

Sequoia Economic Infrastructure Income Fund (“SEQI”)



Monthly Investor Report 30th September 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 of the 30th September 2015, the Company owned 12 infrastructure bonds and 10 private debt investments, collectively valued at £110.9m including accrued interest, with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 8.3% and a weighted average life across the acquired portfolio of approximately 6.9 years.

Acquisitions in September comprised a French PPA loan, as well as an addition to an existing loan for a US ethanol production company.

In addition, the Company has purchased a public bond and a loan with a combined purchase price of approximately £10.3m which are in the process of settling (and as such are not currently reflected in the NAV).

In aggregate, the purchase price of these 24 transactions will represent approximately 82.8% of the net pro-

ceeds 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 94% of par.

NAV performance

The increase in the Company’s NAV to 96.20p per share in the month arises through:

- Interest income net of expenses of 0.3p per share; plus
- FX gains, net of hedge movements, of 0.8p per share; less
- adverse market movements, including marking investments purchased for the portfolio to the bid price of 0.9p per share.

Market summary

September showed some activity in the infrastructure debt sector with nine transactions closing across the UK and Western Europe. Notable deals included the £138mm financing for the Cramlington UK Biomass Plant and the £70mm term loan for the Sisters and North Steads Wind Farms. In addition, the £36mm refinancing of the Herten Waste-to-Energy Plant also closed.

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

to be aggressively bid with margins approaching +100 bps with both bank and institutional investors active. In demand driven transactions, the Fund has continued to see opportunities to achieve yields in excess of 7% in both primary originations and continued bank deleveraging.

Sterling weakened slightly against the US dollar in September, moving from \$1.53 to \$1.51 and strengthened slightly against the euro, ending the month at £0.74 compared with £0.73 at end of August.

Corporate bond spreads widened slightly, with widening particularly in the US Oil & Gas, commodity and energy sectors. In Europe corporate news was dominated by Volkswagen. Both markets were impacted by news flow from China. The Bloomberg USD High Yield Corporate Bond Index fell by 2% over the month. In the loan markets, prices on aggregate were generally softer. The news flow led to high volatility in both the credit and currency markets.

With the Fed deciding not to raise the reserve rate, US yields fell during September. 10-year US Treasury rates fell by 15 bps to 2.06%. Euro term rates rose over September with the 10-year Bund rising from 103.4 to 104.7.

The Company continues to find attractive investment opportunities and has exclusivity on two transactions that are expected to settle in October and November.

Company Overview		Ordinary Share Class		NAV Summary	
Listing date	3 rd March 2015	Shares in issue	150,039,862	Investments	£110.9m
Ticker	SEQI	Share price	104.25p	Cash	£34.1m
Website	www.seqifund.com	NAV per share	96.20p	Accruals and prepayments	£(0.2)m
Next expected dividend	Oct. (ex dividend)	Premium	8.4%	Hedging MTM	£(0.4)m
	Nov. (payment)	Total net assets	£144.3m	NAV	£144.3m
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	AIFM	IFM

Portfolio Summary (settled trades)

Ten largest investments

Transaction name	Currency	Type	Value £mm	% of NAV	Sector	Sub-sector	Yield to maturity / worst (%)
Exeltium Mezzanine	EUR	Private	11.8	8.2%	Power	PPA	8.50
Biffa TL A	GBP	Private	11.6	8.1%	Utility	Waste	7.20
Danaos Snr Secured 2018	USD	Private	8.5	5.9%	Transport assets	Shipping	7.29
Dulles Greenway 2029	USD	Public	7.7	5.3%	Transport	Road	6.97
North Las Vegas Water 6.572% 2040	USD	Public	7.2	5.0%	Utility	Water	7.47
Green Plains TL B	USD	Private	6.6	4.6%	Other	Alternative Fuel	6.02
Global Ship Lease 10% 2019	USD	Public	6.6	4.6%	Transport assets	Shipping	10.09
Ascendos Rail 2nd lien	EUR	Private	5.4	3.7%	Transport assets	Rail	4.81
Electricinvest Holding (Viridian) 13.5% 2020	GBP	Private	5.0	3.5%	Utility	Electricity Supply	13.50
Care UK L+500 2019	GBP	Public	4.9	3.4%	Accommodation	Elderly care	8.42
Sub-total / average			75.2	52.1%			7.89
Positions outside top ten			34.0	23.5%			9.06
Portfolio total / average			109.2	75.7%			8.26

NB. Value column above excludes accrued interest and unsettled trades of a further £10.3mm.

