the application of the consolidation exception; and
- IFRS 12 (amended), "Disclosure of Interests in Other Entities" (amendments effective for periods commencing on or after 1 January 2016). These amendments relate to the application of the consolidation exception contained in IFRS 10.

In addition, the IASB completed its latest Annual Improvements to IFRS project in September 2014. This project has amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2016.

The Directors do not anticipate that the adoption of these standards in future periods will have a material impact on the Financial Statements of the Company.

Investment income

Investment income is recognised in the Statement of Comprehensive Income on a time-proportionate basis and includes interest income from the Company's investment in VFNs issued by the Subsidiary and from cash and cash equivalents.

VFN interest

Interest on VFNs issued by the Subsidiary is paid to the Company on a quarterly basis. VFN interest is calculated on an accruals basis, as the amount of revenue receivable in the quarter by the Subsidiary deriving from its investments and cash and cash equivalents, less any expenses due or payable by the Subsidiary.

Net gains/(losses) on financial assets at fair value through profit or loss

Net gains/(losses) on financial assets at fair value through profit or loss consists of realised and unrealised gains and losses on both non-derivative and derivative financial assets at fair value through profit or loss, and are recognised in the Statement of Comprehensive Income. Gains or losses on non-derivative financial instruments are calculated as described in the section 'Non-derivative financial instruments - fair value and subsequent measurement' within this note; gains or losses on derivative financial instruments are calculated as described in the section 'Derivative financial instruments – fair value and subsequent measurement' within this note.

Expenses

Expenses of the Company are charged through profit or loss in the Statement of Comprehensive Income on an accruals basis.

Ordinary Shares

The Ordinary Shares of the Company are classified as equity based on the substance of the contractual arrangements and in accordance with the definition of equity instruments under IAS 32. The proceeds from the issue of participating shares are recognised in the Statement of Changes in Shareholders' Equity, net of issue costs.

Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes. Certain amounts of the Company's cash are held as collateral against the Company's forward foreign exchange trading facilities.

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

2. Significant Accounting Policies (continued)

Financial instruments

Classification

The Company classifies its financial assets and financial liabilities into categories in accordance with IAS 39, "Financial Instruments: Recognition and Measurement".

Financial assets at fair value through profit and loss

Financial assets classified in this category are designated by management on initial recognition as part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented investment strategy. This category includes the Company's investment in shares and VFNs issued by the Subsidiary. The Investment Entities exception to consolidation in IFRS 10, "Consolidated Financial Statements" requires subsidiaries of an investment entity to be accounted for at fair value through profit or loss in accordance with IAS 39.

Financial assets at amortised cost

This category comprises cash and cash equivalents and trade and other receivables.

Financial liabilities at amortised cost

This category comprises trade and other payables.

Recognition and initial measurement

Financial assets and financial liabilities are measured initially at fair value, being the transaction price, on the trade date. Transaction costs on financial assets at fair value through profit or loss are expensed immediately.

Non-derivative financial instruments - fair value and subsequent measurement

After initial measurement, the Company measures non-derivative financial instruments classified at fair value through profit or loss at their fair values. Changes in fair value are recorded within "Net gains/(losses) on non-derivative financial assets at fair value through profit or loss" in the Statement of Comprehensive Income. This account includes foreign exchange differences but excludes interest income.

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

If there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. Please refer to note 6 for further details.

Derivative financial instruments – fair value and subsequent measurement

The Company holds derivative financial instruments to minimise its exposure to foreign exchange risks and from time to time may also hold derivative financial instruments to minimise its exposure to interest rate risks or for economic leveraging. Derivatives are classified as financial assets or financial liabilities (as applicable) at fair value through profit or loss and are initially recognised at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes thereto are recorded within 'Net gains/(losses) on derivative financial instruments at fair value through profit or loss' in the Statement of Comprehensive Income. This account includes foreign exchange differences but excludes interest income. The fair values of derivative transactions are measured using their market prices at the reporting date.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

2. Significant Accounting Policies (continued)

Foreign currency

Functional and presentation currency

The Financial Statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). The Directors have considered the primary economic currency of the Company; the currency in which the original finance was raised; the currency in which distributions will be made; and ultimately what currency would be returned to Shareholders if the Company was wound up. The Directors have also considered the currency to which the Company's investments are exposed. On balance, the Directors believe that Sterling best represents the functional currency of the Company during the period. Therefore, the books and records are maintained in Sterling and, for the purpose of the Financial Statements, the results and financial position of the Company are presented in Sterling, which has been selected as the presentation currency of the Company.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency balances at the period end are translated into the functional currency at the exchange rates prevailing at the period end date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Dividends

Interim dividends to the holders of Ordinary Shares are recorded through the Statement of Changes in Shareholders' Equity when they are declared to Shareholders. Final dividends are recorded through the Statement of Changes in Shareholders' Equity when they are approved by Shareholders. The payment of any dividend by the Company is subject to the satisfaction of a solvency test as required by the Companies (Guernsey) Law, 2008.

Segmental reporting

The Board has considered the requirements of IFRS 8 – "Operating Segments". The Company has entered into an Investment Management and Investment Advisory Agreement with the Investment Manager and Investment Adviser respectively, under which the Board has delegated the day to day responsibility for the management of the Company's investment portfolio to the Investment Manager, who has then delegated that responsibility to the Investment Adviser per the Investment Advisory Agreement, subject to the overall supervision of the Board. Subject to its terms and conditions, the Investment Advisory Agreement requires the Investment Adviser to manage the Company's investment portfolio in accordance with the Company's investment guidelines in effect from time to time, including the authority to purchase and sell securities and other investments and to carry out other actions as appropriate to give effect thereto. However, the Board retains full responsibility to ensure that the Investment Adviser adheres to its mandate. Moreover, the Board is fully responsible for the appointment and/or removal of the Investment Adviser. Accordingly, the Board is deemed to be the "Chief Operating Decision Maker" of the Company.

In the Board's opinion, the Company is engaged in a single segment of business, through its investment in the Subsidiary, being investment in senior and subordinated infrastructure debt instruments and related and/or similar assets.

The Company receives no revenues from external customers, nor holds any non-current assets, in any geographical area other than Guernsey.

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

3. Use of Judgments and Estimates

The preparation of Financial Statements in accordance with IFRS requires the Board to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a semi-annual basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The principal estimates and judgements are as follows:

Functional currency

Refer to note 2 'Functional and presentation currency'.

