

# Sequoia Economic Infrastructure Income Fund

Monthly Investor Report 31<sup>st</sup> May 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	747,519,461	Inv. Adviser	Sequoia Investment Mgmt
Share price (pence)	113.00	Custodian	Bank of New York Mellon
NAV per share (pence) (ex-dividend)	101.22	Administrator	Praxis Fund Services Limited
Premium	11.6%	Auditors	KPMG
Total gross assets	£798.2m	Brokers	Stifel Nicolaus Europe
<b>Total net assets</b>	<b>£756.7m</b>	AIFM	International Fund Mgmt Ltd
Market capitalisation of share class	£844.7m	<b>Directors</b>	
Invested portfolio as a % of NAV	74.2%	Robert Jennings (Chair)	
<b>Including assets in process of settlement or draw-down</b>	<b>76.7%</b>	Jan Pethick	
Portfolio yield-to-maturity / yield-to-worst	8.5%	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 announcements

The Board is pleased that the Ordinary Share Issue announced on 3 May was significantly oversubscribed and investor demand for the Issue exceeded the maximum issue size of £160m.

The Board determined to issue 151,658,768 new Ordinary Shares at the Issue Price of 105.5 pence. Accordingly, the gross proceeds of the Issue were approximately £160 million. The Investment Adviser continues to see significant opportunities in the infrastructure debt market.

## SEQI's NAV performance

The increase in SEQI's NAV to 101.22p per share from 101.07p per share on 28<sup>th</sup> April 2017 arose primarily through:

- Interest income net of expenses of 0.46p;
- A decrease of 0.85p in asset valuations;
- No effect from FX movements; <sup>(2)</sup>
- A gain of approximately 0.55p from the Ordinary Share Issue.

## Company update

During May, the Company had invested or committed to invest a total of £27.4m which resulted in the total invested portfolio representing approximately 76.7% of the Company's NAV (including cash from the issue of new shares) as of the 31<sup>st</sup> May 2017. As of the 31<sup>st</sup> May 2017, the Company had gross leverage of £40m which has been drawn and partially deployed, and represents approximately 5.3% 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 £570.0m including accrued interest with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 8.5% 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 96.4% of par, and of those, only 13% had some form of construction risk.

During May, Sterling fell slightly against the Euro and the Dollar, ending the month at €1.147 and \$1.287 respectively, and the Bloomberg USD High Yield Corporate Bond Index rose to 178.8. As of the 31<sup>st</sup> May 2017, approximately 89% 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 two 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 May include (traded but unsettled):

- Primary participation of £10m in the new issue of Heathrow Finance PLC 3.875% 2027 bond issue;
- Primary participation of \$7.5m in the C notes of the new Apollo Aviation 2017-1 aircraft securitization deal; and
- Sale of the underperforming Danaos Senior Secured 2018 loan in order to reduce portfolio risk.

## Market summary

A total of 24 project finance transactions closed in May throughout the Company's eligible jurisdictions, and worth, in aggregate, \$12.5bn. Notable transactions include the 200MW Borkum West II German Offshore Wind project which received €800m of financing of which €591m was debt, and the 600MW Carlsbad Gas-Fired Energy Centre, which is located in San Diego, California, and will replace an existing centre and is fully-contracted with a 20-year PPA with San Diego Gas & Electric.

Eurozone growth was strong in May, however inflation remains subdued and is believed to still require stimulus, according to Mario Draghi. While still dovish, ECB policymakers have noted that risks to the Eurozone's economic outlook are no longer predominantly negative.

The Federal Reserve signalled that a further increase in short-term rates is possible in June, and that reducing the size of its balance sheet will soon be a priority.

## Contact information

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(1) As at 31/03/2017

(2) 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)	1.8%	3.0%	6.4%	8.7%	7.7%	13.0%
Total share price return (SEQI)	1.8%	4.4%	9.2%	14.6%	19.3%	25.2%
NAV (SEQI) <sup>(1)</sup>	0.2%	-0.3%	2.6%	8.9%	14.9%	14.4%

(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	37.6	Transport	Road	3.4
AP Wireless Infrastructure	GBP	Private	Senior	33.0	TMT	Towers	6.2
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	29.1	TMT	Data centers	9.0
Abteen Ventures LLC	USD	Private	Senior	27.2	TMT	Data centers	8.0
Regard Group Mezzanine	GBP	Private	Mezz	23.3	Accommodation	Health care	12.1
Natgas Senior Unsecured	USD	Private	Mezz	20.4	Other	Industrial infra	10.0
Exeltium Mezzanine	EUR	Private	Mezz	19.2	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	16.9	Utility	Electricity dist.	3.8
Neoen Production	EUR	Private	HoldCo	16.5	Renewables	Solar & wind	7.0
Chen. Corp. Christi 7% 2024	USD	Public	Senior	13.0	Transport	Ports	4.8
NRG Energy Inc 7.25% 2026	USD	Public	Senior	12.7	Power	Electricity gen.	6.8
GFL 9.875% 2021	USD	Public	Senior	12.7	Utility	Waste	3.4

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

Number of investments	44
Largest / average size (£m)	37.6 / 12.6
Avg. maturity / avg. life (yrs)	6.0 / 4.5
Portfolio modified duration	2.3
Average equity cushion	35%
Construction risk	13%

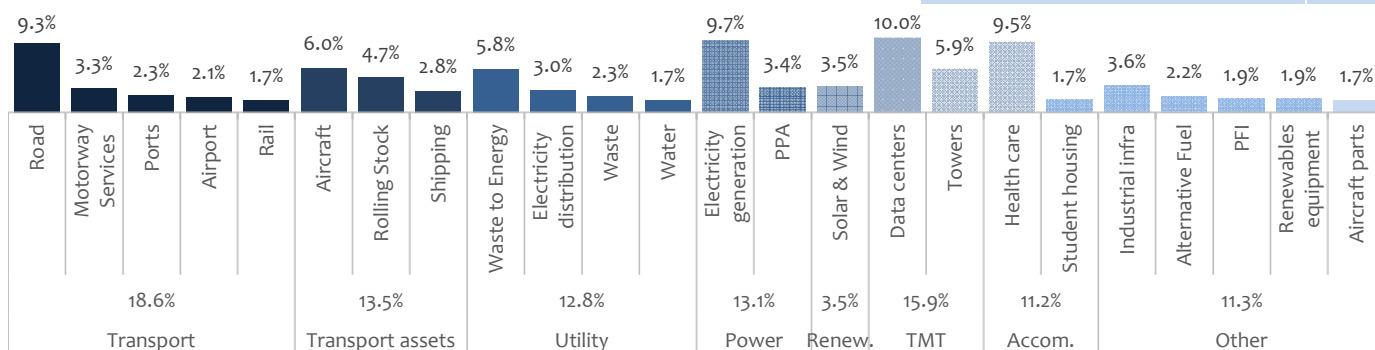
## NAV movements since IPO

Pence per share	
FX movements <sup>(6)</sup>	5.44p
Acquisition costs <sup>(7)</sup>	-1.46p
Market movements	0.95p
Interest income	11.20p
Expenses	-2.48p
Dividends	-11.00p

## Estimated portfolio sensitivities

Change in NAV	
Interest rates +0.5% <sup>(5)</sup>	-1.1%
Interest rates -0.5%	1.1%
Interest rates +1.0%	-2.1%
Interest rates -1.0%	2.3%
Euro +/- 5% (against GBP)	+/- 0.0%
Dollar +/- 5% (against GBP)	+/- 0.5%
Euro down 5% and dollar up 5%	+/- 0.5%

## 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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