

# Sequoia Economic Infrastructure Income Fund (“SEQI”)

Monthly Investor Report 30<sup>th</sup> April 2015

## Overview

Sequoia Economic Infrastructure Income Fund Limited (the “Company”) is a Guernsey-incorporated closed-ended investment company whose shares are traded on the main market of the London Stock Exchange. The Company’s investment strategy is to provide shareholders with long-term distributions by owning debt exposures to economic infrastructure projects across a diversified range of jurisdictions, sectors and sub-sectors. The total net annual return target of the company is 7-8% (by reference to the IPO price of £1 per Ordinary Share).

## Company update

As at the 30<sup>th</sup> April 2015, the Company owned eight infrastructure bonds and one loan, collectively valued at £41.9 million, including accrued interest, with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 6.9% and an average life across the acquired portfolio of approximately 11.0 years. Of these, six were indicated to investors in the Prospectus as being part of the Target Portfolio and three are new transactions.

In addition, the Company has purchased three loans and one bond, with an aggregate purchase price of approximately £23.7m that are in the process of settling (and as such are not currently reflected in the NAV).

In aggregate, the purchase price of these 13 transactions will represent approximately 45% of the net proceeds of the IPO. The investments are across the UK, Western Europe and the US and include the road, rail, shipping, utility and aircraft leasing sectors.

The Company has not disposed of any investments since the IPO.

## NAV performance

The decrease in the Company’s NAV of approximately 0.4% arises from a number of factors:

- Marking the purchased assets to the bid side of the market reduced the NAV by approximately 0.1%.
- A sharp decline in the value of the Dollar versus Sterling (down 3.6% month-on-month) reduced the NAV by approximately 0.6%.
- Partially offsetting these declines was interest accretion and some moderate mark-to-market valuation gains on acquired bond investments.

## Market summary

April was an active month in the infrastructure debt sector with 14 transactions closing in the UK and Europe. Notable deals included the £144m Channel Tunnel Rail Link (HS1) refinancing, a £598m Transport for London bond issue, a €1.6bn refinancing for the French energy syndicate Ex-

eltium, and a €329m privatization of the Toulouse-Blagnac airport in France.

Infrastructure spreads held steady during April after having tightened for most of 1Q2015. Several large insurance companies and pension funds continue to look at infrastructure debt as an investment asset class and we believe a few additional European insurance companies will invest later this year. Although core senior secured infrastructure debt has tightened to LIBOR +100-150 bps, there continues to be opportunities for spread pick-up vs comparable corporates in select sectors such as transportation, utilities and energy, particularly in the mezzanine market where yields in the 5-7%+ range are available.

Sterling strengthened against the USD, moving from \$1.48 to \$1.53 as US economic data proved softer than expected during 1Q2015 and into April. The GBP was flat against the EUR during the month at £0.73-0.725. Corporate spreads were stable but rates rallied: 10-year US Treasury yields increased 17 bps to 2.03% on expected stronger economic data over the summer. Euro rates rallied strongly, with 10-year Bund yields more than doubling to 37 bps as consumer prices in the Eurozone rose for the third consecutive month and the economy continued to gather momentum.

Company Overview		Ordinary Share Class		NAV Summary	
Listing date	3 <sup>rd</sup> March 2015	Shares in issue	150m	Investments	£41.9m
Ticker	SEQI	Share price	106.125p	Cash	£104.8m
Website	www.seqifund.com	NAV per share	97.79p	Accruals and prepayments	£(0.1)m
Next expected dividend	Jul. (decl.)	Premium	8.5%	Hedging MTM	£0.1m
	Aug. (paid)	Total net assets	146.7m	NAV	£146.7m
Financial year end	31 <sup>st</sup> March	Market cap	159.2m		

## Management, Administration and Advisory

Directors	Investment Adviser	Administration	
Robert Jennings (Chair)	<b>Sequoia Investment Management Company</b>	Custodian	BoNY
Jan Pethick	Randy Sandstrom 020 7079 0483 <a href="mailto:r.sandstrom@seqimco.com">r.sandstrom@seqimco.com</a>	Administrator	Praxis
Jon Bridel	Greg Taylor 020 7079 0486 <a href="mailto:g.taylor@seqimco.com">g.taylor@seqimco.com</a>	Auditors	KPMG
Sandra Platts	Dolf Kohnhorst 020 7079 0482 <a href="mailto:d.kohnhorst@seqimco.com">d.kohnhorst@seqimco.com</a>	Brokers	Stifel
	Steve Cook 020 7079 0481 <a href="mailto:s.cook@seqimco.com">s.cook@seqimco.com</a>	AIFM	IFM

## Portfolio Summary

### Settled trades

Transaction name	Currency	Type	Value		Sector	Sub-sector	Yield to maturity / worst (%)
			£mm	% of NAV			
Dulles Greenway 2029	USD	Public	7.8	5.3%	Transport	Road	6.51
North Las Vegas Water 6.572% 2040	USD	Public	7.0	4.8%	Utility	Water	7.57
Global Ship Lease 10% 2019	USD	Public	6.8	4.7%	Transport assets	Shipping	8.13
Ascendos Rail 2nd lien	EUR	Private	4.9	3.3%	Transport assets	Rail	6.07
Bristow Group 6.25% 2022	USD	Public	4.5	3.0%	Transport assets	Aircraft	6.68
Viridian 7.5% 2020	EUR	Public	3.8	2.6%	Power	Electricity Generation	6.94
First Energy Solutions 6.8% 2039	USD	Public	3.4	2.3%	Power	Electricity Generation	6.33
NRG Energy Inc 6.25% 2024	USD	Public	2.0	1.3%	Power	Electricity Generation	5.91
West Atlantic 8% 2018	SEK	Public	1.2	0.9%	Other	Freight	5.31
<b>Portfolio total / average</b>			<b>41.4</b>	<b>28.2%</b>			<b>6.88</b>

NB. Value column above excludes accrued interest.

Detailed portfolio statistics will be reported once the Company has invested more than 40% of the net proceeds of the IPO.

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