Fair value of non-derivative and derivative financial instruments at fair value through profit or loss

The Company records its investment in the Subsidiary and in forward foreign exchange contracts at fair value. The valuations of the investments held by the Subsidiary, and thus the net asset value of the Subsidiary itself, are prepared in accordance with the methodologies described in note 6. The valuations of forward foreign exchange contracts are prepared with reference to prevailing exchange rates. The Directors consider that these valuations represent the best estimate of the fair values of the Company's investment in the Subsidiary and in forward foreign exchange contracts.

Investment Entity

IFRS 10 includes a new definition of control that determines which entities are consolidated.

An investor company is deemed to control an investee subsidiary if the investor company has all of the following:

- Power over the investee;
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor's returns.

The Board has determined that the Company has all the elements of control as prescribed by IFRS 10 in relation to the Subsidiary as the Company owns 100% of the equity of the Subsidiary, is exposed and has rights to the returns of the Subsidiary and has the ability either directly or through the Investment Adviser to affect the amount of its returns from the Subsidiary.

The investment entities exception contained within IFRS 10 requires that should a parent meet the definition of an investment entity under IFRS 10, then it shall not consolidate its subsidiary; instead it is required to measure its investment in the subsidiary at fair value through profit or loss in accordance with the appropriate standard, unless that subsidiary provides investment-related services.

The criteria which define an investment entity are as follows:

- It has obtained funds from one or more investors for the purpose of providing those investors with investment management services;
- It has committed to its investors that its business purpose is to invest funds solely for the returns from capital appreciation, investment income or both; and
- It measures and evaluates the performance of substantially all of its investments on a fair value basis.

In assessing whether it meets the definition described above, an entity shall consider whether it has the following characteristics of an investment entity:

- It has more than one investment;
- It has more than one investor;
- It has investors that are not related parties of the entities; and
- It has ownership interests in the form of equity or similar interests.

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

3. **Use of Judgments and Estimates** (continued)

Investment Entity (continued)

Consideration is also given to the time frame of an investment. An investment entity should not hold its investments indefinitely but should have an exit strategy for their realisation.

The Company provides investment management services and has a number of investors who pool their funds to gain access to these services and investment opportunities that they might not have had access to individually. The Company, being listed on the Main Market of the London Stock Exchange, obtains funding from a diverse group of external Shareholders, to whom it has committed that its business purpose is to invest funds solely for the returns from capital appreciation and investment income.

The Company has only one investment – the Subsidiary, in which it holds 100% of the equity, however its investment in the Subsidiary is used to acquire exposure to a portfolio comprising a large number of investments. The fair value method is used to represent the Subsidiary's performance in its internal reporting to the Board, and to evaluate the performance of the Subsidiary's investments and to make investment decisions for mature investments. Those investments have documented maturity/redemption dates, or will be sold if other investments with better risk/reward profile are identified, which the Directors consider demonstrates a clear exit strategy.

The Subsidiary serves as an asset holding company and does not provide investment-related services.

Accordingly, when the Subsidiary is assessed based on the structure of the Company and its Subsidiary as a whole as a means of carrying out activities, the Board has concluded that the Company satisfies sufficient of the criteria above to meet the definition of an investment entity. As a result, under the terms of IFRS 10, the Company is not permitted to consolidate the Subsidiary, but must measure its investment in the Subsidiary at fair value through profit or loss. The Company has determined that the fair value of the Subsidiary is the Subsidiary's net asset value and has concluded that the Subsidiary meets the definition of an unconsolidated subsidiary under IFRS 12 and has made the necessary disclosures (see note 1).

4. **Dividends**

The Company's dividend policy, subject to sufficient profits being available and taking into account working capital and liquidity requirements, is to pay dividends totalling 5% per annum of the Company's original issue price per Ordinary Share in the first period of operations, and 6% per annum thereafter. The Company pays dividends on a quarterly basis, with the first dividend having been paid in respect of the quarter ended 30 June 2015.

The Company paid the following dividends during the period ended 31 March 2016:

Period to	Payment date	Dividend rate per Ordinary Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date
30 June 2015	14 August 2015	1.00	1,500,399	24 July 2015	23 July 2015
30 September 2015	30 November 2015	1.00	1,500,854	13 November 2015	12 November 2015
31 December 2015	29 February 2016	1.50	2,251,281	29 January 2016	28 January 2016

Under Guernsey law, the Company can pay dividends in excess of its accounting profit provided it satisfies the solvency test prescribed by the Companies (Guernsey) Law, 2008. The solvency test considers whether the Company is able to pay its debts when they fall due, and whether the value of the Company's assets is greater than its liabilities. The Company satisfied the solvency test in respect of the dividend declared in the period.

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

5. Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. Below is a non-exhaustive summary of the risks that the Company is exposed to as a result of its use of financial instruments:

Market Risk

Market risk is the risk that changes in market factors such as foreign exchange rates, interest rates and equity prices will affect the Company's income and/or the value of its holdings in financial instruments.

The Company's exposure to market risk comes mainly from movements in the value of its investment in the Subsidiary and on a look-through basis to the underlying investments in the Subsidiary's portfolio. Changes in credit spreads may further affect the Subsidiary's net equity or net income, and hence the value of the Company's investment in the Subsidiary.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk. The Company's strategy for the management of market risk is driven by its investment objective to provide investors with regular, sustained, long-term distributions and capital appreciation from a diversified portfolio of senior and subordinated economic infrastructure debt investments, which are held in a portfolio at the Subsidiary level. The various components of the Company's market risk are managed on a daily basis by the Investment Manager in accordance with policies and procedures in place, as detailed below.

In addition, the Company, through the underlying Subsidiary, intends to mitigate market risk generally by not making investments that would cause it to have exposure to any one individual infrastructure asset exceeding 10% of the Group's investments at the time of investment. The Subsidiary's market positions are monitored on a quarterly basis by the Board of Directors and by the Investment Manager at the point of investment and on an ongoing basis.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Subsidiary's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Company is exposed to cash flow interest rate risk in respect of its cash and cash equivalents and the floating rate debt investments held by the Subsidiary and to fair value interest rate risk in respect of the fixed rate debt investments held by the Subsidiary.

As the Company has no investment restrictions which would confine its investment universe to short-dated issues, the Investment Manager is mindful that fixed interest portfolios with longer durations may be subject to relatively greater adverse effects of a rising interest rate environment and inflationary considerations.

Interest rate risk is mitigated through the diversification of assets by duration and jurisdiction and with maintaining in excess of 50% of its portfolio in floating rate or inflation-linked debt once fully invested.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. Interest rate risk on cash and cash equivalents at Company and Subsidiary level is not considered significant.

