

Sequoia Economic Infrastructure Income Fund

Monthly Investor Report 31st January 2018

Summary		Company information	
LSE Ticker	SEI	Website	www.seqifund.com
LSE index constituency ⁽¹⁾	FTSE 250	Year end	31 st March
Listing date	3 rd March 2015	Inv. Adviser	Sequoia Investment Mgmt
Shares in issue	748,315,757	Custodian	Bank of New York Mellon
Share price (pence)	109.00	Administrator	Praxis Fund Services Limited
NAV per share (pence)	101.04	Auditors	KPMG
Premium	7.9%	Brokers	Stifel Nicolaus Europe Ltd
Total gross assets	£768.1m	AIFM	International Fund Mgmt Ltd
Total net assets	£756.1m		
Market capitalisation of the Company	£815.7m	Directors	
Invested portfolio as a % of NAV	87.1%	Robert Jennings (Chair)	
Total portfolio, including committed amounts, as a % of NAV	97.6%	Jan Pethick	
Portfolio yield-to-maturity / yield-to-worst	7.9%	Jon Bridel	
Next expected dividend declaration	April 2018	Sandra Platts	
Ongoing charge ratio ⁽²⁾	0.93%		
Of which, the Investment Adviser's fee⁽²⁾	0.64%		

Overview

Sequoia Economic Infrastructure Income Fund Limited (the "Company") seeks to provide investors with regular, sustained, long-term distributions and capital appreciation from a diversified portfolio, across a range of jurisdictions, sectors and sub-sectors, of senior and subordinated economic infrastructure debt investments. 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

as at 31 January 2018

The Company's invested portfolio represented 87.1% of the Company's NAV, with an additional £79.6m either traded but not settled or undrawn commitments. The total portfolio, including both acquired assets and assets which the Company has committed to buy but remain unsettled or undrawn, represented 97.6% of the Company's NAV.

The total portfolio comprised a total of 54 investments collectively valued at £745.1m (including accrued interest): 34 private debt investments and 20 infrastructure bonds across 8 sectors and 23 subsectors.

The total portfolio had an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 7.9% and a weighted average life of approximately 5.2 years. Private debt investments represented 75% of the total portfolio and 61% of it comprised floating rate assets. The weighted average purchase price of the Company's investments was c.95.3% of par.

Investments which are pre-operational represented 15.9% of total assets.

As at 31 January 2018, approximately 93% 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.

The Company's settled investment activities during January include:

- A £36.0m primary loan to Active Assistance, provides specialised health care throughout the UK.
- An additional \$27.0m disbursement to Tracy Hills, the residential infrastructure project in Northern California;
- An additional \$7.4m loan to Terra-Gen, a renewable energy company focused on utility-scale wind, solar and geothermal generation;
- An additional €4.8m disbursement to Project Warsaw, a portfolio of wind farms in Poland;
- Primary participations of \$2.0m and \$5.0m of Apollo Aviation 2018-1B and 2018-1C;
- An additional £1.1m disbursement to the Clyde Street Student Housing development in Glasgow.

Lastly, three investments repaid during the month of January in line with the Company's expectations:

- IO Data Centres which prepaid its amount due in full equal to \$50.0m;
- The Regard Mezzanine and HoldCo healthcare loans worth £24.4m; and
- The \$11.2m of All Aboard Florida bonds were also called.

SEI NAV movements

The increase in SEI's NAV to 101.04p per share from 100.31p (ex-div) per share as at 29 December 2017 arose primarily through:

- Interest income net of expenses of 0.60p;
- An increase of 0.29p in asset valuations;
- A decrease of 0.16p from FX movements.⁽³⁾

Market summary

A total of 27 project finance transactions closed in January throughout the Company's eligible jurisdictions, worth \$7.4bn in aggregate. Notable transactions during the month include:

- A CAD \$411m primary financing of development of a new patient care tower in Michael Garron Hospital in Toronto;
- A £40m term loan for the construction of new student housing in Birmingham;
- A €164m PPP contract given by the City of Cologne to refurbish and expand 4 schools;
- The €135m refinancing of Lestenergia's 144MW Portuguese wind portfolio, designed to pay back existing debt and improve the company's liquidity position.

The equity markets experienced extreme volatility in February, with US VIX more than doubling and the Dow falling 10%. This was triggered by inflationary fears, increasing the risk of the Fed raising rates faster than expected. Equity price weakness has not, however, spilled over to the credit markets with the US CDX high yield index falling by only 1.8% during the same period. Moreover, we have not noticed any material drop in our asset values, as infrastructure debt has a low correlation to the market and is defensive in nature.

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(1) For the FTSE UK Index Rebalance cut-off period beginning 28 November 2017 1

(2) For the nine months ending 29/12/2017, annualised.

