

Sequoia Economic Infrastructure Income Fund

Monthly Investor Report 30th June 2017

Summary		SEI	Company information	
Ticker		SEI	Website	www.seqifund.com
Listing date		3 rd March 2015	Year end	31 st March
Shares in issue		747,519,461	Inv. Adviser	Sequoia Investment Mgmt
Share price (pence)		111.50	Custodian	Bank of New York Mellon
NAV per share (pence) (ex-dividend)		101.34	Administrator	Praxis Fund Services Limited
Premium		10.0%	Auditors	KPMG
Total gross assets		£799.1m	Brokers	Stifel Nicolaus Europe Ltd
Total net assets		£757.6m	AIFM	International Fund Mgmt Ltd
Market capitalisation of share class		£833.5m	Directors	
Invested portfolio as a % of NAV		74.2%	Robert Jennings (Chair)	
Including assets in process of settlement or drawdown		77.9%	Jan Pethick	
Portfolio yield-to-maturity / yield-to-worst		7.7%	Jon Bridel	
Next expected dividend declaration		July	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 June, the Company had invested or committed to invest a total of £72.1m which resulted in the total invested portfolio representing approximately 77.9% of the Company's NAV as of the 30th June 2017. At month-end, 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 17 infrastructure bonds for a total of 46 investments that covered 8 sectors and 24 subsectors, and are collectively valued at £567.2m including accrued interest with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 7.7% and a weighted average life across the acquired portfolio of approximately 4.8 years.

The weighted average purchase price of the Company's acquired investments was approximately 96.5% of par, and of those, only 14% had some form of construction risk.

During June, Sterling fell slightly against the Euro but rose sharply against the Dollar, ending the month at €1.1398 and \$1.3025 respectively,

and the Bloomberg USD High Yield Corporate Bond Index fell slightly to 178.4. As of the 30th June 2017, approximately 88% 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 44% of the invested portfolio comprises floating rate assets, with only two LIBOR floors above current LIBOR levels (EUR). As such, the portfolio's yield is likely to rise over time as LIBOR increases. The Company expects the floating rate proportion to exceed 50% once the proceeds of the recent equity issue are deployed.

The Company's investment activities during June include:

- First drawdown of £8.3m for the construction of a student housing development in Glasgow;
- The primary participations in the Apollo Aviation 2017-1 C notes and the Heathrow 3.875% 2027 bonds, whose par values amount to \$7.5m and £10m respectively;
- Incremental investments in the following assets:
 - \$3.6m of Apollo Aviation 2016-2 C notes;
 - \$12.5m of IO Data Centers loan;
 - \$5m of Global Ship Lease 10% 2019 bonds;
 - \$7m of Talen Energy's 6.5% 2025 bonds;

Lastly, the £30mm FC Beamish Bidco deal prepaid in June which was in-line with the Company's expectations.

SEI's NAV performance

The increase in SEI's NAV to 101.34p per share from 101.22p per share on 31st May 2017 arose primarily through:

- Interest income net of expenses of 0.42p;
- A decrease of 0.04p in asset valuations;
- A decrease of 0.25p from FX movements; ⁽²⁾

Market summary

A total of 17 project finance transactions closed in June throughout the Company's eligible jurisdictions, and worth, in aggregate, \$4.05bn. Notable transactions include the South Western Rolling Stock project to purchase trains for South Western in the UK, which received £1,015m of financing of which £895m was debt, and the 365MW Vortex UK Solar PV Portfolio Refinancing, which received £355m in debt funding.

Eurozone growth was strong in June, with unemployment throughout the region at an eight year low and factory activity at a six year high. While inflation was still below the 2 per cent target, Mario Draghi signaled that the ECB may begin to tighten its economic policy.

The Federal Reserve raised rates in the middle of the month and signaled that they may increase rates once more during 2017. The unexpected outcome of the General Election led to more uncertainty about the direction the British economy will take.