The following table shows the profile of the Subsidiary's investment portfolio at 31 March 2016:

	Range of interest rates	**31 March 2016 £**
Investments with fixed interest rates	0.00% to 13.50%	125,532,129
Investments with floating interest rates	1.22% to 9.00%	144,720,893
Financial assets at fair value through profit or loss (note 6)		**270,253,022**

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

5. **Financial Risk Management** (continued)

Market Risk (continued)

Interest Rate Risk (continued)

The following table shows the Directors' best estimate of the sensitivity of the Subsidiary's portfolio of investments to stressed changes in interest rates, with all other variables held constant. The table assumes parallel shifts in the respective forward yield curves and is based on the modified duration of the assets.

Possible reasonable change in rate	31 March 2016 effect on net assets and profit or loss £
+1%	(9,210,276)
-1%	10,398,699

Under the terms of the Prospectus, the Company is permitted to use interest rate hedging instruments to protect against exposure to interest rate risk. However, no such hedging arrangements were entered into during the period and none were in place at the period end.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is directly exposed to currency risk in respect of its cash and cash equivalents and derivatives denominated in currencies other than Sterling, and indirectly through its investment in the Subsidiary.

The functional and presentational currency of the Company is Sterling. The Company invests in its Subsidiary through VFNs denominated in various currencies other than the functional currency, primarily US Dollar, Euro, Australian Dollar and Canadian Dollar. The Subsidiary in turn invests in financial instruments and enters into transactions that are denominated in currencies other than the functional currency. Consequently, the Company is exposed to risk that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Company's financial assets or liabilities.

The Investment Manager monitors the exposure to foreign currencies and reports to the Board on a regular basis. The Investment Manager measures the risk of the foreign currency exposure by considering the effect on the net asset value and income of a movement in the rates of exchange to which the assets, liabilities, income and expenses are exposed. A currency hedging program is in place at the Company level, in line with the intentions stated in the Prospectus, to protect against the effects of currency exposure on the future income arising from the underlying portfolio of investments held by the Subsidiary.

The total net foreign currency exposure of the Company and the Subsidiary combined at the period end was as detailed in the following table. These figures have been presented on a combined basis, as there exist foreign currency assets and liabilities in both the Company and the Subsidiary, and the forward foreign exchange contracts held at the Company level are taken out to hedge currency exposure existing at the Subsidiary level.

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

5. **Financial Risk Management** (continued)
Market Risk (continued)
Currency Risk (continued)

	31 March 2016
	£
USD Exposure	
Financial assets at fair value through profit or loss	111,065,510
Forward foreign exchange contracts	(46,342,812)
Cash and cash equivalents	8,548,658
Trade and other receivables	1,790,010
Net USD Exposure	**75,061,366**
EUR Exposure	
Financial assets at fair value through profit or loss	82,431,392
Forward foreign exchange contracts	(50,496,329)
Cash and cash equivalents	543,497
Trade and other receivables	930,137
Trade and other payables	(21,545)
Net EUR Exposure	**33,387,152**
CAD Exposure	
Financial assets at fair value through profit or loss	6,405,783
Forward foreign exchange contracts	(3,056,372)
Cash and cash equivalents	2,430
Trade and other receivables	135,996
Net CAD Exposure	**3,487,837**
AUD Exposure	
Financial assets at fair value through profit or loss	18,929,192
Forward foreign exchange contracts	(8,812,190)
Cash and cash equivalents	141,550
Trade and other receivables	4,733
Net AUD Exposure	**10,263,285**
Total Exposure	**122,199,640**

	Possible change in exchange rate	31 March 2016 net exposure £	31 March 2016 effect on net assets and profit or loss £
USD/GBP	+/- 5%	75,061,366	+/- 3,753,068
EUR/GBP	+/- 5%	33,387,152	+/- 1,669,358
CAD/GBP	+/- 5%	3,487,837	+/- 174,392
AUD/GBP	+/- 5%	10,263,285	+/- 513,164

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

5. Financial Risk Management (continued)

Market Risk (continued)

Currency Risk (continued)

The following table details the split of currencies based on fair value of bonds and loans in the Subsidiary's investment portfolio:

Currency	**31 March 2016**
Sterling	51,421,145
US Dollar	111,065,510
Euro	82,431,392
Canadian Dollar	6,405,783
Australian Dollar	18,929,192
Total	**270,253,022**

Credit and Counterparty Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company or the Subsidiary or a vehicle in which the Company or Subsidiary invests, resulting in a financial loss to the Company. It arises principally from debt securities held, and also from derivative financial assets and cash and cash equivalents. For risk management reporting purposes, the Company considers and aggregates all elements of credit risk exposure (such as individual obligation default risk, country risk and sector risk).

In respect of the debt investments, credit risk is the risk that the fair value of a loan (or more generally, a stream of debt payments) will decrease due to a change in the borrower's ability to make payments, whether that change is an actual default or a change in the borrower's probability of default.

The Investment Manager's management of the Subsidiary's portfolio is underpinned by the ongoing monitoring and mitigation of credit risk in the portfolio to ensure that any credit events or institutional ratings changes are identified in a timely manner. The weighted average external credit rating of the Subsidiary's externally rated portfolio investments is B1, calculated using all available ratings for the portfolio investments from Standard and Poor's, Moody's, Fitch and Kroll.

Prior to any investment purchase, the Investment Adviser provides a credit memorandum to the Investment Manager which includes a Sequoia Credit Rating (based on an in-house rating system, which takes into account certain facets of the investment, including the issuer's security, financial statements, debt covenants and the type of debt) for the debt investment, along with a recommendation to purchase the asset. The Investment Manager vets the recommendation and liaises with the Risk Committee where appropriate.

The mitigation of credit risk starts with the Investment Adviser's Investment Committee, which monitors risks associated with potential debt investments and makes recommendations for acquisitions whilst allocating a Sequoia Credit Rating.

The Investment Adviser formally performs credit reviews of the full portfolio at least semi-annually or as and when a particular 'Credit Event' occurs.

The table below analyses the Company's maximum exposure to credit risk for the components of the Statement of Financial Position.

	31 March 2016
	£
Non-derivative financial assets at fair value through profit or loss	292,199,356
Cash and cash equivalents	7,382,306
Trade and other receivables	1,675,766
Derivative financial assets at fair value through profit or loss	335,134
	301,592,562

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

5. Financial Risk Management (continued)

Credit and Counterparty Risk (continued)

In line with the Prospectus a Cash Management Policy has been put in place. Cash deposits will only be placed with banks that hold a short-term rating of at least A-1, P-1 or F1 from Standard and Poor's, Moody's or Fitch respectively and no more than 40% of net assets may be placed with any one bank at any time. The Investment Manager carefully manages this process ensuring uninvested cash is dispersed to adequately rated banks whilst maximising interest received. The Bank of New York Mellon, as custodian, holds cash in relation to the portfolio operations and in order to settle investment transactions. Uninvested cash is managed through BNP Paribas SA ("BNP Paribas") and ABN Amro Bank NV ("ABN Amro") under a cash management agreement with PraxisIFM Treasury Services Limited, with other adequately-rated banks considered should cash levels require. At the period end the Standard and Poor's short-term credit ratings of the institutions were as follows: ABN Amro: A-1; BNP Paribas: A-1; and Bank of New York Mellon: A-1+.

