

# Sequoia Economic Infrastructure Income Fund

Monthly Investor Report 31<sup>st</sup> March 2016



Summary	Ordinary Shares	Company information	
Ticker	SEQI	Website	<a href="http://www.seqifund.com">www.seqifund.com</a>
Listing date	3 <sup>rd</sup> March 2015	Year end	31 <sup>st</sup> March
Shares in issue	302,548,728	Inv. Adviser	Sequoia Investment Management
Share price	106.25	Custodian	Bank of New York Mellon
<b>NAV per share</b>	<b>98.20p</b>	Administrator	Praxis Fund Services Limited
Premium	8.2%	Auditors	KPMG
Total net assets	£297.1m	Brokers	Stifel Nicolaus Europe
Market capitalisation	£321.5m	AIFM	International Fund Management Ltd
Invested portfolio as a % of NAV	91.0%	<b>Directors</b>	
<b>Including assets in settlement</b>	<b>96.5%</b>	Robert Jennings (Chair)	
Portfolio yield-to-maturity / yield-to-worst	8.2%	Jan Pethick	
Next expected dividend declaration	April	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 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 does not invest any of its assets in 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.

## Company update

As of the 31<sup>st</sup> March 2016, the Company held 15 infrastructure bonds and 19 private debt investments, collectively valued at £273.3m including accrued interest, with an annualised yield-to-maturity (or yield-to-worst in the case of callable bonds) of 8.2% and a weighted average life across the acquired portfolio of approximately 6.1 years.

Approximately 54% of the Company portfolio comprises floating rate assets, with only four LIBOR floors (other than those at zero per cent). As such the portfolio's yield is likely to increase over time as LIBOR increases.

The investments are diverse across the UK, Western Europe, Australia, Canada and the US and include a wide range of asset types including road, rail, utility, power, shipping, renewables and aircraft leasing.

Investments in March include senior bonds issued by Columbia Pipeline Group, owner and operator of extensive gas pipelines, and gathering and processing assets, integrated with one of the largest underground natural gas storage systems in America.

In addition, the Company has purchased a further two assets in the process of settlement for £9.5m.

During the month, the Company disposed of its entire positions in the Viridian 7.5% 2020, Interoute 2020, CHC 9.25% 2020 and Care UK 2020 bonds for an aggregate sale price of £12.4m (approximately £0.6m higher than the February month-end valuation). The Investment Adviser took advantage of relatively strong market conditions in March to realise profits (in relation to the Viridian and Interoute bonds) and to improve the average credit quality of the portfolio by selling lower-rated assets (in relation to CHC and Care UK). The proceeds from these disposals have been in higher-rated assets, whilst still maintaining a gross yield on the portfolio of over 8%.

The Investment Adviser continues to see attractive opportunities for the deployment of capital in the economic infrastructure debt sector, and expects the overall yield on the portfolio to remain 8% or higher. Specific opportunities currently being pursued include private debt backed by light rail, aircraft leasing, and power; plus bond opportunities in the pipeline sector and electricity generation.

On 3 March, 152,395,794 new ordinary shares were issued following the conversion of the C Shares. The enlarged ordinary share class now benefits from reduced ongoing costs; increased diversification of the underlying portfolio; and the potential for increased trading liquidity. It is pleasing to note the share price increase by 2.7% this month.

The Company is currently considering entering into a short-term borrowing facility which, if implemented, will enable the Investment Adviser to take advantage of selected attractive near-term opportunities. The Company's investment policy restricts borrowings to a maximum of 20 per cent. of Net Asset Value at any given time. Any further announcement required will be made in due course.

## Company NAV performance

The increase in Company NAV to 98.20p per share arose primarily through:

- Interest income net of expenses of 0.54p;
- A gain of 1.26p in asset valuations; and
- A decline of 0.64p on net FX movements.

## Market summary

March showed large activity in the infrastructure debt sector with 27 transactions closing across the UK and Western Europe. Notable deals included the €1.2bn refinancing of Transdev Group SA, as well as the £824m financing of London City Airport. In addition, the Autopista del Sol in Southern Spain was refinanced through €588m of private placement notes.

Opportunities in selected markets remained strong with US spread widening providing scope to improve credit quality and shorten duration. The emergence of new asset classes over the longer term, such as broadband and electricity storage, are creating new demand for infrastructure financing.

Sterling strengthened during the month from \$1.39 to \$1.44 against the US dollar, following four consecutive months of decline. Sterling also strengthened very slightly against the euro in March.

The Bloomberg USD High Yield Corporate Bond Index increased to 150 from 144. 10-year US Treasury yields decreased over the month from 1.82% to 1.77%, continuing the trend of a flattening yield curve with the Fed still split on a decision regarding a hike in interest rates.

