

**SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED**

**INTERIM REPORT AND UNAUDITED INTERIM FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 30 DECEMBER 2014 (DATE OF INCORPORATION) TO  
30 SEPTEMBER 2015**

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

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# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## HIGHLIGHTS

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

- Initial public offering (“IPO”) over-subscribed, raising net proceeds of £147.0 million after issue costs
- 82.8% of the IPO proceeds have been invested as at 30 September 2015, including investments in the process of settling
- Annualised portfolio yield-to-maturity of 8.3% as at 30 September 2015
- On course to meet target dividend yield of 5.0% for the first 12 months following IPO
- Subsequent to the period end, the Company raised further net proceeds of £144.4 million through the issue of C Shares

### Financial Highlights at 30 September 2015

Total net assets	£144,341,217
Net asset value per Ordinary Share	96.20p
Share price	104.25p
Premium to net asset value	8.37%

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## COMPANY SUMMARY

### Principal Activity

Sequoia Economic Infrastructure Income Fund Limited (the "Company") was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 on 30 December 2014. The Company's registration number is 59596 and it is regulated by the Guernsey Financial Services Commission as a registered closed-ended collective investment scheme under The Registered Collective Investment Scheme Rules 2008. The Company is listed and began trading on the Main Market of the London Stock Exchange and was admitted to the premium segment of the Official List of the UK Listing Authority on 3 March 2015.

The Company invests in a diversified portfolio of senior and subordinated economic infrastructure debt investments through its subsidiary Sequoia IDF Asset Holdings S.A (the "Subsidiary", together the "Group" or the "Fund"). The Company controls the Subsidiary through a holding of 100% of its shares.

### Investment Objective

The Company's investment objective is to provide investors with regular, sustained, long-term distributions and capital appreciation from a diversified portfolio of senior and subordinated economic infrastructure debt investments. This objective is subject to the Fund having a sufficient level of investment capital from time to time and the ability of the Fund to invest its cash in suitable investments.

### Investment Policy

The Company's principal investment policy is to invest in a portfolio of loans, notes and bonds where all or substantially all of the associated underlying revenues are from business activities in the following market sectors: transport, transportation equipment, utilities, power, renewable energy, telecommunications infrastructure and infrastructure accommodation. The revenues should derive from certain eligible jurisdictions, as defined in the Company's Prospectus. In addition, once fully invested, in excess of 50% of the portfolio should be floating rate or inflation-linked debt, and not more than 10% by value of the Fund's investments (at the time of investment) should relate to any one individual infrastructure asset.

### Dividend Policy

The Company's dividend policy, subject to sufficient profits being available and taking into account working capital and liquidity requirements, is to pay dividends totalling 5% per annum of the Company's original issue price per Ordinary Share in the first year of operations, and 6% per annum thereafter. The Company pays dividends on a quarterly basis.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## CHAIRMAN'S STATEMENT

Dear Shareholder,

It is my pleasure to present to you the Interim Report of Sequoia Economic Infrastructure Income Fund Limited ("the Company") for the 7 month period of operations ending 30 September 2015.

### Portfolio and Company performance

On 3 March 2015 the Company was admitted to the premium segment of the Official List on the London Stock Exchange with a market capitalisation of approximately £150m, following an over-subscribed initial public offering ("IPO"). The Company was the first investment trust listed on the London Stock Exchange which focuses exclusively on economic infrastructure debt and is advised by an investment adviser with significant prior experience in the asset class, Sequoia Investment Management Company ("SIMC" or the "Investment Adviser").

Since the Company's IPO, the Board of Directors of the Company (the "Board") has been pleased with the progress made by the Investment Adviser. As at 30 September 2015, the portfolio was nearing full investment - in line with the Company's timetable of 6 to 9 months from the IPO - with 82.8% of the Company's net asset value ("NAV") invested, including investments in the process of settling. The average yield-to-maturity on the acquired portfolio is 8.3% and the average life is 6.9 years. The yield on the portfolio has the potential to increase if LIBOR increases, since half of the assets have floating-rate interest income. The Company has, via its subsidiary, purchased a diversified portfolio of loan and bond investments: at the end of the reporting period, the acquired portfolio had 22 holdings in 13 different sub-sectors and 7 different jurisdictions.

In constructing the portfolio, the Investment Adviser was mindful of a number of factors. Paramount is credit quality, with each investment subject to rigorous scrutiny and due diligence. In addition, the yield on investments needs to be attractive both in relative terms (when compared to assets of a similar quality) and in absolute terms (to ensure the Company can meet its target of paying a dividend of 6p per Ordinary Share from its second year onwards). Finally, a range of other criteria must also be met, including compliance with concentration limits to ensure a well-diversified portfolio, and targeting floating rate investments for at least half the portfolio.

Since the IPO, the Company's share price has risen by 4.25% and Shareholders have received a dividend of 1p per Ordinary Share, resulting in an annualised total return of 9.3%.

Over the same period, the Company's NAV has declined moderately from 98.0p per Ordinary Share to 96.2p per Ordinary Share, largely as a result of the non-cash cost of marking acquired assets to their bid prices, combined with price declines on some of the Company's investments which mirror softness in the broader credit markets over the period. The Fund's assets are mostly denominated in Sterling, Euro and US Dollar, but are valued in Sterling, which has caused some month-to-month NAV volatility, although overall the FX effect has been slightly positive, at 0.3p per Ordinary Share, over the last 7 months.

As at 30 September 2015, the share price was trading at a premium of 8.4% to the NAV, which is a reflection of the attractiveness of the investment proposition.

### Events after the end of the reporting period

The Company met two important milestones shortly after the end of this reporting period. Firstly, on 21 October 2015, the Company announced that it had deployed materially all of the IPO proceeds, with 95.4% of its NAV being invested (including investments in the process of settlement). Secondly, on 28 October 2015, the Company announced that it had raised net proceeds of approximately £144.4 million through the issuance of C Shares, thereby approximately doubling the size of the Company. The Board believes that this increase will benefit Shareholders, as the Company's portfolio will become more diversified after conversion of the C Shares and the costs of operating the Company will immediately be spread over a larger capital base. In addition to these two significant milestones, the Company has also paid its second quarterly dividend of 1p to Ordinary Shareholders.

### Outlook for the rest of the financial year

Looking to the second half of this financial year, your Board continues to be satisfied with the portfolio's performance to date and the strategy that is being employed by the Investment Adviser. The Investment Adviser will continue to update you on the Company's progress by way of the monthly Investor Reports.

Global capital markets have been volatile over most of 2015, with political risk increasing in Europe as a result of the Greek crisis and the forthcoming UK referendum on EU membership; low commodity prices causing financial problems across a number of sectors; Chinese growth slowing; and heightened tensions in the Middle East. However, it is in such periods of volatility that the stability of infrastructure debt has historically demonstrated its real value to investors. The Board believes that the Company's portfolio will continue deliver an attractive risk-adjusted return with a relatively low correlation to the broader financial markets.

I would like to close by thanking you for your commitment and support.

**Robert Jennings**

**Chairman**

**27 November 2015**

**SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED UNAUDITED INTERIM FINANCIAL STATEMENTS**

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## INVESTMENT ADVISER'S REPORT

### Successful Execution of the Fund's Investment Objective

During the first period of Fund operations, Sequoia Investment Management Company Limited (the "Investment Adviser" or "SIMC") delivered to the Shareholders access to a diverse portfolio of infrastructure debt assets. The assets acquired during this period are capable of providing the regular, sustained and long-term distributions of income which is the primary stated investment objective of the Fund. In addition, SIMC sought to include in the initial portfolio a number of assets that offer the potential for capital appreciation, which is the secondary target of the Fund. For example, one of the assets is a zero coupon bond that does not pay regular interest but instead will accrete over its term, thereby adding to the Fund's NAV. None of the loans acquired have experienced any impairment or default and were selected, in part, based on their prospects for high recovery in the event of any underperformance of the underlying infrastructure assets. SIMC believes that it has successfully delivered to the Fund equity-like returns but with debt protections, namely lower volatility and less downside risk than equity.

By following our strategy of owning debt exposures to economic infrastructure projects across a diversified range of jurisdictions, sectors and sub-sectors, SIMC has constructed a portfolio that is capable of achieving total net annual returns in line with our target of 7% to 8%. SIMC believes the most attractive assets in the infrastructure sector are economic infrastructure assets, which are higher yielding than availability-based PFI/PPP projects that are often hotly contested among lenders and therefore offer lower yields. Economic infrastructure includes transportation, utility, power, telecommunication, renewable and other related sectors that exhibit infrastructure characteristics and typically have demand exposure.

The economic infrastructure loans and bonds that SIMC originated for the Fund during the first period of operations offered investors a yield pick-up relative to corporate bonds and loans. The loans and bonds also demonstrated low correlation within the infrastructure sector as well as to other asset classes, as changes in value during the period were less volatile than for similarly-rated corporate obligations. The loans have exhibited the stable spreads and cash flows that investors expect from infrastructure debt and this has been reflected in the relative stability of the Fund's NAV during the period.

SIMC identified economic infrastructure debt as the most attractive opportunity in the infrastructure debt market. Economic infrastructure is a large market at approximately five times the size of the social infrastructure market. Our ability to source these opportunities also reflects the more limited appetite of banks to fund projects that are subject to demand risk. By focusing on this opportunity set, SIMC was able to identify and pursue the attractive opportunities that were acquired by the Fund during its first period of operations. SIMC continues to believe that economic infrastructure debt offers an attractive and scalable investment opportunity. On the basis of the assets acquired so far, the Fund is well-positioned to meet its target dividend yield through quarterly distributions. Investors also benefit from low fees, which are charged only on invested capital, and low running costs.

