

# Sequoia Economic Infrastructure Income Fund

Monthly Investor Report 29<sup>th</sup> April 2016



Summary	Ordinary Shares	Company information	
Ticker	SEQI	Website	<a href="http://www.seqifund.com">www.seqifund.com</a>
Listing date	3 <sup>rd</sup> March 2015	Year end	31 <sup>st</sup> March
Shares in issue <sup>(1)</sup>	302,674,216	Inv. Adviser	Sequoia Investment Management
Share price	104.50	Custodian	Bank of New York Mellon
NAV per share	97.69 (ex div)	Administrator	Praxis
Premium to NAV	7.0%	Auditors	KPMG
Total net assets	£295.7m	Brokers	Stifel Nicolaus Europe
Market capitalisation	£316.3m	AIFM	International Fund Management Ltd
Invested portfolio as a % of NAV	95.9%	<b>Directors</b>	
<b>Including assets in settlement</b>	<b>95.9%</b>	Robert Jennings (Chair)	
Portfolio yield-to-maturity / yield-to-worst	8.1%	Jan Pethick	
Next expected dividend declaration	July	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 LSE. 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%.

The Company's policy is not to invest any of its assets in equity products, including of other listed closed-ended investment funds. As such, the Company considers its shares to be eligible investments, under the FCA's Listing Rule 15.4.5, for other listed closed-ended investment funds.

## Company update

As of the 29<sup>th</sup> April 2016, the Company held 17 infrastructure bonds and 19 private debt investments, collectively valued at £286.9m including accrued interest, with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 8.1% and a weighted average life across the acquired portfolio of approximately 5.9 years.

The investments are diverse across the UK, Western Europe, Australia, Canada and the US and include a wide range of asset types including road, rail, utility, power, shipping, renewables and aircraft leasing.

Approximately 53% of the Company portfolio comprised of floating rate assets, with only four LIBOR floors (other than those at zero percent). As such the portfolio's yield is likely to increase over time if LIBOR increases.

Investments in April include senior secured bonds issued by All Aboard Florida, owner and developer of a privately-owned express passenger rail infrastructure project between Miami and Orlando. In addition, the company

has made an incremental investment in Green Plains Processing LLC.

During the month, the Company had its position in Viridian Group Holdings 13.5% 2020 private bonds called by the issuer. The result was a 20.5% realised IRR (annualised) on a par amount of approximately £5m.

## New capital raise

The company announced in April an intention to grow the Company, following which on the 6<sup>th</sup> May 2016 the Board of Directors resolved to proceed with a further C Share issue seeking to raise £150 million (with a maximum size of £200 million). The Investment Adviser continues to see attractive opportunities for the deployment of capital in the economic infrastructure debt sector, and believes raising further funds through a C Share issuance would allow the Company to take advantage of these whilst further diversifying the portfolio. Specific opportunities currently being pursued include private debt backed by light rail, aircraft leasing, and power; plus bond opportunities in the pipeline sector and electricity generation.

The Board are also seeking permission to disapply pre-emption rights over £120m Ordinary Shares under the proposed Placing Programme. Any future issues of shares under the Placing Programme will be at Director discretion, taking into account the investment opportunities available as well as other factors such as the level of deployment and the rating of the Company at that point in time. The Board will endeavour to price any such issues at a level that is accretive to existing shareholders and as such the price of any potential issues under the Placing Programme will be at a premium to NAV. The Directors do not intend to issue any Ordinary Shares under the Placing Programme ahead of Conversion of the C Shares.

Consideration of the potential leverage facility has been postponed until after C Shares conversion.

## Company NAV performance

The decrease in Company NAV to 97.69p (ex div) per share arose primarily through:

- Interest income net of expenses of 0.33p;
- A gain of 1.22p in asset valuations;
- A dividend declared of 1.50p; and
- A decline of 0.56p on net FX movements.

## Market summary

April showed limited activity in the infrastructure debt sector with six transactions closing across the UK and Western Europe. Notable deals included the €830m refinancing of Italian Passante di Mestre toll road, as well as the €750m bond issuance by Spanish energy company Engas. In addition, the Foresight Solar Fund refinanced its acquisition facility through a £160m long-term debt facility.

Opportunities in selected markets remained strong with US spread widening providing scope to improve credit quality and shorten duration. The emergence of new asset classes over the longer term, such as broadband and electricity storage, are creating new demand for infrastructure financing.

Sterling continued strengthening against the US dollar during the month, moving from \$1.44 to \$1.46. Sterling remained relatively flat against the euro in April.

The Bloomberg USD High Yield Corporate Bond Index increased to 156 from 150. 10-year US Treasury yields increased over the month from 1.77% to 1.83%, following three months of consecutive decline.