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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 ⁽²⁾
Share price	-1.3%	1.1%	-2.3%	3.7%	4.7%	11.5%
Total share price return	-1.3%	2.5%	0.3%	9.4%	15.9%	23.5%
NAV ⁽¹⁾	0.1%	0.0%	1.6%	5.7%	17.0%	14.5%

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

Portfolio summary (15 largest settled investments)

Transaction name	Ccy	Type	Ranking	Value £m ⁽¹⁾	Sector	Sub-sector	Yield ⁽²⁾
IO Data Centers	USD	Private	Senior	38.4	TMT	Data centers	9.00
A'l'ienor S.A.S. (A65)	EUR	Private	Senior	38.0	Transport	Road	3.29
AP Wireless Infrastructure	GBP	Private	Senior	33.0	TMT	Towers	6.31
Cory Environmental	GBP	Private	HoldCo	32.7	Utility	Waste to Energy	8.50
Abteen Ventures 2017	USD	Private	Senior	26.9	TMT	Data centers	8.00
Regard Group Mezzanine	GBP	Private	Mezz	23.6	Accommodation	Health care	12.06
Exeltium Mezzanine	EUR	Private	Mezz	20.5	Power	PPA	12.39
Natgasoline	USD	Private	Mezz	20.2	Other	Industrial infra	10.00
Welcome Break No.1 Ltd	GBP	Private	Mezz	18.3	Transport	Motorway Services	8.33
NGG Finance 5.625% 2073	GBP	Public	Mezz	17.0	Utility	Elec. distribution	3.63
Neoen Production	EUR	Private	HoldCo	16.6	Renewables	Solar & Wind	7.00
Chen. Corp. Christi 7% 2024	USD	Public	Senior	12.8	Transport	Ports	4.93
NRG Energy Inc 7.25% 2026	USD	Public	Senior	12.7	Power	Elec. Generation	6.58
GFL 9.875% 2021	USD	Public	Senior	12.5	Utility	Waste	3.45
Green Plains TL B	USD	Private	Senior	12.3	Other	Alternative Fuel	6.60

Portfolio characteristics ⁽³⁾

Number of investments	46
Largest / avg size (£m)	38.4 / 12.2
Avg. maturity / avg. life (yrs)	6.5 / 4.8
Portfolio modified duration	2.6
Average equity cushion	35%
Construction risk	14%

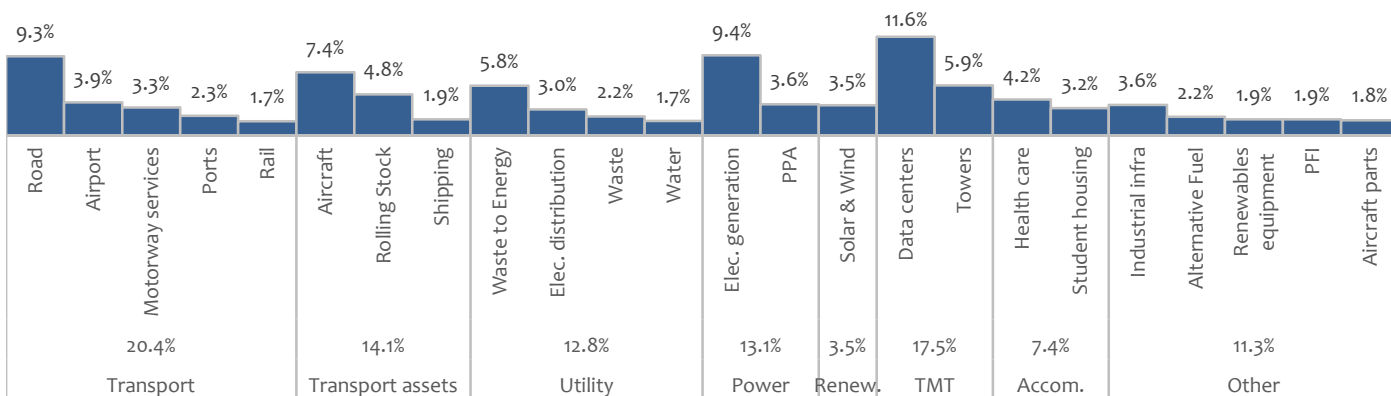
NAV movements since IPO

	Pence per share
FX movements ⁽⁶⁾	4.97p
Acquisition costs ⁽⁷⁾	-1.48p
Market movements	1.06p
Interest income	11.56p
Expenses	-2.62p
Dividends	-11.00p
Subscriptions	0.83p

Estimated portfolio sensitivities

	Change in NAV
Interest rates +0.5% ⁽⁵⁾	-1.2%
Interest rates -0.5%	1.2%
Interest rates +1.0%	-2.3%
Interest rates -1.0%	2.6%
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.



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