

### 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 31<sup>st</sup> July 2015, the Company owned 12 infrastructure bonds and six loans, collectively valued at £86.9m including accrued interest, with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 7.4% and a weighted average life across the acquired portfolio of approximately 7.2 years.

Acquisitions in July comprise a US senior secured shipping loan, as well as a senior loan for a large American ethanol producer.

In addition, the Company has purchased two loans and two unlisted bonds (private debt) with an aggregate purchase price of approximately £16.1m which are in the process of settling (and as such are not currently reflected in the NAV).

In aggregate, the purchase price of these 22 transactions will represent approximately 71.1% of the net proceeds of the IPO. The investments are across the UK, Western Europe, Aus-

tralia 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. The weighted average purchase price of the Company’s investments is approximately 91.7% of par.

### NAV performance

The decrease in the Company’s NAV of circa 0.4% arises primarily from the dividend payment of 1.0 pence per share, offset in part by interest income net of expenses of 0.2% of NAV and portfolio valuation gains of 0.5% of NAV. The effect of exchange rate movements over the month was negligible.

### Market summary

July was an active month in the infrastructure debt sector with 16 transactions closing in the UK and Europe. Notable deals included the £2.5bn Intercity Express refinancing, a £450m Thames Water Holdco refinancing, a €780m facility for the German Rhine-Ruhr rolling stock, and the €504m private placement for the Calais Port expansion.

Larger European pension funds and insurance companies continue to look at infrastructure debt as an investment asset class. Although it is still early, most of the interest seems to be in the senior space leaving mezzanine an underinvested part of the capital structure.

Although core senior secured infrastructure debt has tightened to LIBOR +100-150 bps, there are opportunities for spread pick-up vs comparable corp-

orates in select sectors such as transportation, utilities and power, particularly in the mezzanine market where yields in the 5-7%+ range are available.

GBP remained steady in July vs the USD at \$1.56. Both currencies are facing similar upward pressure due to the Fed and BoE being seen as the two central banks closest to raising rates. GBP fluctuated slightly against EUR between £0.69-0.72, ending the month at £0.70.

Corporate spreads stabilised in July after widening steadily since March. Most of the widening has been in the US as opposed to Europe. Although US investment grade corporate leverage is now higher than its historical average, the macro picture remains supportive for credit. Volatility also dropped during July, with the VIX moving from 16.1% to 12.1% by month end.

Interest rates fell during July. 10-year US Treasury yields dropped 15 bps to 2.03% as the market priced in a more likely rate rise in December as opposed to September due to sustained low core inflation. Although rates softened, the US economy continues to grow at a steady above-trend pace, with July activity suggesting a +3% GDP rate and sustainable employment gains of 200-225k.

Euro rates also softened, with 10-year Bund yields decreasing 11 bps to 72 bps, as Euro area inflation settled in July and June after four months of increases between January and May.

The Company continues to find attractive investment opportunities and is currently slightly ahead of its deployment target set at the IPO.

Company Overview		Ordinary Share Class		NAV Summary	
Listing date	3 <sup>rd</sup> March 2015	Shares in issue	150,039,862	Investments	£86.9m
Ticker	SEQI	Share price	103.5p	Cash	£58.0m
Website	www.seqifund.com	NAV per share	95.58p xd	Accruals and prepayments	£(1.7)m
Next expected dividend	Oct. (ex dividend)	Premium	8.3%	Hedging MTM	£0.2m
	Nov. (payment)	Total net assets	£143.4m xd	NAV (xd)	£143.4m
Financial year end	31 <sup>st</sup> March	Market cap	£155.3m		

### 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)

### 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	8.2%	Utility	Waste	6.59
Danaos Snr Secured 2018	USD	Private	8.4	5.8%	Transport assets	Shipping	7.25
Dulles Greenway 2029	USD	Public	7.6	5.3%	Transport	Road	6.70
North Las Vegas Water 6.572% 2040	USD	Public	7.5	5.3%	Utility	Water	6.76
Global Ship Lease 10% 2019	USD	Public	6.6	4.6%	Transport assets	Shipping	8.37
Green Plains TL B	USD	Private	5.2	3.6%	Other	Alternative Fuel	6.32
Care UK L+500 2019	GBP	Public	4.9	3.4%	Accommodation	Elderly care	6.34
Ascendos Rail 2nd lien	EUR	Private	4.8	3.4%	Transport assets	Rail	6.30
Castlelake 2014-1 B	USD	Private	4.8	3.4%	Transport assets	Aircraft	7.15
Bristow Group 6.25% 2022	USD	Public	4.3	3.0%	Transport assets	Aircraft	7.06
<b>Sub-total / average</b>			<b>65.8</b>	<b>45.9%</b>			<b>6.90</b>
Positions outside top ten			20.1	14.0%			9.08
<b>Portfolio total / average</b>			<b>86.0</b>	<b>59.9%</b>			<b>7.41</b>

NB. Value column above excludes accrued interest and unsettled trades of a further £16.1m.

