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# Diversified Sustainable Income

Interim Report  
2022

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# Our purpose

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Our purpose is to generate **attractive** and **sustainable returns** for a wide range of investors through **responsible** and **disciplined investment** into a growing portfolio of diverse economic infrastructure debt. These assets would otherwise be difficult for investors to access, given the specialist nature of the origination and credit assessment skills needed.

Our investments support the provision of infrastructure on a sustainable basis and create social and economic benefits across the range of geographies in which we invest.

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Find out more at [www.seqifund.com](http://www.seqifund.com)





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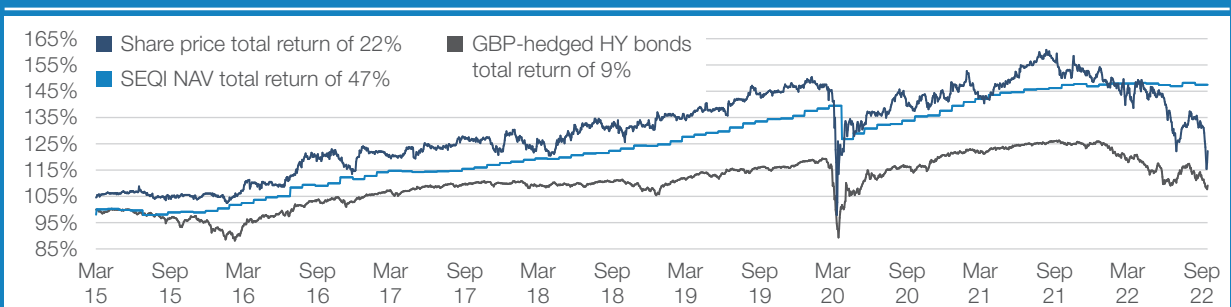
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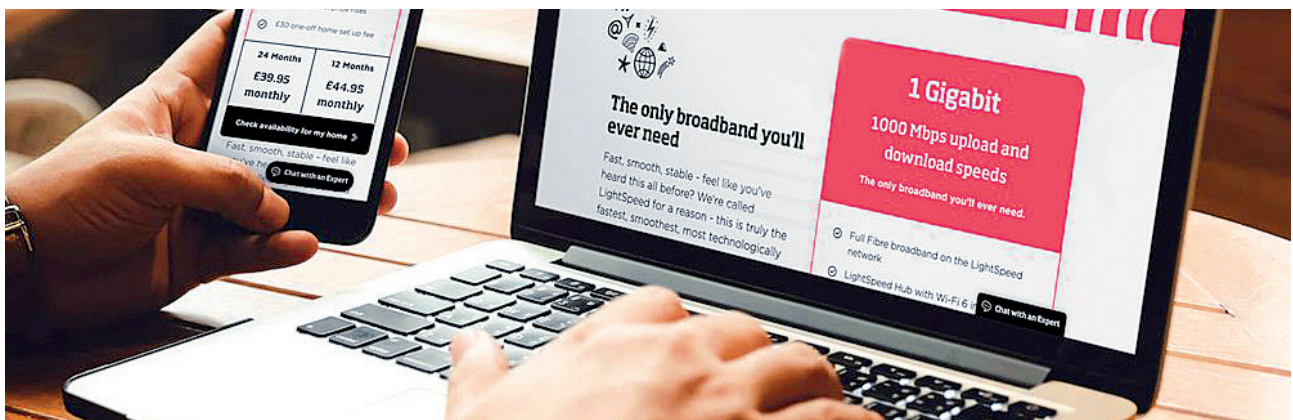
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## TOTAL RETURN<sup>1</sup> SINCE THE INCEPTION OF THE COMPANY TO 30 SEPTEMBER 2022



1. See appendix for Alternative Performance Measures ("APMs").



# Highlights

Dividend target increased to 6.875p per annum

## HIGHLIGHTS AT 30 SEPTEMBER 2022

**£1.63bn**

Total net assets

(31 March 2022: £1.78bn)

**93.64p**

Net asset value ("NAV")  
per Ordinary Share<sup>1,2</sup>

(31 March 2022: 100.50p)

**81.90p**

Ordinary Share price<sup>2</sup>

(31 March 2022: 102.80p)

**(12.5)%**

Ordinary Share (discount)/  
premium to NAV<sup>1</sup>

(31 March 2022: 2.3%)

**61.59**

ESG score of the portfolio

(31 March 2022: 61.88)

**(3.82)p**

(Loss)/earnings per share

(30 September 2021: 2.87p)

**3.125p**

Dividends declared

(30 September 2021: 3.125p)

- Well positioned to benefit in higher interest rate environment
- Diversified portfolio invested in highly stable and defensive asset class
- Increased dividend target with substantially strengthened cash cover
- ESG is core to our investment strategy
- Attractive pipeline of investment opportunities, focused on credit quality

1. See appendix for Alternative Performance Measures ("APMs").

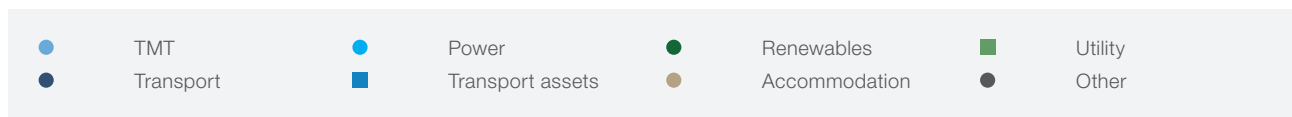
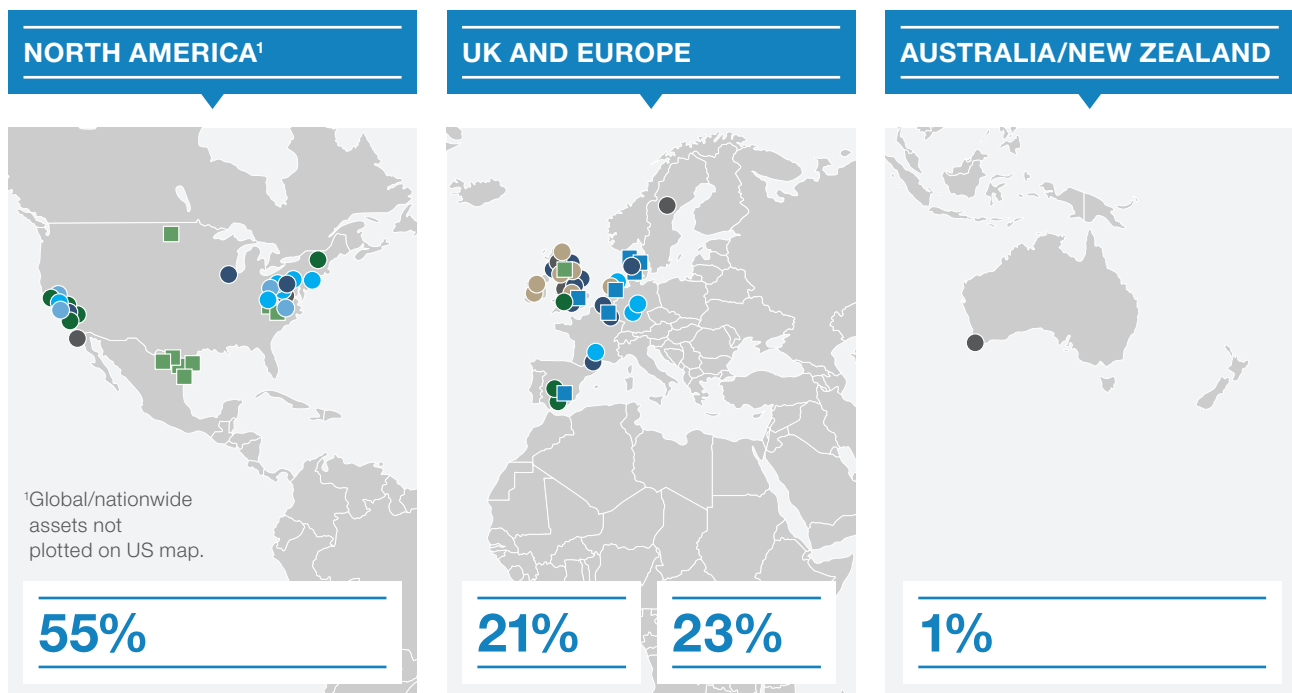
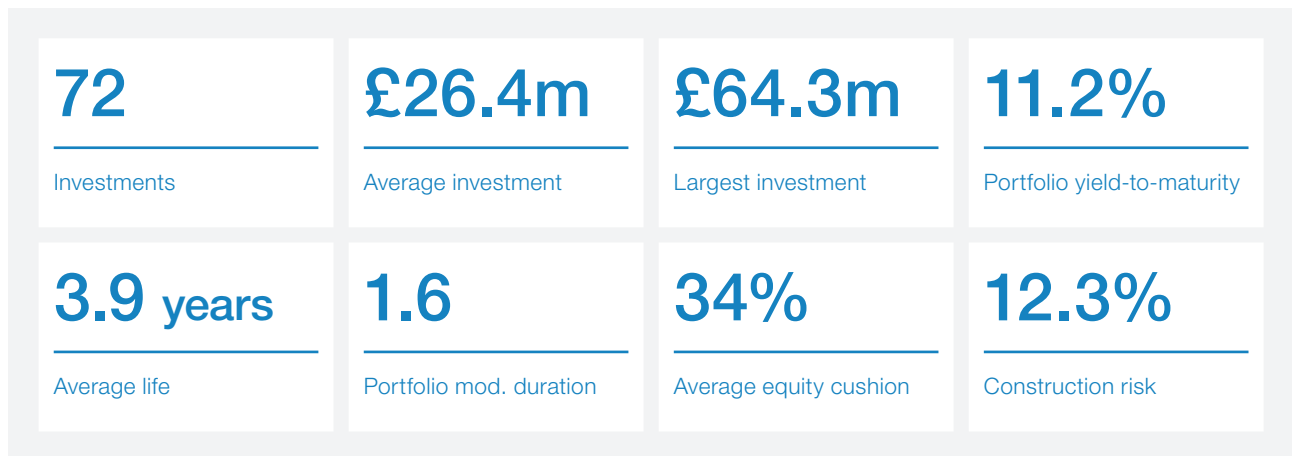
2. Cum dividend.

