

Sequoia Economic Infrastructure Income Fund

Monthly Investor Report 29th September 2017

Summary		Company information	
Ticker	SEI	Website	www.seqifund.com
Listing date	3 rd March 2015	Year end	31 st March
Shares in issue	747,754,796	Inv. Adviser	Sequoia Investment Mgmt
Share price (pence)	112.80	Custodian	Bank of New York Mellon
NAV per share (pence) (ex-dividend)	101.24	Administrator	Praxis Fund Services Limited
Premium	11.4%	Auditors	KPMG
Total gross assets	£799.0m	Brokers	Stifel Nicolaus Europe Ltd
Total net assets	£757.0m	AIFM	International Fund Mgmt Ltd
Market capitalisation of the Company	£843.5m	Directors	
Invested portfolio as a % of NAV	88.5%	Robert Jennings (Chair)	
Including assets in process of settlement or drawdown	95.4%	Jan Pethick	
Portfolio yield-to-maturity / yield-to-worst	8.1%	Jon Bridel	
Next expected dividend declaration	October	Sandra Platts	
Ongoing charge ratio ⁽¹⁾	0.96%		
Of which, the Investment Adviser's fee ⁽¹⁾	0.62%		

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 September, the Company's investment activities resulted in the total invested portfolio of 88.5% of the Company's NAV, with an additional £52.5m either traded but not settled or undrawn commitments. The total amount invested and committed represents 95.4% of the Company's NAV. The Company had gross leverage of £40m representing c.5.3% of NAV.

The portfolio held 33 private debt investments and 20 infrastructure bonds for a total of 53 investments that covered 8 sectors and 25 subsectors, and are collectively valued at £677.7m (incl. accrued interest). The annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) was 8.1% and the acquired portfolio had a weighted average life of approximately 4.5 years. Private debt investments represented 73% of the Company's investments. The weighted average purchase price of the Company's acquired investments was c.95.0% of par. Investments which are pre-operational represent 15.8% of NAV.

As of the 29th September 2017, approximately 90% 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 historically been modest.

Approximately 57% 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 settled investment activities during September include:

- A €40m secondary purchase of a loan strip for Warnow Tunnel, a toll road that crosses the Warnow River in Rostock, Germany;
- A £32m strip of bonds for Theatre (Hospitals) plc, which finances operating hospitals in the UK;
- The final drawdown of \$20m to Hawaiki, a company that lays broadband cable across the Pacific Ocean to connect Australia, Hawaii, and the US;
- The first drawdown of \$20.9m to Tracy Hills, a residential infrastructure project in California;
- A \$25m secondary market purchase of a loan to Terra-Gen, a southern California renewables company that produces 653MW of renewable energy.

SEI's NAV performance

The increase in SEI's NAV to 101.24p per share from 100.81p per share on 31st August 2017 arose primarily through:

- Interest income net of expenses of 0.47p;
- An increase of 0.45p in asset valuations;
- A decrease of 0.49p from FX movements.⁽²⁾

Market summary

A total of 44 project finance transactions closed in September throughout the Company's eligible jurisdictions, and were worth \$10.7b in aggregate. Notable transactions during the month include:

- The £207m primary financing of the second phase of the Ferrybridge Multifuel 2 EfW plant. The plant is under construction and is intended to process up to 675 thousand tonnes of waste each year upon operations;
- The \$179.4m refinancing of the Mesquite gas-fired generation station in Arizona;
- The \$438 million investment-grade refinancing of the Tenaska solar project in Imperial Valley, California.

In September, the Federal Reserve announced it intended to unwind some of the stimulus it had put into place after the 2008 financial crisis. It will begin to cut its balance sheet in October and is expected to raise interest rates once more in 2017, with three rate hikes expected in 2018.

The eurozone economy has continued to grow, with the ECB raising its growth forecast to 2.2%, the highest seen since 2007. During September, both the Euro and the US Dollar weakened against Sterling ending the month at €1.1348 and \$1.3395 respectively, and the Bloomberg USD High Yield Corporate Bond Index rose slightly to 182.3.

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(1) For quarter ending 30/06/2017

(2) Net of currency hedges

Performance since IPO

Share class	1 month	3 months	6 months	1 year	2 years	ITD ⁽²⁾
Share price	-0.8%	1.2%	2.3%	0.0%	8.2%	12.8%
Total share price return	-0.8%	2.5%	5.1%	5.6%	20.3%	26.6%
NAV ⁽¹⁾	0.4%	1.3%	1.2%	5.5%	17.0%	16.0%

