

Sequoia Economic Infrastructure Income Fund

Monthly Investor Report 31st January 2017



Summary	SEQI	Company information	
Ticker	SEQI	Website	www.seqifund.com
Listing date	3 rd March 2015	Year end	31 st March
Shares in issue	595,642,196	Inv. Adviser	Sequoia Investment Mgmt
Share price (pence)	111.50	Custodian	Bank of New York Mellon
NAV per share (pence) (ex-dividend)	102.37	Administrator	Praxis Fund Services Limited
Premium	8.9%	Auditors	KPMG
Total gross assets	£619.5m	Brokers	Stifel Nicolaus Europe
Total net assets	£609.7m	AIFM	International Fund Mgmt Ltd
Market capitalisation of share class	£664.1m	Directors	
Invested portfolio as a % of NAV	91.0%	Robert Jennings (Chair)	
Including assets in process of settlement or draw-down	91.1%	Jan Pethick	
Portfolio yield-to-maturity / yield-to-worst	8.1%	Jon Bridel	
Next expected dividend declaration	April	Sandra Platts	
Total expense ratio ⁽¹⁾	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 January, the Company had invested or committed to invest a total of £83.6m which resulted in the total invested portfolio representing approximately 91% of the Company's NAV as of the 31st January 2017.

The portfolio held 29 private debt investments and 14 infrastructure bonds for a total of 43 investments that covered 8 sectors and 23 subsectors, and are collectively valued at £560.8m 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 4.6 years.

As of the 31st January 2017, the Company had gross leverage of £40m which represents approximately 6.6% of NAV. The Company remains confident in its ability to deploy the proceeds of the equity raise into its attractive pipeline of opportunities.

Approximately 42% of the portfolio comprises floating rate assets, with only three LIBOR floors above current LIBOR levels (of which

one is 1 month USD and the others are EUR). 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, aircraft and ship leasing.

In the second half of January, investments made by the Company include:

- A primary participation of £30m in a senior secured bridge loan issued by HC-One, a leading UK care homes owner and operator;
- A primary participation of £18.3m in a junior term loan issued by Welcome Break, a UK motorway services provider;
- A secondary acquisition of €12m in a senior loan held by Latécoère SA, an aircraft component company; and
- Incremental investments in the following assets: Green Plains TL B, Castlake 2016-1 C loan, Alinta Energy TL B, Bristow 6.25% 2022 bonds, and NRG Energy 7.25% 2026 bonds.

Sterling rose against the Dollar and fell slightly against the Euro during the month of January; however, the Investment Adviser remains committed to reducing NAV volatility arising from FX movements by maintaining its hedging strategy. As of the 31st January 2017, approximately 76% of NAV consisted of either Sterling assets or was hedged into Sterling.

The Company has more than 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.

Ordinary Share NAV performance

The decrease in the Ordinary Share NAV to 102.37p per share from 102.48p in December 2016 arose primarily through:

- An increase of 1.38p in asset valuations;
- Interest income net of expenses of 0.21p;

- A decrease of 0.21p from FX movements⁽²⁾; and

- A dividend declaration of 1.50p.

On the 18th January 2017, the Company declared a dividend of 1.5 pence with respect to the three month period ending the 31st December 2016. The shares traded ex-dividend from the 26th January, with payment on the 24th February.

Market summary

January was a slow month for the infrastructure finance sector, with only five deals reaching financial close throughout North America and Western Europe.

The largest deal which closed in January was the Cricket Valley Energy Centre in Dover, New York. The financing was for the development of the 1.1GW combined-cycle natural gas-fired plant, and consisted of \$700m equity and a syndicated loan of \$875m.

USD 3m Libor rose above 1.0% in January for the first time since 2009 with the expectation that this will continue to rise in 2017 based on minutes of the December Federal Reserve meeting. In contrast, the ECB remained dovish relative to the Fed by maintaining rates and their QE strategy for 2017 despite meaningful eurozone inflation, particularly in Germany.

During January, Sterling rose against the Dollar and fell slightly against the Euro, ending the month at \$1.26 and €1.16 respectively. The Bloomberg USD High Yield Corporate Bond Index rose to 172.5.