# At a glance

Diversified infrastructure fund with 64 private debt investments and 8 bonds across 8 sectors, 28 sub-sectors and 11 jurisdictions.

## ABOUT SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

The Company seeks to provide investors with regular, sustained, long-term distributions and capital appreciation from a diversified portfolio of senior and subordinated economic infrastructure debt investments. The Company is advised by Sequoia Investment Management Company Limited.



# Objectives and policies

## PRINCIPAL ACTIVITY

**Sequoia Economic Infrastructure Income Fund Limited (the “Company”) invests in a diversified portfolio of senior and subordinated economic infrastructure debt investments through its immediate subsidiary Sequoia IDF Asset Holdings S.A. (the “Subsidiary”, together 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, subject to the investment criteria as set out in the investment policy. 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 investment policy is to invest in a portfolio of loans, notes and bonds in which no more than 10% by value of the Fund’s net asset value (at the time of investment) relates to any one individual infrastructure asset. In addition, the Company intends to invest directly or indirectly only in investments that satisfy the following criteria, such investments to make up a minimum of 80% by value of the portfolio at the time of investment:

- all or substantially all of the associated underlying revenues to be from business activities in the following market sectors: transport, transportation equipment, utilities, power, renewable energy, accommodation infrastructure and telecommunications, media and technology infrastructure;
- all or substantially all of the revenues to derive from certain eligible jurisdictions, as defined in the Company’s Prospectus, provided that any such jurisdiction is rated at least BBB- by Standard & Poor’s or Baa3 by Moody’s;
- at least 50% of the portfolio to be floating rate or inflation-linked debt;
- no more than 20% of the portfolio to comprise pre-operational projects (typically projects in construction);
- no single sector to represent more than 40% of total assets;
- no single sub-sector to represent more than 15% of total assets, other than a major sub-sector (as defined in the Prospectus), which may represent up to 25% of total assets;
- no more than 60% of the portfolio to be located in the United States;
- no more than 50% of the portfolio to be located in Western Europe (ex-UK);
- no more than 40% of the portfolio to be located in the United Kingdom; and
- no more than 20% of the portfolio to be located in Australia and New Zealand combined.

## ESG POLICY

The Company takes its corporate and social responsibilities seriously. As part of its sustainability strategy, it has established a number of appropriate ESG policies which it takes into account at all stages of its investment process. For details, please see the Company’s sustainability report on page 18. The guiding principles behind its ESG programme are the United Nations Principles for Responsible Investment (“UNPRI”), to which the Investment Adviser is a signatory.

## DIVIDEND POLICY

On 24 November 2022, the Board resolved to increase its annual dividend target from 6.25p to 6.875p. As a result, with effect from the dividend due to be paid in respect of the quarter ended 31 December 2022, and in the absence of any significant restricting factors, the Board expects to pay dividends totalling 6.875p per Ordinary Share per annum. The Company pays dividends on a quarterly basis. At an Extraordinary General Meeting of the Company held on 25 February 2020, Shareholders approved the implementation of a scrip dividend scheme. For further details, please see note 5 to the Financial Statements.

# Chair's statement



**ROBERT JENNINGS**  
Chair



The era of ultra-low interest rates is ending. Combined with the resilient performance of our portfolio, this allows us to increase our target dividend by ten per cent

It is my pleasure to present to you Sequoia Economic Infrastructure Income Fund Limited's (the "Company" or "SEQI") Interim Report for the six-month period of operations ended 30 September 2022.

The half year was a time of considerable uncertainty and market volatility, which has continued in the subsequent weeks to date. You can take your pick as to the reasons for this: domestic politics, inflation, the war in Ukraine, weakness in the collective leadership of the G7, labour shortages, big swings in currencies, and energy shortages. Whatever the cause, a key consequence has been an extraordinary increase in sovereign rates in the final weeks of our half year which had a negative impact on our net asset value and, to a much more notable extent, on our share price.

However, in line with our relative outperformance in the last six months, as reflected by our decision, announced today, to increase our target dividend by ten percent to 6.875p per share per annum, I believe there are a number of reasons to be positive:

- the era of ultra-low interest rates, in which we have operated since launch in 2015, finally appears to be ending. Most commentators do not expect a return to such circumstances any time soon;

- the underlying performance of our investment portfolio has been robust over the period, especially when compared to other credit markets such as leveraged loans or high yield bonds;
- the loans we make are quite short – on average we expect to get our money back within four years. This allows us to be nimble and market-facing, able to redeploy capital quickly to take advantage of market conditions such as higher fixed rate loans or lending to sectors where attractive opportunities arise. For a lender such as ourselves, market volatility can be a benefit and a competitive advantage as we can rapidly redeploy capital;
- over half of our portfolio consists of floating rate debt, which means that in today's inflationary and rising interest rate environment our portfolio income is now rising rapidly;
- infrastructure is acknowledged to be a relatively safe investment class, as infrastructure projects are often stable over the economic cycle, since they often provide essential services with high barriers to entry. Moreover, the highly diversified nature of our portfolio reduces the impact of unexpected events.

These matters have played and continue to play to our advantage. We finished the half year with our portfolio in good shape overall, with the yield on our invested portfolio having increased from 8.4% to 11.2% over the period. For some time, we have flagged that although rising rates reduce the value of our fixed rate loans in the short term, over time the pull to par on this part of our portfolio becomes stronger. In combination with recent increases in centrally determined interest rates, particularly in the UK, given the hedged position we maintain into Sterling, we have now experienced a rise in cash income from our floating rate loans sufficient to increase our dividend pay-out target by ten percent, while maintaining dividend cover at an appropriate level.

# Chair's statement continued

## NAV AND SHARE PRICE PERFORMANCE

Over the first half of this financial year, the Company's NAV per Ordinary Share<sup>1</sup> has decreased from 100.50p to 93.64p. Most of the NAV decline is simply due to increasing interest rates and credit spreads, which also present an opportunity for the Company, as discussed below. Over the same period, the Company has paid dividends of 3.125p per Ordinary Share, consistent with our historic full year target dividend of 6.25p, resulting in a total NAV return<sup>1</sup> of -3.8% (not annualised).

Total return<sup>2</sup> over the six-month period

SEQUI NAV	-3.8%
Leveraged loans	-8.0%
High yield bonds	-11.5%
Gilts	-17.2%

This performance compares well with other debt investments, as shown in the table above. Infrastructure debt has again shown itself to be resilient in the face of economic adversity, while the diversity and high level of floating rate debt within the portfolio reduce our sensitivity to interest rates.

Less pleasingly, the Company's share price had declined to 81.90p on 30 September 2022 from 102.80p on 31 March 2022 and the share price premium to NAV therefore declined from 2.3% to a discount of 12.5%. After taking account of dividends, this resulted in a total return over the six months to 30 September 2022 on the Ordinary Shares of -17.5%. After the period end, our share price dropped even further but has since recovered to around 90p.

While the share price decline clearly reflects the wider malaise in the financial markets, the Company has not been complacent. We have strategically bought back shares in the market, and the Directors and certain members of our advisory team have demonstrated their faith in the business by also buying shares. We do not believe that the levels of discount to NAV that we have seen reflect the Company's long-term prospects, the resilience of its investment portfolio, or its ability to generate attractive returns for our Shareholders, and we anticipate that if unwarranted levels of discount were to reoccur, we would continue to buy in shares in the market as appropriate.