### Portfolio Overview

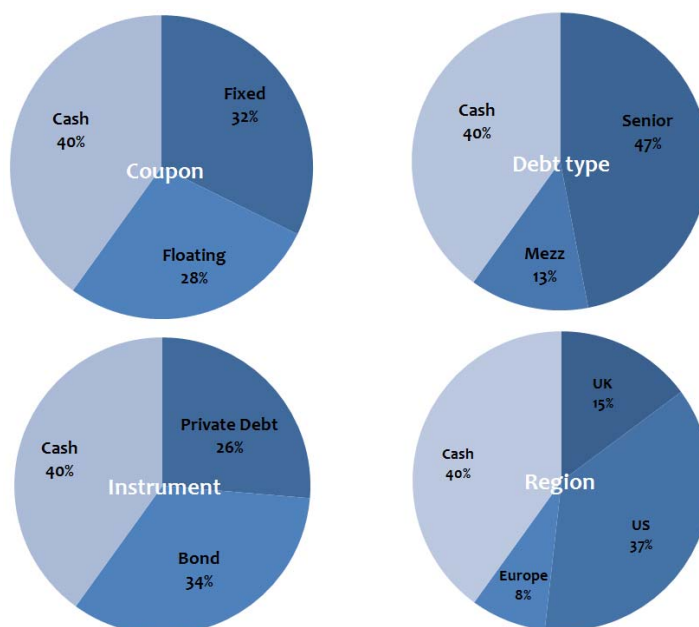
Number of investments	18
Largest / average size (£ million)	11.7 / 4.8
Average maturity / ave. life (years)	8.2 / 7.2
Portfolio modified duration	3.8

### Portfolio Sensitivities

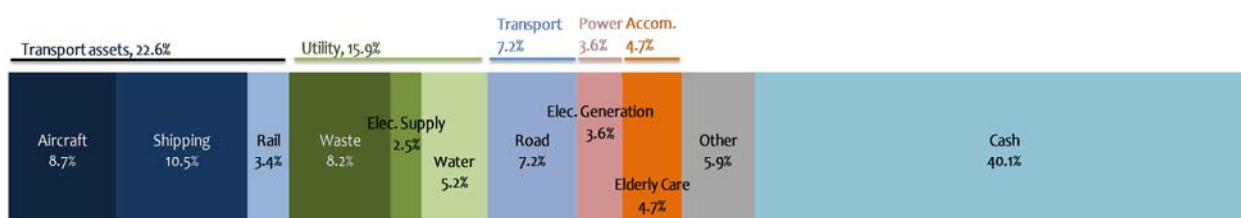
	Effect on NAV
Interest rates +0.5%	-1.2%
Interest rates -0.5%	+1.3%
Interest rates +1.0%	-2.3%
Interest rates -1.0%	+2.6%
Euro +/- 5%	-/+ 0.8%
Dollar +/- 5%	-/+ 1.7%
Euro down 5% and dollar up 5%	-0.9%

