

# Sequoia Economic Infrastructure Income Fund

Monthly Investor Report 28<sup>th</sup> April 2017

**SEQUOIA  
ECONOMIC  
INFRASTRUCTURE  
INCOME FUND LIMITED**

Summary	SEQI	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	595,860,693	Inv. Adviser	Sequoia Investment Mgmt
Share price (pence)	111.00	Custodian	Bank of New York Mellon
NAV per share (pence) (ex-dividend)	101.07	Administrator	Praxis Fund Services Limited
Premium	9.8%	Auditors	KPMG
Total gross assets	£651.9m	Brokers	Stifel Nicolaus Europe
<b>Total net assets</b>	<b>£602.2m</b>	AIFM	International Fund Mgmt Ltd
Market capitalisation of share class	£661.4m	<b>Directors</b>	
Invested portfolio as a % of NAV	93.9%	Robert Jennings (Chair)	
<b>Including assets in process of settlement or draw-down</b>	<b>95.7%</b>	Jan Pethick	
Portfolio yield-to-maturity / yield-to-worst	8.0%	Jon Bridel	
Next expected dividend declaration	July	Sandra Platts	
Total expense ratio <sup>(1)</sup>	1.05%		

## 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 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

During April, the Company had invested or committed to invest a total of £11.2m which resulted in the total invested portfolio representing approximately 95.7% of the Company's NAV as of the 28<sup>th</sup> April 2017. As of the 28<sup>th</sup> April 2017, the Company had gross leverage of £40m which has been drawn and partially deployed, and represents approximately 6.6% of NAV.

The portfolio held 29 private debt investments and 15 infrastructure bonds for a total of 44 investments that covered 8 sectors and 24 subsectors, and are collectively valued at £571.7m 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 4.5 years.

The weighted average purchase price of the Company's acquired investments was approximately 96.3% of par, and of those, only 13% had some form of construction risk.

Sterling strengthened against both the Euro and the Dollar, ending the month at €1.1883 and \$1.295 respectively. As of the 28<sup>th</sup> April 2017, approximately 82% of NAV consisted of either Sterling assets or was hedged into Sterling.

The Company has adequate resources to cover the cash costs associated with its hedging activities. 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.

Approximately 50% of the invested portfolio comprises floating rate assets, with only one LIBOR floor above current LIBOR levels (EUR). As such, the portfolio's yield is likely to rise over time as LIBOR increases.

The Company's investment activities during April include:

- A small initial €0.9m investment in Orlyval, the light railway linking Paris Orly airport and the RER station Antony;

In addition, two of the Company's positions pre-paid in April both in-line with expectations: a \$15.8m position of Alinta Energy's Term Loan B, and a \$4.4m position in Castlake 2014-1 Series B loan.

## SEQI's NAV performance

The decrease in SEQI's NAV to 101.07p per share from 102.72p per share on 31<sup>st</sup> March 2017 arose primarily through:

- Interest income net of expenses of 0.40p;
- A decrease of 0.05p in asset valuations;
- A decrease of 0.50p from FX movements; <sup>(2)</sup>
- A dividend declaration of 1.50p.

## Company announcements

On 3 May, the Company announced a partially pre-emptive issue of Ordinary Shares with a target size of £125 million before expenses at an issue price of 105.5p per new Ordinary Share. The Prospectus in connection with the Issue is available on the Company website.

The Investment Adviser continues to see significant opportunities in the infrastructure debt market and believes that it would be in the interests of the Company to raise further funds to take advantage of these opportunities. The Investment Adviser has compiled a target portfolio based on an investment pipeline of opportunities in excess of £440 million. Proceeds from the Ordinary Share issue will provide additional capital to allow the Company to take advantage of the currently available pipeline of opportunities which should enable the Group to further diversify the existing portfolio.

## Market summary

Only 11 project finance transactions closed in April throughout the Company's eligible jurisdictions, but were worth, in aggregate, \$4.48bn. Notable transactions include the refinancing of a €300m tranche of Brussels Airport bonds, and the \$330m primary financing of the 250MW Willow Springs Wind Farm in Texas which will include 100 of GE Renewable Energy's 2.5-116 model wind turbines.

The Bloomberg High Yield Index ended the month of April on a high at 176.8, however aggressive growth-boosting measures in the US would spur a steepening of the U.S. Treasury bond curve and challenge returns on debt issued by companies with weak balance sheets.

