

# Sequoia Economic Infrastructure Income Fund

Monthly Investor Report 31<sup>st</sup> March 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	595,642,196	Inv. Adviser	Sequoia Investment Mgmt
Share price (pence)	110.25	Custodian	Bank of New York Mellon
NAV per share (pence) (ex-dividend)	102.72	Administrator	Praxis Fund Services Limited
Premium	7.3%	Auditors	KPMG
Total gross assets	£652.4m	Brokers	Stifel Nicolaus Europe
<b>Total net assets</b>	<b>£611.8m</b>	AIFM	International Fund Mgmt Ltd
Market capitalisation of share class	£656.7m	<b>Directors</b>	
Invested portfolio as a % of NAV	97.0%	Robert Jennings (Chair)	
<b>Including assets in process of settlement or draw-down</b>	<b>98.5%</b>	Jan Pethick	
Portfolio yield-to-maturity / yield-to-worst	8.3%	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 March, the Company had invested or committed to invest a total of £69.5m which resulted in the total invested portfolio representing approximately 98.5% of the Company's NAV as of the 31<sup>st</sup> March 2017.

The portfolio held 30 private debt investments and 15 infrastructure bonds for a total of 45 investments that covered 8 sectors and 25 subsectors, and are collectively valued at £600.3m including accrued interest with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 8.3% and a weighted average life across the acquired portfolio of approximately 4.6 years. The weighted average purchase price of the Company's acquired investments was approximately 96.3% of par.

As of the 31<sup>st</sup> March 2017, the Company had gross leverage of £40m which has been drawn and partially deployed, and represents approximately 6.5% of NAV. In the four months following the December Placing, the Company has

deployed approximately £140m, or 111%, of the £126m gross proceeds plus part of the leverage facility. The Company is confident in its ability to deploy capital and continues to see an attractive pipeline of opportunities.

Approximately 49.8% of the invested portfolio comprises floating rate assets, with only two LIBOR floors above current LIBOR levels (both of which 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. Of the Company's acquired investments, only 12% had some form of construction risk as of the 31<sup>st</sup> March 2017.

The Company's investment activities during March include:

- A direct origination for a £32.7m junior debt facility for Cory Riverside Holdings, a UK-based residual waste-to-energy company;
- A bilateral loan of €6.8m for the construction of a Dutch student housing building in Leiden, of which €3.1m was drawn at close, and an additional €0.7m was added to the sponsor's other student housing transaction in The Hague;
- The purchase of \$15.0m of 7.0% 2024 bonds issued by Cheniere Corpus Christi, a key LNG export terminal that is currently under construction;
- A \$10.0m investment of NRG Energy Inc 6.625% 2027 bonds, which is in addition to the current holding of NRG's 7.25% 2026 bonds.
- An incremental investment £5.0m of NGG Finance's 5.625% 2073 bonds.

Sterling rallied significantly at the end of March against both the Euro and the Dollar, ending the month at €1.1778 and \$1.255 respectively. As of the 31<sup>st</sup> March 2017, approximately 80.0% of NAV consisted of either Sterling assets or was hedged into Sterling.

## SEQI's NAV performance

The decrease in SEQI's NAV to 102.72p per share from 102.88p in February 2017 arose primarily through:

- Interest income net of expenses of 0.41p;
- A decrease of 0.05p in asset valuations; and
- A decrease of 0.52p from FX movements.<sup>(2)</sup>

The Investment Adviser notes that approximately -0.38p of the -0.52p FX movement is attributable to a discrepancy between the valuation of the FX hedging book which is undertaken at close of business in London, and the valuation of the Company's portfolio which uses rates as at the close of business in New York. Given Sterling's rally after close of business in London, there was a technical reduction (for valuation purposes) of the Company's net assets which would reconcile with the hedges the following trading day.

## Market summary

March was another active month in the infrastructure finance space, with over 57 transactions reaching financial close across the US and Western Europe. One transaction of note was the \$890m development financing of the 1050 MW CPV Fairview Energy Center in Pennsylvania which will be a natural gas and ethane-fuelled combined-cycle electric generating station.