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

(2) Net of currency hedges

Performance since launch

Share class	1 month	3 months	6 months	1 year	ITD ⁽²⁾
Share price (SEQI)	-2.3%	1.4%	0.0%	10.4%	11.5%
Total share price return (SEQI)	-1.0%	2.7%	2.7%	16.6%	21.9%
NAV (SEQI) ⁽¹⁾	1.2%	1.7%	4.3%	12.2%	14.2%

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

Portfolio summary (15 largest settled investments)

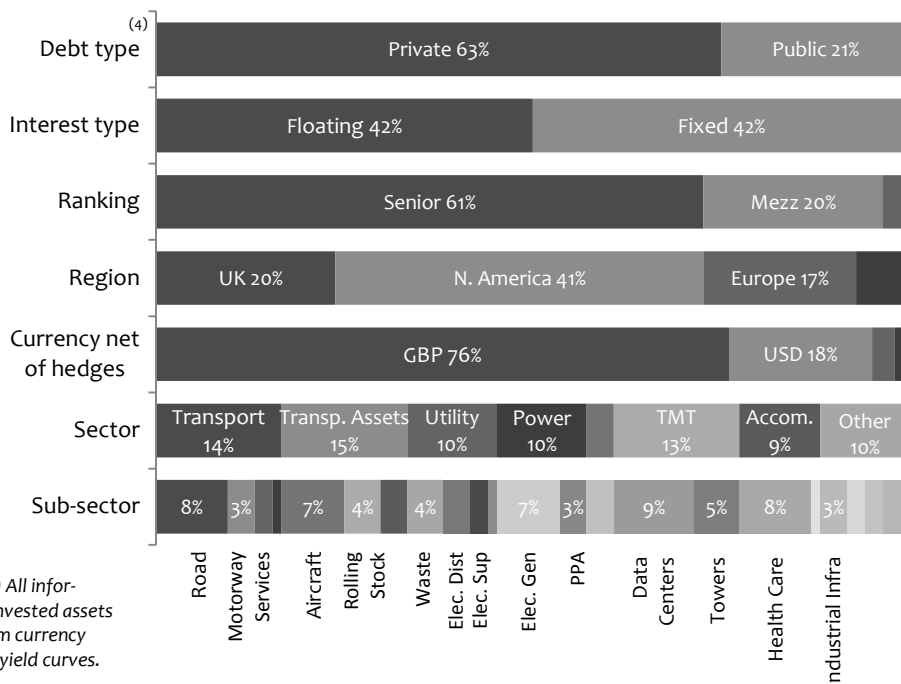
Transaction name	Currency	Type	Ranking	Value £m ⁽¹⁾	Sector	Sub-sector	Yield ⁽²⁾
A'lienor S.A.S. (A65)	EUR	Private	Senior	37.5	Transport	Road	3.47
AP Wireless Infrastructure	GBP	Private	Senior	30.0	TMT	Towers	6.32
IO Data Centers LLC	USD	Private	Senior	29.8	TMT	Data centers	9.00
Beamish HoldCo 2017	GBP	Private	Senior	29.6	Accommodation	Health care	12.37
Abteen Ventures	USD	Private	Senior	27.8	TMT	Data centers	8.00
Regard Group Mezzanine	GBP	Private	Mezz	22.9	Accommodation	Health care	12.12
Natgasoline Senior Unsecured	USD	Private	Mezz	19.9	Other	Industrial infra	10.00
Exeltium Mezzanine	EUR	Private	Mezz	18.9	Power	PPA	9.40
Welcome Break No.1 Ltd	GBP	Private	Mezz	18.3	Transport	Motorway Services	8.36
Danaos Snr Secured 2018	USD	Private	Senior	17.6	Transport assets	Shipping	18.37
Bristow Group 6.25% 2022	USD	Public	Mezz	17.3	Transport assets	Aircraft	8.39
Neoen Production	EUR	Private	HoldCo	16.2	Renewables	Solar & Wind	6.99
Green Plains TL B	USD	Private	Senior	14.1	Other	Alternative Fuel	6.54
Longview Power TL B	USD	Private	Senior	13.7	Power	Elec Generation	10.27
Alinta Energy TL B	USD	Private	Senior	13.4	Utility	Elec Supply	6.58

Portfolio characteristics ⁽³⁾

Number of investments	43
Largest / average size (£ million)	37.5 / 12.9
Average maturity / avg. life (years)	5.8 / 4.6
Portfolio modified duration	2.8
Average equity cushion	35%

Estimated portfolio sensitivities

	Change in NAV
Interest rates +0.5% ⁽⁵⁾	-1.3%
Interest rates -0.5%	1.4%
Interest rates +1.0%	-2.5%
Interest rates -1.0%	2.8%
Euro +/- 5% (against GBP)	0.2%
Dollar +/- 5% (against GBP)	0.9%
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 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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