(3) Net of currency hedges

Performance since IPO

SEQI	1 month	3 months	6 months	1 year	2 years	ITD ⁽²⁾
Share price	-3.5%	-2.7%	-1.8%	-2.2%	7.9%	9.0%
Total share price return	-2.2%	-1.4%	0.9%	3.1%	20.2%	25.7%
NAV ⁽¹⁾	0.6%	1.6%	3.7%	4.1%	16.8%	18.9%

(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	39.2	Transport	Road	5.5
Hawaiki Mezzanine Loan	USD	Private	Mezz	37.3	TMT	Undersea cable	11.6
Active Assistance Group	GBP	Private	Senior	36.4	Accomm.	Health care	8.4
Tracy Hills TL 2025	USD	Private	Senior	33.8	Other	Residential infra	9.7
Cory Environmental	GBP	Private	HoldCo	31.3	Utility	Waste-to-energy	8.5
Aquaventure	USD	Private	Senior	24.7	Utility	Water	7.7
Abteen Ventures	USD	Private	Senior	24.7	TMT	Data centers	8.0
Warnow Tunnel	EUR	Private	Senior	20.7	Transport	Road	6.8
Terra-Gen Power TL B	USD	Private	Senior	20.3	Renewables	Solar & wind	9.4
Natgasoline	USD	Private	Mezz	19.4	Other	Industrial infra	10.0
Exeltium Mezzanine	EUR	Private	Mezz	19.3	Power	PPA	9.4
Welcome Break No.1 Ltd	GBP	Private	Mezz	18.3	Transport	Motorway services	8.5
Bulb Energy Senior Secured	GBP	Private	Senior	17.7	Utility	Electricity supply	9.0
NGG Finance 5.625% 2073	GBP	Public	Mezz	17.1	Utility	Elec. distribution	3.4
Neoen Production	EUR	Private	HoldCo	15.3	Renewables	Solar & wind	7.0

Portfolio characteristics ⁽³⁾

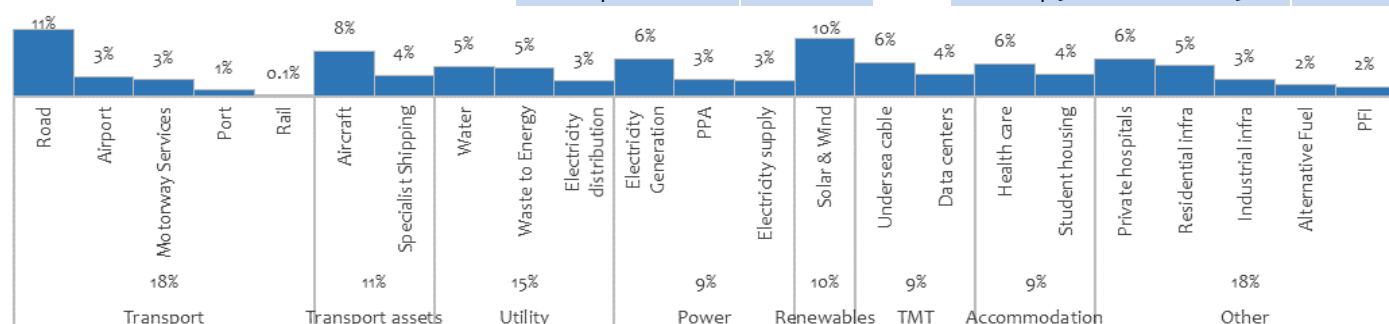
Number of investments	54
Largest / avg size (£m)	39.2 / 12.2
Avg. maturity / avg. life (yrs)	7.5 / 5.2
Portfolio modified duration	1.9
Average equity cushion	32%
Pre-operational risk	15.9%

NAV movements since IPO ⁽¹⁰⁾

Pence per share	
Interest income ⁽⁶⁾	17.56
Expenses	-3.17
Market movements	0.05
FX movements ⁽⁷⁾	-1.85
Acquisition costs ⁽⁸⁾	4.76
Dividends	-15.50
Subscriptions	1.17

Estimated portfolio sensitivities

Change in NAV	
Interest rates +0.5% ⁽⁵⁾	-1.0%
Interest rates -0.5%	1.1%
Interest rates +1.0%	-2.0%
Interest rates -1.0%	2.2%
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, unless otherwise noted;

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

(7) Net of currency hedges;

(8) 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;

(9) Yield-to-date of expected refinancing;

(10) Based on a NAV at IPO of 98.02.

Debt type ⁽⁴⁾	Private 75%	Public 25%		
Interest type	Fixed 39%	Floating 61%		
Ranking	Senior 55%	Mezz 38%	HoldCo 7%	
Region	UK 29%	N. America 42%	Europe 22%	Aus/NZ 7%
Currency net of hedges	GBP 92%	USD 3%		

Disclaimer

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