## Contact information

### Sequoia Investment Management Company

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## Performance since launch

Share class	1 month	3 months	6 months	1 year	2 year	ITD <sup>(2)</sup>
Share price (SEQI)	0.5%	-3.4%	-2.2%	3.8%	5.6%	10.3%
Total share price return (SEQI)	0.5%	-2.1%	0.4%	9.6%	15.4%	20.5%
NAV (SEQI) <sup>(1)</sup>	-0.2%	1.6%	4.2%	10.5%	14.3%	14.6%

(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	37.1	Transport	Road	3.56
AP Wireless Infrastructure	GBP	Private	Senior	32.8	TMT	Towers	12.49
Cory Environmental	GBP	Private	HoldCo	32.6	Utility	Waste to Energy	8.59
IO Data Centers LLC	USD	Private	Senior	29.9	TMT	Data centers	9.00
Beamish HoldCo 2017	GBP	Private	Senior	29.9	Accommodation	Health care	11.39
Abteen Ventures	USD	Private	Senior	27.9	TMT	Data centers	8.00
Regard Group Mezzanine	GBP	Private	Mezz	23.3	Accommodation	Health care	12.12
Natgasoline Senior	USD	Private	Mezz	20.9	Other	Industrial infra	9.99
Exeltium Mezzanine	EUR	Private	Mezz	18.7	Power	PPA	9.40
Welcome Break No.1 Ltd	GBP	Private	Mezz	18.3	Transport	Motorway Services	8.35
NGG Finance 5.625% 2073	GBP	Public	Mezz	16.6	Utility	Elec. distribution	4.03
Neoen Production	EUR	Private	HoldCo	16.0	Renewables	Solar & Wind	6.99
Bristow Group 6.25% 2022	USD	Public	Mezz	15.5	Transport assets	Aircraft	10.91
Danaos Snr Secured 2018	USD	Private	Senior	14.4	Transport assets	Shipping	15.94
Alinta Energy TL B	USD	Private	Senior	13.4	Utility	Electricity supply	6.73

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

Number of investments	45
Largest / average size (£m)	37.1 / 13.3
Avg. maturity / avg. life (years)	5.8 / 4.6
Portfolio modified duration	2.3
Average equity cushion	34%

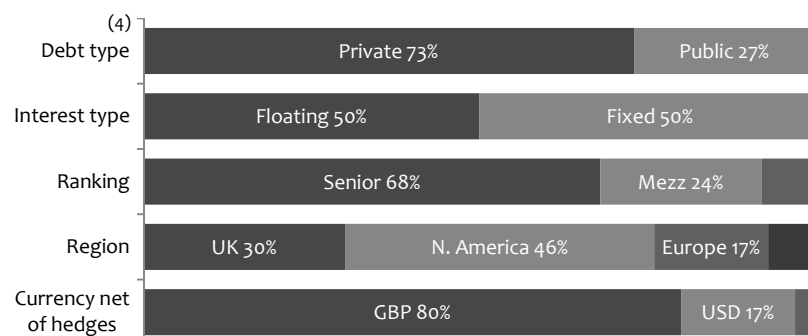
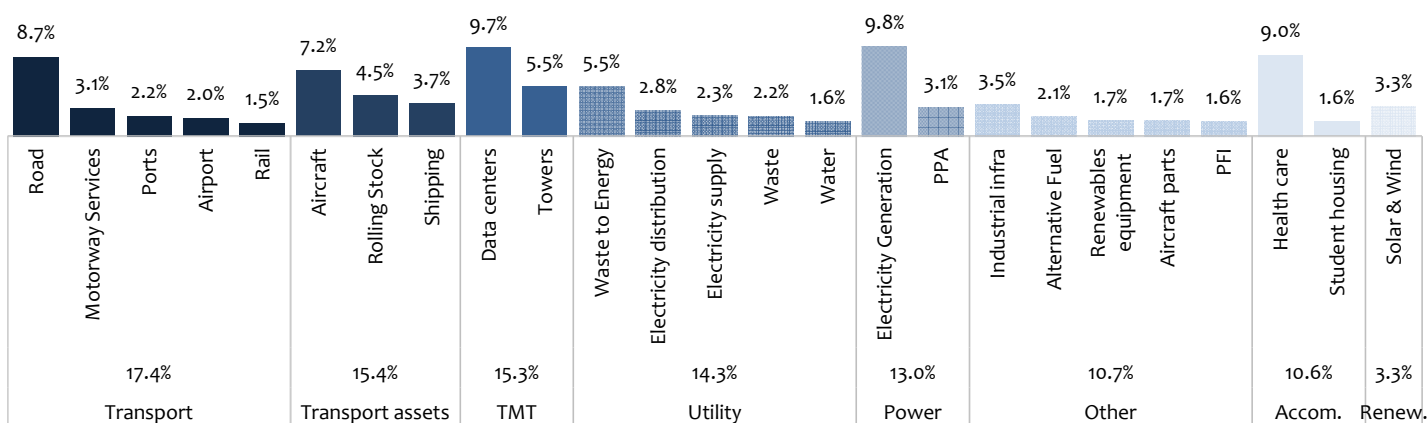
### Estimated portfolio sensitivities

	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%

### NAV movements since IPO

	Pence per share
FX movements <sup>(6)</sup>	+5.94p
Acquisition costs <sup>(7)</sup>	-1.46p
Market movements	+1.85p
Interest income	+10.15p
Expenses	-2.29p
Dividends	-9.50p

### 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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