

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 28th August 2015, the Company owned 12 infrastructure bonds and nine private debt investments, collectively valued at £94.5m excluding accrued interest, with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 7.9% and a weighted average life across the acquired portfolio of approximately 6.7 years.

Acquisitions in August comprise an Australian rolling stock private debt position, as well as a HoldCo loan for an Irish electricity utility company.

In addition, the Company has purchased an unlisted note and a loan with a combined purchase price of approximately £12.9m which are in the process of settling (and as such is not currently reflected in the NAV).

In aggregate, the purchase price of these 23 transactions will represent approximately 74.6% of the net proceeds of the IPO. The investments are

across the UK, Western Europe, Australia 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 apart from participating in a tender for £1.6m of bonds, where the issuer bought the bonds back at par, resulting in a modest gain for the Company of circa 3%. The weighted average purchase price of the Company’s acquired investments is approximately less than 92% of par.

NAV performance

The increase in the Company’s NAV to 95.96p per share arises through:

- Interest income net of expenses of 0.2p per share; plus
- FX gains, net of hedge movements, of 1.0p per share; less
- adverse market movements, including marking investments held in the portfolio to the bid price, of 0.5p per share; less
- an adjustment to the July NAV of 0.4p per share.

Market summary

Despite the normal summer slowdown, August showed some activity in the infrastructure debt sector with nine transactions closing across the UK and Western Europe. Notable deals included the £1bn senior credit facility for the Thames Tideway Tunnel, the £254m senior secured bond issue for the West of Duddon Sands Wind Farm. In addition, the €162m Dalaman airport loan in Turkey closed.

Senior secured infrastructure debt for core assets, particularly having availability payment mechanisms, continues

to be aggressively bid with margins approaching +100 bps. In the mezzanine area, however, and for demand driven transportation, the Fund has continue to see opportunities to achieve yields in excess of 7%.

Sterling weakened slightly against the US dollar in August, moving from \$1.56 to \$1.54 and fell more materially against the euro, ending the month at £0.73 compared with £0.70 at end of July.

Corporate bond spreads widened slightly, with most of the widening in the US as opposed to Europe. For example the Bloomberg USD High Yield Corporate Bond Index fell by 2% over the month. In the loan markets, prices were generally softer, albeit against a backdrop of thin trading in the August holiday period.

After a period of relatively high volatility in both the credit and currency markets, a number of commentators are projecting a more stable fourth quarter, with credit spreads across the bond and loan markets expected to stabilise or moderately tighten.

Interest rates increased during August. 10-year US Treasury yields rose by 6 bps to 2.21%. Euro term rates also rose over August with the 10-year Bund declining from 103.45 to 102.48.

The Company continues to find attractive investment opportunities and has exclusivity on multiple transactions structured by the Investment Advisor that are expected to settle next month.

Company Overview		Ordinary Share Class		NAV Summary	
Listing date	3 rd March 2015	Shares in issue	150,039,862	Investments	£95.6m
Ticker	SEQI	Share price	104.25p	Cash	£48.6m
Website	www.seqifund.com	NAV per share	95.96p	Accruals and prepayments	£(0.2)m
Next expected dividend	Oct. (ex dividend)	Premium	8.6%	Hedging MTM	£(0.1)m
	Nov. (payment)	Total net assets	£144.0m	NAV	£144.0m
Financial year end	31 st March	Market cap	£156.4m		

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	AFM	IFM

Portfolio Summary (settled trades)

Ten largest investments

Transaction name	Currency	Type	Value £mm	% of NAV	Sector	Sub-sector	Yield to maturity / worst
Biffa TLA	GBP	Private	11.6	8.1%	Utility	Waste	6.95
Danaos Snr Secured 2018	USD	Private	8.4	5.8%	Transport assets	Shipping	7.42
Dulles Greenway 2029	USD	Public	7.6	5.3%	Transport	Road	6.82
North Las Vegas Water 6.572% 2040	USD	Public	7.1	4.9%	Utility	Water	7.51
Global Ship Lease 10% 2019	USD	Public	6.6	4.6%	Transport assets	Shipping	9.11
Ascendos Rail 2nd lien	EUR	Private	5.3	3.7%	Transport assets	Rail	4.81
Green Plains TL B	USD	Private	5.2	3.6%	Other	Alternative Fuel	6.22
Electricinvest Holding (Viridian) 13.5% 2020	GBP	Private	5.0	3.5%	Utility	Electricity Supply	13.50
Castlelake 2014-1 B	USD	Private	4.8	3.3%	Transport assets	Aircraft	7.23
Bristow Group 6.25% 2022	USD	Public	4.0	2.8%	Transport assets	Aircraft	8.44
Sub-total / average			<u>65.6</u>	<u>45.6%</u>			<u>7.66</u>
Positions outside top ten			28.8	20.0%			8.58
Portfolio total / average			<u>94.4</u>	<u>65.6%</u>			<u>7.94</u>