(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⁾
A'lienor S.A.S. (A65)	EUR	Private	Senior	38.2	Transport	Road	3.5
AP Wireless	GBP	Private	Senior	38.0	TMT	Towers	6.0
Hawaiki Mezzanine	USD	Private	Mezz	38.0	TMT	Undersea cable	11.2
IO Data Centers	USD	Private	Senior	37.3	TMT	Data centers	9.0
Cory Environmental	GBP	Private	HoldCo	32.7	Utility	Waste-to-energy	8.5
Regard Group	GBP	Private	Mezz	29.0	Accomm.	Health care	12.1
Abteen Ventures	USD	Private	Senior	26.1	TMT	Data centers	8.0
Warnow Tunnel	EUR	Private	Senior	21.1	Transport	Road	6.8
Exeltium Mezzanine	EUR	Private	Mezz	20.6	Power	PPA	12.4
Natgasoline	USD	Private	Mezz	20.6	Other	Industrial infra	10.0
Welcome Break No.1 Ltd	GBP	Private	Mezz	18.3	Transport	Motorway services	8.3
NGG Finance 5.625% 2073	GBP	Public	Mezz	17.0	Utility	Elec. distribution	3.5
Terra-Gen Power TL B	USD	Private	Senior	17.0	Renewables	Solar & wind	8.1
Neoen Production	EUR	Private	HoldCo	16.6	Renewables	Solar & wind	7.0
Tracy Hills TL 2025	USD	Private	Senior	15.6	Other	Residential infra	9.3

Portfolio characteristics ⁽³⁾

Number of investments	53
Largest / avg size (£m)	38.2 / 12.6
Avg. maturity / avg. life (yrs)	6.7 / 4.5
Portfolio modified duration	1.9
Average equity cushion	33%
Construction risk	15.8%

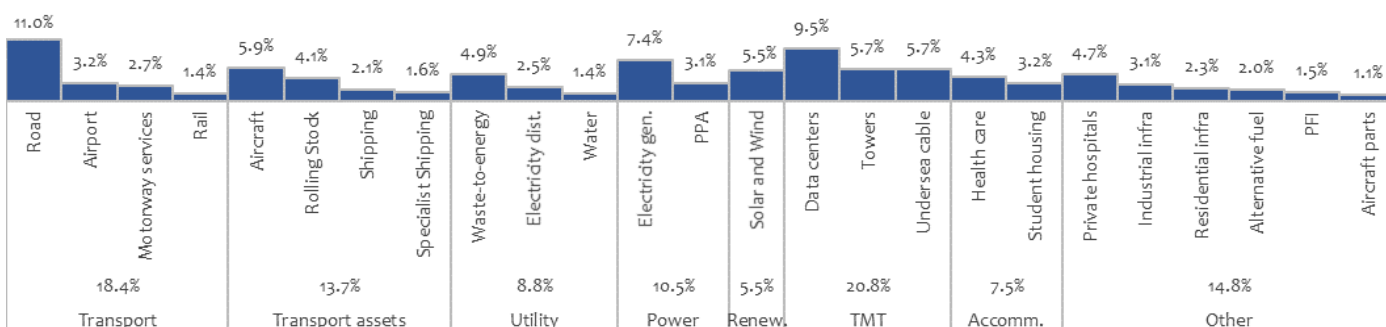
NAV movements since IPO

Pence per share	
FX movements ⁽⁶⁾	5.24
Acquisition costs ⁽⁷⁾	-1.66
Market movements	-1.19
Interest income ⁽⁸⁾	14.96
Expenses	-2.79
Dividends	-12.50
Subscriptions	1.16

Estimated portfolio sensitivities

Change in NAV	
Interest rates +0.5% ⁽⁵⁾	-1.1%
Interest rates -0.5%	1.1%
Interest rates +1.0%	-2.1%
Interest rates -1.0%	2.3%
Euro +/- 5% (against GBP)	+/- 0.2%
Dollar +/- 5% (against GBP)	+/- 0.2%
Dollar up 5% and Euro down 5%	+/- 0.1%

Sectors and sub-sectors



(1) Excluding accrued interest;

(2) Yield to maturity / worst;

(3) All information based on settled investments only;

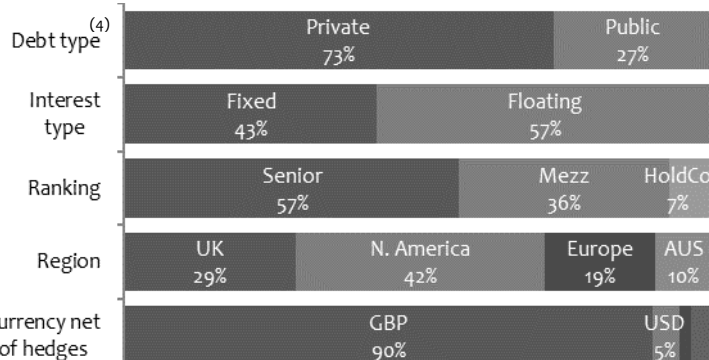
(4) Percentage of invested assets (excluding cash);

(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.

(8) PIK interest and fee income were previously recorded as capital gains, and have been retroactively applied up and including this month's NAV movements.



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