

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 of the 30th June 2015, the Company owned 12 infrastructure bonds and four loans, collectively valued at £72.7m including accrued interest, with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 7.5% and an average life across the acquired portfolio of approximately 8.0 years. Of these, eight were indicated to investors in the Prospectus as being part of the Target Portfolio and eight are new transactions.

Acquisitions in June comprise a mezzanine loan on a UK PPP road project, a loan to a US aircraft leasing business, mezzanine bonds on a UK elderly care business and senior bonds issued by a German wind turbine manufacturer.

In addition, the Company has purchased two loans with an aggregate

purchase price of approximately £10.6m that are in the process of settling (and as such are not currently reflected in the NAV).

In aggregate, the purchase price of these 18 transactions will represent approximately 57.3% 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, elderly care 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 c.1.7% arises primarily from

- a decline in the value of the dollar versus Sterling of 2.7% during June, which reduced the NAV by c.0.8%; plus
- a decline in the value of the euro versus Sterling of 1.3% during June, which reduced the NAV by c.0.3%; plus
- a negative mark-to-market adjustment on acquired assets of c.0.8% of NAV, as risk aversion led to widening credit spreads across markets.
- These were offset in part by interest income of c.0.3%.

Market summary

June saw 12 infrastructure transactions close totalling over \$13bn. A wide variety of sectors were represented including Waste, Motorways, Healthcare and Renewables. The largest transaction to

close, outside of the Company’s geographical focus, was the \$6.3bn Gebze-Izmir toll road project. A number of other geographies completed transactions (USA, Canada, Finland, Ireland and Germany) including a \$54.2m Waste Management PPP transaction completed on 10 June in Greece.

Mayo Renewable Power (MRP) has closed on €180m in financing for its 42.5MW biomass plant in County Mayo, Ireland, with each of 3 commercial banks providing a third of the debt. By contrast the financial close for the construction of the Solid Waste Management Plant in Western Macedonia region of Greece included €31m of debt provided by international and public sector banks (EIB and National Bank of Greece).

During June, the 10-year US Treasury widened from 2.12% to 2.43% while Bunds moved from 0.49% to 0.77%; although both yields were higher initially and retraced as result of a flight to quality resulting from the Greek debt issues. Corporate High Yield indices reacted at the end of the month to the Greek situation, with for example the Bloomberg USD High Yield Corporate Bond Index falling from 157.0 to 154.8, a decline of 1.4%. While strong demand for senior infrastructure debt is keeping margins narrow, the Company is still finding opportunities to deploy mezzanine funding at attractive yields.

Company Overview		Ordinary Share Class		NAV Summary	
Listing date	3 rd March 2015	Shares in issue	150m	Investments	£72.7m
Ticker	SEQI	Share price	106.5p	Cash	£71.1m
Website	www.seqifund.com	NAV per share	95.92p	Accruals and prepayments	£(0.3)m
Next expected dividend	Jul. (ex div)	Premium	11.0%	Hedging MTM	£0.4m
	Aug. (paid)	Total net assets	£143.9m	NAV	£143.9m
Financial year end	31 st March	Market cap	£159.8m		

Management, Administration and Advisory

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

Portfolio Summary (settled trades)

Ten largest investments

Transaction name	Currency	Type	Value £mm	% of NAV	Sector	Sub-sector	Yield to maturity / worst (%)
Biffa TL A	GBP	Private	11.7	8.1%	Utility	Waste	6.63
Dulles Greenway 2029	USD	Public	7.5	5.2%	Transport	Road	6.69
North Las Vegas Water 6.572% 2040	USD	Public	6.9	4.8%	Utility	Water	7.58
Global Ship Lease 10% 2019	USD	Public	6.6	4.6%	Transport assets	Shipping	8.16
Care UK L+500 2019	GBP	Public	4.8	3.4%	Accommodation	Elderly care	6.48
Castlelake 2014-1 B	USD	Private	4.8	3.4%	Transport assets	Aircraft	7.16
Ascendos Rail 2nd lien	EUR	Private	4.8	3.3%	Transport assets	Rail	5.69
Bristow Group 6.25% 2022	USD	Public	4.4	3.0%	Transport assets	Aircraft	6.53
CHC Helicopter 9.25% 2020	USD	Public	3.8	2.6%	Transport assets	Aircraft	16.96
Viridian 7.5% 2020	EUR	Public	3.5	2.5%	Power	Electricity Generation	7.66
Sub-total / average			58.9	40.9%			7.60
Positions outside top ten			13.1	9.1%			6.86
Portfolio total / average			72.0	50.0%			7.46

NB. Value column above excludes accrued interest.

Portfolio overview

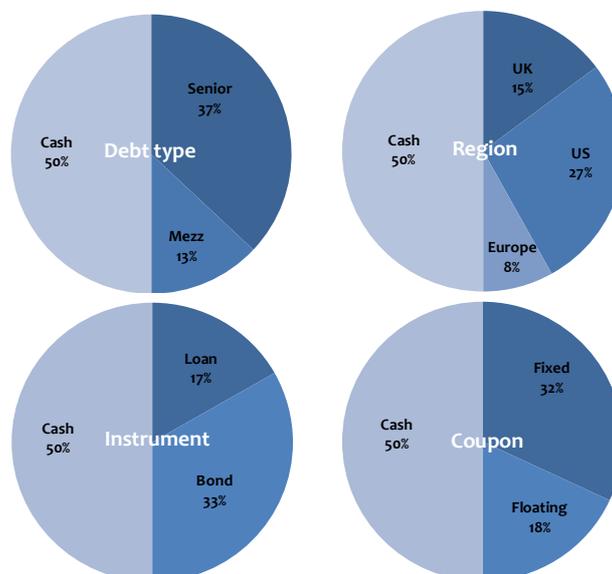
Number of investments	16
Largest / average size (£ million)	11.7 / 4.5
Average maturity / ave. life (years)	8.8 / 8.0
Portfolio modified duration	4.4

Portfolio sensitivities

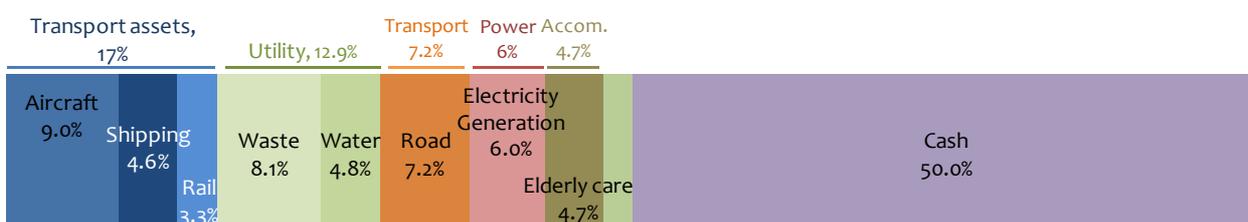
	Effect on NAV
Interest rates +0.5%	-1.2%
Interest rates -0.5%	+1.2%
Interest rates +1.0%	-2.2%
Interest rates -1.0%	+2.5%
Euro +/- 5%	-/+ 1.0%
Dollar +/- 5%	-/+ 1.5%
Euro down 5% and dollar up 5%	-0.5%

N.B. Interest rate movements refer to simultaneous parallel shift in EUR, GBP and USD yield curves

Portfolio characteristics



Sectors and Sub-sectors



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