SIMC successfully implemented our core investment strategy, namely bringing to our investors a diversified economic infrastructure portfolio assembled from a pre-selected pool of the most attractive infrastructure loans and bonds and select corporate lending opportunities. To achieve this, we had discussions and conducted preliminary analysis on a large number of projects and lending proposals within the Fund's eligible jurisdictions. These are primarily developed OECD countries but with a particular focus on the UK, core Western Europe, the United States and Canada.

SIMC also ensured that, in keeping with the strategy, all of the investments made by the Fund were supported by adequate sponsor equity. This equity is fully subordinated to any debt position taken by the Fund and this equity effectively provides our investors a cushion to absorb any losses before the loans held by the Fund are impacted by underperformance of the underlying infrastructure assets.

The success of SIMC in delivering the acquired portfolio permitted the Fund to pay a quarterly dividend of 1p during its first quarter of operations ending 30 June 2015 and subsequent to the end of the period a further dividend of 1p for its second quarter of operations ending 30 September 2015. Planned further dividends of 1.5p each for the third and fourth quarterly distributions will bring the Fund dividend yield to 5% for the first 12 months, consistent with our target dividend yield in the first year of operations. The portfolio is sufficiently robust to meet the longer term goal of a minimum 6% dividend for subsequent years. The lower dividend target for the first year reflected the ramp-up period while assets were acquired by the Fund.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## INVESTMENT ADVISER'S REPORT (continued)

### Origination Activities

As of 30 September 2015, SIMC had successfully identified and taken through the full credit approval and acquisition process 22 infrastructure debt assets. The fully settled transactions were a mix of loans and bonds, specifically 12 bonds payable from revenues of various infrastructure assets plus 10 similar investments in a loan format. In addition, SIMC had approved and executed two further assets, a public bond and a loan that had not yet settled as of the end of September. These two further assets had a combined purchase price of approximately £10.3m but this amount is not reflected in the invested NAV of as 30 September 2015.

In aggregate, the purchase price of all 24 transactions represented 82.8% of the net proceeds of the IPO. We indicated to investors our intention to be 50% invested within three months of the IPO, 75% within six months and fully invested within 9 months. We were 50.2% invested within the first three months following the IPO and 74.6% after six months.

The investments are located in diverse geographies, as intended at the time of the IPO. Specifically, the assets are across the UK, Western Europe, Australia and the United States. They include the road, rail, shipping, utility, elderly care and aircraft leasing sectors. The Fund has not disposed of any investments since the IPO apart from participating in a tender for £1.6m of bonds, where the issuer bought the bonds back at par, resulting in a modest gain for the Fund of circa 3%.

Our strategy is to invest in a diversified portfolio of infrastructure loans and bonds in both the primary and secondary markets. SIMC believes that this combination delivered a number of important benefits to the Fund investors during the first half year of operations compared to focusing purely on either primary or secondary loans.

### Secondary Market Loans and Bonds

SIMC's strategy for investing the proceeds of the IPO was to focus initially on secondary market loans and bonds. Secondary market bonds and loans can be acquired more rapidly than a typical primary market transaction can close, meaning that the Fund can invest more quickly. This has the effect of reducing the "J-curve" and allowed the Fund to achieve a level of diversification more rapidly than focusing on primary transactions only.

In addition, secondary market loans have performance history that permits credit analysis on actual performance rather than on projected performance. Finally, Moody's research shows that infrastructure loans improve in credit quality over time so secondary loans in many cases have improved in credit quality from the time of their initial origination. This also provides opportunities for the Fund to sell some positions that have improved in credit quality over time to capture the economic benefit of this movement up the credit curve. Proceeds can then be reinvested in new assets that offer similar appreciation upside.

### Primary Market Loans and Bonds

While the strategy of the Investment Adviser is to mainly seek secondary market loans and bonds, primary market loans and bonds are also an important opportunity for the Fund. In some cases, primary lending situations may have higher credit risk as they often involve some risk associated with the construction of the project or ramp up of operations. This is partly mitigated by the availability of up-to-date due diligence materials. Primary market loans also have favourable economics because the lender benefits from upfront lending fees. These fees would go into the Fund. SIMC's research indicates that these upfront fees typically more than compensate investors for the increased default probability associated with construction risk. SIMC believes that having some primary loans in the portfolio, including direct originations by SIMC, will be beneficial for the Fund.

### Sourcing Infrastructure Assets

SIMC used its extensive connections with infrastructure borrowers, sponsors, construction companies, banks and advisers to source the Fund's assets. News of the successful IPO of the Fund travelled fast and SIMC received a large number of approaches from advisers seeking alternative sources of funding for their infrastructure-owning clients. Most of these sponsors are eager to develop an alternative to bank funding, particularly for mezzanine opportunities where the banks have very little appetite to lend. SIMC also approached a number of infrastructure sponsors directly to let them know that the Fund is actively seeking attractive lending opportunities. As of 30 September 2015, SIMC was exclusively engaged to provide a loan to a French renewables developer, for which the Fund will receive an upfront arranging fee.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## INVESTMENT ADVISER'S REPORT (continued)

### Sourcing Infrastructure Assets (continued)

SIMC also benefited from the strong relationships that it has with all the European banks that are active in infrastructure lending. This provided us with the opportunity to learn about opportunities to purchase secondary market infrastructure loans from those banks' balance sheets or from other market participants. These discussions also resulted in the Fund having opportunities to participate in the financing of new projects in the primary market. During the first period of operations, SIMC has demonstrated that the Fund will have access to sufficient secondary and primary market opportunities to continue to deploy and redeploy capital into attractive infrastructure debt assets.

### Infrastructure Debt Market Environment

The Fund is operating in an environment characterised by a slight weakening in credit markets generally. In addition, the GBP, the operating and reporting currency of the Fund, strengthened against both the USD and EUR. This created attractive investment opportunities for the Fund, but also had a negative impact on the carrying value of certain acquired assets denominated in non-GBP currencies. During the period ended 30 September, we have begun to witness the first beginnings of the long-awaited rise of Libor in both Sterling and US dollars. Euro Libor has so far not followed suit, but SIMC expects this may begin during 2016. The Fund will benefit from rising Libor by targeting to have at least 50% of the Fund assets in either variable rate or inflation-linked format.

With respect to the infrastructure debt market, pricing for assets having availability payment mechanisms have been aggressively bid by the market and margins are now approaching +100 bps. This reflects the return of many banks to the senior lending market. In addition, institutional investors continue to increase their market share and lend alongside banks or originated large loans directly. In the mezzanine space, however, banks and investors play a much smaller role. The Fund is able to compete effectively in the mezzanine market with other funds and institutions for assets with yields in excess of 7%.

**Sequoia Investment Management Company Limited**  
**Investment Adviser**

**27 November 2015**



# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## BOARD OF DIRECTORS

The Directors of the Company, all of whom are non-executive and independent, are as follows:

### **Robert Jennings, CBE (Chairman)**

Robert Jennings is a resident of the United Kingdom and has over 20 years experience in the infrastructure sector. Mr Jennings was a managing director of UBS Investment Bank and was joint head of the Bank's Infrastructure Group until 2007. In that role, he particularly focused on the railway sector advising companies and governments across a very broad geographic range. He has twice acted as a special senior adviser to HM Treasury; in 2001/02 during Railtrack's administration and again in 2007/08 in relation to Crossrail. Mr Jennings is also a non-executive director of Crossrail and non-executive chairman of Southern Water.

### **Jan Pethick**

Jan Pethick is a resident of the United Kingdom and has over 35 years experience in the debt sector. Mr Pethick was Chairman of Merrill Lynch International Debt Capital Markets for 10 years, from 2000 to 2010. He had previously been Head of Global Debt Origination at Dresdner Kleinwort Benson which had acquired the credit research boutique, Luthy Baillie which he had co-founded in 1990. Prior to that, he worked for 12 years at Lehman Brothers where he was a member of the Executive Management Committee in Europe. Mr Pethick is currently also Chairman of Troy Asset Management and an independent member of the Supervisory Board of Moody's Investor Services Europe.

### **Jonathan Bridel**

Jon Bridel is a resident of Guernsey. Mr Bridel is currently a non-executive director of a number of listed funds including Alcentra European Floating Rate Income Fund Limited, The Renewables Infrastructure Group Limited and Starwood European Real Estate Finance Limited, which are listed on the Main Market of the London Stock Exchange, and of DP Aircraft I Limited, Aurora Russia Limited and Fair Oaks Income Fund Limited. He is also a non-executive director of two private equity funds and non-executive risk director of another group. Mr Bridel was previously Managing Director of Royal Bank of Canada's investment businesses in the Channel Islands.

After qualifying as a Chartered Accountant in 1987, Mr Bridel worked with Price Waterhouse Corporate Finance in London. He subsequently held senior positions in banking, credit and corporate finance, investment management and private international businesses where he was Chief Financial Officer.

Mr Bridel holds a Master of Business Administration and also holds qualifications from the Institute of Chartered Accountants in England and Wales where he is a Fellow, the Chartered Institute of Marketing where he is a Chartered Marketer and the Australian Institute of Company Directors. He is also a member of the Chartered Institute of Marketing, the Institute of Directors and is a Chartered Fellow of the Chartered Institute for Securities and Investment.

### **Sandra Platts**

Sandra Platts is a resident of Guernsey and holds a Masters in Business Administration. Mrs Platts joined Kleinwort Benson (CI) Ltd in 1986 and was appointed to the board in 1992. She undertook the role of Chief Operating Officer for the Channel Islands business and in 2000 for the Kleinwort Benson Private Bank Group – UK and Channel Islands. In January 2007, she was appointed to the position of Managing Director of the Guernsey Branch of Kleinwort Benson and led strategic change programmes as part of her role as Group Chief Operating Officer. Mrs Platts also held directorships on the strategic holding board of the KB Group, as well as sitting on the Bank, Trust Company and Operational Boards. She resigned from these boards in 2010. Mrs Platts is a non-executive director of NB Global Floating Rate Income Fund and UK Commercial Property Trust (both listed on the Main Market of the London Stock Exchange) and Investec Bank (Channel Islands) Limited, plus a number of other investment companies. She is a member of the Institute of Directors.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge:

- These financial statements, which have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, give a true and fair view of the assets, liabilities, financial position and comprehensive income of the Company as a whole as required by DTR 4.2.4.
- The Interim Report, together with the Unaudited Interim Financial Statements, meet the requirements of an interim management report, and include a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure and Transparency Rules of the UK's Financial Conduct Authority, being an indication of important events that have occurred during the period ended 30 September 2015 and their impact on the Unaudited Interim Financial Statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) DTR 4.2.8R of the Disclosure and Transparency Rules of the UK's Financial Conduct Authority, being related party transactions that have taken place during the period ended 30 September 2015 and have materially affected the financial position or performance of the Company during that period.