Portfolio Overview

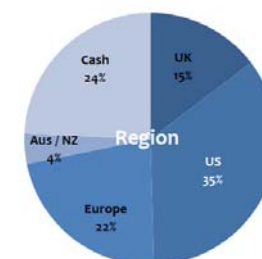
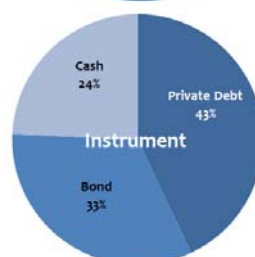
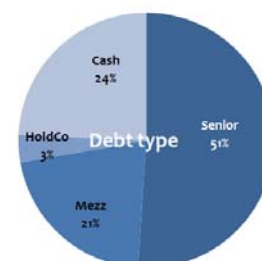
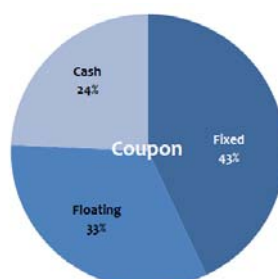
Number of investments	22
Largest / average size (£ million)	11.8 / 5.0
Average maturity / ave. life (years)	8.3 / 6.9
Portfolio modified duration	3.9

Estimated Portfolio Sensitivities

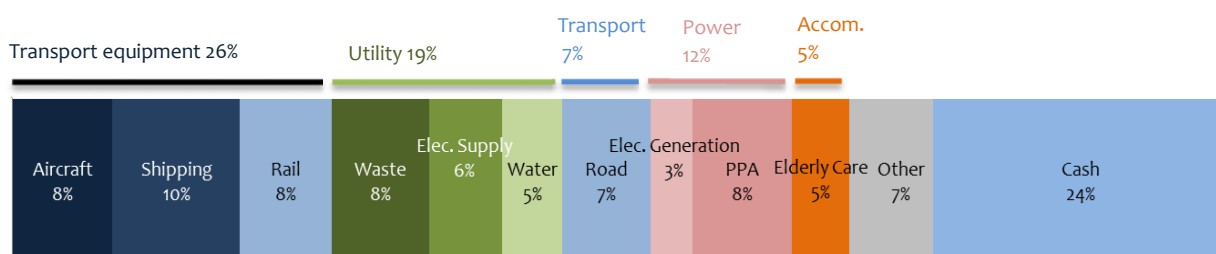
	Effect on NAV
Interest rates +0.5%	-1.5%
Interest rates -0.5%	+1.6%
Interest rates +1.0%	-3.0%
Interest rates -1.0%	+3.4%
Euro +/- 5% (against GBP)	-/+ 0.8%
Dollar +/- 5% (against GBP)	-/+ 1.6%
Euro down 5% and dollar up 5%	-0.9%

