

# Sequoia Economic Infrastructure Income Fund

Monthly Investor Report 30<sup>th</sup> June 2016



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	10 <sup>th</sup> June 2016	Year end	31 <sup>st</sup> March
Shares in issue	302,674,216	175,171,834	Inv. Adviser	Sequoia Investment Mgmt
Share price	107.50	104.00	Custodian	Bank of New York Mellon
<b>NAV per share</b>	<b>101.16</b>	<b>98.12</b>	Administrator	Praxis Fund Services Limited
Premium	6.3%	6.0%	Auditors	KPMG
Total net assets	£306.2m	£171.9m	Brokers	Stifel Nicolaus Europe
Market capitalisation of share class	£325.4m	£182.2m	AIFM	International Fund Mgmt Ltd
Invested portfolio as a % of NAV <sup>(1)</sup>	100.2%	14.2%	<b>Directors</b>	
<b>Including assets in settlement</b>	<b>100.2%</b>	<b>37.3%</b>	Robert Jennings (Chair)	
Portfolio yield-to-maturity / yield-to-worst	8.4%	7.9%	Jan Pethick	
Next expected dividend declaration	July	October <sup>(2)</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 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.

## Ordinary Share update

As of the 30<sup>th</sup> June 2016, the Ordinary share class held 15 infrastructure bonds and 17 private debt investments, collectively valued at £309.7m including accrued interest, with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 8.4% and a weighted average life across the acquired portfolio of approximately 6.0 years.

Approximately half of the Ordinary share class 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.

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.

In June, the Company sold the remainder of its position in the GFL 7.50% 2018 bonds and reinvested the proceeds in the GFL 9.875% 2021 bonds, resulting in a yield pick up without

compromising credit quality. In addition, the Ordinary share class made incremental purchases in the First Energy Solutions 2039 bonds and the Reliance Rail 2018, '19 and '20 unlisted bonds.

## Ordinary Share NAV performance

The Ordinary Share NAV rose to 101.16 from 98.07p per share, primarily through:

- Interest income net of expenses of 0.48p;
- A gain of 2.18p on net FX movements;
- A gain of 0.42p in asset valuations.

## C Share update

As of the 30<sup>th</sup> June 2016, the C Share class held 2 infrastructure bonds and 2 private debt investments. These assets are collectively valued at £24.5m including 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 7.4 years. Investments in June include:

- A loan to IO Data Centres, a global data centre operator
- Peterborough Progress Health, an availability-based UK Hospital PPP / PFI bond
- Talen Energy Supply, a N. American electricity and power generation company
- A small investment in DBB Jack-Up Services, a provider of specialist ships to the offshore wind market in the North Sea

In addition, the C Share class had two private debt positions in the process of settlement, with an aggregate value of £39.7m.

The Investment Adviser continues to see attractive opportunities for the deployment of capital into economic infrastructure debt, and expects the overall yield on the C Share portfolio to be 8% or higher as the fund becomes more fully invested.

## C Share NAV performance

The C Share NAV fell slightly from an initial NAV of 98.29 to 98.12p, primarily through:

- A decline of 0.06p on net FX movements;

- A decline of 0.13p in asset valuations, mainly attributed to marking assets to the bid side.

## Market summary

June saw 13 infrastructure loans closing across the UK and Western Europe. Notable deals included the €875mm R7 Expressway loan in Slovakia, the €700mm Autoroutes Paris-Rhin-Rhone bond facility and the Thames Tideway Tunnel which reached financial close on June 2<sup>nd</sup> with £100mm of commercial bonds. Over the month, the Bloomberg USD High Yield Corporate Bond Index rose by 1.3%.

## Brexit

In the weeks leading up to the Brexit vote, the Investment Adviser's approach was to reduce potential NAV volatility arising from FX movements by gradually increasing hedging. For example, on the 22<sup>nd</sup> June (the day before the vote) approximately 75% of NAV was either Sterling assets or hedged into Sterling, compared to 60% three months previously.

As a result of the Brexit vote, Sterling fell steeply against both the dollar and euro, by approximately 9.6% and 7.4% respectively. This had a positive effect on NAV with the gain in the Sterling value of the non-Sterling assets outweighing the loss on the hedges.

The Company has more than adequate resources to cover the cash costs associated with its hedging book. Each of its FX hedge providers has credit lines to the Company which means that the margin calls on the hedge portfolio have been modest.