Signed on behalf of the Board by:

**Sandra Platts**  
**Director**

**27 November 2015**

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## PRINCIPAL RISKS AND UNCERTAINTIES

The Board has established a Risk Committee, which is responsible for reviewing the Company's overall risks and monitoring the risk control activity designed to mitigate these risks, and has appointed International Fund Management Limited ("IFML" or the "Investment Manager") as the Alternative Investment Fund Manager ("AIFM") to the Company. IFML is also responsible for providing risk management services compliant with that defined in the Alternative Investment Fund Managers Directive ("AIFMD") and as deemed appropriate by the Board.

Under the instruction of the Risk Committee, IFML is responsible for the implementation of a risk management policy and ensuring that appropriate risk mitigation processes are in place; for monitoring risk exposure; preparing quarterly Risk Reports to the Risk Committee; and otherwise reporting on an ad hoc basis to the Board as necessary.

The principal risks associated with the Company are as follows:

### **Market Risk**

The value of the investments made and intended to be made by the Company will change from time to time according to a variety of factors, including the performance of the underlying borrowers, expected and unexpected movements in interest rates, exchange rates, inflation and bond ratings and general market pricing of similar investments will all impact the Company and its Net Asset Value.

### **Credit Risk**

Borrowers in respect of loans or bonds in which the Group has invested may default on their obligations. Such default may adversely affect the income received by the Company and the value of the Company's assets.

### **Liquidity Risk**

Infrastructure debt investments in loan form are not likely to be publicly-traded or freely marketable, and debt investments in bond form may have limited or no secondary market liquidity. Such investments may therefore be difficult to value or sell and therefore the price that is achievable for the investments might be lower than the valuation of these assets.

### **Counterparty Risk**

Counterparty risk can arise through the Company's exposure to particular counterparties for executing transactions and the risk that the counterparties will not meet their contractual obligations.

### **Leverage Risk**

Leverage risk arises where the Company takes on additional exposure to other risks because of the leverage of exposures, along with the specific potential for loss arising from a leverage counterparty being granted a charge over assets.

### **Compliance & Regulatory Risk**

Compliance and Regulatory risk can arise where processes and procedures are not followed correctly or where incorrect judgement causes the Company to be unable to fulfil its objectives or obligation, exposing the Company to the risk of loss, sanction or action by Shareholders, counterparties or regulators.

### **Operational Risk**

This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This can include but is not limited to internal/external fraud, business disruption and system failures, data entry errors and damage to physical assets.

A detailed review of the financial risks faced by the Company is set out in note 5.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## INDEPENDENT REVIEW REPORT TO SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

### Introduction

We have been engaged by Sequoia Economic Infrastructure Income Fund Limited (the "Company") to review the complete set of financial statements included in the Interim Report for the interim period from 30 December 2014 (date of incorporation) to 30 September 2015 which comprises the unaudited statement of comprehensive income, the unaudited statement of financial position, the unaudited statement of changes in shareholders' equity, the unaudited statement of cash flows and the related explanatory notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules (the "DTR") of the UK's Financial Conduct Authority (the "UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

### Directors' responsibilities

The Interim Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the DTR of the UK FCA.

The financial statements included in this Interim Report have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the financial statements in the Interim Report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements in the Interim Report from 30 December 2014 (date of incorporation) to 30 September 2015 do not give a true and fair view of the financial position as at 30 September 2015 and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and the DTR of the UK FCA.

**KPMG Channel Islands Limited**  
**Chartered Accountants**  
**Guernsey**

**27 November 2015**

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

		For the period from 30 December 2014 (date of incorporation) to 30 September 2015
	Note	£
<b>Revenue</b>		
Net losses on non-derivative financial assets at fair value through profit or loss	6	(3,660,045)
Net losses on derivative financial assets at fair value through profit or loss	7	(80,563)
Investment income	9	2,435,101
Net foreign exchange gain		856,842
<b>Total revenue</b>		<b>(448,665)</b>
<b>Expenses</b>		
Investment Adviser fees	10	354,123
Investment Manager fees	10	53,995
Directors' fees and expenses	10	110,600
Administration fees	10	83,392
Audit and related fees		21,367
Broker fees		29,851
Valuation fees		47,135
Legal and professional fees		9,735
Other expenses		67,358
<b>Total operating expenses</b>		<b>777,556</b>
<b>Total comprehensive loss for the period</b>		<b>(1,226,221)</b>
<b>Basic and diluted loss per Ordinary Share</b>	13	<b>(0.82p)</b>

All items in the above statement derive from continuing operations.

The accompanying notes on pages 16 to 35 form an integral part of the Unaudited Interim Financial Statements.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## UNAUDITED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

	Note	Share capital £	Retained deficit £	Total £
<b>At 30 December 2014 (date of incorporation)</b>		-	-	-
Issue of Ordinary Shares during the period	12	147,067,837	-	147,067,837
Total comprehensive loss for the period		-	(1,226,221)	(1,226,221)
Dividend paid during the period	4	-	(1,500,399)	(1,500,399)
<b>At 30 September 2015</b>		<b>147,067,837</b>	<b>(2,726,620)</b>	<b>144,341,217</b>

The accompanying notes on pages 16 to 35 form an integral part of the Unaudited Interim Financial Statements.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION At 30 September 2015

		30 September 2015
	Note	£
<b>Assets</b>		
Non-derivative financial assets at fair value through profit or loss	6	111,315,156
Cash and cash equivalents	8	31,902,435
Trade and other receivables	14	1,738,698
Derivative financial assets at fair value through profit or loss	7	28,856
<b>Total assets</b>		<b>144,985,145</b>
<b>Liabilities</b>		
Trade and other payables		265,867
Derivatives financial liabilities at fair value through profit or loss	7	378,061
<b>Total liabilities</b>		<b>643,928</b>
<b>Net assets</b>		<b>144,341,217</b>
<b>Equity</b>		
Share capital	12	147,067,837
Retained deficit		(2,726,620)
<b>Total equity</b>		<b>144,341,217</b>
<b>Number of Ordinary Shares</b>	12	<b>150,039,862</b>
<b>Net asset value per Ordinary Share</b>		<b>96.20p</b>

The Unaudited Interim Financial Statements on pages 12 to 35 were approved and authorised for issue by the Board of Directors on 27 November 2015 and signed on its behalf by:

**Sandra Platts**  
Director

The accompanying notes on pages 16 to 35 form an integral part of the Unaudited Interim Financial Statements.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## UNAUDITED INTERIM STATEMENT OF CASH FLOWS

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

	Note	For the period from 30 December 2014 (date of incorporation) to 30 September 2015 £
<b>Cash flows from operating activities</b>		
Total comprehensive loss for the period		(1,226,221)
Adjustments for:		
Net losses on revaluation of non-derivative financial assets at fair value through profit or loss	6	3,660,045
Net losses on derivative financial assets at fair value through profit or loss	7	80,563
Net foreign exchange gain		(856,842)
Increase in trade and other receivables		(1,738,698)
Increase in trade and other payables		265,867
		<b>184,714</b>
Net cash received on settled forward contracts	7	268,642
Purchases of investments	6	(141,611,786)
Sales of investments	6	26,636,585
<b>Net cash outflow from operating activities</b>		<b>(114,521,845)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of Ordinary Shares	12	147,067,837
Dividend paid	4	(1,500,399)
<b>Net cash inflow from financing activities</b>		<b>145,567,438</b>
<b>Net increase in cash and cash equivalents</b>		<b>31,045,593</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>-</b>
Effect of foreign exchange rate changes on cash and cash equivalents during the period		856,842
<b>Cash and cash equivalents at end of period</b>		<b>31,902,435</b>

The accompanying notes on pages 16 to 35 form an integral part of the Unaudited Interim Financial Statements.



# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 1. GENERAL INFORMATION

Sequoia Economic Infrastructure Income Fund Limited (the "Company") was incorporated and registered in Guernsey under the Companies (Guernsey) Law, 2008 on 30 December 2014. The Company's registration number is 59596 and it is regulated by the Guernsey Financial Services Commission as a registered closed ended collective investment scheme under The Registered Collective Investment Scheme Rules 2008. The Company is listed and began trading on the Main Market of the London Stock Exchange and was admitted to the premium segment of the Official List of the UK Listing Authority on 3 March 2015.

The Company makes its investments through Sequoia IDF Asset Holdings S.A (the "Subsidiary"). The Company controls the Subsidiary through a holding of 100% of its shares. The Company further invests in the Subsidiary through the acquisition of Variable Funding Notes ("VFNs") issued by the Subsidiary. The Subsidiary is domiciled in Luxembourg and has no underlying subsidiaries.

Through its Subsidiary, the Company invests in a diversified portfolio of senior and subordinated economic infrastructure debt investments.

With effect from 28 January 2015, Sequoia Investment Management Company Limited (the "Investment Adviser") was appointed as the Investment Adviser and International Fund Management Limited (the "Investment Manager") was appointed as the Investment Manager.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The Unaudited Interim Financial Statements (the "Financial Statements"), which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

#### Basis of preparation

The Company's Financial Statements have been prepared on a historical cost basis, as modified by the revaluation of financial instruments measured at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates and judgements are discussed in note 3. The principal accounting policies adopted are set out below.