NB. Value column above excludes accrued interest and unsettled trades of a further £12.9mm.

Portfolio Overview

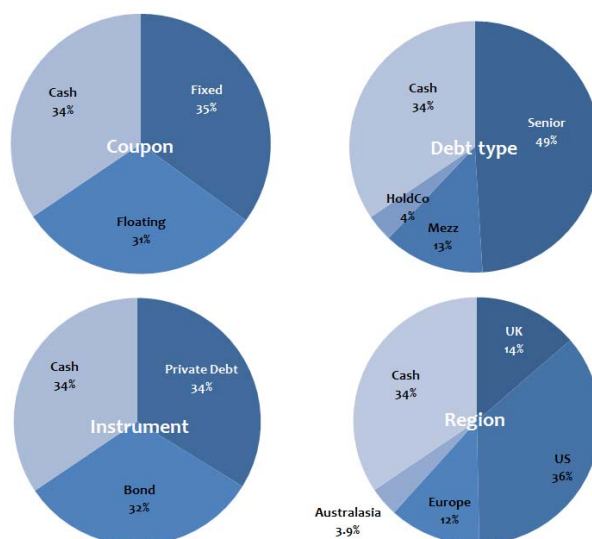
Number of investments	21
Largest / average size (£ million)	11.7 / 4.5
Average maturity / ave. life (years)	7.5 / 6.7
Portfolio modified duration	3.6

Portfolio Sensitivities

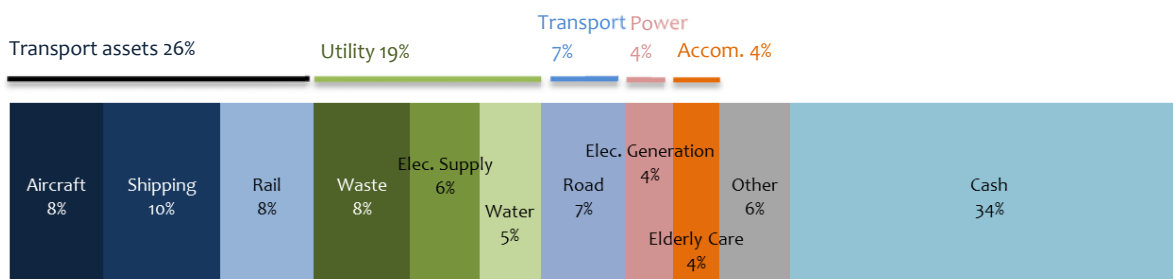
	Effect on NAV
Interest rates +0.5%	-1.2%
Interest rates -0.5%	+1.3%
Interest rates +1.0%	-2.3%
Interest rates -1.0%	+2.6%
Euro +/- 5%	-/+ 0.8%
Dollar +/- 5%	-/+ 1.6%
Euro down 5% and dollar up 5%	-0.8%