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

Portfolio Characteristics



Sectors and Sub-sectors

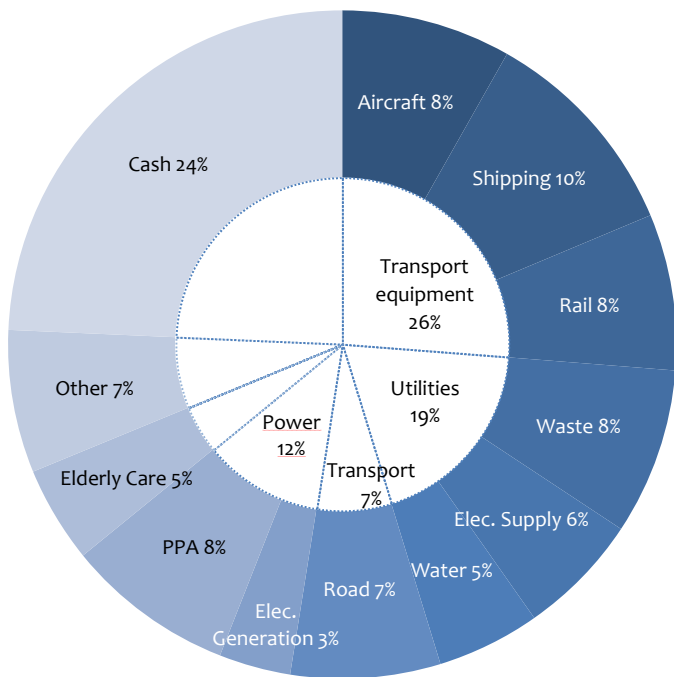


Current Portfolio vs Target Portfolio

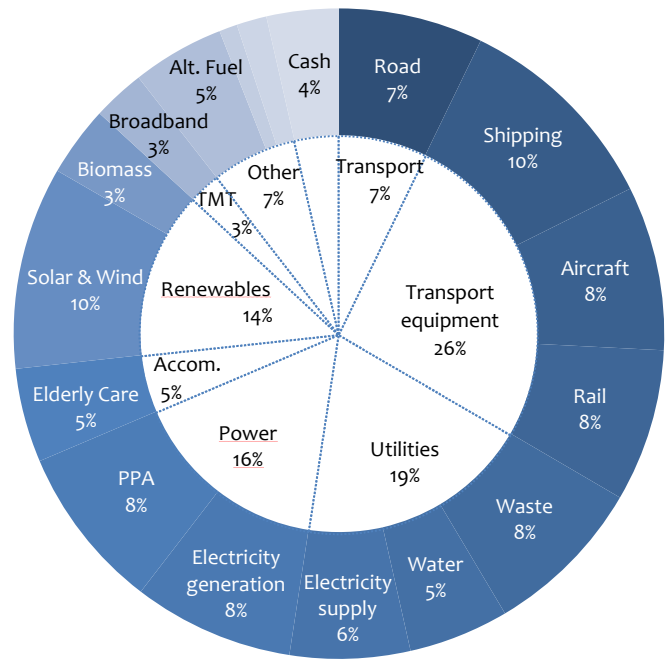
The charts below show the current portfolio, as described above, and the composition of the anticipated portfolio (based on the Investment Advisor's pipeline of transactions) once the fund's remaining cash has been invested. The largest anticipated changes are an increase in private debt exposure versus bonds and an increase in European investments versus US investments. Private debt is expected to increase to 67%, from 57% of current invested assets, and bonds are expected to drop to 37% from 43% currently. European exposure is expected to rise to 36%, up from 29% of current invested assets, and US exposure is expected to drop to 42% from 46% currently. The floating rate component is currently 43% of invested assets.

The Investment Adviser also expects to further diversify the portfolio, moving from 11 subsectors as of the end of September 2015 to a target of 12 or more subsectors when fully invested.

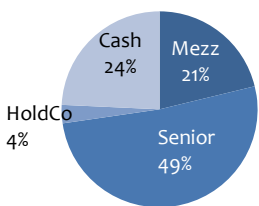
Current Portfolio
(sectors and sub-sectors)



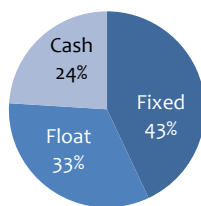
Target Portfolio
(sectors and sub-sectors)



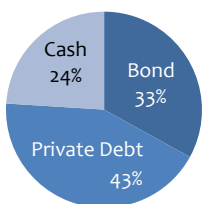
Debt type



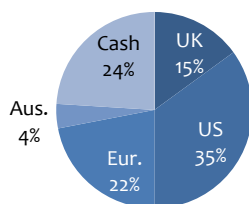
Coupon



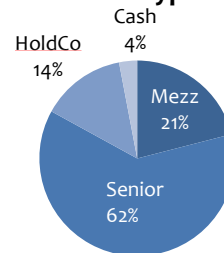
Instrument



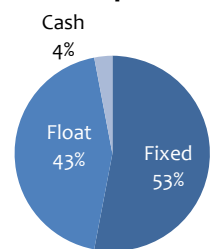
Region



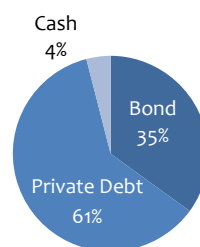
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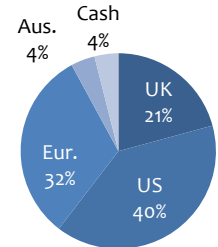
Coupon



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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