The Directors believe that the Financial Statements contain all of the information required to enable Shareholders and potential investors to make an informed appraisal of the investment activities and profits and losses of the Company for the period to which it relates and does not omit any matter or development of significance.

In accordance with the investment entities exemption contained in IFRS 10, "Consolidated Financial Statements", the Board has determined that the Company satisfies the criteria to be regarded as an investment entity and that the Company provides investment related services. As a result the Company is required to only prepare individual Financial Statements under IFRS and measures its investment in its Subsidiary at fair value. This determination involves a degree of judgement (see note 3 for further details).

#### Going concern

The Board has assessed the Company's financial position as at 30 September 2015 and the factors that may impact its performance in the forthcoming year and are of the opinion that it is appropriate to prepare these Financial Statements on a going concern basis.

#### New accounting standards and interpretations applicable to future reporting periods

At the date of approval of these Financial Statements, the following relevant standards and interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective:

- IFRS 9, "Financial Instruments" (effective for periods commencing on or after 1 January 2018). This standard specifies how an entity should classify and measure financial assets and liabilities. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39, "Financial Instruments: Recognition and Measurement";

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### New accounting standards and interpretations applicable to future reporting periods, continued

- IFRS 10 (amended), "Consolidated Financial Statements" (amendments effective for periods commencing on or after 1 January 2016). These amendments relate to the application of the consolidation exception; and
- IFRS 12 (amended), "Disclosure of Interests in Other Entities" (amendments effective for periods commencing on or after 1 January 2016). These amendments relate to the application of the consolidation exception contained in IFRS 10.

In addition, the IASB completed its latest Annual Improvements to IFRS project in September 2014. This project has amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2016.

The Directors do not anticipate that the adoption of these standards in future periods will have a material impact on the Financial Statements of the Company.

#### Investment income

Investment income is recognised in the Statement of Comprehensive Income on a time-proportionate basis and includes interest income from the Company's investment in VFNs issued by the Subsidiary and from cash and cash equivalents.

##### *VFN interest*

Interest on VFNs issued by the Subsidiary is paid to the Company on a quarterly basis. VFN interest is calculated on an accruals basis, as the amount of revenue receivable in the quarter by the Subsidiary deriving from its investments and cash and cash equivalents, less any expenses due or payable by the Subsidiary.

#### Net gains/(losses) on financial assets at fair value through profit or loss

Net gains/(losses) on financial assets at fair value through profit or loss consists of realised and unrealised gains and losses on both non-derivative and derivative financial assets at fair value through profit or loss, and are recognised in the Statement of Comprehensive Income. Gains or losses on non-derivative financial instruments are calculated as described in note 2, 'Non-derivative financial instruments - fair value and subsequent measurement'; gains or losses on derivative financial instruments are calculated as described in note 2, 'Derivative financial instruments – fair value and subsequent measurement'.

#### Expenses

Expenses of the Company are charged through profit or loss in the Statement of Comprehensive Income on an accruals basis.

#### Ordinary Shares

The Ordinary Shares of the Company are classified as equity based on the substance of the contractual arrangements and in accordance with the definition of equity instruments under IAS 32. The proceeds from the issue of participating shares are recognised in the Statement of Changes in Shareholders' Equity, net of issue costs.

#### Cash and cash equivalents

Cash comprises current deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes. Certain amounts of the Company's cash are held as collateral against the Company's forward foreign exchange trading facilities.

#### Financial instruments

##### **Classification**

The Company classifies its financial assets and financial liabilities into categories in accordance with IAS 39, "Financial Instruments: Recognition and Measurement".

##### *Financial assets at fair value through profit and loss*

Financial assets classified in this category are designated by management on initial recognition as part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented investment strategy. This category includes the Company's investment in shares and VFNs issued by the Subsidiary. The Investment Entities exception to consolidation in IFRS 10, "Consolidated Financial Statements" requires subsidiaries of an investment entity to be accounted for at fair value through profit or loss in accordance with IAS 39.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### Financial instruments, continued

##### *Classification, continued*

The category of financial liabilities at amortised cost comprises trade and other payables.

##### *Recognition and initial measurement*

Financial assets and financial liabilities are measured initially at fair value, being the transaction price, on the trade date. Transaction costs on financial assets at fair value through profit or loss are expensed immediately.

##### *Non-derivative financial instruments - fair value and subsequent measurement*

After initial measurement, the Company measures non-derivative financial instruments classified at fair value through profit or loss at their fair values. Changes in fair value are recorded within "Net gains/(losses) on non-derivative financial assets at fair value through profit or loss" in the Statement of Comprehensive Income.

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

If there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. Please refer to note 6 for further details.

##### *Derivative financial instruments – fair value and subsequent measurement*

The Company holds derivative financial instruments to minimise its exposure to foreign exchange risks and from time to time may also hold derivative financial instruments to minimise its exposure to interest rate risks or for economic leveraging. Derivatives are classified as financial assets or financial liabilities (as applicable) at fair value through profit or loss and are initially recognised at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes thereto are recorded within 'Net gains/(losses) on derivative financial instruments at fair value through profit or loss' in the Statement of Comprehensive Income. The fair values of derivative transactions are measured using their market prices at the reporting date.

##### *Derecognition*

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

##### **Foreign currency**

##### *Functional and presentation currency*

The Financial Statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). The Directors have considered the primary economic currency of the Company; the currency in which the original finance was raised; the currency in which distributions will be made; and ultimately what currency would be returned to Shareholders if the Company was wound up. The Directors have also considered the currency to which the Company's investments are exposed. On balance, the Directors believe that Sterling best represents the functional currency of the Company during the period. Therefore the books and records are maintained in Sterling and, for the purpose of the Financial Statements, the results and financial position of the Company are presented in Sterling, which has been selected as the presentation currency of the Company.

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency balances at the period end are translated into the functional currency at the exchange rates prevailing at the period end date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued

#### Dividends

Interim dividends to the holders of Ordinary Shares are recorded through the Statement of Changes in Shareholders' Equity when they are declared to Shareholders. Final dividends are recorded through the Statement of Changes in Shareholders' Equity when they are approved by Shareholders. The payment of any dividend by the Company is subject to the satisfaction of a solvency test as required by the Companies (Guernsey) Law, 2008.

#### Segmental reporting

The Board has considered the requirements of IFRS 8 – "Operating Segments". The Company has entered into an Investment Management and Investment Advisory Agreement with the Investment Manager and Investment Adviser, under which the Board has delegated the day to day responsibility for the management of the Company's investment portfolio to the Investment Manager, who has then delegated that responsibility to the Investment Adviser per the Investment Advisory Agreement, subject to the overall supervision of the Board. Subject to its terms and conditions, the Investment Advisory Agreement requires the Investment Adviser to manage the Company's investment portfolio in accordance with the Company's investment guidelines in effect from time to time, including the authority to purchase and sell securities and other investments and to carry out other actions as appropriate to give effect thereto. However, the Board retains full responsibility to ensure that the Investment Adviser adheres to its mandate. Moreover, the Board is fully responsible for the appointment and/or removal of the Investment Adviser. Accordingly, the Board is deemed to be the "Chief Operating Decision Maker" of the Company.

In the Board's opinion, the Company is engaged in a single segment of business, through its investment in the Subsidiary, being investment in senior and subordinated infrastructure debt instruments and related and/or similar assets.

The Company receives no revenues from external customers, nor holds any non-current assets, in any geographical area other than Guernsey.

#### Substantial shareholdings

The following Shareholders held more than 3% of the issued Ordinary Shares of the Company as at 13 November 2015:

Name of investor	Number of shares	% held
SEB Pensionsforsikring	29,981,250	19.98
Investec Wealth & Investment	19,913,547	13.27
EFG Harris Allday	17,005,169	11.33
Fondförsäkringsaktiebolaget SEB Trygg Liv	11,500,000	7.66
Rathbone Investment Management	9,954,549	6.63
Smith & Williamson Investment Management	8,787,565	5.86

### 3. USE OF JUDGEMENTS AND ESTIMATES

The preparation of Financial Statements in accordance with IFRS requires the Board to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities and income and expenses. The estimates and associated assumptions are based on various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a semi-annual basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The principle estimates and judgements are as follows:

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 3. USE OF JUDGEMENTS AND ESTIMATES, continued

#### Investment Entity

IFRS 10 includes a new definition of control that determines which entities are consolidated.

An investor company is deemed to control an investee subsidiary if the investor company has all of the following:

- Power over the investee;
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor's returns.

The Board has determined that the Company has all the elements of control as prescribed by IFRS 10 in relation to the Subsidiary as the Company owns 100% of the equity of the Subsidiary, is exposed and has rights to the returns of the Subsidiary and has the ability either directly or through the Investment Adviser to affect the amount of its returns from the Subsidiary.

The investment entities exception contained within IFRS 10 requires that should a parent meet the definition of an investment entity under IFRS 10, then it shall not consolidate its subsidiary; instead it is required to measure its investment in the subsidiary at fair value through profit or loss in accordance with the appropriate standard, unless that subsidiary provides investment-related services.

The criteria which define an investment entity are as follows:

- It has obtained funds from one or more investors for the purpose of providing those investors with investment management services;
- It has committed to its investors that its business purpose is to invest funds solely for the returns from capital appreciation, investment income or both; and
- It measures and evaluates the performance of substantially all of its investments on a fair value basis.

In assessing whether it meets the definition described above, an entity shall consider whether it has the following characteristics of an investment entity:

- It has more than one investment;
- It has more than one investor;
- It has investors that are not related parties of the entities; and
- It has ownership interests in the form of equity or similar interests.

Consideration is also given to the time frame of an investment. An investment entity should not hold its investments indefinitely but should have an exit strategy for their realisation.