## PORTFOLIO PERFORMANCE

As explained above, the decline in NAV over the period was predominantly driven by rising long-term interest rates and higher spreads, which together contributed 7.77p per Ordinary Share to the NAV decline. It is important to stress that this is an unrealised loss that will naturally reverse itself over time (the so-called "pull to par"). The average loan in the portfolio is now marked at a price of about 91p in the Pound, a level which is unprecedentedly and materially lower than at any point in the Company's history since its formation in 2015, and which is a reflection of the higher interest rate environment that we find ourselves in. Absent any credit events, this price will trend upwards to 100p in the Pound as each loan approaches its maturity date.

In fact, the short maturities of our loans mean that this will happen quickly – we estimate that over the next three years alone, the pull to par should be worth 5.9p per Ordinary Share.

The Investment Adviser continues to make good progress on resolving and recovering value from the three previously identified problem assets in the portfolio, having successfully exited one and made meaningful progress on the remaining two. These loans now make up only a very small percentage of our portfolio. Clearly in any debt portfolio there is always likely to be a small number of under-performing loans and, although our portfolio experienced a "blip" during the COVID-19 pandemic (driven by a near shutdown in the transport sector, and the disruption to energy markets), the number and value of such loans across our widely diversified portfolio has diminished to more expected levels.

## MARKET OUTLOOK

The economic outlook in the US, UK and other developed economies where the portfolio is invested has taken on a more challenging tone, with inflation proving to be more resilient than central banks publicly expected, growth is negligible or negative, and consumer spending also relatively weak.

It is in such situations that the highly defensive characteristics of economic infrastructure, and especially lending to economic infrastructure, as opposed to taking all the risks of equity ownership, should be most valuable to investors.

The Investment Adviser has for several years now been positioning the portfolio cautiously. We have targeted an increasing percentage of our portfolio in senior secured loans, backed by projects with highly defensive characteristics, such as long-term contractual income from creditworthy counterparties. Our lending to more volatile infrastructure projects, such as aviation, container ports or refineries, is negligible.

Our view is that weak economic conditions are likely to persist, therefore we will remain cautious in our lending that we do. In today's environment, with higher interest rates and also higher lending margins, we do not need to take excessive credit risk. Our strategy is to continue to earn a good return for our investors while targeting the higher quality, more defensive sectors of the infrastructure market.

1. See appendix for Alternative Performance Measures ("APMs").

2. Leveraged loans: S&P European Leveraged Loan Index. High Yield Bonds: Bloomberg Pan-European High Yield Index. Gilts: 10-year benchmark Gilt.



## DIVIDEND

Portfolio interest income has grown strongly, as the interest earned on our floating rate loans has increased, and recent capital investments reflect today's higher interest rate environment. This has resulted in a substantial strengthening of our dividend cover from 1.06x in the year ended 31 March 2022 to 1.40x over the first half of this financial year. The transformed cover position supports the significant increase in our annual dividend target.

The significant increase now apparent in our interest income looks to be more than temporary. Accordingly, the Board has resolved that the Company's dividend target should now be increased by 0.625p to 6.875p per Ordinary Share per annum with a stable dividend cover. This increase will be reflected in our next quarterly dividend payment, which will amount to 1.71875p per share.

The Board will continue to review the dividend. Our expectation is that portfolio income will continue to grow, as existing loans mature and the proceeds are redeployed in today's higher rate environment. If this transpires, the Board will be in a strong position to consider further dividend increases in the future.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Despite the recent market volatility, and the ongoing economic uncertainty, we have not taken our eye off the ESG ball. Investing the Company's capital in a responsible way and engaging on ESG topics with the companies that we lend to, remains a core part of our investment philosophy.

Each investment that we make is carefully assessed against a broad range of ESG criteria. Results are then processed to produce an asset-specific ESG score. Our goal over time is to use our findings from this aspect of our due diligence process to identify target investments that increase the average ESG score of assets in our portfolio. In all prior periods subsequent to the adoption of this methodology, we have successfully done so.

Unfortunately, during the current period, our ESG score fell slightly, as discussed in the sustainability report. This is principally a consequence of exchange rate changes that have inflated the value of lower-scoring US Dollar-denominated loans relative to higher-scoring loans in other currencies, and is not a reflection of the importance we ascribe to ESG.

In the most recent Annual Report, we published our Task Force on Climate-Related Financial Disclosures ("TCFD") disclosures for the first time. Over the coming years we will see an increasing level of disclosure and reporting, under a range of frameworks, on ESG matters. This is an exciting opportunity for the Company, but not one without challenges for a debt fund. We invest internationally, and are discovering that the quality of ESG reporting is not consistent across different geographical areas. However we are working with our borrowers to gather the necessary quantitative data that will be required in the future. We aspire to be a pioneer in the listed debt fund sector in the quality and accuracy of our ESG reporting to investors.

## CLOSING

I would like to close this year's statement by thanking my fellow Board members, the Investment Adviser, Investment Manager, our Broker, our independent advisers, and all other critical service providers who continue to manage the Company prudently and who have collectively positioned us well to deliver attractive and increasing returns. Thank you also to our Shareholders for your continued commitment and support through a difficult period for markets. We are delighted that the moment has finally come where it is appropriate for us to increase our target dividend pay-out as just reward to you for your patience and endurance in the face of the challenging environment in which we have operated over the last two and a half years.

## ROBERT JENNINGS Chair

24 November 2022

# Investment Adviser's report

## THE INVESTMENT ADVISER'S OBJECTIVES FOR THE YEAR

Over the first half of the financial year, Sequoia Investment Management Company Limited ("Sequoia" or the "Investment Adviser") has had a number of objectives for the Company:

Goal	Commentary
<b>GROSS PORTFOLIO RETURN<sup>1</sup> OF 8-9%</b>	The Company is fully invested with a portfolio that currently yields <sup>1</sup> in excess of 11%
<b>MANAGE THE PORTFOLIO RESPONSIBLY THROUGH AN INFLATIONARY AND RISING INTEREST RATE ENVIRONMENT</b>	In light of rising interest rates, the Company has increased the floating rate proportion of its portfolio from 50.1% at 31 March 2022 to 56.9% at 30 September 2022
<b>FOLLOW A SUSTAINABLE INVESTMENT STRATEGY</b>	The portfolio weighted average ESG score has decreased marginally from 61.88 to 61.59, primarily due to the impact of valuation changes
<b>TIMELY AND TRANSPARENT INVESTOR REPORTING</b>	Factsheet, commentary and the full portfolio are provided monthly for full transparency
<b>CONTINUE TO IMPROVE THE ESG PROFILE OF THE COMPANY AND THE PORTFOLIO</b>	The Company has worked with its FX hedging counterparties to put in place a sustainability-linked hedging facility
<b>DIVIDENDS OF 6.25P PER ORDINARY SHARE PER ANNUM</b>	The Company paid 3.125p of dividends per Ordinary Share during the period, in accordance with its dividend target



1. See appendix for Alternative Performance Measures ("APMs").

## PART ONE. OVERVIEW

### Economic infrastructure is a diverse and highly cash-generative asset class

It is worth taking a moment to provide important context to the Company's portfolio and the economic infrastructure debt asset class as a whole.

Infrastructure, in general, is typically characterised as providing essential services, with high barriers-to-entry and relatively stable cash flows, and includes sectors such as transportation, utilities, power, telecommunications and renewable energy. Infrastructure is often supported by physical assets, long-term concessions, or licences to operate infrastructure assets and may operate within a regulated framework.

The Company's focus is on lending to businesses operating within the economic infrastructure sector (i.e. infrastructure that is used within the economy, as opposed to social infrastructure assets). By lending to, rather than owning, these projects, the Company reduces its risk further, as equity invested by the owner of the business acts as a shock absorber by taking risk ahead of lenders.

A characteristic that many economic infrastructure sectors have in common is that they earn their revenues from demand, usage or volume. This means that a project's revenues are linked to the utilisation of the project, such as a toll road where revenues are dependent or partially dependent upon traffic volumes. This is in contrast to social infrastructure, such as schools and hospitals, which are often compensated for the physical asset simply being available for use.

To mitigate demand risk, economic infrastructure projects are typically less highly geared than social infrastructure and have higher equity buffers, more conservative credit ratios, stronger loan covenants, and higher levels of asset backing for lenders. Economic infrastructure also provides higher returns than social infrastructure and is a much larger market. Moreover, as sustainability has become a key investment topic, the Investment Adviser notes that economic infrastructure is at the forefront of implementing the latest technologies and manufacturing processes into existing industries. This leads to an abundance of ESG-centric investment opportunities, benefiting not only the Company's portfolio, but also the modernisation of otherwise high barrier-to-entry sectors.

These characteristics of economic infrastructure – stable cash flows, high barriers-to-entry, physical assets, equity buffers and lower gearing – all form the bedrock upon which SEQI's investment opportunities are made. This is not expected to change, regardless of what is going on in the markets, because these core features of economic infrastructure all contribute to strong fundamentals that are essential for weathering storms.