## Contact information

Sequoia Investment Management Company  
([www.seqimco.com](http://www.seqimco.com))

Randy Sandstrom +44 (0)20 7079 0483

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

Greg Taylor +44 (0)20 7079 0486

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

Dolf Kohnhorst +44 (0)20 7079 0482

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

Steve Cook +44 (0)20 7079 0481

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

## Performance since launch

Fund	1 month	3 months	6 months	1 year	ITD <sup>(2)</sup>
Share price	2.7%	2.9%	4.0%	1.8%	6.3%
Total return	2.7%	4.4%	6.5%	5.2%	9.9%
NAV <sup>(1)</sup>	1.2%	3.2%	4.6%	3.4%	3.6%

(1) NAV performance includes dividends paid

(2) From inception-to-date (ITD)

## Portfolio summary (15 largest settled investments)

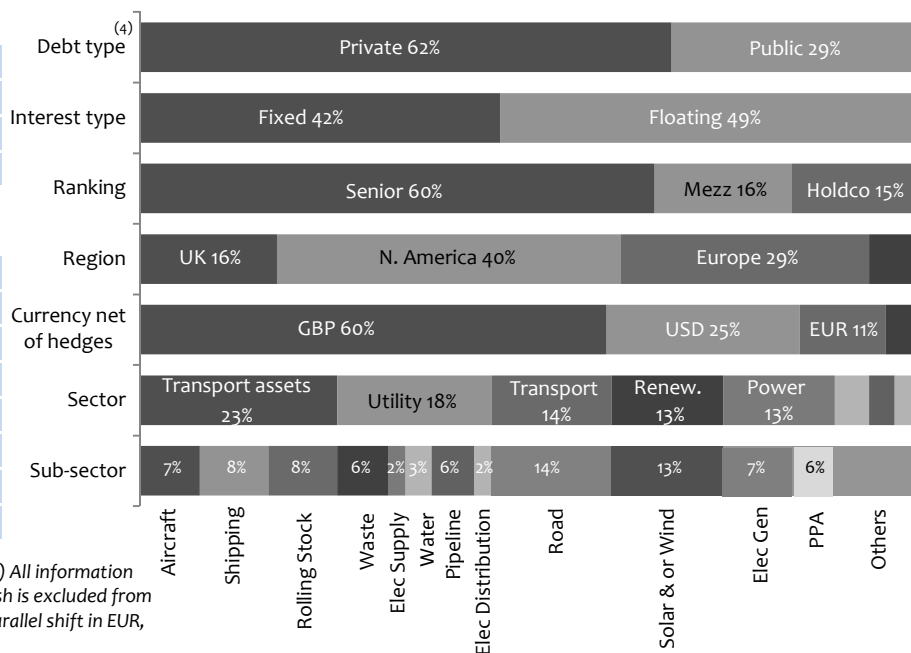
Transaction name	Currency	Type	Ranking	Value £m <sup>(1)</sup>	Sector	Sub-sector	Yield <sup>(2)</sup>
A'lienor S.A.S. (A65)	EUR	Private	Senior	28.8	Transport	Road	5.33
Infinis Bridge	GBP	Private	HoldCo	24.0	Renewables	Solar & Wind	8.74
Exeltium Mezzanine	EUR	Private	Mezz	18.1	Power	PPA	8.75
Danaos Snr Secured 2018	USD	Private	Senior	17.9	Transport assets	Shipping	8.93
Neoen Production 1 S.A.S.U.	EUR	Private	HoldCo	15.5	Renewables	Solar & Wind	6.99
Biffa TL A	GBP	Private	Senior	13.0	Utility	Waste	6.73
Dulles Greenway 2029	USD	Public	Senior	8.5	Transport	Road	6.85
Reliance Rail Finance 2018	AUD	Private	Senior	8.3	Transport assets	Rolling Stock	7.28
N. Las Vegas Water 6.572% 2040	USD	Public	Senior	8.2	Utility	Water	6.79
NRG Energy Inc 7.785% 2021	USD	Public	Senior	6.9	Power	Electricity Generation	7.95
Columbia Pipeline 5.8% 2045	USD	Public	Senior	6.9	Utility	Pipelines	5.82
Bristow Group 6.25% 2022	USD	Public	Mezz	6.7	Transport assets	Aircraft	13.49
Care UK L+500 2019	GBP	Public	Senior	6.7	Accommodation	Elderly care	10.88
Invenergy TL B	USD	Private	Senior	6.5	Power	Electricity Generation	8.12
First Energy Solutions 6.8% 2039	USD	Public	Senior	6.5	Power	Electricity Generation	7.40

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

Number of investments	34
Largest / average size (£ million)	28.8 / 7.9
Average maturity / avg. life (years)	7.5 / 6.1
Portfolio modified duration	3.4

## Estimated portfolio sensitivities

	Change in NAV
Interest rates +0.5% <sup>(5)</sup>	-1.6%
Interest rates -0.5%	1.7%
Interest rates +1.0%	-3.1%
Interest rates -1.0%	3.5%
Euro +/- 5% (against GBP)	0.5%
Dollar +/- 5% (against GBP)	1.2%
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.

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