For operational purposes, the Fund's policy is to utilise banks with an investment grade rating or higher (A-3, P-3 or F3 from Standard and Poor's, Moody's or Fitch respectively). The Company's operational cash is held with The Royal Bank of Scotland International Limited ("RBSI"). The Company uses Monex Europe Limited ("Monex"), RBSI and Investec Bank (Channel Islands) Limited ("IBCI") to undertake forward foreign exchange transactions. Hedging collateral may be held with these institutions if required, however no cash collateral is held at the period end. At the period end the short-term credit ratings of these institutions were as follows: RBSI: A-3 (Standard & Poor's); IBCI: F2 (Fitch); and Monex: B.

Bankruptcy or insolvency of any of the above financial institutions may cause the Company's rights with respect to the cash held to be delayed or limited. The Company monitors its risk by regularly monitoring the credit ratings of these financial institutions.

Credit risk arising on debt securities held by the Subsidiary is constantly monitored by the Investment Manager. Credit risk is mitigated by the diversification of assets by maturity profile and jurisdiction.

The Subsidiary's exposure to credit risk in respect of its investments, based on the country of registration as at 31 March 2016, is summarised below:

	31 March 2016
	£
United States of America/Canada	117,471,293
Europe	87,473,011
United Kingdom	46,379,526
Australia	18,929,192
Subsidiary financial assets at fair value through profit or loss (note 6)	**270,253,022**

The table below summarises the Subsidiary's portfolio concentrations as of 31 March 2016:

	Maximum portfolio holdings of a single asset % of total portfolio	**Average portfolio holdings % of total portfolio**
31 March 2016	10.67	2.86

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

5. **Financial Risk Management** (continued)

Credit and Counterparty Risk (continued)

The following table summarises the Subsidiary's exposure to market risk, based on its concentration by industry:

	31 March 2016
	£
Accommodation	10,400,236
Power	38,087,517
Renewable Energy	39,452,888
Telecommunication, Media and Technology	8,850,486
Transport	40,046,559
Transportation Equipment	67,551,393
Utilities	53,853,194
Other	12,010,749
Subsidiary financial assets at fair value through profit or loss (note 6)	**270,253,022**

Activities undertaken by the Company and its Subsidiary may give rise to settlement risk. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions, settlement risk is mitigated by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes. The Investment Manager also conducts reviews of the settlement process and custodian to ensure stringent settlement process is in place.

Liquidity Risk

Liquidity risk is the risk that the Company or the Subsidiary will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's policy and the Investment Manager's approach to managing liquidity risk in both the Company and the Subsidiary is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

In accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Company has implemented a liquidity policy that is consistent with its underlying obligations and redemption policy, in accordance with the requirements relating to quantitative and qualitative risk limits and which considers both funding and trading liquidity.

The Investment Manager manages the Company's liquidity risk by taking into account the liquidity profile and strategy of the Company and at the Subsidiary level primarily through investing in a diverse portfolio of assets. Liquidity risk mitigation will be sought through careful selection of assets, asset duration, asset liquidity profiling through loan market interaction, geographical focus, currency allocations, cash management and other Company considerations.

Given the Company's permanent capital structure as a closed-ended fund, it is not exposed to redemption risk. However, the financial instruments of the Company and the Subsidiary include derivative contracts traded over-the-counter and debt investments, which are not traded in an organised public market and which may be illiquid.

The overall liquidity risk of the Company and the Subsidiary is monitored on a quarterly basis by the Board of Directors and on an ongoing basis by the Investment Manager. Shareholders will have no right of redemption and must rely, in part, on the existence of a liquid market in order to realise their investment.

There are no company assets subject to special arrangements arising from their illiquid nature.

The Company's financial liabilities at 31 March 2016 will all mature within four months of the reporting date.

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

5. Financial Risk Management (continued)

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities relating to financial instruments, either internally or on the part of service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

Operational risk is managed so as to balance the limiting of financial losses and reputational damage with achieving the investment objective of generating returns to investors.

The Investment Manager works with the Board to identify the risks facing the Company and the Subsidiary. The key risks are documented and updated in the Risk Matrix by the Investment Manager.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers.

The Directors' assessment of the adequacy of the controls and processes in place at service providers with respect to operational risk is carried out through having discussions with and reviewing reports from the Investment Manager, who conducts regular discussions with the service providers.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Company's capital is represented by the Ordinary Shares. Capital is managed in accordance with the investment policy, in pursuit of its investment objectives. There are no duration restrictions on the investments acquired by the Subsidiary. Target annual returns for investors in the Company are an income return of 5% to 6% and a capital return of 1% to 2%.

The Company may employ leverage for short term liquidity or investment purposes, but does not currently do so.

6. Financial Assets at fair value through Profit or Loss

	31 March 2016 £
Cost at the start of the period	–
VFNs purchased during the period	315,555,382
VFNs redeemed during the period	(36,481,891)
Cost at the end of the period	279,073,491
Net gains on non-derivative financial assets at the end of the period	13,125,865
Non-derivative financial assets at fair value through profit or loss at the end of the period	**292,199,356**

The following table provides a reconciliation of the financial assets at fair value through profit or loss of the Subsidiary to the Company's financial assets at fair value through profit or loss:

	31 March 2016 £
Subsidiary's non-derivative financial assets at fair value through profit or loss	270,253,022
Subsidiary's net current assets	21,946,334
Company's non-derivative financial assets at fair value through profit or loss	**292,199,356**

None of the Subsidiary's non-derivative financial assets at fair value through profit or loss are subject to any special arrangements arising from their illiquid nature.