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

### Portfolio Characteristics



### Sectors and Sub-sectors

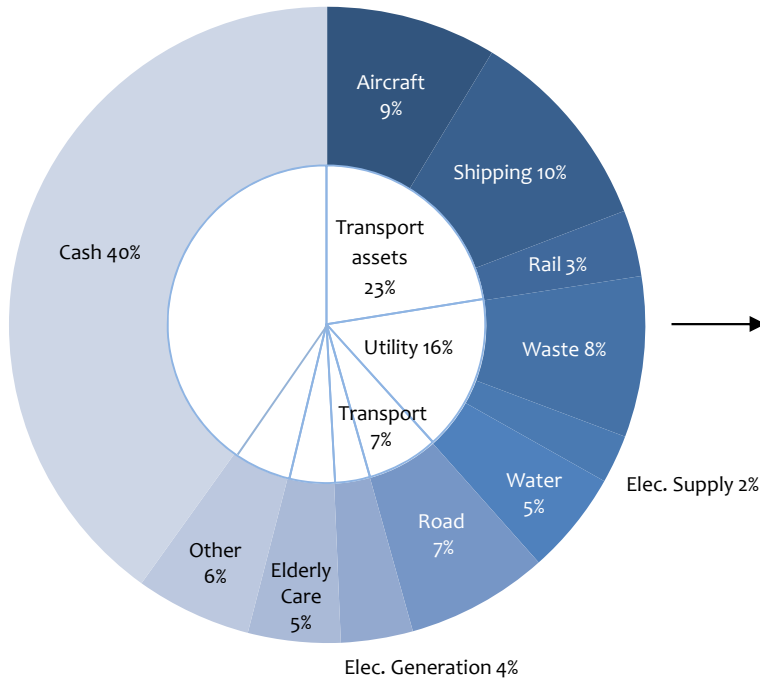


## Current Portfolio vs Target Portfolio

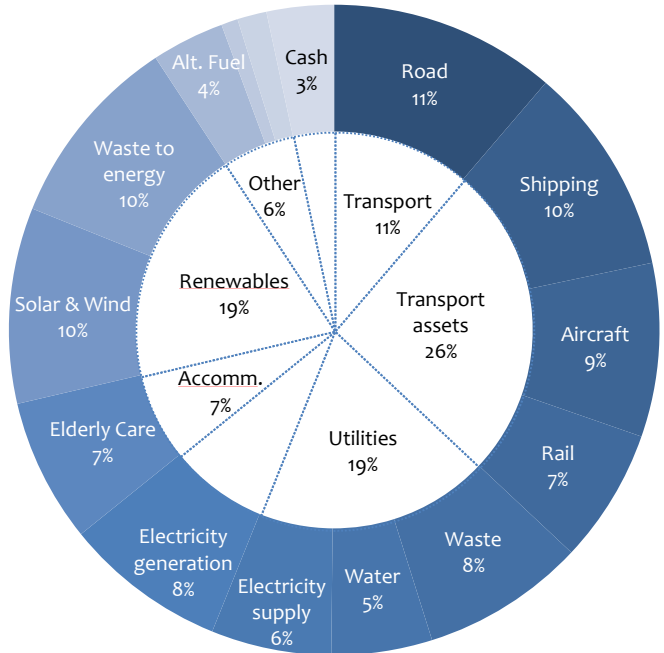
The charts below show the current portfolio, as described above, and the composition of the anticipated portfolio (based on the Investment Advisor’s pipeline of transactions) once the fund’s remaining cash has been invested. The largest anticipated changes are an increase in private debt exposure versus bonds and an increase in European investments versus US investments. Private debt is expected to increase to 64%, from 43% of current invested assets, and bonds are expected to drop to 33% from 57% currently. European exposure is expected to rise to 28%, up from 13% of current invested assets, and US exposure is expected to drop to 41% from 62% currently. The floating rate component is currently 47% of invested assets and we expect this to increase to 52%.

The Investment Adviser also expects to further diversify the portfolio, moving from 10 subsectors as of the end of July 2015 to a target of 12 or more subsectors when fully invested.

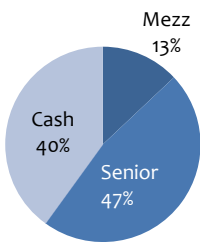
**Current Portfolio**  
(sectors and sub-sectors)



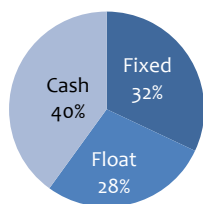
**Target Portfolio**  
(sectors and sub-sectors)



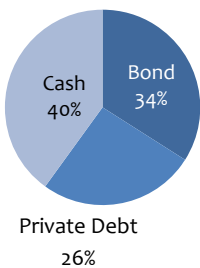
**Debt type**



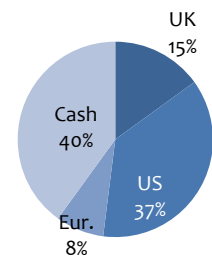
**Coupon**



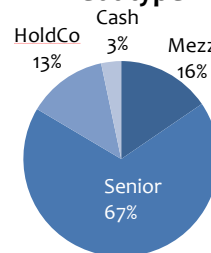
**Instrument**



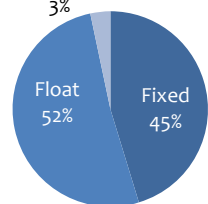
**Region**



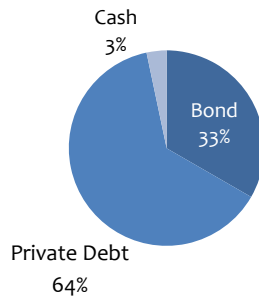
**Debt type**



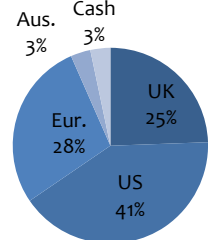
**Coupon**



**Instrument**



**Region**



**NB: There can be no assurance that the investments in the pipeline will be acquired and therefore the final composition of the portfolio may differ materially to that shown above.**

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