

Sequoia Economic Infrastructure Income Fund

Monthly Investor Report 31st May 2016



Summary	Ordinary Shares	Company information	
Ticker	SEQI	Website	www.seqifund.com
Listing date	3 rd March 2015	Year end	31 st March
Shares in issue	302,674,216	Inv. Adviser	Sequoia Investment Management
Share price	104.0p	Custodian	Bank of New York Mellon
NAV per share	98.07	Administrator	Praxis
Premium	6.1%	Auditors	KPMG
Total net assets	£296.8m	Brokers	Stifel Nicolaus Europe
Market capitalisation	£314.8m	AIFM	International Fund Management Ltd
Invested portfolio as a % of NAV	93.9%	Directors	
Including assets in settlement	93.3%	Robert Jennings (Chair)	
Portfolio yield-to-maturity / yield-to-worst	8.2%	Jan Pethick	
Next expected dividend declaration	July	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 is not to 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 31st May 2016, the Company held 18 infrastructure bonds and 18 private debt investments, collectively valued at £282.4m 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 5.9 years.

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.

Approximately 53% of the Company portfolio comprised of floating rate assets, with only four LIBOR floors (other than those at zero percent). As such the portfolio's yield is likely to increase over time if LIBOR increases.

Investments in May include senior US dollar

bonds issued by GFL. The bonds carry a 9.875% coupon and a maturity of 2021. The Company sold CAD 3mm of its existing position in the GFL 7.50% 2018 bonds in order to purchase \$3mm of the 2021 issue, resulting in a yield pick-up without compromising credit quality. In addition, the Company made an incremental investment in DBB Jack-up Services A/S.

Results of C Share

The Company is pleased to announce that it has raised gross proceeds of approximately £175 million, in excess of the target issue amount of £150 million through a C Share issue. Admission became effective and dealings in the C Shares commenced on 10 June 2016. The Company currently has 302,674,216 Ordinary Shares and 175,171,834 C Shares in issue.

The initial estimated opening NAV of the C share at Admission is expected to be in excess of 98.25 pence per share. The board negotiated a different sharing of risks which has successfully reduced the issue costs to be borne by investors.

The Investment Adviser continues to see attractive opportunities for the deployment of capital in the economic infrastructure debt sector, and believes the C Share issuance will allow the Company to take advantage of these whilst further diversifying the portfolio. 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.

Ordinary Share NAV performance

The increase in Ordinary Share NAV to 98.07p per share arose primarily through:

- Interest income net of expenses of 0.44p;

- A gain of 0.03p in asset valuations;
- A decrease of -0.09p on net FX movements.

Market summary

May showed some activity in the infrastructure debt sector with ten transactions closing across the UK and Western Europe. Notable deals included the £2.6bn financing for the 588MW Beatrice offshore wind farm in Scottish Territorial Waters, as well as the 402MW Dudgeon offshore wind farm which reached financial close on a £1.3bn senior loan. In addition, Autoroutes du Sud de la France has placed a €500mm 10-year bond issue.

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 remained flat against the US dollar during the month at \$1.46. Sterling strengthened against the Euro in May, moving from €1.27 to €1.31.

The Bloomberg USD High Yield Corporate Bond Index remained stable over the month at 156. 10-year US Treasury yields increased overall during the month from 1.83% to 1.85%, but reached an intra-month low of 1.70%.

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Performance since launch

Fund	1 month	3 months	6 months	1 year	ITD ⁽²⁾
Share price	-0.5%	0.5%	0.0%	-0.9%	4.0%
Total return	-0.5%	1.9%	2.9%	4.0%	9.1%
NAV ⁽¹⁾	0.4%	2.5%	5.6%	5.4%	5.0%

(1) NAV performance includes dividends paid

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

Portfolio summary (15 largest settled investments)