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

6. Financial Assets at fair value through Profit or Loss (continued)

The Company's net gains on non-derivative financial assets at fair value through profit or loss in the period comprises the following:

	31 March 2016
	£
Subsidiary	
Investment income	9,014,145
Realised losses on non-derivative financial assets at fair value through profit or loss	(2,169,461)
Unrealised gains on non-derivative financial assets at fair value through profit or loss	12,673,725
Foreign exchange losses	(14,827,007)
Interest on VFNs	(6,155,742)
Expenses	(142,337)
	(1,606,677)
Company	
Unrealised foreign exchange gains on VFNs	14,732,542
Net gains on non-derivative financial assets at fair value through profit or loss at the end of the period	**13,125,865**

Fair Value Measurement

IFRS 13 requires that a fair value hierarchy be established that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are as follows:

– Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;

– Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

– Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement. Observable data is considered to be market data that is readily available, regularly distributed or updated, reliable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Company's investment in the Subsidiary, through the acquisition of shares and the issue of VFNs, is classified within Level 3, as it is not traded and contains unobservable inputs. The Board considers that the NAV of the Subsidiary is representative of its fair value.

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

6. Financial Assets at fair value through Profit or Loss (continued)

Fair Value Measurement (continued)

	31 March 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Assets:				
Non-derivative financial assets at fair value through profit or loss	–	–	292,199,356	292,199,356
Derivative financial assets at fair value through profit or loss	–	335,134	–	335,134
Total	**–**	**335,134**	**292,199,356**	**292,534,490**
Liabilities:				
Derivative financial liabilities at fair value through profit or loss	–	3,801,068	–	3,801,068
Total	**–**	**3,801,068**	**–**	**3,801,068**

There have been no transfers between levels of the fair value hierarchy during the period. Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

Movements in the Company's Level 3 financial instruments during the period were as follows:

	31 March 2016
	£
Opening balance	–
Purchases	315,555,382
Sales	(36,481,891)
Net gains on non-derivative financial assets at the end of the period	13,125,865
Closing balance	**292,199,356**

The investments held by the Subsidiary in the underlying portfolio are classified within the fair value hierarchy as follows:

	31 March 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	£	**£**	**£**	**£**
Assets:				
Non-derivative financial assets at fair value through profit or loss	27,699,347	96,236,866	146,316,809	270,253,022

When valuing the Subsidiary's Level 3 investments, the investments are benchmarked to bond yields and transaction data, based on the specific risk profile of the investment, and if necessary the yield in the valuation is adjusted from the yield that was used originally to price the loan. Any subsequent change to the valuation is expressed as a change in the expected yield from the investment, and this has a linear effect on the valuation of the investment (i.e. an increase/decrease of 5% in the yield will produce an increase/decrease of 5% in the fair value). The yields are assessed each month based on material and sustained movements in the benchmark bonds and transaction data, as well as any change to project-specific risks, and any change to the valuation will be a result of this assessment.

The cash and cash equivalents, trade and other receivables and trade and other payables are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

6. Financial Assets at fair value through Profit or Loss (continued)

Valuation techniques for the investment portfolio of the Subsidiary

With effect from 28 January 2015, the Company has engaged Mazars LLP ("Mazars") as Valuation Agent, with responsibility for reviewing the valuations applied by the Investment Adviser in relation to the acquisition of loans and bonds, and for calculating the valuations of portfolio loans and bonds on a monthly basis. The principles and techniques utilised by Mazars in calculating the valuations are described below.

Performing Portfolio Loans and Bonds

Valuations of performing portfolio loans and bonds are based on actual market prices (bid-side prices) obtained from third-party brokers and syndicate desks if available (such brokers to be agreed with the Investment Adviser); if such prices are not available, then valuations are calculated by discounting future cashflows at a yield appropriate to comparable infrastructure loans or bonds (with such yield assessed primarily from publically available sources and secondarily in consultation with brokers and syndicate desks). Spread data will also be cross-referenced to recently-priced primary market transactions if possible.

When identifying comparable loans or bonds, for the purpose of assessing market yields, the following will be taken into account:

- Project type: jurisdiction, sector, project status, transaction counterparties such as construction companies, FM providers;
- Structural characteristics: maturity and average life, seniority, secured/unsecured, amortisation profile, cash sweeps, par versus discount; and
- Credit characteristics: credit ratios (e.g. equity cushion, asset cover/LTV, debt service coverage ratios or equivalent, debt/EBITDA), ratings and ratings trajectory.

In calculating the net present value of future cashflows on loans with uncertain cashflows (such as cash-sweep mechanisms), "banking base case" cashflows are used unless there is clear evidence that the market is using a valuation based upon another set of cashflows.

In the case of discount loans with step-up margins, the assumption will be that market discounts are calculated on a yield-to-worst basis, unless there is clear evidence that the market convention for that loan is different.

For variable rate loans and bonds, for the purposes of projecting cashflows, the market convention of simple compounding to the next interest payment date is used and swap rates for subsequent interest payments, unless there is clear evidence that the market convention for that loan or bond is different.

Non-performing Portfolio Bonds

Valuations of non-performing portfolio bonds are based on actual market prices obtained from third-party brokers if available, otherwise the net present value of future expected loan cashflows will be calculated, estimated on the basis of the median outcome and discount rate that reflects the market yield of distressed/defaulted loans or bonds.

In assessing the median outcome cashflows, a project/corporate model that reflects the distressed state of the project will be used in order to assess a range of potential outcomes for expected future cashflows with regards to, for example, interest or principal recoveries and timing. The Investment Adviser will work closely with the independent third party valuer and they will have access to the Investment Adviser's own model, analysis and internal valuations. These valuations will be subject to a high degree of management oversight by the Investment Manager and will be reviewed with high frequency.

Finalising the Net Asset Value

Once the appropriate position price has been determined to be applied to each investment, the calculation of the Subsidiary's net asset value is finalised through the following steps:

- Conversion of each investment into GBP based on month end FX exchange rates;
- Reconciliation of any interest accrued since issue of the most recent coupon; and
- Aggregation of the investments into a single Fund NAV position statement (clean and dirty price).

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

7. Derivative Financial Assets at fair value through Profit or Loss

As at 31 March 2016, the Company had the following outstanding commitments in respect of open forward foreign exchange contracts.

