

# Sequoia Economic Infrastructure Income Fund

Monthly Investor Report 30<sup>th</sup> November 2015



Summary	Ordinary Shares	C Shares	Company information	
Ticker	SEQL	SEQC	Website	<a href="http://www.seqifund.com">www.seqifund.com</a>
Listing date	3 <sup>rd</sup> March 2015	2 <sup>nd</sup> November 2015	Year end	31 <sup>st</sup> March
Shares in issue	150,085,425	146,853,627	Inv. Adviser	Sequoia Investment Mgmtnt
Share price	104.00p	101.63p	Custodian	Bank of New York Mellon
NAV per share	95.61p	97.99p	Administrator	Praxis
Premium	8.8%	3.7%	Auditors	KPMG
Total net assets	£143.5m	£144.9m	Brokers	Stifel Nicolaus Europe
Market capitalisation of share class	£156.1m	£149.2m	AIFM	International Fund Mgmtnt Ltd
Invested portfolio as a % of NAV	96.8%	33.2%	<b>Directors</b>	
<b>Including assets in settlement</b>	<b>97.7%</b>	<b>42.3%</b>	Robert Jennings (Chair)	
Portfolio yield to maturity / yield to worst	8.0%	6.8% (8%+ expected once fully invested)	Jan Pethick	
Next expected div. (ex div. / payment)	Jan. / Feb.	Apr. / May <sup>(1)</sup>	Jon Bridel	
			Sandra Platts	

## 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 London Stock Exchange. 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 to not invest any of its assets into equity products, including of 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.

## Ordinary Share update

As of the 30<sup>th</sup> November 2015, the Ordinary share class held 13 infrastructure bonds and 14 private debt investments, collectively valued at £140.7m including accrued interest, with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 8.0% and a weighted average life across the acquired portfolio of approximately 6.6 years.

In aggregate, the value of these investments<sup>(2)</sup> is approximately 96.8% of the Net Asset Value of the Company, which will rise to 97.7% when an incremental investment in one loan settles. The investments are across the UK, Western Europe, Australia, Canada and the US and include the road, rail, utility, power, shipping, renewables and aircraft leasing sectors.

In November, the Company sold its entire investment of €3m in the Senvion 6.625% bonds at a price of 104 plus accrued interest, having acquired them at a price of 99.25 in early June, resulting in a realised IRR of 17.5%.

The Company has successfully negotiated with the providers of its foreign exchange hedging

to release all the collateral that they were holding, and this cash, together with the proceeds from the sale of the Senvion bonds, has been invested firstly in a €5m senior unlisted bond issued by DBB Jack-up Services A/S, the market-leading provider of O&M services to offshore wind installations, which pays a coupon of Euribor+8.5% and, secondly, in an incremental investment of \$2.7m in the Castllake 2014-1 B loan which pays a coupon of 7.5%.

The Ordinary Shares paid their second dividend of 1p per share in November, and have delivered a total return (annualised) of 8.2% to investors in the IPO.

## C Share update

At month end, the C Share class held three private debt investments and four infrastructure bonds, with a further three loans in the process of settlement. These assets are collectively valued at £61.4m<sup>(3)</sup>, with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 6.8% and a weighted average life across the acquired portfolio of approximately 4.7 years.

The investments are geographically diverse and cover the road, rail, aircraft leasing, power, utility and elderly care sectors.

The Investment Adviser continues to see excellent opportunities for the deployment of capital in the economic infrastructure debt sector, and expects the overall yield on the Class C portfolio to be approximately 8% or higher, once fully invested.

## Ordinary Share NAV performance

The decrease in the Ordinary Share NAV to 95.61p from 95.95p per share arose primarily through:

- Payment of the quarterly dividend of 1.0p;
- Interest income net of expenses of 0.40p;
- A gain of 0.62p on FX movements; and
- A decline of 0.36p in asset valuations.

## C Share NAV performance

The stable level of the Class C NAV arose through modest portfolio gains cancelled out

by FX losses, and interest income covering the C Share operating costs.

## Market summary

November showed some activity in the infrastructure debt sector with seven transactions closing across the UK and Western Europe. Notable deals included the €3.3bn refinancing of Veolia's revolving credit facility and the €900m acquisition of Finerge by First State Wind Energy. In addition, there was a £284m refinancing of a 110MW portfolio of UK solar projects by Lightsource Renewable Energy.

Sterling fell from \$1.54 to \$1.50 against the US dollar in November. The euro however weakened against sterling ending at £0.70 compared with £0.71 at the end of October.

US news flow was again dominated by the debate over a potential interest rate hike at the next Fed meeting on the 16<sup>th</sup> December. The Eurozone economy grew 1.6% year-on-year in 3Q2015, the fastest growth rate in 4 years. Expectation of ECB action regarding monetary policy easing grew over the month. The Bloomberg USD High Yield Corporate Bond Index fell to 149 from 152, following a sharp increase in October.