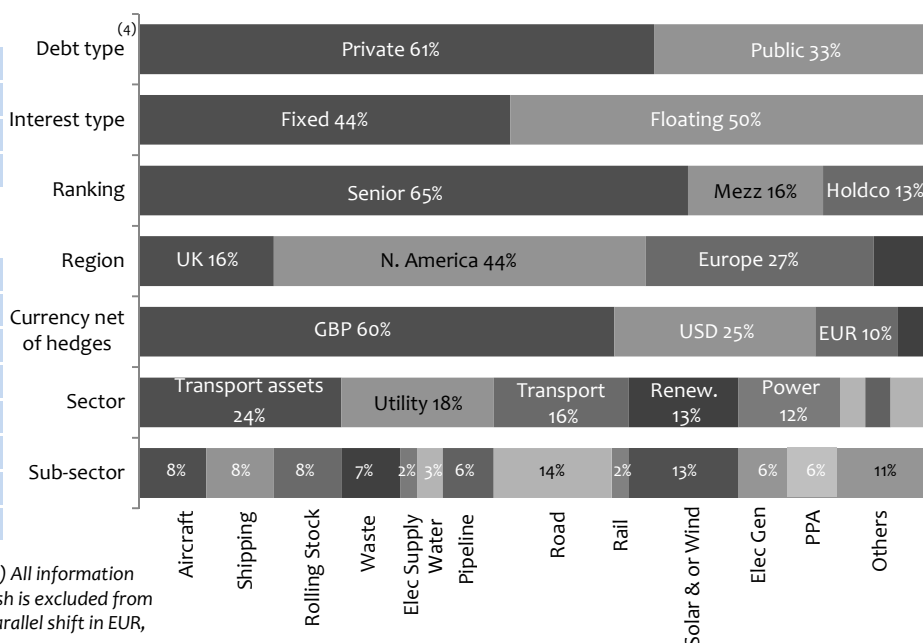
Transaction name	Currency	Type	Ranking	Value £m ⁽¹⁾	Sector	Sub-sector	Yield ⁽²⁾
A'lienor S.A.S. (A65)	EUR	Private	Senior	28.3	Transport	Road	4.89
Infinis Bridge	GBP	Private	HoldCo	24.0	Renewables	Solar & Wind	8.63
Exeltium Mezzanine	EUR	Private	Mezz	17.5	Power	PPA	8.83
Danaos Snr Secured 2018	USD	Private	Senior	17.2	Transport assets	Shipping	10.12
Neoen Production 1 S.A.S.U.	EUR	Private	HoldCo	15.0	Renewables	Solar & Wind	6.99
Biffa TL A	GBP	Private	Senior	12.9	Utility	Waste	7.11
Green Plains TL B	USD	Private	Senior	9.4	Other	Alternative Fuel	10.72
Dulles Greenway 2029	USD	Public	Senior	8.8	Transport	Road	6.57
N. Las Vegas Water 6.572% 2040	USD	Public	Senior	8.1	Utility	Water	6.75
Reliance Rail Finance 2018	AUD	Private	Senior	7.8	Transport assets	Rolling Stock	7.28
Columbia Pipeline 5.8% 2045	USD	Public	Senior	7.4	Utility	Pipelines	5.29
DBB Jack-up Services A/S	EUR	Private	Senior	7.2	Other	Renew. equipment	9.59
Bristow Group 6.25% 2022	USD	Public	Mezz	7.2	Transport assets	Aircraft	12.11
All Aboard Florida	USD	Public	Senior	6.8	Transport	Rail	13.40
First Energy Solutions 6.8% 2039	USD	Public	Senior	6.7	Power	Electricity Generation	7.00

Portfolio characteristics⁽³⁾

Number of investments	36
Largest / average size (£ million)	28.3 / 7.7
Average maturity / avg. life (years)	7.5 / 5.9
Portfolio modified duration	3.4

Estimated portfolio sensitivities

	Change in NAV
Interest rates +0.5% ⁽⁵⁾	-1.7%
Interest rates -0.5%	1.8%
Interest rates +1.0%	-3.3%
Interest rates -1.0%	3.7%
Euro +/- 5% (against GBP)	0.5%
Dollar +/- 5% (against GBP)	1.3%
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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