

# Sequoia Economic Infrastructure Income Fund

Monthly Investor Report 31<sup>st</sup> December 2015



Summary	Ordinary Shares	C Shares	Company information	
Ticker	SEQL	SEQC	Website	<a href="http://www.seqifund.com">www.seqifund.com</a>
Listing date	3 <sup>rd</sup> March 2015	2 <sup>nd</sup> November 2015	Year end	31 <sup>st</sup> March
Shares in issue	150,085,425	146,853,627	Inv. Adviser	Sequoia Investment Mgmtnt
Share price	103.25p	101.13p	Custodian	Bank of New York Mellon
NAV per share	<b>96.50p</b>	<b>99.56p</b>	Administrator	Praxis
Premium	7.0%	1.6%	Auditors	KPMG
Total net assets	£144.8m	£146.2m	Brokers	Stifel Nicolaus Europe
Market capitalisation of share class	£155.0m	£148.5m	AIFM	International Fund Mgmtnt Ltd
Invested portfolio as a % of NAV	96.4%	71.6%	<b>Directors</b>	
<b>Including assets in settlement</b>	<b>97.7%</b>	<b>74.6%</b>	Robert Jennings (Chair)	
Portfolio yield to maturity / yield to worst	8.2%	7.8%	Jan Pethick	
Next expected div. (ex div. / payment)	Jan. / Feb.	Apr. / May <sup>(1)</sup>	Jon Bridel	
			Sandra Platts	

## 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%.

## Ordinary Share update

As of the 31<sup>st</sup> December 2015, the Ordinary share class held 12 infrastructure bonds and 14 private debt investments, collectively valued at £140.7m including accrued interest, with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 8.2% and a weighted average life across the acquired portfolio of approximately 6.6 years.

Approximately 45% of the Ordinary Share portfolio comprises floating rate assets, with only two LIBOR floors (other than those at zero percent). As such the portfolio's yield is likely to increase over time as LIBOR increases.

The investments are across the UK, Western Europe, Australia, Canada and the US and include the road, rail, utility, power, shipping, renewables and aircraft leasing sectors.

In December, the Company had its entire position in the West Atlantic bonds called at a price of 106.89 plus accrued interest, resulting in a realised IRR of 8.31%.

## Ordinary Share NAV performance

The increase in the Ordinary Share NAV to 96.50p from 95.61p per share arose primarily through:

- Interest income net of expenses of 0.49p;
- A gain of 1.55p on FX movements; and
- A decline of 1.15p in asset valuations.

## C Share update

At month end, the C Share class held 6 infrastructure bonds and 7 private debt investments, with a further loan in the process of settlement. These assets are collectively valued at £107.2m<sup>(3)</sup>, with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 7.8% and a weighted average life across the acquired portfolio of approximately 3.5 years.

Approximately 51% of the C Share portfolio comprises floating rate assets. None of the floating rate USD assets has LIBOR floors, meaning that rising USD interest rates will feed through relatively rapidly to portfolio returns.

The investments are geographically diverse and cover the road, rail, aircraft and shipping leasing, power, renewable, utility and elderly care sectors.

Investments in December include:

- An incremental investment in the Reliance Rail bonds, backed by passenger rolling stock in Australia;
- A loan backed by student accommodation in The Hague;
- A bridge loan supporting Terra Firma's acquisition of Infinis plc;
- Bonds backed by commercial satellites;
- An incremental investment in a loan to Danaos Corporation, benefiting from corporate recourse as well as security over a portfolio of ships; and
- Bonds backed by a portfolio of aircraft leased to diversified airlines.

The Investment Adviser continues to see attractive opportunities for the deployment of capital in the economic infrastructure debt sector, and expects the overall yield on the Class C portfolio to be approximately 8% or higher, once fully invested.

## C Share NAV performance

The increase in the C Share NAV to 99.56p from 97.99p per share arose primarily through:

- A gain of 1.22p on FX movements; and
- A gain of 0.32p in fee income and asset valuations.

## Market summary

December showed some activity in the infrastructure debt sector with 25 transactions closing across the UK and Western Europe. Notable deals included the €1.1bn refinancing of the 288MW Meerwind German offshore wind farm, as well as the £400m refinancing of the 3960MW Drax coal-fired power plant. In addition, there was a €176m primary debt financing of the Cloosh Valley Irish wind farm. Sterling fell from \$1.51 to \$1.48 against the US dollar in December. The euro also strengthened against sterling ending at £0.74 compared with £0.70 at the end of November.

