

# Sequoia Economic Infrastructure Income Fund

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



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	595,642,196	Inv. Adviser	Sequoia Investment Mgmt
Share price (pence)	109.75	Custodian	Bank of New York Mellon
NAV per share (pence) (ex-dividend)	102.88	Administrator	Praxis Fund Services Limited
Premium	6.7%	Auditors	KPMG
Total gross assets	£614.1m	Brokers	Stifel Nicolaus Europe
<b>Total net assets</b>	<b>£612.8m</b>	AIFM	International Fund Mgmt Ltd
Market capitalisation of share class	£653.7m	<b>Directors</b>	
Invested portfolio as a % of NAV	87.7%	Robert Jennings (Chair)	
<b>Including assets in process of settlement or draw-down</b>	<b>88.5%</b>	Jan Pethick	
Portfolio yield-to-maturity / yield-to-worst	7.9%	Jon Bridel	
Next expected dividend declaration	April	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 February, the Company had invested or committed to invest a total of £3.9m which resulted in the total invested portfolio representing approximately 89% of the Company's NAV as of the 28<sup>th</sup> February 2017.

The portfolio held 28 private debt investments and 13 infrastructure bonds for a total of 41 investments that covered 8 sectors and 23 subsectors, and are collectively valued at £543.4m 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 4.3 years.

As of the 28<sup>th</sup> February 2017, the Company had gross leverage of £40m which represents approximately 6.5% of NAV. In the three months following the December Placing, the Company has deployed £103m, or 82%, of the £126m gross proceeds raised. The Company is confident in its ability to deploy the remaining proceeds of the equity raise into its attractive pipeline of opportunities.

Approximately 40% of the portfolio (invested assets plus cash) 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.

The Company's investment activities during February include:

- An incremental investment of £3m in AP Wireless, a US-based cell towers management and leasing firm.
- The sale of \$7.2m Allegheny Energy Supply 6.75% 2039 bonds near its make-whole price due to the announced debt prepayment with the proceeds from asset sales.

Additionally, VanGanswinkel Groep, a Dutch waste management company, prepaid on the last day of February and was equivalent to 2% of NAV.

Sterling rose against the Euro and fell slightly against the Dollar during the month of February; however, the Investment Adviser remains committed to reducing NAV volatility arising from FX movements by maintaining its hedging strategy. As of the 28<sup>th</sup> February 2017, approximately 77% 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.

## SEQI's NAV performance

The increase in SEQI's NAV to 102.88p per share from 102.37p in January 2017 arose primarily through:

- Interest income net of expenses of 0.43p;
- A decrease of 0.34p in asset valuations; and
- An increase of 0.42p from FX movements. <sup>(2)</sup>

## Market summary

February was a less active month in the primary infrastructure debt space with only 6 project finance transactions closing across N. America and Western Europe, out of which 5 were refinancings of existing projects.

The only project finance origination that closed in February was the \$337m 450MW Birdsboro gas-fired power plant in Pennsylvania.

February was a strong month for the U.S. in terms of its nonfarm payroll number and growth of new private sector employment. With the labour market in the U.S. nearing full employment, wage growth is expected to speed up, possibly resulting in a return to cyclical Fed rate increases given the recent steepening of the yield curve.

Eurozone inflation in February accelerated to the ECB's target of 2%, but Mario Draghi has confirmed that rates will continue to stay at record lows until there is faster real wage growth, and its bond-buying programme is completed.

During February, Sterling rose against the Euro and fell slightly against the Dollar, ending the month at €1.17 and \$1.24 respectively. The Bloomberg USD High Yield Corporate Bond Index rose sharply to 175.