The Company provides investment management services and has a number of investors who pool their funds to gain access to these services and investment opportunities that they might not have had access to individually. The Company, being listed on the Main Market of the London Stock Exchange, obtains funding from a diverse group of external Shareholders, to whom it has committed that its business purpose is to invest funds solely for the returns from capital appreciation and investment income.

The Company has only one investment – the Subsidiary, in which it holds 100% of the equity, however its investment in the Subsidiary is used to acquire exposure to a portfolio comprising a large number of investments. The fair value method is used to represent the Subsidiary's performance in its internal reporting to the Board, and to evaluate the performance of the Subsidiary's investments and to make investment decisions for mature investments. Those investments have documented maturity/redemption dates, or will be sold if other investments with better risk/reward profile are identified, which the Directors consider demonstrates a clear exit strategy.

The Subsidiary has only one investor – the Company – which is a related party. The Subsidiary does not provide investment-related services.

Accordingly, the Board has concluded that the Company satisfies sufficient of the criteria above to meet the definition of an investment entity. As a result, under the terms of IFRS 10, the Company is not permitted to consolidate the Subsidiary, but must measure its investment in the Subsidiary at fair value through profit or loss. The Company has determined that the fair value of the Subsidiary is the Subsidiary's Net Asset Value and has concluded that the Subsidiary meets the definition of an unconsolidated subsidiary under IFRS 12 and has made the necessary disclosures (see note 1).

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 4. DIVIDENDS

The Company's dividend policy, subject to sufficient profits being available and taking into account working capital and liquidity requirements, is to pay dividends totalling 5% per annum of the Company's original issue price per Ordinary Share in the first year of operations, and 6% per annum thereafter. The Company pays dividends on a quarterly basis, with the first dividend having been paid in respect of the quarter ended 30 June 2015.

The Company paid the following dividend during the period ended 30 September 2015:

Period to	Payment date	Dividend rate per Ordinary Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date
30 June 2015	14 August 2015	1.00	1,500,399	24 July 2015	23 July 2015

Under Guernsey law, the Company can pay dividends in excess of its accounting profit provided it satisfies the solvency test prescribed by the Companies (Guernsey) Law, 2008. The solvency test considers whether the Company is able to pay its debts when they fall due, and whether the value of the Company's assets is greater than its liabilities. The Company satisfied the solvency test in respect of the dividend declared in the period.

### 5. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Company's activities. Below is a non-exhaustive summary of the risks that the Company is exposed to as a result of its use of financial instruments:

#### Market Risk

Market risk is the risk that changes in market factors such as foreign exchange rates, interest rates and equity prices will affect the Company's income and/or the value of its holdings in financial instruments.

The Company's exposure to market risk comes mainly from movements in the value of its investment in the Subsidiary and on a look-through basis to the underlying investments in the Subsidiary's portfolio. Changes in credit spreads may further affect the Subsidiary's net equity or net income, and hence the value of the Company's investment in the Subsidiary.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk. The Company's strategy for the management of market risk is driven by its investment objective to provide investors with regular, sustained, long-term distributions and capital appreciation from a diversified portfolio of senior and subordinated economic infrastructure debt investments, which are held in a portfolio at the Subsidiary level. The various components of the Company's market risk are managed on a daily basis by the Investment Manager in accordance with policies and procedures in place, as detailed below.

In addition, the Company, through the underlying Subsidiary, intends to mitigate market risk generally by not making investments that would cause it to have exposure to any one individual infrastructure asset exceeding 10% of the Group's investments at the time of investment. The Subsidiary's market positions are monitored on a quarterly basis by the Board of Directors and at point of investment by the Investment Manager.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Subsidiary's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Company is exposed to cash flow interest rate risk in respect of its cash and cash equivalents and the floating rate debt investments held by the Subsidiary and to fair value interest rate risk in respect of the fixed rate debt investments held by the Subsidiary.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 5. FINANCIAL RISK MANAGEMENT, continued

#### Market Risk, continued

##### Interest Rate Risk, continued

As the Company has no investment restrictions which would confine its investment universe to short-dated issues, the Investment Manager is mindful that fixed interest portfolios with longer durations may be subject to relatively greater adverse effects of a rising interest rate environment and inflationary considerations.

Interest rate risk is mitigated through the diversification of assets by duration and jurisdiction and with maintaining in excess of 50% of its portfolio in floating rate or inflation-linked debt once fully invested.

Interest receivable on bank deposits or payable on bank overdraft positions will be affected by fluctuations in interest rates. Interest rate risk on cash and cash equivalents at Company and Subsidiary level is not considered significant.

The following table shows the profile of the Subsidiary's investment portfolio at 30 September 2015:

	30 September 2015
	£
Investments with fixed interest rates	62,102,572
Investments with floating interest rates	47,164,072
Financial assets at fair value through profit or loss (note 6)	<u>109,266,644</u>

The following table shows the Directors' best estimate of the sensitivity of the Subsidiary's portfolio of investments to stressed changes in interest rates, with all other variables held constant. The table assumes parallel shifts in the respective forward yield curves and is based on the modified duration of the assets.

Possible reasonable change in rate	30 September 2015 effect on net assets and profit or loss £
+1%	(4,311,303)
-1%	4,869,858

Under the terms of the Prospectus, the Company is permitted to use interest rate hedging instruments to protect against exposure to interest rate risk. However, no such hedging arrangements were entered into during the period and none were in place at the period end.

#### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is directly exposed to currency risk in respect of its cash and cash equivalents and derivatives denominated in currencies other than Sterling, and indirectly through its investment in the Subsidiary.

The functional and presentational currency of the Company is Sterling. The Company invests in its Subsidiary through VFNs denominated in various currencies other than the functional currency, primarily US Dollar, Euro, Australian Dollar and Swedish Krona. The Subsidiary in turn invests in financial instruments and enters into transactions that are denominated in currencies other than the functional currency. Consequently, the Company is exposed to risk that the exchange rate of its functional currency relative to other foreign currencies may change in a manner that has an adverse effect on the fair value or future cash flows of the Company's financial assets or liabilities.

The Investment Manager monitors the exposure to foreign currencies and reports to the Board on a regular basis. The Investment Manager measures the risk of the foreign currency exposure by considering the effect on the net asset value and income of a movement in the rates of exchange to which the assets, liabilities, income and expenses are exposed. A currency hedging program is in place at the Company level, in line with the intentions stated in the Prospectus, to protect against the effects of currency exposure on the future income arising from the underlying portfolio of investments held by the Subsidiary.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 5. FINANCIAL RISK MANAGEMENT, continued

#### Market Risk, continued

##### Currency Risk, continued

The total net foreign currency exposure of the Company and the Subsidiary combined at the period end was as detailed in the following table. These figures have been presented on a combined basis, as there exist foreign currency assets and liabilities in both the Company and the Subsidiary, and the forward foreign exchange contracts held at the Company level are taken out to hedge currency exposure existing at the Subsidiary level.

	30 September 2015
	£
<b>USD Exposure</b>	
Financial assets at fair value through profit or loss	53,443,300
Forward foreign exchange contracts	(8,644,562)
Cash and cash equivalents	2,283,111
Trade and other receivables	998,761
Trade and other payables	(58)
<b>Net USD Exposure</b>	<b>48,080,552</b>
<b>EUR Exposure</b>	
Financial assets at fair value through profit or loss	22,849,909
Forward foreign exchange contracts	(6,725,199)
Cash and cash equivalents	6,279,313
Trade and other receivables	298,850
Trade and other payables	(26,066)
<b>Net EUR Exposure</b>	<b>22,676,807</b>
<b>SEK Exposure</b>	
Financial assets at fair value through profit or loss	1,231,799
Forward foreign exchange contracts	(395,102)
Trade and other receivables	37,638
<b>Net SEK Exposure</b>	<b>874,335</b>
<b>AUD Exposure</b>	
Financial assets at fair value through profit or loss	5,545,923
Forward foreign exchange contracts	(1,846,877)
Cash and cash equivalents	45,297
Trade and other receivables	1,876
<b>Net AUD exposure</b>	<b>3,746,219</b>
<b>TOTAL EXPOSURE</b>	<b>75,377,913</b>

	Possible change in exchange rate	30 September 2015 net exposure £	30 September 2015 effect on net assets and profit or loss £
USD/GBP	+/- 5%	48,080,552	+/- 2,404,028
EUR/GBP	+/- 5%	22,676,807	+/- 1,133,840
SEK/GBP	+/- 5%	874,335	+/- 43,717
AUD/GBP	+/- 5%	3,746,219	+/- 187,311



# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 5. FINANCIAL RISK MANAGEMENT, continued

#### Market Risk, continued

##### Currency risk, continued

The following table details the split of currencies based on fair value of bonds and loans in the Subsidiary's investment portfolio:

Currency	30 September 2015
Sterling	24%
US Dollar	49%
Euro	21%
Swedish Krona	1%
Australian Dollar	5%
<b>Total</b>	<b>100%</b>

#### Credit and Counterparty Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company or the Subsidiary or a vehicle in which the Company or Subsidiary invests, resulting in a financial loss to the Company. It arises principally from debt securities held, and also from derivative financial assets and cash and cash equivalents. For risk management reporting purposes, the Company considers and aggregates all elements of credit risk exposure (such as individual obligation default risk, country risk and sector risk).

In respect of the debt investments, credit risk is the risk that the fair value of a loan (or more generally, a stream of debt payments) will decrease due to a change in the borrower's ability to make payments, whether that change is an actual default or a change in the borrower's probability of default.

The Investment Manager's management of the Subsidiary's portfolio is underpinned by the ongoing monitoring and mitigation of credit risk in the portfolio to ensure that any credit events or institutional ratings changes are identified in a timely manner. The weighted average external credit rating of the Subsidiary's externally rated portfolio investments is B+, calculated using all available ratings for the portfolio investments from Standard and Poor's, Moody's, Fitch and Kroll.