The Fed deciding to raise interest rates on the 16<sup>th</sup> December dominated US news flow. Inflation in the Eurozone remained weak, amidst investor calls for more action to be taken by the ECB.

The credit markets experienced a challenging month with a "risk-off" trend clearly apparent. The Bloomberg USD High Yield Corporate Bond Index fell to 145 from 149, following a moderate decline in November.

10-year US Treasury rates rose by 13 bps to 2.27%. Euro term rates also rose over the month with 10-year Bund yielding 63bps, up by 16bps at the start of the December.

## Contact information

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(1) Unless conversion into ordinary shares occurs before this date; (2) Excluding accrued interest; (3) Including accrued interest, and with investments in the process of settlement valued at cost

## Performance since launch

Share class	1 month	3 months	6 months	1 year	ITD
Share price (SEQI)	-0.8%	-1.0%	-3.3%	-	3.3%
Total return (SEQI)	-0.8%	0.0%	0.9%	-	5.3%
NAV (SEQI) <sup>(1)</sup>	0.9%	1.3%	2.6%	-	0.5%
Share price (SEQC)	-0.5%	-	-	-	1.1%
Total return (SEQC)	-0.5%	-	-	-	1.1%
NAV (SEQC) <sup>(1)</sup>	1.6%	-	-	-	1.6%

(1) NAV performance includes dividends paid

## Ordinary Share portfolio summary (ten largest settled investments)

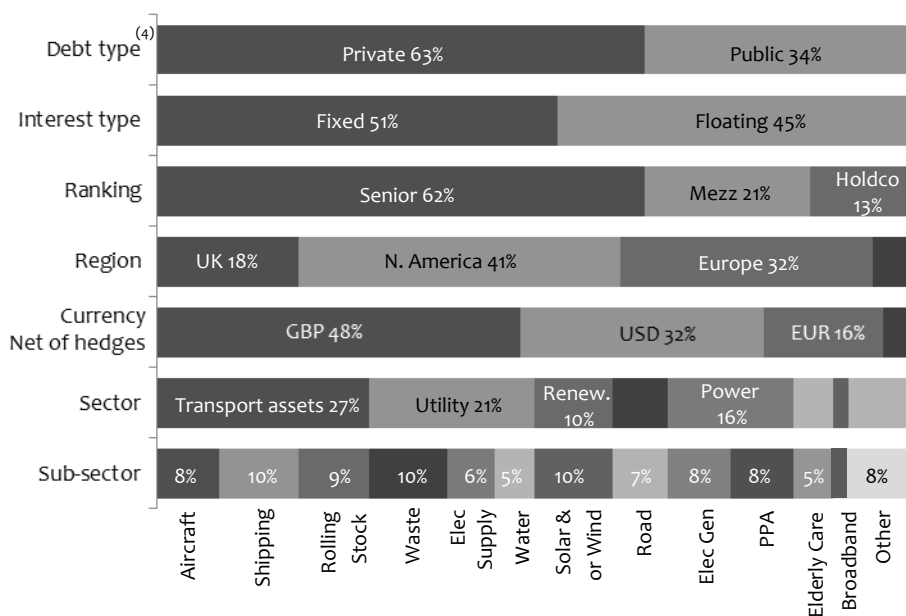
Transaction name	Currency	Type	Ranking	Value £m <sup>(1)</sup>	Sector	Sub-sector	Yield <sup>(2)</sup>
Neoen Production 1 S.A.S.U.	EUR	Private	HoldCo	14.4	Renewables	Solar &/ or wind	7.00
Biffa TL A	GBP	Private	Senior	12.9	Utility	Waste	6.84
Exeltium Mezzanine	EUR	Private	Mezz	11.8	Power	PPA	8.50
Danaos Snr Secured 2018	USD	Private	Senior	8.8	Transport assets	Shipping	8.14
Dulles Greenway 2029	USD	Public	Senior	7.7	Transport	Road	7.31
N. Las Vegas Water 6.572% 2040	USD	Public	Senior	7.4	Utility	Water	7.52
Invenergy TL B	USD	Private	Senior	6.8	Power	Elec. generation	6.50
Green Plains TL B	USD	Public	Senior	6.6	Other	Alternative Fuel	6.72
Global Ship Lease 10% 2019	USD	Private	Senior	6.2	Transport assets	Shipping	13.13
Ascendos Rail 2nd lien	EUR	Private	Mezz	5.3	Transport assets	Rolling Stock	4.80

### Portfolio characteristics<sup>(3)</sup>

Number of investments	26
Largest / average size (£ million)	14.4 / 5.4
Average maturity / ave. life (years)	8.4 / 6.6
Portfolio modified duration	3.9