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

Portfolio Characteristics



Sectors and Sub-sectors

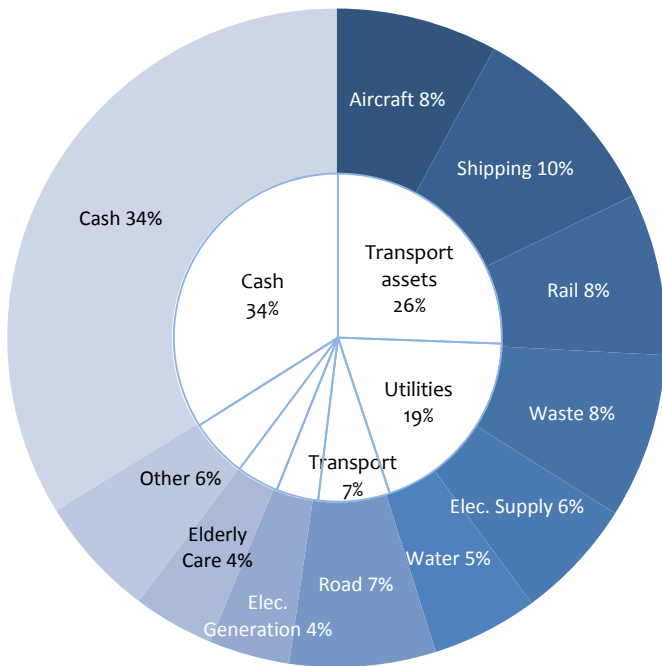


Current Portfolio vs Target Portfolio

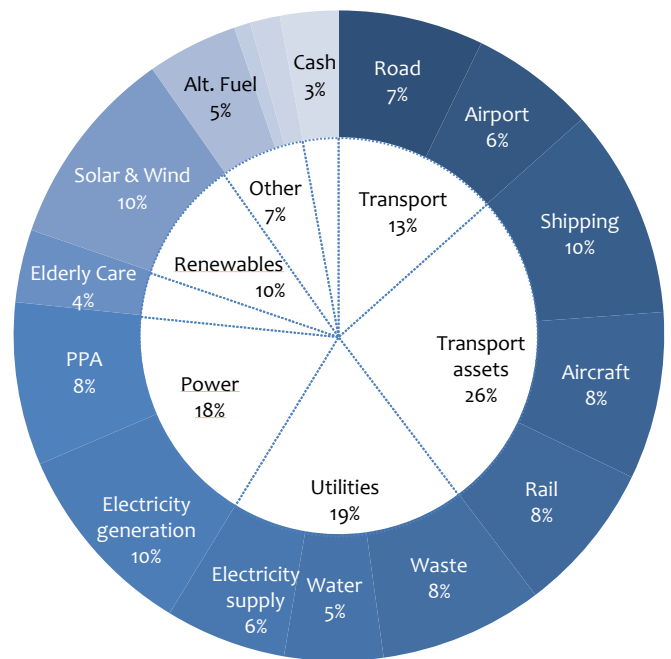
The charts below show the current portfolio, as described above, and the composition of the anticipated portfolio (based on the Investment Advisor's pipeline of transactions) once the fund's remaining cash has been invested. The largest anticipated changes are an increase in private debt exposure versus bonds and an increase in European investments versus US investments. Private debt is expected to increase to 67%, from 52% of current invested assets, and bonds are expected to drop to 33% from 48% currently. European exposure is expected to rise to 31%, up from 18% of current invested assets, and US exposure is expected to drop to 44% from 55% currently. The floating rate component is currently 47% of invested assets.

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

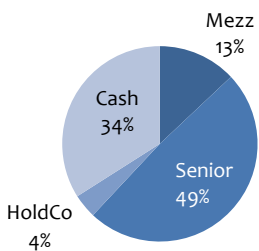
Current Portfolio
(sectors and sub-sectors)



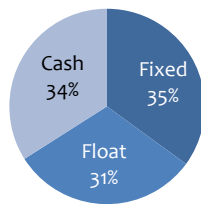
Target Portfolio
(sectors and sub-sectors)



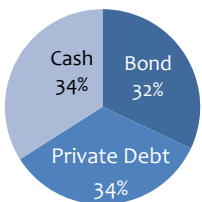
Debt type



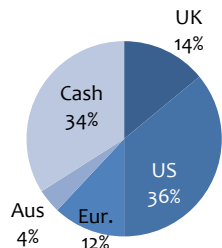
Coupon



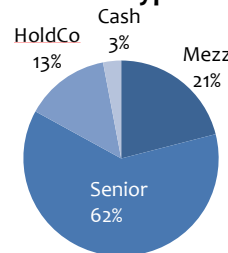
Instrument



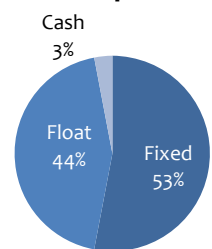
Region



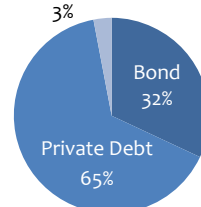
Debt type



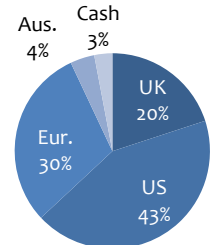
Coupon



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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