## Contact information

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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 <sup>(2)</sup>
Share price (SEQI)	-1.6%	3.3%	-2.9%	6.0%	9.7%
Total share price return (SEQI)	-1.6%	4.7%	-0.2%	12.0%	20.0%
NAV (SEQI) <sup>(1)</sup>	0.5%	2.9%	5.2%	12.0%	14.7%

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

## Portfolio summary (15 largest settled investments)

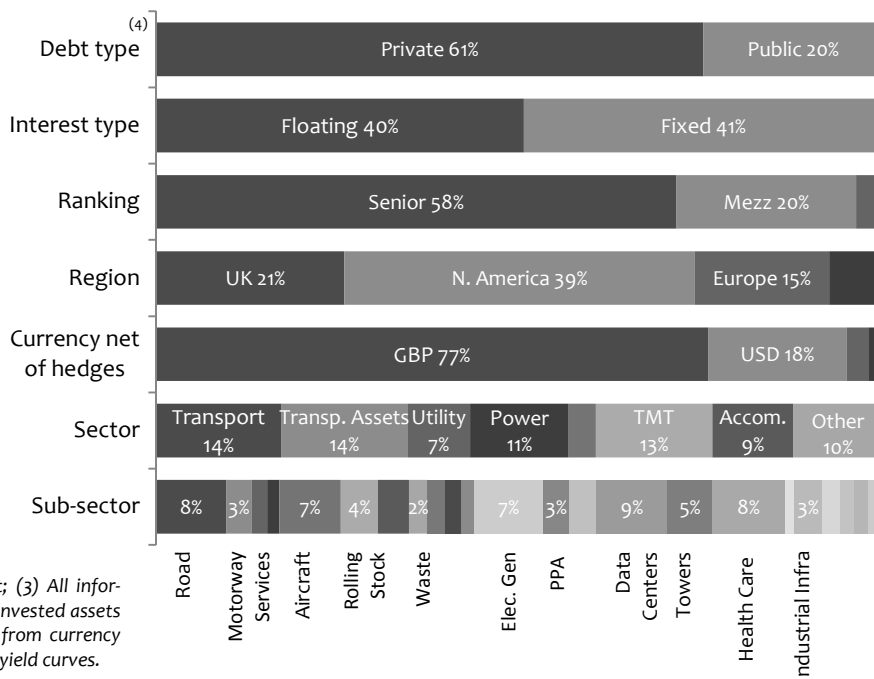
Transaction name	Currency	Type	Ranking	Value £m <sup>(1)</sup>	Sector	Sub-sector	Yield <sup>(2)</sup>
A'lienor S.A.S. (A65)	EUR	Private	Senior	37.4	Transport	Road	3.48
AP Wireless Infrastructure	GBP	Private	Senior	33.0	TMT	Towers	6.55
IO Data Centers LLC	USD	Private	Senior	30.3	TMT	Data centers	9.00
Beamish HoldCo 2017	GBP	Private	Senior	30.0	Accommodation	Health care	9.99
Abteen Ventures	USD	Private	Senior	28.3	TMT	Data centers	8.00
Regard Group Mezzanine	GBP	Private	Mezz	22.9	Accommodation	Health care	12.12
Natgasoline Senior Unsecured	USD	Private	Mezz	21.2	Other	Industrial infra	9.99
Exeltium Mezzanine	EUR	Private	Mezz	18.8	Power	PPA	9.40
Welcome Break No.1 Ltd	GBP	Private	Mezz	18.3	Transport	Motorway Services	8.35
Bristow Group 6.25% 2022	USD	Public	Mezz	16.6	Transport assets	Aircraft	9.68
Neoen Production	EUR	Private	HoldCo	16.1	Renewables	Solar & Wind	6.99
Danaos Snr Secured 2018	USD	Private	Senior	15.5	Transport assets	Shipping	15.69
Longview Power TL B	USD	Private	Senior	13.8	Power	Elec. Generation	10.57
Alinta Energy TL B	USD	Private	Senior	13.6	Utility	Elec. supply	6.48
NRG Energy Inc 7.25% 2026	USD	Public	Senior	13.3	Power	Elec. Generation	6.77

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

Number of investments	41
Largest / average size (£ million)	37.4 / 12.9
Average maturity / avg. life (years)	5.5 / 4.3
Portfolio modified duration	2.6
Average equity cushion	35%

## 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%	-2.3%
Interest rates -1.0%	2.6%
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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