Prior to any investment purchase, the Investment Adviser provides a credit memorandum to the Investment Manager which includes a Sequoia Credit Rating (based on an in-house rating system, which takes into account certain facets of the investment, including the issuer's security, financial statements, debt covenants and the type of debt) for the debt investment, along with a recommendation to purchase the asset. The Investment Manager vets the recommendation and liaises with the Risk Committee where appropriate.

The mitigation of credit risk starts with the Investment Adviser's Investment Committee, which monitors risks associated with potential debt investments and makes recommendations for acquisitions whilst allocating a Sequoia Credit Rating.

The Investment Adviser formally performs credit reviews of the full portfolio at least semi-annually or as and when a particular 'Credit Event' occurs.

The table below analyses the Company's maximum exposure to credit risk for the components of the Statement of Financial Position.

	30 September 2015
	£
Non-derivative financial assets at fair value through profit or loss	111,315,156
Cash and cash equivalents	31,902,435
Trade and other receivables	1,738,698
Derivative financial assets at fair value through profit or loss	28,856
	<b>144,985,145</b>

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 5. FINANCIAL RISK MANAGEMENT, continued

#### Credit and Counterparty Risk, continued

In line with the Prospectus a Cash Management Policy has been put in place. Cash deposits will only be placed with banks that hold a rating of at least A-1, P-1 or F-1 from Standard and Poor's, Moody's or Fitch respectively and no more than 40% of net assets may be placed with any one bank at any time. The Investment Manager carefully manages this process ensuring uninvested cash is dispersed to adequately rated banks whilst maximising interest received. The Bank of New York Mellon as custodian holds cash in relation to the portfolio operations and in order to settle investment transactions. Uninvested cash is managed through BNP Paribas and ABN Amro under a cash management agreement with PraxisIFM Treasury Services Limited, with other adequately-rated banks considered should cash levels require. The Company uses Monex Europe Limited ("Monex") to undertake forward foreign exchange transactions, however no cash collateral is held with Monex. At the period end the Standard and Poor's (or Moody's or Fitch, where not provided by Standard and Poor's) long-term credit ratings of the institutions were as follows: ABN Amro A; BNP Paribas A+; Bank of New York Mellon AA-; and Monex BB+.

For operational purposes, the Fund's policy is to utilise banks with an investment grade rating or higher. The Company's operational cash is held with The Royal Bank of Scotland International Limited ("RBSI") and hedging collateral is held with RBSI and Investec Bank (Channel Islands) Limited ("IBCI"). At the period end the Standard and Poor's (or Moody's or Fitch, where not provided by Standard and Poor's) long-term credit ratings of the institutions were as follows: RBSI BBB+; and IBCI BBB-.

Bankruptcy or insolvency of any of the above financial institutions may cause the Company's rights with respect to the cash held to be delayed or limited. The Company monitors its risk by regularly monitoring the credit ratings of these financial institutions.

Credit risk arising on debt securities held by the Subsidiary is constantly monitored by the Investment Manager. Credit risk is mitigated by the diversification of assets by maturity profile and jurisdiction.

The Subsidiary's exposure to credit risk in respect of its investments, based on the country of registration as at 30 September 2015, is summarised below:

	<b>30 September 2015</b>
	<b>£</b>
United States of America	50,411,154
Europe	32,155,473
United Kingdom	21,154,094
Australia	5,545,923
Subsidiary financial assets at fair value through profit or loss (note 6)	<b>109,266,644</b>

The table below summarises the Subsidiary's portfolio concentrations as of 30 September 2015:

	<b>Maximum portfolio holdings of a single asset % of total portfolio</b>	<b>Average portfolio holdings % of total portfolio</b>
30 September 2015	10.78%	4.55%

The following table summarises the Subsidiary's exposure to market risk, based on its concentration by industry:

	<b>30 September 2015</b>
	<b>£</b>
Accommodation	6,736,850
Power	20,393,476
Transport	49,530,310
Utilities	23,878,544
Other	8,727,464
Subsidiary financial assets at fair value through profit or loss (note 6)	<b>109,266,644</b>

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 5. FINANCIAL RISK MANAGEMENT, continued

#### Credit and Counterparty Risk, continued

Activities undertaken by the Company and its Subsidiary may give rise to settlement risk. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions, settlement risk is mitigated by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring processes. The Investment Manager also conducts reviews of the settlement process and custodian to ensure stringent settlement process is in place.

#### Liquidity Risk

Liquidity risk is the risk that the Company or the Subsidiary will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's policy and the Investment Manager's approach to managing liquidity risk in both the Company and the Subsidiary is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

In accordance with the Alternative Investment Fund Managers Directive ("AIFMD"), the Company has implemented a liquidity policy that is consistent with its underlying obligations and redemption policy, in accordance with the requirements relating to quantitative and qualitative risk limits and which considers both funding and trading liquidity.

The Investment Manager manages the Company's liquidity risk by taking into account the liquidity profile and strategy of the Company and at the Subsidiary level primarily through investing in a diverse portfolio of assets. Liquidity risk mitigation will be sought through careful selection of assets, asset duration, asset liquidity profiling through loan market interaction, geographical focus, currency allocations, cash management and other Company considerations.

Given the Company's permanent capital structure as a closed-ended fund, it is not exposed to redemption risk. However, the financial instruments of the Company and the Subsidiary include derivative contracts traded over-the-counter and debt investments, which are not traded in an organised public market and which may be illiquid.

The overall liquidity risk of the Company and the Subsidiary is monitored on a quarterly basis by the Board of Directors and on an ongoing basis by the Investment Manager. Shareholders will have no right of redemption and must rely, in part, on the existence of a liquid market in order to realise their investment.

The Company's financial liabilities at 30 September 2015 will all mature within 3 months of the reporting date.

#### Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Company's activities relating to financial instruments, either internally or on the part of service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

Operational risk is managed so as to balance the limiting of financial losses and reputational damage with achieving the investment objective of generating returns to investors.

The Investment Manager works with the Board to identify the risks facing the Company and the Subsidiary. The key risks are documented and updated in the Risk Matrix by the Investment Manager.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board. This responsibility is supported by the development of overall standards for the management of operational risk, which encompasses the controls and processes at the service providers and the establishment of service levels with the service providers.

The Directors' assessment of the adequacy of the controls and processes in place at service providers with respect to operational risk is carried out through having discussions with and reviewing reports from the Investment Manager, who conducts regular discussions with the service providers.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 5. FINANCIAL RISK MANAGEMENT, continued

#### Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Company's capital is represented by the Ordinary Shares. Capital is managed in accordance with the investment policy, in pursuit of its investment objectives. There are no duration restrictions on the investments acquired by the Subsidiary. Target annual returns for investors in the Company are an income return of 5% to 6% and a capital return of 1% to 2%.

The Company does not currently employ any leverage for short term liquidity or investment purposes.

### 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2015 £
Cost at the start of the period	-
VFNs purchased during the period	141,611,786
VFNs sold during the period	(26,636,585)
Cost at the end of the period	114,975,201
Net unrealised losses on non-derivative financial assets at the end of the period	(3,660,045)
Non-derivative financial assets at fair value through profit or loss at the end of the period	<u>111,315,156</u>

The following table provides a reconciliation of the financial assets at fair value through profit or loss of the Subsidiary to the Company's financial assets at fair value through profit or loss:

	30 September 2015 £
Subsidiary's non-derivative financial assets at fair value through profit or loss	109,266,644
Subsidiary's net current assets	2,048,512
Company's non-derivative financial assets at fair value through profit or loss	<u>111,315,156</u>

None of the Subsidiary's non-derivative financial assets at fair value through profit or loss are subject to any special arrangements arising from their illiquid nature.

The Company's unrealised loss on non-derivative financial assets at fair value through profit or loss in the period comprises the following:

	30 September 2015 £
<b>Subsidiary</b>	
Investment income	2,393,244
Other income	51,683
Unrealised losses on non-derivative financial assets at fair value through profit or loss	(2,804,609)
Foreign exchange losses	(248,675)
Interest on VFNs	(2,373,458)
Expenses	(113,704)
	<u>(3,095,519)</u>
<b>Company</b>	
Unrealised foreign exchange losses on VFNs	(564,526)
Net unrealised loss on non-derivative financial assets at fair value through profit or loss at the end of the period	<u>(3,660,045)</u>

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, continued

#### Fair Value Measurement

IFRS 13 requires that a fair value hierarchy be established that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are as follows:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement. Observable data is considered to be market data that is readily available, regularly distributed or updated, reliable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Company's investment in the Subsidiary, through the acquisition of shares and the issue of VFNs, is classified within Level 3, as it is not traded and contains unobservable inputs. The Board considers that the NAV of the Subsidiary is representative of its fair value.

	30 September 2015			
	Level 1	Level 2	Level 3	Total
	£	£	£	£
<b>Assets:</b>				
Non-derivative financial assets at fair value through profit or loss	-	-	111,315,156	111,315,156
Derivative financial assets at fair value through profit or loss	-	28,856	-	28,856
<b>Total</b>	<b>-</b>	<b>28,856</b>	<b>111,315,156</b>	<b>111,344,012</b>
<b>Liabilities:</b>				
Derivative financial liabilities at fair value through profit or loss	-	378,061	-	378,061
<b>Total</b>	<b>-</b>	<b>378,061</b>	<b>-</b>	<b>378,061</b>

There have been no transfers between levels of the fair value hierarchy during the period. Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, continued

#### Fair Value Measurement, continued

Movements in the Company's Level 3 financial instruments during the period were as follows:

	30 September 2015 £
Opening balance	-
Purchases	141,611,786
Sales	(26,636,585)
Net unrealised losses on non-derivative financial assets at the end of the period	(3,660,045)
Closing balance	<u>111,315,156</u>

The investments held by the Subsidiary in the underlying portfolio are classified within the fair value hierarchy as follows:

	30 September 2015			Total
	Level 1 £	Level 2 £	Level 3 £	£
<b>Assets:</b>				
Non-derivative financial assets at fair value through profit or loss	-	92,654,725	16,611,919	<u>109,266,644</u>

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value at 30 September 2015 but for which fair value is disclosed:

	30 September 2015			Total
	Level 1 £	Level 2 £	Level 3 £	£
<b>Assets:</b>				
Cash and cash equivalents	31,902,435	-	-	31,902,435
Other receivables	-	1,738,698	-	1,738,698
<b>Total</b>	<u>31,902,435</u>	<u>1,738,698</u>	<u>-</u>	<u>33,641,133</u>
<b>Liabilities</b>				
Other payables	-	265,867	-	265,867
<b>Total</b>	<u>-</u>	<u>265,867</u>	<u>-</u>	<u>265,867</u>

The assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents include deposits held with banks.