## Contact information

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(1) Includes hedge mark-to-market; (2) Unless conversion of the C Shares occurs prior to this.

## Performance since launch

Share class	1 month	3 months	6 months	1 year	ITD <sup>(2)</sup>
Share price (SEQI)	3.4%	1.2%	4.1%	3.0%	7.5%
Total return (SEQI)	3.4%	2.6%	7.2%	8.1%	12.9%
NAV (SEQI) <sup>(1)</sup>	3.1%	4.5%	7.9%	10.7%	8.4%

(1) NAV performance includes dividends paid

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

## Ordinary Share portfolio summary (10 largest settled investments)

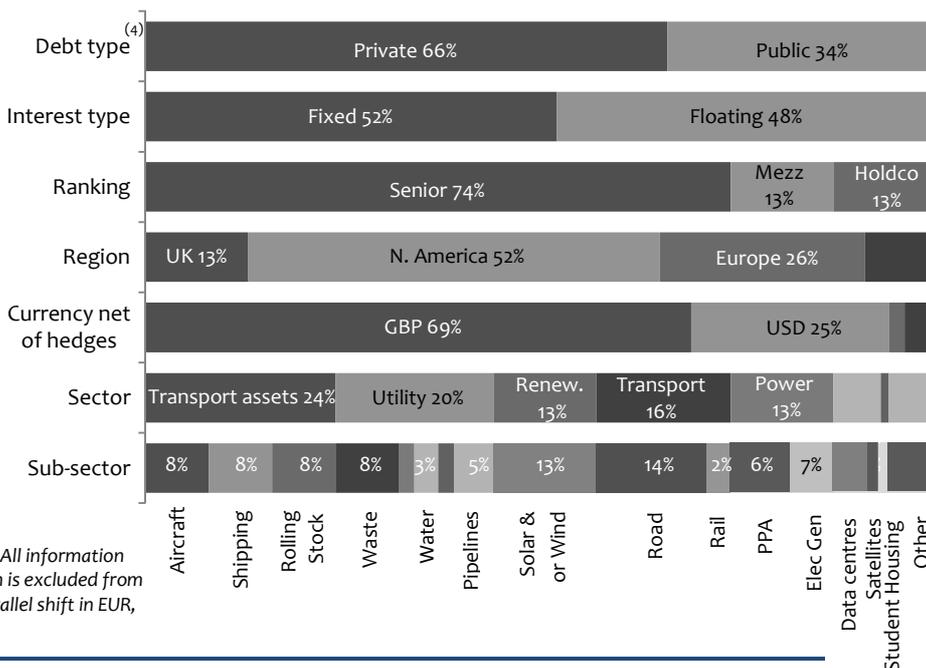
Transaction name	Currency	Type	Ranking	Value £m <sup>(1)</sup>	Sector	Sub-sector	Yield <sup>(2)</sup>
A'lienor S.A.S. (A65)	EUR	Private	Senior	30.7	Transport	Road	4.89
Infinis Bridge	GBP	Private	HoldCo	23.8	Renewables	Solar & Wind	11.56
Exeltium Mezzanine	EUR	Private	Mezz	18.6	Power	PPA	9.15
Danaos Snr Secured 2018	USD	Private	Senior	18.5	Transport assets	Shipping	10.52
Neoen Production 1 S.A.S.U.	EUR	Private	HoldCo	16.3	Renewables	Solar & Wind	6.99
IO Data Centers LLC	USD	Private	Senior	14.9	TMT	Data centres	8.14
Biffa TL A	GBP	Private	Senior	12.8	Utility	Waste	7.81
GFL 9.875% 2021	USD	Public	Senior	12.1	Utility	Waste	7.56
Reliance Rail Finance 2018	AUD	Private	Senior	10.3	Transport assets	Rolling Stock	6.84
Green Plains TL B	USD	Private	Senior	10.2	Other	Alternative Fuel	10.58

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

Number of investments	32
Largest / average size (£ million)	30.7 / 9.6
Average maturity / avg. life (years)	7.5 / 6.0
Portfolio modified duration	3.5

## 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)	-/+ 0.1%
Dollar +/- 5% (against GBP)	-/+ 1.2%
Euro down 5% and dollar up 5%	-1.1%



(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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