10-year US Treasury rates rose by 7 bps to 2.21%. Euro term rates fell slightly over the month with 10-year Bund yielding 47bps, down by 9bps at the start of the November.

## Contact information

### Sequoia Investment Management Company

Randy Sandstrom 020 7079 0483

[r.sandstrom@seqimco.com](mailto:r.sandstrom@seqimco.com)

Greg Taylor 020 7079 0486

[g.taylor@seqimco.com](mailto:g.taylor@seqimco.com)

Dolf Kohnhorst 020 7079 0482

[d.kohnhorst@seqimco.com](mailto:d.kohnhorst@seqimco.com)

Steve Cook 020 7079 0481

[s.cook@seqimco.com](mailto:s.cook@seqimco.com)

(1) Unless conversion into ordinary shares occurs before this date; (2) Excluding accrued interest; (3) Including accrued interest, and with investments in the process of settlement valued at cost

## Ordinary Share portfolio summary (ten largest settled investments)

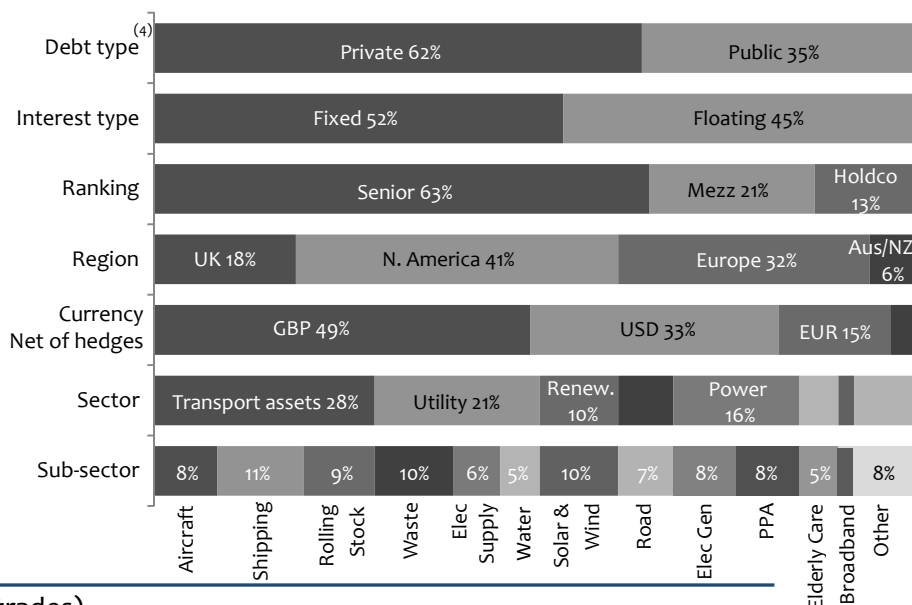
Transaction name	Currency	Type	Ranking	Value £m <sup>(1)</sup>	Sector	Sub-sector	Yield <sup>(2)</sup>
Neoen Production 1 S.A.S.U.	EUR	Private	HoldCo	13.7	Renewables	Solar & wind	7.00
Biffa TL A	GBP	Private	Senior	12.9	Utility	Waste	6.69
Exeltium Mezzanine	EUR	Private	Mezz	11.2	Power	PPA	8.50
Danaos Snr Secured 2018	USD	Private	Senior	8.6	Transport assets	Shipping	8.14
Dulles Greenway 2029	USD	Public	Senior	7.9	Transport	Road	6.88
N. Las Vegas Water 6.572% 2040	USD	Public	Senior	7.3	Utility	Water	7.43
Invenergy TL B	USD	Private	Senior	6.6	Power	Elec. generation	6.50
Global Ship Lease 10% 2019	USD	Public	Senior	6.5	Transport assets	Shipping	10.53
Green Plains TL B	USD	Private	Senior	6.5	Other	Alternative fuel	6.69
Ascendos Rail 2nd lien	EUR	Private	Mezz	5.1	Transport assets	Rolling Stock	4.81

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

Number of investments	27
Largest / average size (£ million)	13.7 / 5.2
Average maturity / ave. life (years)	8.4 / 6.6
Portfolio modified duration	3.9

### Estimated portfolio sensitivities

	Change in NAV
Interest rates +0.5% <sup>(5)</sup>	-1.9%
Interest rates -0.5%	+2.1%
Interest rates +1.0%	-3.8%
Interest rates -1.0%	+4.3%
Euro +/- 5% (against GBP)	-/+ 0.7%
Dollar +/- 5% (against GBP)	-/+ 1.6%
Euro down 5% and dollar up 5%	+0.9%