## Contact information

### Sequoia Investment Management Company

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(1) As at 29<sup>th</sup> April 2016

## Performance since launch

Fund	1 month	3 months	6 months	1 year	ITD <sup>(2)</sup>
Share price	-1.6%	3.5%	1.5%	0.4%	4.5%
Total return	-0.2%	4.9%	5.4%	5.4%	9.6%
NAV <sup>(1)</sup>	0.9%	2.8%	5.8%	4.8%	4.6%

(1) NAV performance includes dividends paid

(2) From inception-to-date (ITD)

## Portfolio summary (15 largest settled investments)

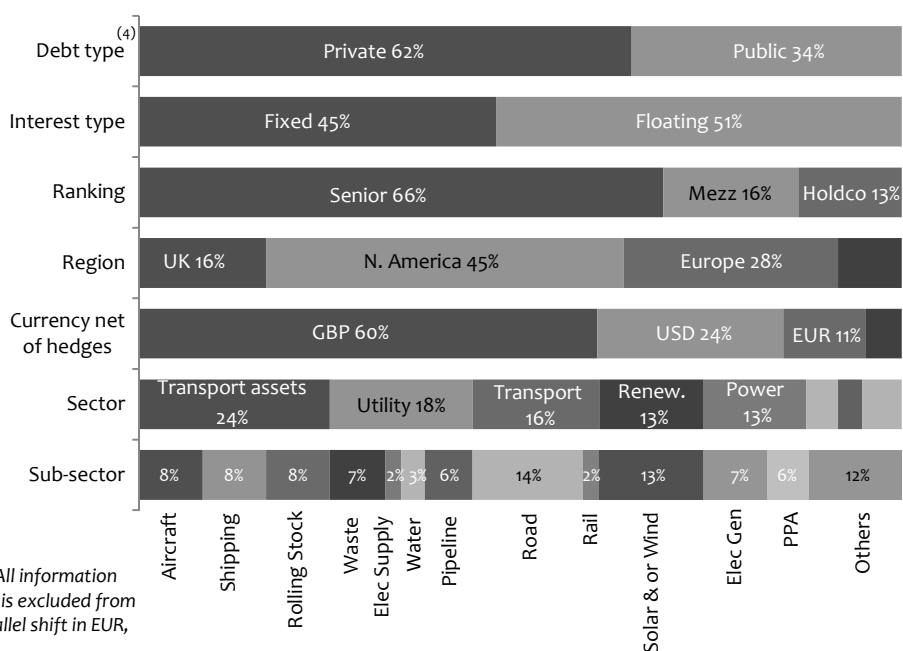
Transaction name	Currency	Type	Ranking	Value £m <sup>(1)</sup>	Sector	Sub-sector	Yield <sup>(2)</sup>
A'lienor S.A.S. (A65)	EUR	Private	Senior	28.4	Transport	Road	5.33
Infinis Bridge	GBP	Private	HoldCo	24.0	Renewables	Solar & Wind	8.70
Exeltium Mezzanine	EUR	Private	Mezz	17.8	Power	PPA	8.83
Danaos Snr Secured 2018	USD	Private	Senior	17.3	Transport assets	Shipping	9.59
Neoen Production 1 S.A.S.U.	EUR	Private	HoldCo	15.3	Renewables	Solar & Wind	6.99
Biffa TL A	GBP	Private	Senior	13.0	Utility	Waste	6.73
Green Plains TL B	USD	Private	Senior	9.2	Other	Alternative Fuel	10.89
Dulles Greenway 2029	USD	Public	Senior	8.4	Transport	Road	6.85
Reliance Rail Finance 2018	AUD	Private	Senior	8.1	Transport assets	Rolling Stock	7.28
N. Las Vegas Water 6.572% 2040	USD	Public	Senior	8.0	Utility	Water	6.79
Bristow Group 6.25% 2022	USD	Public	Mezz	7.7	Transport assets	Aircraft	10.38
Columbia Pipeline 5.8% 2045	USD	Public	Senior	7.2	Utility	Pipelines	5.40
NRG Energy Inc 7.785% 2021	USD	Public	Senior	7.1	Power	Electricity Generation	6.61
All Aboard Florida	USD	Public	Senior	6.7	Transport	Rail	13.34
Care UK L+500 2019	GBP	Public	Senior	6.6	Accommodation	Elderly care	11.42

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

Number of investments	36
Largest / average size (£ million)	28.4 / 7.9
Average maturity / avg. life (years)	7.5 / 5.9
Portfolio modified duration	3.4

## Estimated portfolio sensitivities

	Change in NAV
Interest rates +0.5% <sup>(5)</sup>	-1.7%
Interest rates -0.5%	1.8%
Interest rates +1.0%	-3.3%
Interest rates -1.0%	3.8%
Euro +/- 5% (against GBP)	0.5%
Dollar +/- 5% (against GBP)	1.2%
Euro down 5% and dollar up 5%	-0.7%



(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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