31 March 2016

Maturity date	Counterparty	Contract amount	Buy	Sell	Unrealised gain/(loss)
					£
25 April 2016	Investec Bank	USD 9,568,750	GBP	USD	87,531
2 June 2016	RBSI	USD 5,000,000	GBP	USD	92,483
3 June 2016	RBSI	USD 10,000,000	GBP	USD	121,907
22 June 2016	RBSI	USD 10,000,000	GBP	USD	33,213
					335,134
21 April 2016	Monex	AUD 2,500,000	GBP	AUD	(170,048)
21 April 2016	RBSI	USD 2,500,000	GBP	USD	(123,635)
21 April 2016	Monex	AUD 4,000,000	GBP	AUD	(293,584)
25 April 2016	Investec Bank	EUR 6,600,000	GBP	EUR	(155,710)
25 April 2016	Investec Bank	EUR 1,500,000	GBP	EUR	(35,389)
3 May 2016	RBSI	AUD 4,000,000	GBP	AUD	(180,893)
3 May 2016	RBSI	EUR 10,000,000	GBP	EUR	(330,836)
3 May 2016	RBSI	USD 3,000,000	GBP	USD	(2,609)
16 May 2016	Investec Bank	AUD 6,000,000	GBP	AUD	(271,271)
16 May 2016	Investec Bank	CAD 4,500,000	GBP	CAD	(183,285)
16 May 2016	Investec Bank	EUR 10,000,000	GBP	EUR	(165,315)
23 May 2016	Investec Bank	EUR 1,000,000	GBP	EUR	(87,278)
23 May 2016	Investec Bank	USD 2,000,000	GBP	USD	(114,924)
2 June 2016	RBSI	EUR 14,000,000	GBP	EUR	(215,027)
17 June 2016	Monex	USD 24,500,000	GBP	USD	(527,416)
21 June 2016	RBSI	EUR 1,500,000	GBP	EUR	(4,088)
21 June 2016	RBSI	EUR 5,000,000	GBP	EUR	(43,731)
21 June 2016	Monex	CAD 1,200,000	GBP	CAD	(50,680)
21 June 2016	Monex	EUR 5,000,000	GBP	EUR	(415,168)
21 June 2016	Monex	EUR 4,000,000	GBP	EUR	(299,056)
21 June 2016	Monex	EUR 5,000,000	GBP	EUR	(131,125)
					(3,801,068)
Net unrealised loss on forward foreign exchange contracts					**(3,465,934)**

All forward foreign exchange positions at the period end were held with Investec Bank plc, Monex Europe Limited or the Royal Bank of Scotland International, as noted above. There are no master netting arrangements in place.

The net loss on forward foreign exchange contracts in the period comprises both realised and unrealised losses as follows:

	31 March 2016
	£
Realised losses on forward foreign exchange contracts during the period	(1,457,896)
Unrealised losses on forward foreign exchange contracts at the end of the period	(3,465,934)
Net losses on forward foreign exchange contracts during the period	**(4,923,830)**

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

8. Cash and Cash Equivalents

	31 March 2016
	£
Cash held on call or overnight deposit accounts	7,382,306
	7,382,306

Under the terms of its forward foreign exchange trading agreements with Investec Bank plc, Royal Bank of Scotland International and Monex Europe, the Company may be required in certain circumstances to retain balances on collateral accounts representing the applicable margin on each facility.

9. Investment Income

	For the period from 30 December 2014 (date of incorporation) to 31 March 2016
	£
Interest income on financial assets carried at amortised cost:	
Cash and cash equivalents	157,073
Interest income on the Company's non-derivative financial assets at fair value through profit and loss	6,155,742
	6,312,815

10. Related Parties and Other Material Contracts

Directors' Fees

Robert Jennings is entitled to a fee in remuneration for his services as Chairman of the Board of Directors at a rate payable of £45,000 per annum (increasing to £52,000 per annum with effect from 1 April 2016). The remaining Directors are entitled to a fee in remuneration for their services as Directors at a rate of £30,000 each per annum (increasing to £35,000 per annum with effect from 1 April 2016).

Jan Pethick, Jon Bridel and Sandra Platts are also each entitled to a fee of £5,000 per annum (increasing to £5,500 per annum with effect from 1 April 2016) in respect of their roles as Chairman of the Management Engagement Committee, Chairman of the Risk Committee and Chairman of the Audit and Remuneration Committees respectively.

Robert Jennings, Jan Pethick, Jon Bridel and Sandra Platts each received a listing fee of £7,500 in relation to work performed prior to Admission to the Main Market of the London Stock Exchange. This fee was required to be applied in subscribing for Ordinary Shares in the Company upon Admission.

Robert Jennings, Jan Pethick, Jon Bridel and Sandra Platts each received a listing fee of £5,000, which was subject to Admission, in relation to the listing of C shares on 2 November 2015.

Subsequent to the period end, Robert Jennings, Jan Pethick, Jon Bridel and Sandra Platts each received a listing fee of £5,000, which was subject to issue of the Prospectus, in relation to the listing of C shares on 10 June 2016.

Ordinary Shares held by related parties

The Shareholdings of the Directors' in the Company at 31 March 2016 were as follows:

	31 March 2016	
Name	**Number of Ordinary Shares**	**Percentage of Ordinary Shares in Issue**
Robert Jennings (Chairman)	115,000	0.04%
Jan Pethick	157,500	0.05%
Jon Bridel (with his spouse)	7,500	0.00%
Sandra Platts	7,500	0.00%

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

10. Related Parties and Other Material Contracts (continued)

Ordinary Shares held by related parties (continued)

Subsequent to the period end, the Directors (including family members) acquired the following holdings in the listing of C Shares on 10 June 2016: Robert Jennings 63,000 C Shares; Jan Pethick 63,000 C Shares; Jon Bridel 3,000 C Shares; and Sandra Platts 3,000 C Shares. There have been no other changes to the Directors' shareholdings since 31 March 2016.

As at 31 March 2016, the members of the Investment Adviser's founding team held an aggregate of 670,215 Ordinary Shares, which is 0.22% of the issued share capital.

As at 31 March 2016, the members of the Investment Manager held an aggregate of 50,000 Ordinary Shares, which is 0.02% of the issued share capital.

Transactions with Investment Manager and Investment Adviser

Investment Manager

With effect from 28 January 2015, International Fund Management Limited (the "Investment Manager") was appointed as the Investment Manager. The Investment Manager is entitled to receive a management fee for AIFM services which shall be calculated and accrue monthly at a rate equivalent to 0.064 percent of the net asset value per annum for the period ending 1 May 2016 and 0.075 percent of the net asset value per annum thereafter, in each case subject to an annualised minimum of £80,000 applied on a monthly basis. The management fees are calculated without regard to VAT. If there is any VAT payable on the fees then this shall be added to the fee amount. The minimum investment management fee will be subject to an annual review on 1 May of each year, the first review commencing in 2016. The investment management fees are payable monthly in arrears. The Investment Manager will also receive ongoing fees in relation to services offered for the provision of AIFM services.

The Investment Management agreement can be terminated by either party giving not less than 6 months written notice.