Other payables represent the contractual amounts and obligations due by the Company for settlement of trades and expenses.

#### Valuation techniques for the investment portfolio of the Subsidiary

##### Performing Portfolio Loans and Bonds

Valuations of performing portfolio loans and bonds are based on actual market prices (bid-side prices) obtained from third-party brokers and syndicate desks if available (such brokers to be agreed with the Investment Adviser); if such prices are not available, then valuations are calculated by discounting future cashflows at a yield appropriate to comparable infrastructure loans or bonds (with such yield assessed primarily from publically available sources and secondarily in consultation with brokers and syndicate desks). Spread data will also be cross-referenced to recently-priced primary market transactions if possible.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS, continued

#### Valuation techniques for the assets of the Subsidiary, continued

##### *Performing Portfolio Loans and Bonds, continued*

When identifying comparable loans or bonds, for the purpose of assessing market yields, the following will be taken into account:

- Project type: jurisdiction, sector, project status, transaction counterparties such as construction companies, FM providers;
- Structural characteristics: maturity and average life, seniority, secured/unsecured, amortisation profile, cash sweeps, par versus discount; and
- Credit characteristics: credit ratios (e.g. equity cushion, asset cover/LTV, debt service coverage ratios or equivalent, debt/EBITDA), ratings and ratings trajectory.

In calculating the net present value of future cashflows on loans with uncertain cashflows (such as cash-sweep mechanisms), “banking base case” cashflows are used unless there is clear evidence that the market is using a valuation based upon another set of cashflows.

In the case of discount loans with step-up margins, the assumption will be that market discounts are calculated on a yield-to-worst basis, unless there is clear evidence that the market convention for that loan is different.

For variable rate loans and bonds, for the purposes of projecting cashflows, the market convention of simple compounding to the next interest payment date is used and swap rates for subsequent interest payments, unless there is clear evidence that the market convention for that loan or bond is different.

##### *Non-performing Portfolio Bonds*

Valuations of non-performing portfolio bonds are based on actual market prices obtained from third-party brokers if available, otherwise the net present value of future expected loan cashflows will be calculated, estimated on the basis of the median outcome and discount rate that reflects the market yield of distressed/defaulted loans or bonds.

In assessing the median outcome cashflows, a project/corporate model that reflects the distressed state of the project will be used in order to assess a range of potential outcomes for expected future cashflows with regards to, for example, interest or principal recoveries and timing. The Investment Adviser will work closely with the independent third party valuer and they will have access to the Investment Adviser’s own model, analysis and internal valuations. These valuations will be subject to a high degree of management oversight by the Investment Manager and will be reviewed with high frequency.

##### *Finalising the Net Asset Value*

Once the appropriate position price has been determined to be applied to each investment, the calculation of the Subsidiary’s net asset value is finalised through the following steps:

- Conversion of each investment into GBP based on month end FX exchange rates;
- Reconciliation of any interest accrued since issue of the most recent coupon; and
- Aggregation of the investments into a single Fund NAV position statement (clean and dirty price).

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 7. DERIVATIVE FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 30 September 2015, the Company had the following outstanding commitments in respect of open forward foreign exchange contracts.

**30 September 2015**

Maturity date	Counterparty	Contract amount	Buy	Sell	Unrealised gain/(loss) £
4 February 2016	RBSI	AUD 4,000,000	GBP	AUD	28,856
					<b>28,856</b>
21 October 2015	Investec Bank	EUR 2,000,000	GBP	EUR	(83,934)
21 October 2015	Investec Bank	USD 2,000,000	GBP	USD	(44,270)
21 October 2015	Investec Bank	USD 1,000,000	GBP	USD	(22,135)
23 November 2015	Investec Bank	EUR 1,000,000	GBP	EUR	(33,608)
23 November 2015	Investec Bank	USD 2,000,000	GBP	USD	(46,127)
27 November 2015	Monex	USD 1,500,000	GBP	USD	(36,834)
18 December 2015	Investec Bank	SEK 5,000,000	GBP	SEK	(6,873)
18 December 2015	Investec Bank	EUR 4,600,000	GBP	EUR	(35,547)
18 December 2015	Investec Bank	USD 6,568,750	GBP	USD	(53,006)
23 December 2015	RBSI	EUR 1,500,000	GBP	EUR	(15,727)
					<b>(378,061)</b>
<b>Net unrealised loss on forward foreign exchange contracts</b>					<b>(349,205)</b>

All forward foreign exchange positions at the period end were held with Investec Bank plc, Monex Europe Limited or the Royal Bank of Scotland International, as noted above.

The net gain on forward foreign exchange contracts in the period comprises both realised and unrealised gains/(losses) as follows:

	30 September 2015 £
Realised gains on forward foreign exchange contracts during the period	268,642
Unrealised losses on forward foreign exchange contracts at the end of the period	(349,205)
Net losses on forward foreign exchange contracts during the period	<b>(80,563)</b>

### 8. CASH AND CASH EQUIVALENTS

	30 September 2015 £
Cash held on call or overnight deposit accounts	28,299,631
Cash held as collateral against forward foreign exchange facilities	3,602,804
	<b>31,902,435</b>

Under the terms of its forward foreign exchange trading agreements with Investec Bank plc and Royal Bank of Scotland International, the Company is required to retain balances on collateral accounts representing the applicable margin on each facility.



# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 9. INVESTMENT INCOME

For the period from  
30 December 2014  
(date of incorporation)  
to 30 September 2015  
£

Interest income on financial assets carried at amortised cost:

Cash and cash equivalents

84,188

Interest income on the Company's non-derivative financial assets at fair value  
through profit and loss

2,350,913

**2,435,101**

### 10. RELATED PARTIES AND OTHER MATERIAL CONTRACTS

All contracts with related or third parties are made on an 'at arm's length' basis.

#### Directors' Fees

Robert Jennings is entitled to a fee in remuneration for his services as Chairman of the Board of Directors at a rate payable of £45,000 per annum. The remaining Directors are entitled to a fee in remuneration for their services as Directors at a rate of £30,000 each per annum.

Jan Pethick, Jonathan Bridel and Sandra Platts are also each entitled to a fee of £5,000 per annum in respect of their roles as Chairman of the Management and Engagement Committee, Chairman of the Risk Committee and Chairman of the Audit and Remuneration Committee respectively.

Robert Jennings, Jan Pethick, Jonathan Bridel and Sandra Platts each received a listing fee of £7,500, which was subject to Admission. This fee was required to be applied in subscribing for Ordinary Shares in the Company upon Admission.

Robert Jennings, Jan Pethick, Jonathan Bridel and Sandra Platts each received a listing fee of £5,000, which was subject to Admission, in connection with the listing of 146,853,627 C Shares on 2 November 2015.

#### Ordinary Shares held by related parties

The Shareholdings of the Directors' in the Company at 30 September 2015 were as follows:

Name	30 September 2015	
	Number of Ordinary Shares	Percentage
Robert Jennings (Chairman)	115,000	0.08%
Jan Pethick	157,500	0.10%
Jon Bridel	7,500	0.00%
Sandra Platts	7,500	0.00%

As at 30 September 2015, the members of the Investment Adviser's founding team held an aggregate of 670,215 Ordinary Shares, which is 0.45% of the issued share capital.

As at 30 September 2015, the members of the Investment Manager held an aggregate of 50,000 Ordinary Shares, which is 0.03% of the issued share capital.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 10. RELATED PARTIES AND OTHER MATERIAL CONTRACTS, continued

#### Transactions with Investment Manager and Investment Adviser

##### *Investment Manager*

With effect from 28 January 2015, International Fund Management Limited (the "Investment Manager") was appointed as the Investment Manager. The Investment Manager is entitled to receive a management fee for AIFM services which shall be calculated and accrue monthly at a rate equivalent to 0.064 percent of the Net Asset Value per annum for the period ending 1 May 2016 and 0.075 percent of the Net Asset Value per annum thereafter, in each case subject to an annualised minimum of £80,000 applied on a monthly basis. The management fees are calculated without regard to VAT. If there is any VAT payable on the fees then this shall be added to the fee amount. The minimum investment management fee will be subject to an annual review on 1 May of each year, the first review commencing in 2016. The investment management fees are payable monthly in arrears. The Investment Manager will also receive ongoing fees in relation to services offered for the provision of AIFM services.

The investment management fee charged to the Company during the period amounted to £53,995, of which £8,382 remained outstanding at 30 September 2015.

The Investment Management agreement can be terminated by either party giving not less than 6 months written notice.

##### *Investment Adviser*

With effect from 28 January 2015, Sequoia Investment Management Limited (the "Investment Adviser") was appointed as the Investment Adviser. The Investment Adviser is entitled to receive from the Company a base fee calculated as follows and payable quarterly:

- 0.5 percent per annum of the value of the listed debt securities owned by the Subsidiary; plus
- if the Company's NAV is less than £250 million, 0.9 percent per annum of the value of the Company's other investments (excluding listed debt securities and cash); plus
- if the Company's NAV is more than £250 million and less than £500 million, 0.8 percent per annum of the value of the Company's other investments (excluding listed debt securities and cash) not included above; plus
- if the Company's NAV is more than £500 million, 0.7 percent per annum of the value of the Company's other investments (excluding listed debt securities and cash) not included above.

