

Sequoia Economic Infrastructure Income Fund

Monthly Investor Report 31st October 2017

Summary		Company information	
Ticker	SEQI	Website	www.seqifund.com
Listing date	3 rd March 2015	Year end	31 st March
Shares in issue	748,030,682	Inv. Adviser	Sequoia Investment Mgmt
Share price (pence)	112.00	Custodian	Bank of New York Mellon
NAV per share (pence) (ex-dividend)	100.75	Administrator	Praxis Fund Services Limited
Premium	11.2%	Auditors	KPMG
Total gross assets	£805.5m	Brokers	Stifel Nicolaus Europe Ltd
Total net assets	£753.6m	AIFM	International Fund Mgmt Ltd
Market capitalisation of the Company	£837.8m	Directors	
Invested portfolio as a % of NAV	86.1%	Robert Jennings (Chair)	
Including assets in process of settlement or drawdown	96.6%	Jan Pethick	
Portfolio yield-to-maturity / yield-to-worst	7.8%	Jon Bridel	
Next expected dividend declaration	January	Sandra Platts	
Ongoing charge ratio ⁽¹⁾	0.92%		
Of which, the Investment Adviser's fee ⁽¹⁾	0.63%		

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 October, the Company's investment activities resulted in the total invested portfolio of 86.1% of the Company's NAV, with an additional £78.9m either traded but not settled or undrawn commitments. The total amount invested and committed represents 96.6% 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 24 subsectors, and are collectively valued at £655.8m (incl. accrued interest). The annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) was 7.8% and the acquired portfolio had a weighted average life of approximately 4.7 years. Private debt investments represented 71% of the Company's investments. The weighted average purchase price of the Company's acquired investments was c.94.9% of par. Investments which are pre-operational represent 15.8% of total assets.

As of the 31st October 2017, approximately 92% 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 54% 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's settled investment activities during October include:

- A \$21.7m direct origination to Sunrun, a residential solar portfolio; and
- An incremental £5.6m strip of bonds for Theatre (Hospitals) plc, which finances operating hospitals in the UK.

Additionally, the Company sold its \$19.3m position of Longview Power and the £38.0m investment in AP Wireless repaid in full on its maturity date.

SEQI's NAV performance

The decrease in SEQI's NAV to 100.75p per share from 101.24p per share on 29th September 2017 arose primarily through:

- Interest income net of expenses of 0.53p;
- An increase of 0.50p in asset valuations;
- A decrease of 0.03p from FX movements;⁽²⁾ and
- A dividend payable of 1.50p.

Market summary

A total of 23 project finance transactions closed in October throughout the Company's eligible jurisdictions, and were worth \$5.6b in aggregate. Notable transactions during the month include:

- The €83m additional financing of the 27.5MW Slievecallan East and 47MW Ballyhoura onshore wind farms in Ireland;
- The \$208m private placement bond refinancing of the Windsor Essex Parkway project in Ontario, Canada; and
- The \$200 mezzanine debt investment by AMP Capital into Vertical Bridge, the largest private US telecommunications tower infrastructure owner.

In October, estimates of third quarter United States economic growth were at 3%, above the projected 2.5%. The US economy added 261,000 jobs, reducing the unemployment rate to 4.1%. Jerome Powell has been nominated as the new Federal Reserve chairman, but is not anticipated to change the central bank's policies, with an interest rate rise in December still expected. The eurozone economy has continued to grow, with a 0.6% GDP growth during Q3, giving an annualized growth rate of 2.5%. During October, the Euro weakened and the US Dollar strengthened against Sterling ending the month at €1.1405 and \$1.3283 respectively, and the Bloomberg USD High Yield Corporate Bond Index rose slightly to 183.2.