## Contact information

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<sup>(1)</sup> Based on unaudited accounts to 31/12/2016

<sup>(2)</sup> Net of currency hedges

## Performance since IPO

Share class	1 month	3 months	6 months	1 year	2 year	ITD <sup>(2)</sup>
Share price (SEQI)	0.7%	-0.4%	0.9%	6.2%	6.7%	11.0%
Total share price return (SEQI)	2.0%	0.9%	3.7%	12.1%	18.2%	23.0%
NAV (SEQI) <sup>(1)</sup>	-0.3%	0.1%	1.8%	9.2%	14.5%	14.3%

(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	36.3	Transport	Road	3.4
AP Wireless Infrastructure	GBP	Private	Senior	33.0	TMT	Towers	6.4
Cory Environmental	GBP	Private	HoldCo	32.7	Utility	Waste to Energy	8.5
Beamish HoldCo 2017	GBP	Private	Senior	30.0	Accommodation	Health care	10.3
IO Data Centers LLC	USD	Private	Senior	29.0	TMT	Data centers	9.0
Abteen Ventures LLC	USD	Private	Senior	27.0	TMT	Data centers	8.0
Regard Group Mezzanine	GBP	Private	Mezz	23.3	Accommodation	Health care	12.1
Natgasoline Snr. Unsecured	USD	Private	Mezz	20.3	Other	Industrial infra	10.0
Exeltium Mezzanine	EUR	Private	Mezz	18.5	Power	PPA	9.4
Welcome Break No.1 Ltd	GBP	Private	Mezz	18.3	Transport	Motorway Services	8.3
NGG Finance 5.625% 2073	GBP	Public	Mezz	16.7	Utility	Electricity dist.	4.0
Neoen Production	EUR	Private	HoldCo	15.9	Renewables	Solar & Wind	7.0
Bristow Group 6.25% 2022	USD	Public	Mezz	15.3	Transport assets	Aircraft	10.6
Danaos Snr Secured 2018	USD	Private	Senior	14.0	Transport assets	Shipping	18.3
Chen. Corp. Christi 7% 2024	USD	Public	Senior	13.0	Transport	Ports	5.0

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

Number of investments	44
Largest / average size (£m)	36.3 / 12.8
Avg. maturity / avg. life (yrs)	5.9 / 4.5
Portfolio modified duration	2.3
Average equity cushion	35%
Construction risk	13%

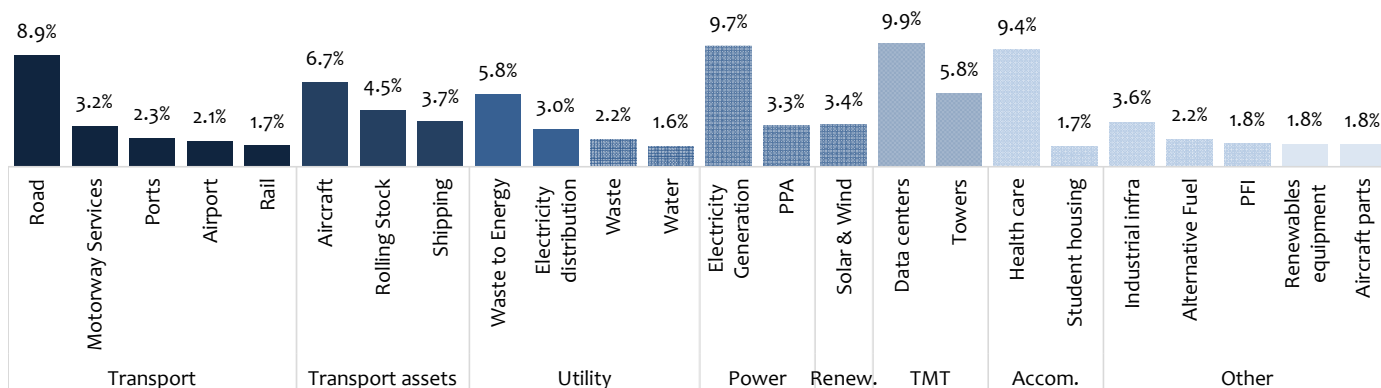
### NAV movements since IPO

	Pence per share
FX movements <sup>(6)</sup>	+5.43p
Acquisition costs <sup>(7)</sup>	-1.46p
Market movements	+1.80p
Interest income	+10.68p
Expenses	-2.41p
Dividends	-11.00p

### Estimated portfolio sensitivities

	Change in NAV
Interest rates +0.5% <sup>(5)</sup>	-1.3%
Interest rates -0.5%	1.4%
Interest rates +1.0%	-2.6%
Interest rates -1.0%	2.9%
Euro +/- 5% (against GBP)	+/- 0.0%
Dollar +/- 5% (against GBP)	+/- 0.8%
Euro down 5% and dollar up 5%	+/- 0.8%

### Sectors and sub-sectors



(1) Excluding accrued interest;

(2) Yield to maturity / worst;

(3) All information based on settled investments only;

(4) Percentage of invested assets (excluding cash);

(5) A simultaneous parallel shift in EUR, GBP and USD yield curves;

(6) Net of currency hedges;

(7) Non-cash cost of marking the acquired position to the "bid" side of the price. Assumed to be 0.5% for bonds and 1.0% for loans.



## Disclaimer

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