One quarter of the Investment Adviser's fee will be applied in subscribing for Ordinary Shares in the Company, which the Investment Adviser shall retain with a three-year rolling lock-up (such that those Ordinary Shares may not be sold or otherwise disposed of by the Investment Adviser without the prior consent of the Company before the third anniversary of the date of issue of the relevant Ordinary Shares). If the Company raises further capital or otherwise increases its Net Asset Value, the Investment Adviser will receive a reduced percentage fee.

On 17 July 2015, the Company issued 39,862 Ordinary Shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 30 June 2015 under the Investment Advisory Agreement.

The investment advisory fee charged to the Company during the period amounted to £354,123, of which £202,777 remained outstanding at 30 September 2015.

The Investment Advisory agreement can be terminated by either party giving not less than 6 months written notice. The Investment Adviser's appointment will be automatically terminated upon termination of the Investment Manager's appointment under the Investment Management Agreement.

#### Other Material Contracts

##### *Administrator*

With effect from 28 January 2015, Praxis Fund Services Limited (the "Administrator") was appointed as the administrator. The Administrator is entitled to receive an annual fee, initially be charged at 0.07 percent of NAV (discounted to 0.06 percent of NAV for the one year period from the date of the Company's inaugural board meeting). The administration fee may be varied by agreement between the parties and is subject to a minimum annual fee of £65,000 and a fee for company secretarial services based on time costs. The Administrator has also received an establishment fee of £25,000 for services rendered in connection with the initial set up of the Company, preparation of pre-launch documentation and any other services rendered in connection with the launch of the Company and the issue of the Ordinary Shares.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 10. RELATED PARTIES AND OTHER MATERIAL CONTRACTS, continued

#### Other Material Contracts, continued

##### *Subsidiary Administrator*

With effect from 28 January 2015, TMF Luxembourg S.A. (the "Subsidiary Administrator") was appointed as the administrator of the Subsidiary. The Subsidiary Administrator is entitled to receive an annual fee of €24,000 and, in addition, a fee for NAV reconciliation and reporting services based on time costs but capped at €6,000 per annum. The Subsidiary Administrator has also received a one-off fixed set-up fee of €15,000 for services rendered in connection with the initial set-up of the Subsidiary, preparation of pre-launch documentation and any other services rendered in connection with the launch of the Subsidiary and the issue of the Ordinary Shares.

##### *Custodian*

With effect from 28 January 2015, The Bank of New York Mellon, London Branch (the "Custodian") was appointed as the Custodian. The Custodian is entitled to receive a fee of approximately £35,000 for services provided relating to portfolio administration and cash management during the first year of the Company's operations.

The amounts charged for the above-mentioned fees during the period ended 30 September 2015 and outstanding at 30 September 2015 are as follows:

	Charge for the period £	Amounts outstanding at 30 September 2015 £
Investment advisory fee	354,123	202,777
Investment management fee	53,995	8,382
Administration fee	83,392	9,502
Sub-administration fee	21,501	-
Directors' fees and expenses	110,600	-
	<u>623,611</u>	<u>220,661</u>

### 11. TAX STATUS

The Company is exempt from Guernsey income tax and is charged an annual exemption fee of £1,200 under The Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

### 12. SHARE CAPITAL

The Company's Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares are recognised as a deduction in equity and are charged to the share capital account, including the initial set up costs.

The authorised share capital of the Company is represented by an unlimited number of Ordinary Shares of nil par value and have the following rights:

- (a) Dividends: Shareholders are entitled to receive, and participate in, any dividends or other distributions resolved to be distributed in respect of any accounting period or other period, provided that no calls or other sums due by them to the Company are outstanding.
- (b) Winding Up: On a winding up, the Shareholders shall be entitled to the surplus assets remaining after payment of all the creditors of the Company.
- (c) Voting: Subject to any rights or restrictions attached to any shares, at a general meeting of the Company, on a show of hands, every holder of voting shares present in person or by proxy and entitled to vote shall have one vote, and on a poll every holder of voting shares present in person or by proxy shall have one vote for each share held by him, but this entitlement shall be subject to the conditions with respect to any special voting powers or restrictions for the time being attached to any shares which may be subject to special conditions.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS, continued

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

### 12. SHARE CAPITAL, continued

#### Issued Share Capital

##### Ordinary Shares

	30 September 2015	
	Number	£
Ordinary Share Capital at the beginning of the period	-	-
Ordinary Share Capital issued and fully paid	150,039,862	150,037,837
Share issue costs	-	(2,970,000)
Total Ordinary Share Capital at the end of the period	<b>150,039,862</b>	<b>147,067,837</b>

### 13. BASIC AND DILUTED LOSS PER SHARE

	30 September 2015 Number of Ordinary Shares
Weighted average number of Ordinary Shares	150,014,547
Loss for the financial period	£(1,226,221)
Basic and diluted loss per Ordinary Share	<b>(0.82p)</b>

The weighted average number of Ordinary Shares as at 30 September 2015 is based on the number of Ordinary Shares in issue during the period under review, as detailed in note 12.

There was no dilutive effect for potential Ordinary Shares during the current period.

### 14. TRADE AND OTHER RECEIVABLES

	30 September 2015 £
VFN interest receivable	1,702,182
Bank interest receivable	127
Prepaid expenses	36,389
	<b>1,738,698</b>

### 15. SUBSEQUENT EVENTS

On 27 October 2015, the Company raised net proceeds of £144.4 million through the Open Offer, Placing and Offer for Subscription of C Shares (the "Issue").

A total of 146,853,627 C Shares have been issued, of which 66,558,993 C Shares were issued pursuant to the Open Offer (including the Excess Application Facility) and 80,294,634 C Shares were issued pursuant to the Placing and the Offer for Subscription.

Dealings in the C Shares commenced on 2 November 2015.

On 4 November 2015, the Company issued 45,563 Ordinary Shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 30 September 2015 under the Investment Advisory Agreement.

On 4 November 2015 the Company declared an interim dividend of 1p per Ordinary Share in respect of the quarter ended 30 September 2015. The dividend has a payment date of 30 November 2015.

There were no other significant events since the period end which would require revision of the figures or disclosures in the Financial Statements.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## OFFICERS AND ADVISERS

### Directors

Robert Jennings, CBE (Non-executive Chairman)  
Jan Pethick (Non-executive Director)  
Jonathan Bridel (Non-executive Director)  
Sandra Platts (Non-executive Director)

### Registered Office

Sarnia House  
Le Truchot  
St Peter Port  
Guernsey  
GY1 1GR

### Investment Manager

International Fund Management Limited  
Sarnia House  
Le Truchot  
St Peter Port  
Guernsey  
GY1 1GR

### Investment Adviser

Sequoia Investment Management Company Limited  
11-13 Market Place  
London  
W1W 8AH

### Administrator and Secretary

Praxis Fund Services Limited  
Sarnia House  
Le Truchot  
St Peter Port  
Guernsey  
GY1 1GR

### Auditor

KPMG Channel Islands Limited  
Gategny Court  
Gategny Esplanade  
St Peter Port  
Guernsey  
GY1 1WR

### Subsidiary Administrator

TMF Luxembourg S.A.  
46A, Avenue JF Kennedy  
L-1855 Luxembourg

### Broker

Stifel Nicolaus Europe Limited  
150 Cheapside  
London  
EC2V 6ET

### Valuation Agent

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

### Custodian

Bank of New York Mellon  
1 Canada Square  
London  
E14 5AL

### Registrar

Computershare Investor Services (Guernsey) Limited  
1<sup>st</sup> Floor Tudor House  
Le Bordage  
St Peter Port  
Guernsey  
GY1 1DB

### Legal Adviser (as to Guernsey Law)

Ogier  
Redwood House  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 1WA

# **SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED**

## **APPENDIX – SUPPLEMENTAL NON-GAAP INFORMATION**

The Board has provided the following supplemental non-GAAP information, which does not form part of the Unaudited Interim Financial Statements.

# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 30 December 2014 (date of incorporation) to 30 September 2015

For the period  
from 30 December 2014  
(date of incorporation)  
to 30 September 2015  
£

### Revenue

Net losses on non-derivative financial assets at fair value through profit or loss	(2,804,609)
Net losses on derivative financial assets at fair value through profit or loss	(80,563)
Investment income	2,477,432
Net foreign exchange gain	20,486
Other income	51,683
<b>Total revenue</b>	<b>(335,571)</b>

### Expenses

Investment Adviser fees	354,123
Investment Manager fees	53,995
Directors' fees and expenses	110,600
Administration fees	104,893
Audit and related fees	27,506
Broker fees	29,851
Valuation fees	47,135
Legal and professional fees	11,915
Other expenses	150,632
<b>Total operating expenses</b>	<b>890,650</b>

<b>Total comprehensive loss for the period</b>	<b>(1,226,221)</b>
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<b>Basic and diluted loss per Ordinary Share</b>	<b>(0.82p)</b>
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# SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION At 30 September 2015

	30 September 2015 £
<b>Assets</b>	
Non-derivative financial assets at fair value through profit or loss	109,266,644
Cash and cash equivalents	34,105,415
Trade and other receivables	1,670,935
Derivative financial assets at fair value through profit or loss	28,856
<b>Total assets</b>	<b>145,071,850</b>
<b>Liabilities</b>	
Trade and other payables	352,572
Derivatives financial liabilities at fair value through profit or loss	378,061
<b>Total liabilities</b>	<b>730,633</b>
<b>Net assets</b>	<b>144,341,217</b>
<b>Equity</b>	
Share capital	147,067,837
Retained deficit	(2,726,620)
<b>Total equity</b>	<b>144,341,217</b>
<b>Number of Ordinary Shares</b>	<b>150,039,862</b>
<b>Net asset value per Ordinary Share</b>	<b>96.20p</b>