### The market environment during the period

Notwithstanding the fundamental stability of infrastructure debt as an asset class, the broader financial markets have been exceptionally turbulent over the period, and the Company has been buffeted by these headwinds alongside almost every other fund.

As a few examples, since 1 April 2022, the FTSE 250 has fallen by 19.1%, the FTSE 100 by 8.5%, 10-year Gilts by 17.2%, leveraged loans by 8.0% and high yield bonds by 11.5%. In each case, dividends or interest income, as applicable, have been added to the price movement, to give a "total return".

These declines have resulted from a range of factors, including: persistently high inflation, the risk of a recession, political instability in the UK and elsewhere, geopolitical risks and commodity price volatility. They have manifested themselves through a high level of risk aversion, with investors requiring higher interest rates and credit spreads as compensation for elevated risk. Some markets, such as high yield bonds, have been almost closed at times, with year-on-year new issuance declining by over 70%.

These factors affect the Fund adversely in some ways – for example, interest rates and credit spreads in the liquid markets are used to help value the Company's portfolio of private debt, and so weakness in the high yield bond markets reduces the valuation of our investments. However, in other ways, the Company benefits from weak markets, since the infrastructure businesses that we lend to have fewer options for raising capital and therefore the pricing power that we enjoy as lenders tends to increase when the liquid credit markets are closed. This can present itself through higher lending margins, better credit terms, or both.



# Investment Adviser's report continued

## Portfolio overview

Our approach, simply stated, is to build and manage a diversified portfolio of private debt investments backed by infrastructure assets in low-risk jurisdictions. We look to achieve our target returns without taking excessive credit risk.

The Company started employing late-cycle strategies in 2019 and continues to do so. These strategies include keeping a large portion of the portfolio in defensive sectors, keeping a strong allocation in senior compared to mezzanine debt, and gradually maintaining or improving the portfolio's credit quality. We put these strategies

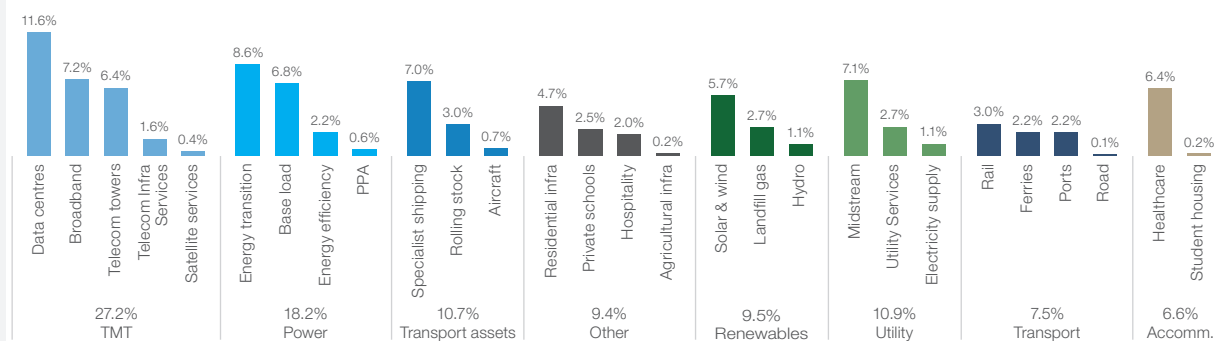
into place because we expected a slowdown in the economy during the COVID-19 crisis. Given the current high level of economic uncertainty, the Company intends to maintain this strategy while taking advantage of new diversifying opportunities and the excellent pricing currently available to it on new lending opportunities.

- We have 54% of the portfolio in defensive sectors. These include telecommunications, accommodation, utilities and renewables, which are viewed as defensive because they provide essential services, often operate within a regulated framework and have high barriers-to-entry.

- Our telecommunications sector, which stands at 27% of the portfolio, continues to perform well as previous PIK assets become cash-paying and the appetite for infrastructure such as data centres grows.
- We have 59% of the portfolio in senior ranking secured loans, the lowest risk point on a company's balance sheet.
- We have improved the overall credit quality of the portfolio over the last 12 months and have continued our policy of not investing in CCC-rated loans (or unrated loans of an equivalent credit quality).

The Company's investment portfolio is diversified by borrower, jurisdiction, sector and sub-sector, with strict investment limits in place to ensure that this remains the case. The chart below shows portfolio sectors and sub-sectors on 30 September 2022:

## DIVERSIFICATION BY SECTOR



Geographically, the Company invests in stable low-risk jurisdictions. Under the terms of its investment criteria, the Company is limited to investment-grade countries, and has chosen to pursue selected opportunities in Spain, but not in Portugal or Italy, where in addition to economic challenges, infrastructure projects have also been exposed to regulatory and legal risks. The Company has been focused on the United States, Canada, Australia, the UK, and Northern and Western Europe.

The Company focuses predominantly on private debt, which on 30 September 2022 represented approximately 96.3% of its portfolio (compared to 94.7% a year previously). This is because, typically, private debt

enjoys an illiquidity premium: i.e. a higher yield than a liquid bond with otherwise similar characteristics. Since the Fund's main investment strategy is "buy and hold", it makes sense to capture this illiquidity premium. Sequoia's research indicates that infrastructure private debt instruments yield approximately 1% more than public, rated bonds. However, in some cases, bonds can also be an attractive investment for three reasons. Firstly, some bonds are "private placements" which, whilst in bond format, have an attractive yield that is comparable to loans. Secondly, some sectors, such as US utility companies, predominantly borrow through the bond markets, and therefore having an allocation to bonds can improve the

diversification of the portfolio. Thirdly, having some liquid assets in the portfolio enables the Company to take advantage of future opportunities and can also be used to offer liquidity.

The Company remains committed to limiting exposure to greenfield construction risk in the portfolio. Whilst up to 20% of the portfolio can consist of lending to such projects, the actual exposure to assets in construction on 30 September 2022 was only 12.3%. Sequoia is careful to select projects where it believes the Company is well compensated for taking a moderate level of construction risk, and where the underlying strength of the borrower's business or project mitigates the risk.

## PART TWO. PERFORMANCE

### NAV and Fund performance

Over the first half of this financial year, the Company's NAV per share decreased from 100.50p per share to 93.64p per share, driven by the following effects:

Factor	NAV effect
Interest income on the Company's investments	5.31p
Gains on foreign exchange movements, net of the effect of hedging	0.46p
Negative market movements	(8.59)p
IFRS adjustment from mid-price at acquisition to bid price	(0.20)p
Operating costs	(0.78)p
Gains from buying back shares at a discount to NAV	0.08p
<b>Gross decrease in NAV</b>	<b>(3.73)p</b>
Less: Dividends paid	(3.13)p
<b>Net decrease in NAV after payments of dividends</b>	<b>(6.86)p</b>

The total return on the NAV was equal to -3.8% over the period. Whilst disappointing, this is largely driven by increasing interest rates and credit spreads. In fact, these two factors account for 7.77p of the 8.59p decline in asset valuations. The balance is small adjustments to the valuation of individual assets, increases in the valuation of assets previously written down, and a write down on the valuation of the loan to an Australian potash project, which has now been substantially exited.

The 7.77p of mark-to-market declines are unrealised losses and merely reflect higher discount rates being applied to value the Company's assets. Over time, as the loans get closer to their maturity dates, their prices should accrete back to par, as described in more detail in the final section of this report.

A comparison to the broad financial markets puts a NAV total return of -3.8% into context. It is less than half the decline of leveraged loans (8% decline) and less than a third of the decline of high yield bonds (11.5% decline). The relative outperformance of SEQL, compared to other financial assets, is, we believe, a consequence of:

- the resilience of infrastructure debt, based on the fundamentally defensive characteristics of infrastructure and the high level of asset backing that our loans typically enjoy;
- the high level of floating rate debt in the portfolio (57%) which means that the Company has a low level of interest rate sensitivity; and
- the high level of diversification in the portfolio, not just in terms of the number of investments but also their spread across different sectors, sub-sectors and jurisdictions, which reduces the impact of country-specific political and economic risks.

# Case study

LINK TO ESG



Infrastructure with  
social benefits

## WORKDRY

### 9.5%

Yield to maturity

### GBP50.0 million

Size

During the period, the Company invested £50 million in a senior secured facility to support Arcus Infrastructure Partners with the acquisition of Workdry International Limited (“Workdry”). Workdry is the UK’s leading provider of essential and emergency water handling infrastructure solutions and has been operating for 75 years.

Workdry’s origins date back to 1946. During the early years, Workdry was a diversified asset hire business encompassing generalist plant and scaffolding hire as well as pump manufacturing and rental. Over time, the company became a leading engineered water solutions specialist, delivering pump leasing, temporary water and wastewater pumping solutions, and modular water treatment and processing solutions to both water utility companies and customers in the infrastructure and construction sectors.