### Estimated portfolio sensitivities

	Change in NAV
Interest rates +0.5% <sup>(5)</sup>	-1.9%
Interest rates -0.5%	+2.0%
Interest rates +1.0%	-3.7%
Interest rates -1.0%	+4.2%
Euro +/- 5% (against GBP)	-/+ 0.8%
Dollar +/- 5% (against GBP)	-/+ 1.6%
Euro down 5% and dollar up 5%	+0.8%



## C Share portfolio summary (ten largest settled investments)

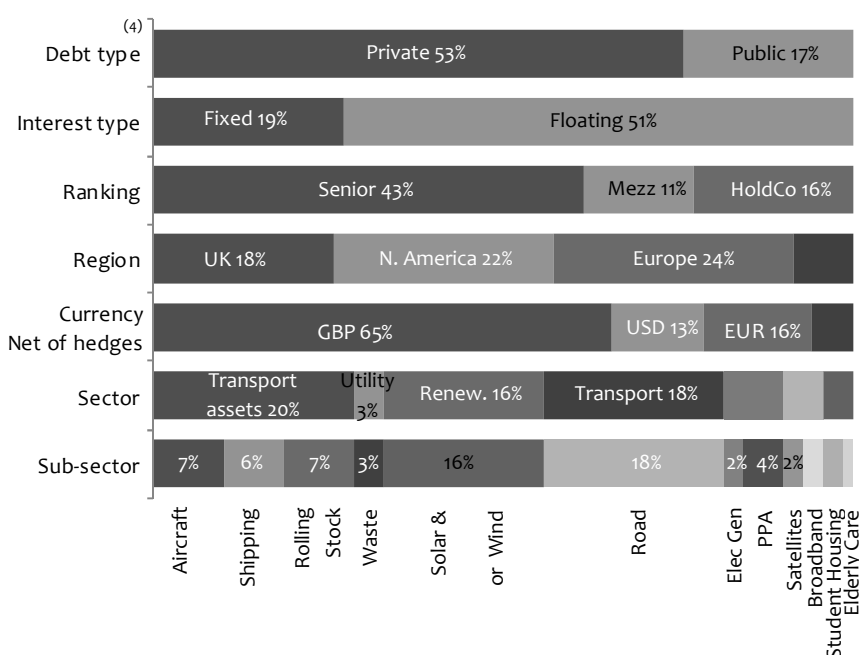
Transaction name	Currency	Type	Ranking	Value £m <sup>(1)</sup>	Sector	Sub-sector	Yield <sup>(2)</sup>
A'lienor S.A.S. (A65)	EUR	Private	Senior	26.5	Transport	Road	5.80
Infinis Bridge	GBP	Private	HoldCo	24.0	Renewables	Solar & / or Wind	8.95
Danaos Snr Secured 2018	USD	Private	Senior	9.1	Transport assets	Shipping	8.14
Castlelake 2015-1 C	USD	Public	Mezz	6.7	Transport assets	Aircraft	10.14
Reliance Rail Finance 2018	AUD	Private	Senior	6.0	Transport assets	Rolling Stock	6.07
Exeltium Mezzanine	EUR	Private	Mezz	5.5	Power	PPA	8.50
Intelsat Jackson 7.25% 2019	USD	Public	Senior	5.0	TMT	Satellites	10.29
GFL 7.5% 2020	CAD	Public	Senior	3.9	Utility	Waste	7.95
Bristow Group 6.25% 2022	USD	Public	Mezz	3.7	Transport assets	Aircraft	10.79
Reliance Rail Finance 2019	AUD	Private	Senior	3.7	Transport assets	Rolling Stock	5.77

### Portfolio characteristics<sup>(3)</sup>

Number of investments	13
Largest / average size (£ million)	26.5 / 7.9
Average maturity / ave. life (years)	4.5 / 3.5
Portfolio modified duration	1.5

### Estimated portfolio sensitivities

	Change in NAV
Interest rates +0.5% <sup>(5)</sup>	-0.5%
Interest rates -0.5%	+0.6%
Interest rates +1.0%	-1.0%
Interest rates -1.0%	+1.2%
Euro +/- 5% (against GBP)	-/+ 0.8%
Dollar +/- 5% (against GBP)	-/+ 0.6%
Euro down 5% and dollar up 5%	-0.1%



(1) Excluding accrued interest; (2) Yield to maturity / worst; (3) All information based on settled investments only; (4) Percentage of NAV. Cash is excluded from the charts apart from currency analysis; (5) A simultaneous parallel shift in EUR, GBP and USD yield curves.

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