

# Sequoia Economic Infrastructure Income Fund

Monthly Investor Report 30<sup>th</sup> December 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	595,412,613	Inv. Adviser	Sequoia Investment Mgmt
Share price (pence)	114.13	Custodian	Bank of New York Mellon
NAV per share (pence)	102.48	Administrator	Praxis Fund Services Limited
Premium	11.3%	Auditors	KPMG
Total net assets	£610.2m	Brokers	Stifel Nicolaus Europe
Market capitalisation of share class	£679.5m	AIFM	International Fund Mgmt Ltd
Invested portfolio as a % of NAV	77.0%	<b>Directors</b>	
<b>Including assets in process of settlement or drawdown</b>	<b>81.3%</b>	Robert Jennings (Chair)	
Portfolio yield-to-maturity / yield-to-worst	8.0%	Jan Pethick	
Next expected dividend declaration	January 2017	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 30<sup>th</sup> December 2016, the Company held 26 private debt investments and 14 infrastructure bonds for a total of 40 investments across 8 sectors and 21 subsectors, which are collectively valued at £475.0m including accrued interest, with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 8.0% and a weighted average life across the acquired portfolio of approximately 4.7 years.

Approximately 44% of the portfolio comprises floating rate assets, with only two LIBOR floors above current LIBOR levels (of which one is Sterling and the other is Euros). As such, the portfolio's yield is likely to rise over time as LIBOR increases.

The investments are 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 and ship leasing.

In the beginning of December, the Company remained fully invested until the 9<sup>th</sup> December

2016 when the additional 120m Ordinary Shares were issued, raising gross proceeds of £126m. In the second half of December, the Company's investment activities include:

- An investment in Talen Energy Supply's bonds maturing in 2025;
- VanGansewinkel Groep, a Dutch waste management company loan; and
- The final drawdowns of Abteen Ventures LLC which now represents the portfolio's third largest position valued at 28.4m.

In addition, two of the Company's investments prepaid in the second half of December: Mount Signal Solar and Infinis Bridge Loan. Both of these prepayments were in line with the Investment Adviser's expectations.

As of the 30<sup>th</sup> of December, the Company's leverage is modest at 6.6% of NAV, and the Company remains confident in its ability to deploy the proceeds of the equity raise into its attractive pipeline of opportunities.

Sterling fell slightly against both the Dollar and the Euro during the month of December; however the Investment Adviser remains committed to reducing NAV volatility arising from FX movements by maintaining its hedging strategy. As of the 30<sup>th</sup> December 2016, approximately 78% of NAV was either Sterling assets or hedged into Sterling, which is a slight decrease from 82% one month prior.

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.

## Ordinary Share NAV performance

The increase in the Ordinary Share NAV to 102.48p per share arose primarily through:

- Interest income net of expenses of 0.37p;
- An increase of 0.22p in asset valuations;
- An increase of 0.06p in FX movements; and
- A gain of approximately 0.4p caused by the difference between placing price (net of

costs and expenses) and the NAV at the time of the recent placing of new Ordinary Shares in the Company.

## Market summary

December was an active month in the infrastructure debt sector in terms of both the size and number of deals that reached financial close.

According to Infrastructure Journal, 25 transactions reached financial close throughout Europe and North America in December totalling nearly \$6bn in debt financing.

One notable deal was 100% debt financing of the 1.5GW Lackawanna CCGT Power Plant in Pennsylvania which totalled \$1bn. A 370MW offshore wind farm in Belgium also received financing of €1.2bn, of which 70% is debt.

In December, oil prices surged to their highest levels since July 2015 at roughly \$57 a barrel, directly resulting from a Russian-led oil producer coalition.

December news flow also covered the US Federal Reserve's decision to raise short-term interest rates in response to the strengthening US economy.

In Europe, Mario Draghi at the ECB confirmed that the QE program will be extended by nine months which was followed by clear upward movements in sovereign bond yields.

During December, Sterling fell slightly against both the Dollar and Euro, ending the month at \$1.23 and €1.17 respectively. The Bloomberg USD High Yield Corporate Bond Index rose to 169.