The £50 million investment is part of a £170 million senior secured debt package to fund the acquisition of the business. This is a four-year floating rate loan with an expected yield-to-maturity of approximately 9.53%.

This is a good example of a defensive infrastructure investment, where the business’s revenues are not likely to be correlated to the business cycle. It is a senior secured loan to a well-established business with strong management and asset backing to mitigate the risk of loss.



# Investment Adviser's report continued

## Share performance

As at 30 September 2022, the Company had 1,746,023,939 Ordinary Shares in issue. The closing share price on that day was 81.9p per share, implying a market capitalisation for the Company of approximately £1.4 billion, compared to a share price of 102.8p and a market capitalisation of £1.9 billion a year previously.

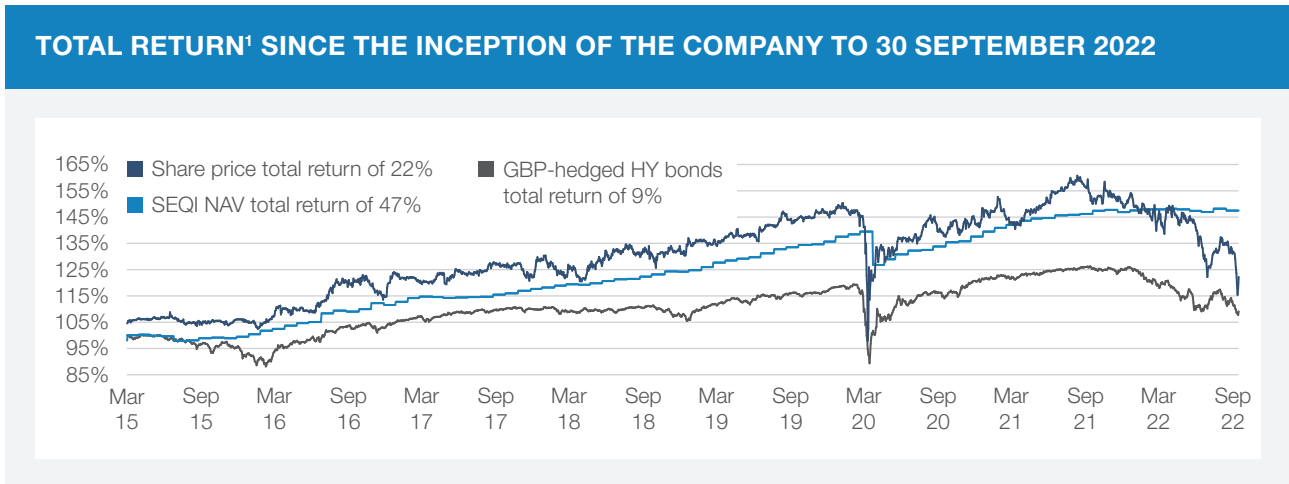
After taking account of dividends of 3.125p, the share price total return over the period was -17.5%. This decline in the share price is driven by two factors:

- the decline in NAV as discussed above; and
- a decrease in the rating of the shares from a 2.3% premium to a 12.5% discount.

The latter is, in the opinion of the Investment Adviser, a reflection of poor market sentiment towards debt funds (and is not out of line with the listed debt fund sector overall). This is a result of concerns over inflation and rising interest rates, perhaps exacerbated by worries around long-term economic prospects.

Subsequent to the period end, the share price dropped even further, but has since recovered to around 90p.

Along with the Company's Directors, the Investment Adviser is not content with the share price. We do not believe it reflects the long-term prospects of the investment portfolio, or its ability to generate an attractive risk-adjusted return in periods of uncertainty. Moreover, the share price, in our opinion, does not reflect that almost 60% of the portfolio consists of floating rate debt, the income from which is rising meaningfully.



1. See appendix for Alternative Performance Measures ("APMs").

# Investment Adviser's report continued

## Dividend cover

The Company has paid 3.125p in dividends during the last six months in accordance with its target.

Pleasingly, the level of dividend cash cover has continued its upward trajectory, rising to 1.40x for the half year from 1.06x for the same period 12 months ago. This increase has been driven by a combination of increasing short-term rates and the receipt in cash of interest that had previously been capitalised (the so-called "PIK interest"). Some of that additional cash interest received reflects PIK interest that accrued over the COVID-19 pandemic and can be considered a one-off. Stripping out that effect, a more normalised level of cash cover would be 1.16x.

As a result, in November 2022 the Board resolved that, with effect from the dividend relating to the quarter ended 31 December 2022, its dividend target would be increased by 0.625p to 6.875p per Ordinary Share per annum.

For details of the dividend cash cover calculation, please refer to the appendix.

## Fund performance

		30 September 2022	31 March 2022	30 September 2021
Net asset value	per Ordinary Share	<b>93.64p</b>	100.50p	102.94p
	£ million	<b>1,634.9</b>	1,777.0	1,818.2
Cash held	£ million	<b>38.2</b>	94.5	111.9
Drawings on RCF	£ million	<b>193.0</b>	121.4	90.2
Invested portfolio	percentage of net asset value	<b>116.0%</b>	95.0%	98.4%
Total portfolio	including investments in settlement	<b>121.3%</b>	101.5%	100.3%

## Portfolio characteristics

		30 September 2022	31 March 2022	30 September 2021
Number of investments		<b>72</b>	76	74
Valuation of investments	£ million	<b>1,924.5</b>	1,804.5	1,785.1
Single largest investment	£ million	<b>64.3</b>	64.7	66.9
	percentage of NAV	<b>3.9%</b>	3.6%	3.7%
Average investment size	£ million	<b>25.0</b>	23.7	24.1
Sectors		<b>8</b>	8	8
Sub-sectors	by number of assets	<b>28</b>	29	31
Jurisdictions		<b>11</b>	12	12
Private debt		<b>96.3%</b>	94.7%	94.9%
Senior debt		<b>59.2%</b>	53.6%	56.0%
Floating rate	percentage of invested assets	<b>56.9%</b>	50.1%	50.3%
Construction risk		<b>12.3%</b>	13.1%	10.1%
Weighted-average maturity	years	<b>4.6</b>	5.2	5.3
Weighted-average life	years	<b>3.9</b>	4.1	4.3
Yield-to-maturity		<b>11.2%</b>	8.4%	8.6%
Modified duration		<b>1.6</b>	2.1	2.3

## Credit performance

The overall credit performance of the portfolio has been positive over the period. The lingering effects of the COVID-19 pandemic have more or less faded away, with the exception of the aviation sector. Higher energy prices have been helpful in the power generation, renewable energy and midstream sectors.

Inflation can also be helpful for the credit quality of many infrastructure businesses, since they can increase their pricing while their debts remain constant. Of course, some borrowers also experience cost inflation – especially for projects in construction – and these need to be carefully monitored to ensure that debt serviceability is not impaired.

In the 2022 Annual Report, we discussed three investments that were experiencing significant credit issues: a private school in Washington DC, a UK energy supply business and a potash project in Australia. The third of these has now been substantially exited, with only a small residual facility remaining, together with a profit share on the project once it becomes operational. To be conservative, that profit share is currently valued at nil. Over the period, there was a net cost of 0.4p per Ordinary Share on the problem loans, arising primarily from the potash facility, net of gains on other loans that had previously been written down.

Meaningful progress has been made on the remaining two investments:

### 1. US private school

A loan secured on a large building in a prime area in Washington D.C., originally occupied by a private school under a long-term lease agreement. Mostly as a consequence of the COVID-19 pandemic, enrolments at the school declined to the point where it could not cover its operating costs, which ultimately led to its insolvency. The school was formally evicted from the property on 19 October 2022.

The owner of the property is marketing it to other potential tenants, predominantly in the education sector, with an encouraging early response from a number of educational and governmental entities.

This loan is equal to 2.4% of the Company's portfolio value.

### 2. UK energy supply company

A senior secured loan to a retail energy supplier in the UK, Bulb Energy ("Bulb"). Bulb, in common with many other energy supply companies in the UK, found itself increasingly loss-making over the second half of 2021, as wholesale gas prices increased and it was unable to pass on these costs to consumers. On 24 November 2021, Bulb and its parent company, Simple Energy Limited ("Simple"), went into the special administration regime ("SAR") and ordinary administration, respectively.

During the SAR, the Fund was prevented from enforcing its senior security over the assets of Bulb. Moreover, Bulb remained loss-making and needed ongoing Government funding to continue to provide electricity and gas to its customers. On 29 October 2022, the UK Government announced that the bulk of Bulb's assets are to be sold to Octopus Energy. Absent any potential legal challenges made by the Company, the Investment Adviser does not expect to receive any of the sales proceeds, which instead will be used to partially repay the funding provided to Bulb by the Government.

However, the Company's loan to Bulb is also secured on the substantial assets of its parent, Simple. These assets are not included in the scope of the SAR and the administrators of Simple continue to make progress on realising value from them. In May and August, the Fund received £14 million from Simple against the outstanding amounts due under the loan agreement. Further distributions are expected in the future.

