

# Sequoia Economic Infrastructure Income Fund (“SEQI”)



Monthly Investor Report 29<sup>th</sup> May 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 29<sup>th</sup> May 2015, the Company owned ten infrastructure bonds and two loans, collectively valued at £57.0 million, including accrued interest, with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 7.3% and an average life across the acquired portfolio of approximately 9.0 years. Of these, six were indicated to investors in the Prospectus as being part of the Target Portfolio and six are new transactions.

Investments added in May include a senior loan to Biffa, a UK company that operates PFI, municipal and commercial waste collection and management services; a senior secured bond issued by CHC Group, a Canadian helicopter lessor; and a small bond position (that will be increased over time) issued by Care UK, a leading UK operator of

nursing homes and other healthcare services.

In addition, the Company has purchased two loans, one bond, and one incremental investment in a loan it has already purchased, with an aggregate purchase price of approximately £17.4m that are in the process of settling (and as such are not currently reflected in the NAV).

In aggregate, the purchase price of these 15 transactions (excluding accrued interest) will represent approximately 50.2% 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 slight decrease in the Company’s NAV of approximately 0.17% arises primarily from a decline in the value of the Euro versus Sterling (down 1.8% month-on-month), which reduced the NAV by approximately 0.35%, and negative mark-to-market adjustments on acquired assets. These were offset in part by interest accretion on the acquired portfolio.

## Market summary

May saw 17 infrastructure transactions close totalling over \$18bn, although a staggering \$11.5bn relates to the Corpus Christi LNG facility in the United

States. Notable was the significant number of solar plants that reached financial close. Other asset types included rail and road transactions in the United States and Australia.

Bristol Airport, wholly-owned by Ontario Teachers Pension Plan, successfully completed a transaction that mixed 7- and 10-year bank loans with a 15-year institutional tranche. Another landmark transaction was the Yozgaz Hospital in Turkey, the first hospital PPP to achieve an 18-year tenor relying solely on commercial lenders. Finally, a milestone was reached with the issuance of senior and junior bonds to finance the Moscow-St Petersburg availability road PPP.

The Bristol Airport transaction demonstrated that some institutional investors are comfortable with high gearing, as EBITDA of £39m would result in gross leverage of roughly 8.3x. The Turkish hospital provides an interesting pricing comparison for senior debt, at 350 bps over mid-swaps.

During May, the 10-year US Treasury widened slightly from 2.03% to 2.12% while Bunds moved from 0.36% to 0.49%. Corporate High Yield indices were approximately flat, with for example the Bloomberg USD High Yield Corporate Bond Index moving from 156.4 to 157.0. While strong demand for senior infrastructure debt is keeping margins narrow, we are still finding opportunities to deploy mezzanine funding at attractive yields.

Company Overview		Ordinary Share Class		NAV Summary	
Listing date	3 <sup>rd</sup> March 2015	Shares in issue	150m	Investments	£57.0m
Ticker	SEQI	Share price	107p	Cash	£89.5m
Website	www.seqifund.com	NAV per share	97.63p	Accruals and prepayments	£(0.3)m
Next expected dividend	Jul. (decl.)	Premium	9.6%	Hedging MTM	£0.2m
	Aug. (paid)	Total net assets	146.4m	NAV	£146.4m
Financial year end	31 <sup>st</sup> March	Market cap	160.5m		

## 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

### Ten largest settled trades

Transaction name	Currency	Type	Value £mm	% of NAV	Sector	Sub-sector	Yield to maturity / worst (%)
Biffa TL A	GBP	Private	9.8	6.7%	Utility	Waste	6.38
Dulles Greenway 2029	USD	Public	7.8	5.4%	Transport	Road	6.45
North Las Vegas Water 6.572% 2040	USD	Public	7.0	4.8%	Utility	Water	7.60
Global Ship Lease 10% 2019	USD	Public	6.9	4.7%	Transport assets	Shipping	7.83
Ascendos Rail 2nd lien	EUR	Private	4.9	3.3%	Transport assets	Rail	5.63
Bristow Group 6.25% 2022	USD	Public	4.6	3.1%	Transport assets	Aircraft	6.35
CHC Helicopter 9.25% 2020	USD	Public	4.5	3.1%	Transport assets	Aircraft	13.23
Viridian 7.5% 2020	EUR	Public	3.7	2.5%	Power	Electricity Generation	7.06
First Energy Solutions 6.8% 2039	USD	Public	3.4	2.3%	Power	Electricity Generation	6.51
NRG Energy Inc 6.25% 2024	USD	Public	2.0	1.4%	Power	Electricity Generation	6.25
<b>Portfolio total / average</b>			<b>54.6</b>	<b>37.3%</b>			<b>7.27</b>
Positions outside top ten			1.8	1.2%			7.25
<b>Portfolio total / average</b>			<b>56.4</b>	<b>38.5%</b>			<b>7.27</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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