## Contact information

### Sequoia Investment Management Company

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## Performance since launch

Share class	1 month	3 months	6 months	1 year	ITD <sup>(2)</sup>
Share price (SEQI)	7.4%	1.2%	6.2%	10.5%	14.1%
Total share price return (SEQI)	7.4%	2.6%	9.0%	16.9%	23.1%
NAV (SEQI) <sup>(1)</sup>	1.1%	2.6%	4.1%	12.3%	12.8%

(1) NAV performance includes dividends paid; (2) From inception-to-date (ITD)

## Portfolio summary (15 largest settled investments)

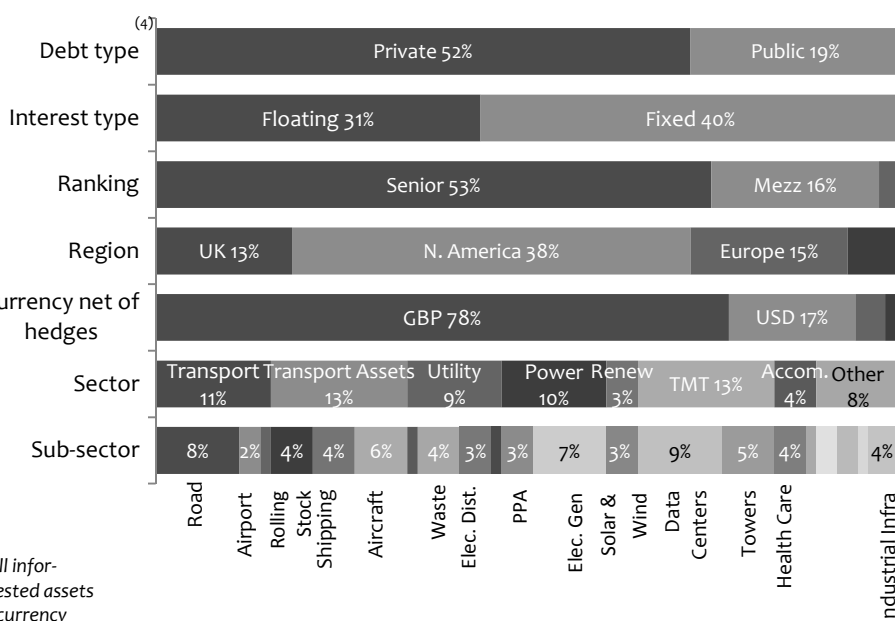
Transaction name	Currency	Type	Ranking	Value £m <sup>(1)</sup>	Sector	Sub-sector	Yield <sup>(2)</sup>
A'lienor S.A.S. (A65)	EUR	Private	Senior	37.3	Transport	Road	3.39
IO Data Centers LLC	USD	Private	Senior	30.4	TMT	Data centers	9.00
AP Wireless Infrastructure	GBP	Private	Senior	30.0	TMT	Towers	6.39
Abteen Ventures	USD	Private	Senior	28.4	TMT	Data centers	8.00
Regard Group Mezzanine	GBP	Private	Mezz	22.9	Accommodation	Health care	12.12
Natgasoline Senior Unsecured	USD	Private	Mezz	20.3	Other	Industrial infra	9.78
Exeltium Mezzanine	EUR	Private	Mezz	19.0	Power	PPA	9.14
Danaos Snr Secured 2018	USD	Private	Senior	17.8	Transport assets	Shipping	16.78
Neoen Production	EUR	Private	HoldCo	16.1	Renewables	Solar & Wind	6.99
Longview Power TL B	USD	Private	Senior	13.8	Power	Elec Generation	10.59
GFL 9.875% 2021	USD	Public	Senior	13.4	Utility	Waste	4.79
VanGanswinkel Groep	EUR	Private	Senior	12.8	Utility	Waste	8.58
Talen Energy Supply 4.6% 2021	USD	Public	Senior	12.5	Power	Elec Generation	10.31
Green Plains TL B	USD	Private	Senior	11.5	Other	Alternative Fuel	6.62
Heathrow 5.75% 2025	GBP	Public	Senior	11.4	Transport	Airport	2.47

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

Number of investments	40
Largest / average size (£ million)	37.3 / 11.8
Average maturity / avg. life (years)	6.2 / 4.7
Portfolio modified duration	3.0
Average equity cushion	34%

## Estimated portfolio sensitivities

	Change in NAV
Interest rates +0.5% <sup>(5)</sup>	-1.2%
Interest rates -0.5%	1.3%
Interest rates +1.0%	-2.4%
Interest rates -1.0%	2.6%
Euro +/- 5% (against GBP)	0.2%
Dollar +/- 5% (against GBP)	0.8%
Euro down 5% and dollar up 5%	0.5%



(1) Excluding accrued interest; (2) Yield to maturity / worst; (3) All information based on settled investments only; (4) Percentage of invested assets + cash; Cash percentage 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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