The balance of this loan is equal to approximately 1.1% of the Company's portfolio value.

## Net leverage

Net leverage over the half year increased, with drawings on the Company's Revolving Credit Facility rising from £121.4 million to £193.0 million, and its cash holdings falling from £94.5 million to £38.2 million – in other words, net debt increased from £26.9 million to £154.8 million. In large part, this is a consequence of Sterling falling, which results in the value of the Company's non-Sterling assets increasing in Sterling terms, and, since the Company is hedged, the value of its hedging book falling by approximately the same amount. Over time, as the Company's currency hedges reach their maturity dates, the Company needs to pay cash to settle them.

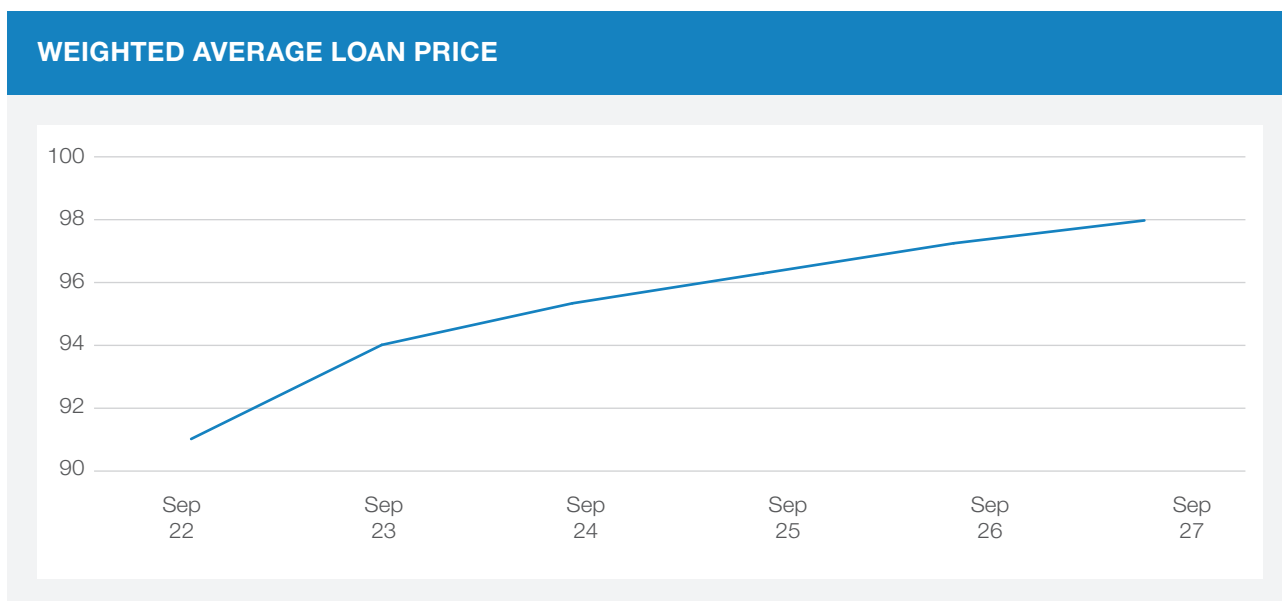


# Investment Adviser's report continued

## PART THREE. OUTLOOK

### Portfolio valuation

Currently, the average loan in the portfolio is marked at a price of about 91 pence in the pound; this mostly reflects the higher interest rates and credit margins used to value the loan, compared to those available in the market at the time the loan was made. Over time, as these loans approach their repayment dates, their valuations will accrete back up to 100 pence in the pound – this is the so-called “pull to par” effect, the value of which is shown on the graph below:



These prices are calculated on the basis that interest rates and bond yields remain constant; the only variable is the passage of time. Non-performing loans are excluded from the calculation.

In monetary terms, the pull to par is expected to be material over the next three years:

Period	Estimated pull to par (£ millions)	Estimated pull to par (pence per share)
1 October 2022 to 30 September 2023	58.1	3.3
1 October 2023 to 30 September 2024	25.7	1.5
1 October 2024 to 30 September 2025	18.5	1.1

### Origination activities

The Company's strategy is to invest in both the primary and secondary debt markets. Sequoia believes that this combination delivers a number of benefits: participating in the primary markets allows the Company to generate upfront lending fees and to structure investments to meet its own requirements; and buying investments in the secondary markets can permit the rapid deployment of capital into seasoned assets with a proven track record. As the Company grows in size, Sequoia expects to source an increasing number of opportunities from the primary market.

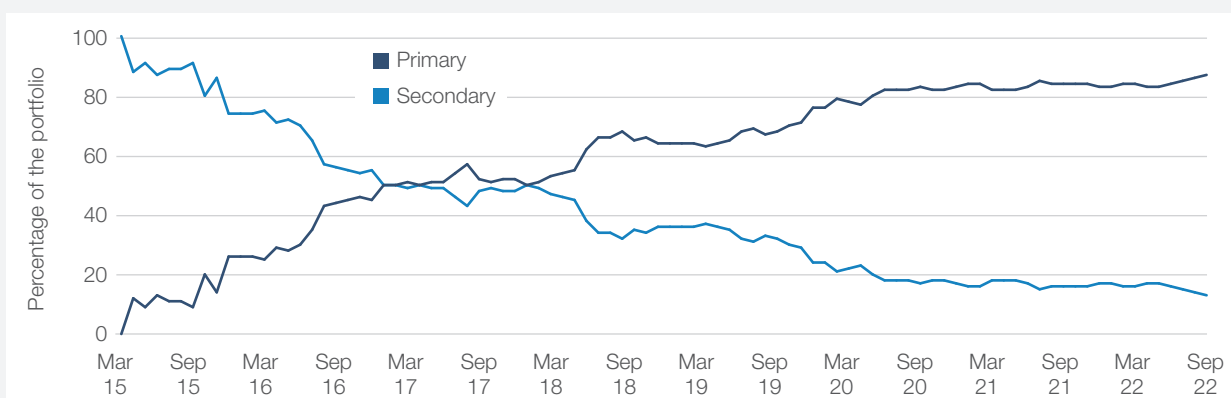
### Primary market origination

The primary loan markets are an increasingly important opportunity for the Company. The Investment Adviser has sourced bilateral loans and participated in “club” deals, where a small number of lenders join together. The Company has also participated in more widely syndicated infrastructure loans. Primary market loans often have favourable economics because the Company, as lender, benefits from upfront lending fees. As the Company has grown, primary market investment activity has grown to surpass secondary market investments, with 86.5% of the portfolio comprising primary investments as at 30 September 2022.

## Secondary market origination

Some of the Company's investments continue to be acquired from banks or other lenders in the secondary markets. This has enabled a relatively rapid deployment of capital, since primary market transactions in infrastructure debt can often take a considerable time to execute. In addition, secondary market loans have performance history that permits credit analysis on actual results rather than financial forecasts. Research<sup>1</sup> 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.

### PRIMARY AND SECONDARY INVESTMENTS SINCE IPO



## Strong pipeline of opportunities

Currently, the Investment Adviser is seeing a very wide range of attractive potential investments. This is a consequence of a strong demand for infrastructure investment, at a time when the high yield and leveraged loan markets are weak and bank lending is subdued. It is very much a "lenders' market" and we find that we have real pricing power when we discuss loans with potential borrowers. This can manifest itself not only through higher interest rates and fees, but also by being able to demand better covenants and other protections such as more collateral for loans (or conversely lending less against the same collateral).

Our strategy for taking advantage of these attractive lending conditions is to focus on quality rather than yield. Given the fragile state of economies, we want to take less rather than more risk and are targeting:

- senior debt, as opposed to mezzanine or holdco lending;
- defensive sectors, or borrowers with a high degree of contractual or predictable income, as opposed to businesses exposed to the business cycle;
- operational projects, as opposed to construction projects; and
- BB or better implied credit quality, as opposed to B or worse.

We are therefore being highly selective in our approach to new investments; we are rejecting in excess of 90% of the potential lending opportunities that we see. However, by focusing on quality and maintaining a highly diversified and cash-generative portfolio we are positioning the portfolio securely for the future.

## SEQUOIA INVESTMENT MANAGEMENT COMPANY LIMITED

Investment Adviser

24 November 2022

1. Average annual European broad infrastructure and global project finance default rates. Moody's, "Default and Recovery Rates for Project Finance Bank Loans 1983-2018," March 2020.

# Sustainability report

## ESG POLICY – SUMMARY

The Company continues to adhere to and expand on its comprehensive ESG programme.

The Board and the Investment Adviser take their corporate and social responsibilities seriously. While the Company already had strong ESG credentials, in the previous fiscal year, the Company published its updated ESG policy and reporting criteria ([www.seqifund.com/investors/documents-circulars](http://www.seqifund.com/investors/documents-circulars)), setting out the criteria and principles applied to its future investing activities.