Contact information

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(1) For quarter ending 29/09/2017

(2) Net of currency hedges

Performance since IPO

SEQI	1 month	3 months	6 months	1 year	2 years	ITD ⁽²⁾
Share price	-0.7%	0.9%	0.9%	1.8%	8.7%	12.0%
Total share price return	0.6%	2.3%	3.6%	7.4%	22.5%	27.4%
NAV ⁽¹⁾	0.9%	2.0%	2.4%	4.2%	18.3%	17.0%

(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⁾
Hawaiki Mezzanine Loan	USD	Private	Mezz	38.7	TMT	Undersea cable	11.2
A'lienor S.A.S. (A65)	EUR	Private	Senior	37.8	Transport	Road	3.1
IO Data Centers	USD	Private	Senior	37.7	TMT	Data centers	9.0
Cory Environmental	GBP	Private	HoldCo	32.7	Utility	Waste-to-energy	8.5
Regard Group Mezzanine	GBP	Private	Mezz	29.0	Accomm.	Health care	12.1
Abteen Ventures	USD	Private	Senior	26.4	TMT	Data centers	8.0
Warnow Tunnel	EUR	Private	Senior	21.0	Transport	Road	6.8
Natgasoline	USD	Private	Mezz	20.8	Other	Industrial infra	10.0
Exeltium Mezzanine	EUR	Private	Mezz	20.5	Power	PPA	12.4
Welcome Break No.1 Ltd	GBP	Private	Mezz	18.3	Transport	Motorway services	8.4
Terra-Gen Power TL B	USD	Private	Senior	17.1	Renew.	Solar & wind	8.0
NGG Finance 5.625% 2073	GBP	Public	Mezz	17.1	Utility	Elec. distribution	3.5
Neoen Production	EUR	Private	HoldCo	16.6	Renew.	Solar & wind	7.0
Tracy Hills TL 2025	USD	Private	Senior	15.7	Other	Residential infra	9.3
Global Ship Lease 10% 2019	USD	Public	Senior	14.5	Transp. assets	Shipping	5.0

Portfolio characteristics ⁽³⁾

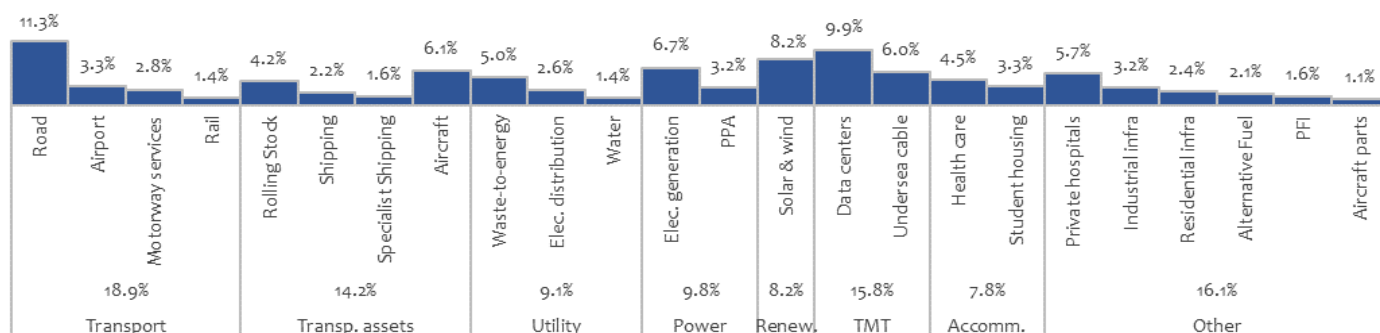
Number of investments	53
Largest / avg size (£m)	38.7 / 12.2
Avg. maturity / avg. life (yrs)	7.0 / 4.7
Portfolio modified duration	2.0
Average equity cushion	31%
Construction risk	15.8%

NAV movements since IPO

Pence per share	
FX movements ⁽⁶⁾	5.21
Acquisition costs ⁽⁷⁾	-1.69
Market movements	-0.64
Interest income ⁽⁸⁾	15.55
Expenses	-2.88
Dividends	-14.00

Estimated portfolio sensitivities

Change in NAV	
Interest rates +0.5% ⁽⁵⁾	-1.1%
Interest rates -0.5%	1.2%
Interest rates +1.0%	-2.1%
Interest rates -1.0%	2.4%
Euro +/- 5% (against GBP)	± 0.2%
Dollar +/- 5% (against GBP)	± 0.1%
Dollar up 5% and Euro down 5%	± 0.0%



(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.

Debt type ⁽⁴⁾	Private 71%	Public 29%		
Interest type	Fixed 46%	Floating 54%		
Ranking	Senior 52%	Mezz 40%	HoldCo 8%	
Region	UK 25%	N. America 46%	Europe 19%	Aus/NZ 10%
Currency net of hedges	GBP 92%	USD 3%		

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