Investment Adviser

With effect from 28 January 2015, Sequoia Investment Management Company Limited (the "Investment Adviser") was appointed as the Investment Adviser. The Investment Adviser is entitled to receive from the Company a base fee calculated as follows and payable quarterly:

- 0.5 percent per annum of the value of the listed debt securities owned by the Subsidiary; plus
- if the Company's NAV is less than £250 million, 0.9 percent per annum of the value of the Company's other investments (excluding listed debt securities and cash); plus
- if the Company's NAV is more than £250 million and less than £500 million, 0.8 percent per annum of the value of the Company's other investments (excluding listed debt securities and cash) not included above; plus
- if the Company's NAV is more than £500 million, 0.7 percent per annum of the value of the Company's other investments (excluding listed debt securities and cash) not included above.

One quarter of the Investment Adviser's fee will be applied in subscribing for Ordinary Shares in the Company, which the Investment Adviser shall retain with a three-year rolling lock-up (such that those Ordinary Shares may not be sold or otherwise disposed of by the Investment Adviser without the prior consent of the Company before the third anniversary of the date of issue of the relevant Ordinary Shares). If the Company raises further capital or otherwise increases its net asset value, the Investment Adviser will receive a reduced percentage fee.

On 17 July 2015, the Company issued 39,862 Ordinary Shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 30 June 2015 under the Investment Advisory Agreement.

On 18 November 2015, the Company issued 45,563 Ordinary Shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 30 September 2015 under the Investment Advisory Agreement.

On 1 February 2016, the Company issued 67,509 Ordinary Shares of no par value and 33,886 C shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 31 December 2015 under the Investment Advisory Agreement. These C shares were subsequently converted to 35,156 Ordinary Shares on 3 March 2016.

As at 31 March 2016, the Investment Adviser held 188,090 Ordinary Shares in the Company.

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

10. Related Parties and Other Material Contracts (continued)

Transactions with Investment Manager and Investment Adviser (continued)

On 20 April 2016 the Company issued 125,488 Ordinary Shares to the Investment Adviser in relation to fees payable for the quarter ended 31 March 2016 under the Investment Advisory Agreement.

The Investment Advisory agreement can be terminated by either party giving not less than 6 months written notice. The Investment Adviser's appointment will be automatically terminated upon termination of the Investment Manager's appointment under the Investment Management Agreement.

Other Material Contracts

Administrator

With effect from 28 January 2015, Praxis Fund Services Limited (the "Administrator") was appointed as the administrator. The Administrator is entitled to receive an annual fee, initially be charged at 0.07 percent of NAV (discounted to 0.06 percent of NAV for the one year period from the date of the Company's inaugural board meeting). The administration fee may be varied by agreement between the parties and is subject to a minimum annual fee of £65,000 and a fee for company secretarial services based on time costs. The Administrator has also received an establishment fee of £25,000 for services rendered in connection with the initial set up of the Company, preparation of pre-launch documentation and any other services rendered in connection with the launch of the Company and the issue of the Ordinary Shares. The Administrator has also received a fee of £19,500 for services rendered in connection with the initial set up of the C share class, preparation of pre-launch document and other services rendered in connection with the launch of the C shares.

Subsidiary Administrator

With effect from 28 January 2015, TMF Luxembourg S.A. (the "Subsidiary Administrator") was appointed as the administrator of the Subsidiary. The Subsidiary Administrator is entitled to receive an annual fee of €24,000 and, in addition, a fee for NAV reconciliation and reporting services based on time costs but capped at €6,000 per annum. The Subsidiary Administrator has also received a one-off fixed set-up fee of €15,500 for services rendered in connection with the initial set-up of the Subsidiary, preparation of pre-launch documentation and any other services rendered in connection with the launch of the Subsidiary and the issue of the Ordinary Shares.

Custodian

With effect from 27 February 2015, The Bank of New York Mellon (the "Custodian") was appointed as the Custodian. The Custodian is entitled to receive fees, as agreed from time to time, for services provided as portfolio administrator, calculating agent, account bank and custodian.

The amounts charged for the above-mentioned fees during the period ended 31 March 2016 and outstanding at 31 March 2016 are as follows:

	Charge for the period £	Amounts outstanding at 31 March 2016 £
Directors' fees and expenses	186,674	–
Investment management fee	133,857	15,004
Investment advisory fee	1,269,449	510,076
Administration fee	207,978	26,968
Sub-administration fee*	37,884	–
Fees payable to the Custodian*	87,160	16,987
	1,923,002	**569,035**

* Expenses of the Subsidiary

Overdraft facility

On 15 February 2016 the Company entered into an overdraft facility with the Royal Bank of Scotland International Limited with a limit of £1,500,000. At the period end date, this facility had not been utilised.

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

11. Tax Status

The Company is exempt from Guernsey income tax and is charged an annual exemption fee of £1,200 under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

12. Share Capital

The Company's Ordinary Shares and C Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares and C Shares are recognised as a deduction in equity and are charged to the relevant share capital account, including the initial set up costs.

The Company undertakes that it shall ensure that its records and bank accounts are operated in such a way that the assets attributable to the Ordinary Shares and the C Shares can be separately identified. On the conversion of C Shares to Ordinary Shares, C Shareholders shall be allocated an appropriate number of Ordinary Shares, calculated by reference to the conversion ratio.

The authorised share capital of the Company is represented by an unlimited number of Shares of nil par value, to which are attached the following rights:

(a) Dividends: Ordinary Shareholders and C Shareholders are entitled to receive, and participate in, any dividends or other distributions resolved to be distributed from their respective pools of assets in respect of any accounting period or other period, provided that no calls or other sums due by them to the Company are outstanding.

(b) Winding Up: On a winding up, the Ordinary Shareholders and C Shareholders shall be entitled to the surplus assets remaining in their respective pools of assets after payment of creditors.

(c) Voting: Ordinary Shareholders have the right to receive notice of and to attend, speak and vote at general meetings of the Company and each holder being present in person or by proxy shall upon a show of hands have one vote and upon a poll one vote in respect of every Ordinary Share held. C Shareholders have no right to attend or vote at any meeting of the Company, except that the consent of C Shareholders is required for any alteration to the Memorandum or Articles of the Company; for the passing of any resolution to wind up the Company; and for the variation or abrogation of the rights attached to the C Shares.

Issued Share Capital

Ordinary Shares

	31 March 2016	
	C shares Number	**Ordinary shares Number**
Share Capital at the beginning of the period	–	–
Share Capital issued and fully paid	146,887,513	150,152,934
Converted from C to Ordinary Shares	(146,887,513)	152,395,794
Total Share Capital at the end of the period	**–**	**302,548,728**

	31 March 2016	
	C shares £	**Ordinary shares £**
Share Capital at the beginning of the period	–	–
Share Capital issued and fully paid	146,887,599	150,155,871
Share issue costs	(2,937,072)	(2,970,000)
Converted to Ordinary Shares	(143,950,527)	143,950,527
Total Share Capital at the end of the period	**–**	**291,136,398**

On the launch of the Company on 3 March 2015, 150,000,000 Ordinary Shares were issued at an issue price of £1.00 per Share.