During the first half of the fiscal year, the Company continues to make significant progress on ESG including:

- the Company continues operating its business and its investment activities in accordance with the UN Global Compact;
- the Company continues to comply with the reporting obligations of the Sustainable Finance Disclosure Regulation (“SFDR”) (as applicable, in particular Article 8) and has begun reporting under the Task Force on Climate-Related Disclosures (“TCFD”);
- the Company continues to embed its ESG policies in the way it does business – its Revolving Credit Facility includes a margin-adjustment mechanism, which links the interest rates that the Company pays to the average ESG score of its investments. The Company has worked with its hedging counterparties to include similar mechanisms in its FX derivatives;

- the Company promotes its Borrowers’ commitment to ESG policies by the means of positive and negative covenants. This is supported by the customisable nature of private debt deals, which comprise the majority of the Company’s portfolio; and
- the Company has entered into carbon-offsetting investments in relation to its Scope 1 and 2 carbon emissions, in support of which all Directors have committed to contribute 1% of their fees.

The guiding principles behind the ESG programme, which were established in the previous fiscal year, are the UNPRI, to which the Investment Adviser is a signatory. These principles now cover investments in private debt, and as such are highly relevant to the Company’s business. In addition, the Investment Adviser has incorporated these principles into all stages of its investment process:

- the origination of new investments includes enhanced negative and positive screening;

- due diligence and credit analysis include thoroughly assessing the potential impact of climate change, enhanced environmental impact and technical assessments, and ESG questionnaires for borrowers; and
- loan documentation can include, where appropriate, ESG considerations. For example, these could include enhanced reporting by borrowers in relation to their environmental impact.

The Company’s reporting to its shareholders will be expanded to cover ESG. In particular, it will take the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) into account, including those recommendations specific to the banking sector, and the Company aims to provide best-in-class disclosure.

The Company therefore views its ESG initiative as building upon solid foundations and being in a period of continuing evolutionary, rather than revolutionary, change.

There have been no significant changes to the climate-related risks identified in the TCFD disclosures contained in the Company’s Annual Financial Statements for the year ended 31 March 2022.

## APPLYING ESG PRINCIPLES TO SEQI

ESG principles are applied in three ways to the SEQI portfolio:

### 1. NEGATIVE SCREENING

The following sub-sectors or asset types are excluded:

1. Military infrastructure, such as military housing.
2. Infrastructure related to the exploration and production of oil and gas, such as oil rigs and platforms, fracking facilities and facilities involved in tar sands. Note that midstream assets such as pipelines are not necessarily excluded but are subject to ESG scoring as set out below.
3. Infrastructure related to mining thermal coal.
4. Electricity generation from coal.
5. Alcohol, gambling and pornography are already excluded by SEQI's investment criteria.

### 2. THEMATIC INVESTING (POSITIVE SCREENING)

Currently, SEQI has three ESG investment themes. Positive screening will be employed to increase the Fund's exposure to these investment themes, subject to existing concentration limits.

1. Renewable energy, such as solar, wind and geothermal generation, and directly related businesses including companies that supply renewable energy.
2. Enabling the transition to a lower carbon world, such as grid stabilisation, electric vehicles, traffic congestion reduction and the substitution of coal by gas.
3. Infrastructure with social benefits, such as healthcare, clean water and education.

As at 30 September 2022, thematic investing covers 69% of SEQI's investment portfolio, split into 17% renewable energy, 25% enabling the transition to a lower carbon world and 27% infrastructure with social benefits.

The Investment Adviser recognises that these categories are notable indicators of high-scoring ESG opportunities, as further expanded on in the ESG scoring section. Since sustainability continues to be a core metric to the Company's pipeline, future acquisitions aligning with the thematic investment strategy will eventually replace any maturing lower-scoring assets currently in the portfolio.

The following table shows examples of anonymised investments in each theme:



#### Renewable energy

- Solar PV plants in Poland
- A diversified US renewables business
- Hydro power
- Offshore wind turbine repair vessels
- US residential roof solar panel business
- UK landfill gas



#### Enabling the transition to a lower carbon world

- German combined cycle gas turbine ("CCGT") plant
- US power generation assets
- US gas pipelines and other midstream assets
- US specialist shipping; LNG vessel platforms



#### Infrastructure with social benefits

- Telecom infrastructure services
- UK specialist healthcare
- US passenger rail service
- UK utility services; essential and emergency water handling infrastructure solutions



# Sustainability report continued

## 3. ESG SCORING

Some infrastructure assets (for example, the electricity grid) are neither excluded through negative screening nor positively selected through thematic investing; therefore, it is necessary to have a methodology to assess the ESG profile of these projects.

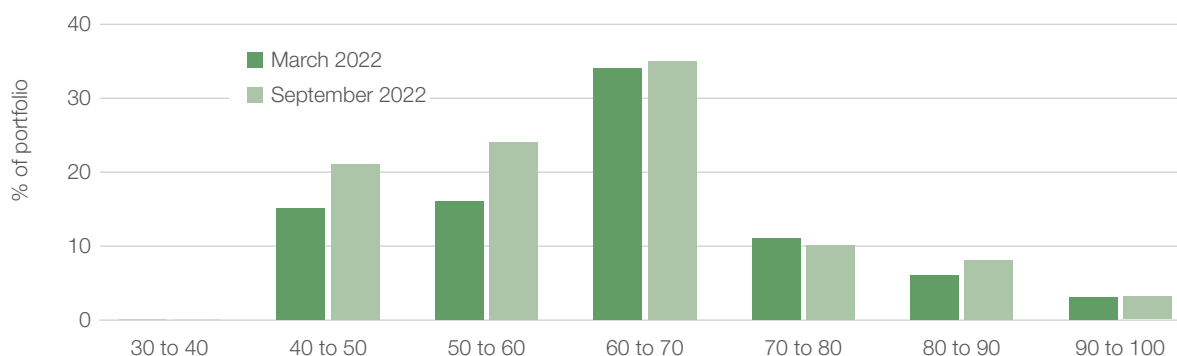
The ESG scoring methodology has been designed to be as objective as possible. The score primarily reflects the current ESG performance of the investment but also reflects, to a limited extent, the “direction of travel”. For example, a business that currently significantly contributes to climate change will receive some credit if it is investing meaningfully to reduce its contribution.

Note that the ESG score is distinct to a credit rating. Some elements of ESG scoring will directly affect a borrower’s credit rating (for example, weak corporate governance has a negative contribution to credit quality) but nonetheless it is entirely possible for a business with a weak ESG score to have a strong credit profile, and vice versa.

To facilitate ESG scoring during the investment process, the Investment Adviser designed an ESG scoring model that must be completed prior to bringing a new investment to the Investment Committee. The intention also is to provide the credit analysts with a guide for ESG considerations at the earliest stages of due diligence. Implementing the ESG model at the beginning of the deal life cycle will flag assets with weaker ESG credentials much earlier.

Finally, the scoring methodology and model have been calibrated such that renewable energy projects with the most robust social and governance practices would receive a score of 100, and a power plant that burns thermal coal with no redeeming social or governance policies would receive a score of 0. Needless to say, the power plant in this example would not make it past the Investment Adviser’s new business committee.

### ESG SCORE DISTRIBUTIONS AS AT 30 SEPTEMBER 2022



The chart above represents a comparison of the portfolio’s ESG profile between March 2022 and September 2022.

Over the last six months, the portfolio’s overall ESG score has decreased marginally by 0.29, from 61.88 to 61.59. For details of how the ESG score is compiled and derived, please see our ESG policy and reporting criteria ([www.seqifund.com/investors/documents-circulars](http://www.seqifund.com/investors/documents-circulars)).

Although three investments with low ESG scores have repaid (Corral Petroleum, Exmar Netherlands BV and Navigator Holdings Ltd), the small decrease in the overall ESG score is primarily due to valuation changes resulting from the changing FX rates: on average our USD-denominated assets have a lower ESG score than non-USD investments, largely because infrastructure in the United States is more weighted towards the Electricity Generation and Midstream sectors. As the US Dollar has rallied, the proportion of the portfolio representing US Dollar investments has increased from 51% in March 2022 to 55% in September 2022. This has had the effect of decreasing the Company’s weighted average ESG score.

The Investment Adviser expects the long-term impact of repaying credits on the portfolio’s ESG score to improve due to pre-existing and weaker ESG investments (a majority of which are US-based) reaching maturity or being sold, and proceeds being reinvested in greener assets.

Furthermore, we encourage lenders to improve on their own policies and procedures. As a part of regular credit monitoring, the Company also reconsiders the ESG scores of its portfolio assets.

# Case study

LINK TO ESG



Renewable  
energy

## Senior Secured Construction Facility for Polish Solar

# 13.0%

Yield to maturity

# PLN 175 million

Size

In April 2022, SEQI provided a PLN 175 million (approximately £33 million) Senior Secured Construction Facility to Green Genius to build out a portfolio of 66MW solar PV plants in Poland. Green Genius, a part of Lithuanian headquartered Modus Group, is an experienced renewable energy developer and has been operating in eight European countries. To date, Green Genius has successfully developed solar PV projects with accumulated capacity of approximately 200MW with another approximately 1GW solar PV in late development stage.