## C Share portfolio summary (all settled trades)

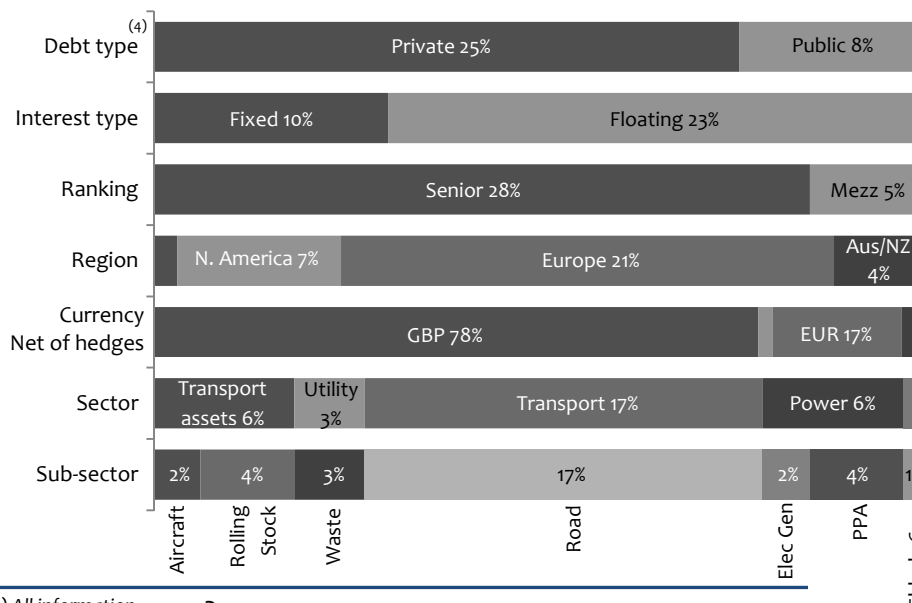
Transaction name	Currency	Type	Ranking	Value £m <sup>(1)</sup>	Sector	Sub-sector	Yield <sup>(2)</sup>
A'lienor S.A.S. (A65)	EUR	Private	Senior	25.1	Transport	Road	5.80
Reliance Rail Finance 2018	AUD	Private	Senior	5.8	Transport assets	Rolling stock	5.95
Exeltium Mezzanine	EUR	Private	Mezz	5.2	Power	PPA	8.50
GFL 7.5% 2020	CAD	Public	Senior	3.9	Utility	Waste	7.94
First Energy Solutions 6.8% 2039	USD	Public	Senior	3.3	Power	Elec. generation	6.98
Bristow Group 6.25% 2022	USD	Public	Mezz	2.5	Transport assets	Aircraft	8.78
Care UK L+500 2019	GBP	Public	Senior	1.9	Accommodation	Elderly care	8.14

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

Number of investments	7
Largest / average size (£ million)	25.1 / 6.8
Average maturity / ave. life (years)	6.6 / 5.0
Portfolio modified duration	2.2

### Estimated portfolio sensitivities

	Change in NAV
Interest rates +0.5% <sup>(5)</sup>	-0.4%
Interest rates -0.5%	+0.4%
Interest rates +1.0%	-0.7%
Interest rates -1.0%	+0.8%
Euro +/- 5% (against GBP)	-/+ 0.8%
Dollar +/- 5% (against GBP)	-/+ 0.1%
Euro down 5% and dollar up 5%	-0.7%



(1) Excluding accrued interest; (2) Yield to maturity / worst; (3) All information based on settled investments only; (4) Percentage of NAV. Cash is excluded from the charts apart from currency analysis; (5) A simultaneous parallel shift in EUR, GBP and USD yield curves.

## DISCLAIMER

*This Report is intended solely for the information of the person to whom it is provided by the Company, the Investment Adviser, the Investment Manager or the Administrator. This Report is not intended as an offer or solicitation for the purchase of shares in the Company and should not be relied on by any person for the purpose of accounting, legal or tax advice or for making an investment decision. The payment of dividends and the repayment of capital are not guaranteed by the Company. Any forecast, projection or target is indicative only and not guaranteed in any way, and any opinions expressed in this Report are not statements of fact and are subject to change, and neither the Company nor the Investment Adviser is under any obligation to update such opinions. Past performance is not a reliable indicator of future performance, and investors may not get back the original amount invested. Unless otherwise stated, the sources for all information contained in this report are the Investment Adviser and the Administrator. Information contained in this Report is believed to be accurate at the date of publication, but none of the Company, the Investment Adviser, the Investment Manager and the Administrator gives any representation or warranty as to the Report's accuracy or completeness. This report does not contain and is not to be taken as containing any financial product advice or financial product recommendation. None of the Company, the Investment Adviser, the Investment Manager and the Administrator accepts any liability whatsoever for any loss (whether direct or indirect) arising from any use of this Report or its contents. Sequoia Investment Management Company Limited, registered in England (registered number 5902847). Registered Office: 11-13 Market Place, London, W1W 8AH United Kingdom.*