Notes to the Financial Statements (continued)

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

12. Share Capital (continued)

On 2 November 2015, 146,853,627 C Shares were issued at an issue price of £1.00 per Share. On 3 March 2016, each C Share was converted to Ordinary Shares at a rate of 1.0375 Ordinary Shares per C Share, on the basis of the NAVs of the respective share classes.

During the period, 152,934 Ordinary Shares and 33,886 C Shares (subsequently converted to 35,156 Ordinary Shares on 3 March 2016) have been issued to the Investment Adviser in relation to fees payable for the period from launch to 31 December 2015, at an average issue price of £0.99 per Ordinary Share (see note 10).

13. Basic and Diluted Loss Per Share

	31 March 2016 Number of Ordinary Shares
Profit for the financial period	£11,221,816
Weighted average number of Ordinary Shares	208,066,979
Basic and diluted profit per Ordinary Share	**5.39p**

The weighted average number of Ordinary Shares as at 31 March 2016 is based on the number of Ordinary and C Shares in issue during the period under review, as detailed in note 12.

There was no dilutive effect for potential Ordinary Shares during the current period.

14. Trade and Other Receivables

	31 March 2016 £
VFN interest receivable	1,647,136
Prepaid expenses	28,630
	1,675,766

15. Subsequent Events

On 20 April 2016 the Company issued 125,488 Ordinary Shares to the Investment Adviser at an issue price of £1.03 per Share, in relation to fees payable for the quarter ended 31 March 2016.

On 20 April 2016 the Company declared an interim dividend of 1.5p per Ordinary Share in respect of the quarter ended 31 March 2016. The dividend was paid on 25 May 2016.

On 25 May 2016, at an Extraordinary General Meeting of the Company, a resolution that the Company continues its business as a closed-ended investment company was passed by Shareholders.

On 10 June 2016, the Company raised net proceeds of approximately £172.2 million through an Open Offer, Placing and Offer for Subscription of C Shares.

A total of 175,171,834 C Shares have been issued, of which 45,297,256 C Shares were issued pursuant to the Open Offer (including the Excess Application Facility) and 129,874,578 C Shares were issued pursuant to the Placing and the Offer for Subscription.

The Directors of the Company (including family members) acquired the following holdings in the listing: Robert Jennings 63,000 C Shares; Jan Pethick 63,000 C Shares; Jon Bridel 3,000 C Shares; and Sandra Platts 3,000 C Shares.

There have been no other significant events since the period end which would require revision of the figures or disclosures in the Financial Statements.

Officers and Advisers

Directors
Robert Jennings, CBE (Non-executive Chairman)
Jan Pethick (Non-executive Director)
Jon Bridel (Non-executive Director)
Sandra Platts (Non-executive Director)

Registered Office
Sarnia House
Le Truchot
St Peter Port
Guernsey GY1 1GR

Investment Manager
International Fund Management Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey GY1 1GR

Investment Adviser
Sequoia Investment Management Company Limited
11-13 Market Place
London W1W 8AH

Administrator and Secretary
Praxis Fund Services Limited
Sarnia House
Le Truchot
St Peter Port
Guernsey GY1 1GR

Auditor
KPMG Channel Islands Limited
Glategny Court
Glategny Esplanade
St Peter Port
Guernsey GY1 1WR

Subsidiary Administrator
TMF Luxembourg S.A.
46A, Avenue JF Kennedy
L-1855 Luxembourg

Broker
Stifel Nicolaus Europe Limited
150 Cheapside
London EC2V 6ET

Valuation Agent
Mazars LLP
Tower Bridge House
St Katharine's Way
London E1W 1DD

Custodian
Bank of New York Mellon
1 Canada Square
London E14 5AL

Legal Adviser (as to Guernsey Law)
Ogier
Redwood House
St Julian's Avenue
St Peter Port
Guernsey GY1 1WA

Legal Adviser (as to UK Law)
Jones Day
21 Tudor Street
London EC4Y 0DJ

Registrar
Computershare Investor Services (Guernsey) Limited
1st Floor Tudor House
Le Bordage
St Peter Port
Guernsey GY1 1DB

Appendix – Supplemental Non-GAAP Information

The Board has provided the following supplemental non-GAAP information, which presents the Group's results for the period and financial position at the end of the period on a consolidated basis, as they consider that this information may be of interest to some Shareholders. This information is unaudited and, whilst it reconciles fully to the Audited Statement of Comprehensive Income and Audited Statement of Financial Position on pages 27 and 29 respectively, it does not form part of the Audited Financial Statements.

Appendix – Supplemental Non-GAAP Information (continued)

Unaudited Consolidated Statement of Comprehensive Income

For the period from 30 December 2014 (date of incorporation) to 31 March 2016

	For the period from 30 December 2014 (date of incorporation) to 31 March 2016 £
Revenue	
Net gains on non-derivative financial assets at fair value through profit or loss	10,504,264
Net losses on derivative financial assets at fair value through profit or loss	(4,923,830)
Investment income	9,171,217
Net foreign exchange loss	(1,209,845)
Total revenue	**13,541,806**
Expenses	
Investment Adviser fees	1,269,449
Investment Manager fees	133,857
Directors' fees and expenses	186,675
Administration fees	245,862
Audit and related fees	63,053
Valuation fees	139,408
Legal and professional fees	70,608
Paying agent fees	79,485
Listing and regulatory fees	36,255
Other expenses	95,338
Total operating expenses	**2,319,990**
Total comprehensive income for the period	**11,221,816**
Basic and diluted earnings per Ordinary Share	**5.39p**

Appendix – Supplemental Non-GAAP Information (continued)

Unaudited Consolidated Statement of Financial Position

At 31 March 2016

	31 March 2016 £
Assets	
Non-derivative financial assets at fair value through profit or loss	270,253,022
Cash and cash equivalents	28,056,669
Trade and other receivables	3,034,936
Derivative financial assets at fair value through profit or loss	335,134
Total assets	**301,679,761**
Liabilities	
Trade and other payables	773,013
Derivatives financial liabilities at fair value through profit or loss	3,801,068
Total liabilities	**4,574,081**
Net assets	**297,105,680**
Equity	
Share capital	291,136,398
Retained earnings	5,969,282
Total equity	**297,105,680**
Number of Ordinary Shares	**302,548,728**
Net asset value per Ordinary Share	**98.20p**