The primary fuel source in Poland's electricity sector is coal, which accounted for approximately 69.3% of electricity generation in 2020, followed by natural gas, which accounted for approximately 10.5%<sup>1</sup>. These projects will support Green Genius's active role in Poland's energy transition to renewables and also, importantly, contribute towards improving Poland's energy security going forward.

SEQI provided the facility on a bilateral basis and the financing includes robust equity commitment from the sponsor.

1. Source: International Energy Agency

# Principal and emerging 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. The Risk Committee has carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten the Company's business model, future performance, solvency or liquidity. The Board has appointed FundRock Management Company (Guernsey) Limited (formerly Sanne Fund Management (Guernsey) Limited) ("FRM" or the "Investment Manager") as the Alternative Investment Fund Manager ("AIFM") to the Company.






FRM 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, FRM 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.

Kate Thurman and Andrea Finegan, independent consultants to the Company, provide guidance to the Board on the overall approach to risk management across the Company's portfolio. Part of their focus is to assist the Investment Manager in scrutinising certain of the Investment Adviser's credit evaluations.

Anurag Gupta, Chief Risk Officer ("CRO") of the Investment Adviser, provides additional oversight and resource to the Company's risk management function and the due diligence process employed by the Investment Adviser.

The principal and emerging risks associated with the Company are as follows:

Risk	Potential impact	Mitigation
<p><b>1</b></p> <p><b>MARKET RISK</b></p> 	<p>The value of the investments made and intended to be made by the Fund will change from time to time according to a variety of factors. 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.</p>	<ul style="list-style-type: none"> <li>• AIFM, Broker and Investment Adviser continually monitor market conditions.</li> <li>• Hedging of foreign currency exposure.</li> <li>• Discount control mechanisms (as set out in the Prospectus) to be employed, but only when practical and advisable.</li> <li>• Careful review of investments directly or indirectly affected by any emerging or continuing risks.</li> </ul>
<p><b>2</b></p> <p><b>CREDIT RISK</b></p> 	<p>Borrowers in respect of loans or bonds in which the Fund 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.</p>	<ul style="list-style-type: none"> <li>• Highly diversified portfolio leading to low single name exposure.</li> <li>• Each asset is subject to detailed review either semi-annually or in response to a credit event.</li> <li>• Third-party ratings and sourcing of public information on borrowers.</li> <li>• Detailed credit review process subject to several approval layers prior to transacting.</li> <li>• AIFM reviews all Investment Adviser credit update reports.</li> <li>• Independent consultants provide input to the evaluation of potential new investments and to the ongoing monitoring process.</li> <li>• Enhanced credit process applied in respect of high risk transactions.</li> <li>• Integration of the Investment Adviser's Chief Risk Officer in credit process.</li> </ul>
<p><b>KEY</b></p> <p> Low impact risk       Medium impact risk       High impact risk</p>		

Risk	Potential impact	Mitigation
<p><b>3</b></p> <p><b>LIQUIDITY RISK</b></p> 	<p>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 consequently be difficult to value or sell and therefore the price that is achievable for the investments might be lower than their valuation.</p> <p>In times of Sterling weakness, the Company may be subject to substantial margin calls from counterparties relating to its forward foreign exchange hedging positions, placing pressure on the Company's own liquidity.</p>	<ul style="list-style-type: none"> <li>• Portfolio liquidity is monitored on an ongoing basis, with approximately 11% of the portfolio in short-term (less than one week) liquidity.</li> <li>• Adoption of an internal liquidity stress testing policy.</li> <li>• Solvency tests required prior to the Company making distributions.</li> </ul>
<p><b>4</b></p> <p><b>COUNTERPARTY RISK</b></p> 	<p>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.</p>	<ul style="list-style-type: none"> <li>• Counterparty exposures are monitored and movements reported regularly to the Board.</li> <li>• Cash management policy in place to restrict the levels of cash permitted to be placed and the required credit ratings of the designated institutions.</li> <li>• Assessment of suitability of key counterparties includes consideration of relevant policies and procedures, including business continuity arrangements.</li> </ul>
<p><b>5</b></p> <p><b>LEVERAGE RISK</b></p> 	<p>Leverage risk arises where the Company takes on additional risk because of the leverage of exposures, along with the specific potential for loss arising from a leverage counterparty being granted a charge over assets.</p>	<ul style="list-style-type: none"> <li>• The Board monitors the level of leverage on an ongoing basis as well as the credit ratings of counterparties.</li> </ul>

KEY		
	Low impact risk	
	Medium impact risk	
	High impact risk	



# Principal and emerging risks and uncertainties continued

Risk	Potential impact	Mitigation
<p><b>6</b></p> <p><b>COMPLIANCE &amp; REGULATORY RISK</b></p> <p></p>	<p>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 meet its objectives or obligation, exposing the Company to the risk of loss, sanction or action by Shareholders, counterparties or regulators.</p>	<ul style="list-style-type: none"> <li>The Investment Adviser and the Administrator monitor compliance with regulatory requirements and the Administrator presents a report at quarterly Board meetings.</li> </ul>
<p><b>7</b></p> <p><b>OPERATIONAL RISK</b></p> <p></p>	<p>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.</p>	<ul style="list-style-type: none"> <li>Effectiveness of the Company's risk management framework and internal control systems reviewed annually. Regular reporting by the Administrator of any internal control failings identified through their independent compliance review function.</li> </ul>
<p><b>8</b></p> <p><b>POLITICAL AND ECONOMIC RISK</b></p> <p></p>	<p>Brexit, the war in Ukraine, the cost of living crisis arising from the current high inflation environment, and other geopolitical events may have an adverse effect on the Company and its operations.</p>	<ul style="list-style-type: none"> <li>The Risk Committee monitors geopolitical and economic risks and their impact on the portfolio on an ongoing basis, and may seek independent advice on emerging developments likely to affect the Company.</li> </ul>

## KEY



Low impact risk



Medium impact risk



High impact risk

## Emerging risks

The Board is constantly alert to the identification of any emerging risks, in discussion with the Investment Manager and the Investment Adviser. The Board will then assess the likelihood and impact of any such emerging risks, and will discuss and agree appropriate strategies to mitigate and/or manage the identified risks. Emerging risks are managed through discussion of their likelihood and impact at each quarterly Board meeting. Should an emerging risk be determined to have any potential impact on the Company, appropriate mitigating measures and controls are agreed.

The Russian invasion of Ukraine, and the global cost of living crisis, to which it has contributed significantly, have presented a significant emerging risk to markets globally, causing substantial market disruption and uncertainty.

Aggressive central banks action to increase global interest rates in order to combat inflation may also give rise to an increased risk of recession, as discussed in last year's Chair's statement and Investment Adviser's report. To mitigate this risk, the Fund has maintained a high level of floating-rate investments, which will benefit from a higher interest rate environment.

A detailed review of the main financial risks faced by the Company, and how they are managed or mitigated, is set out in note 5 to the Company's Annual Financial Statements for the year ended 31 March 2022.

## Going concern

The Directors have reviewed the Company's holdings in cash and cash equivalents and investments, including a consideration of the impact on the portfolio of the market uncertainty related to the Russian invasion of Ukraine and of the current economic environment of increasing interest rates and inflation. The Directors have also considered the impact on the Company's liquidity arising from margin calls relating to the Company's forward foreign exchange positions. In conducting this review, the Board has also considered the sustainability of the environmental and social impact of the Company's activities. The Company has a strong balance sheet, with a low level of gearing. As with the effects of the COVID-19 pandemic, the losses that have been incurred – which have and will reverse as the investments move closer to maturity and their valuations accrete to par – are unrealised, and therefore have no direct effect on the solvency of the business.

The risk of realised losses arising through loans defaulting is limited to a few specific investments, representing a small proportion of the Company's investment portfolio. The Directors also note that the interest income cash flow of the Fund has increased substantially during the period, as several borrowers who had been permitted to capitalise interest during the COVID-19 pandemic and other economic issues of the last two years have resumed paying cash interest. The interest income cash flows of the Fund remain sufficient to cover operating costs and to pay the Company's target dividend.

As a result of this review, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the Financial Statements, as the Company, despite the current challenging economic environment, retains a strong balance sheet and adequate financial resources to meet its liabilities as they fall due.

## BOARD LEADERSHIP AND PURPOSE

# Board of Directors

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



**ROBERT JENNINGS, CBE**  
Chair

Robert Jennings is a resident of the United Kingdom and qualified as a Chartered Accountant in 1979. He has over 30 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. He has twice acted as a special senior adviser to HM Treasury.

Mr Jennings has previously served as a non-executive director of the following companies: Crossrail (2009-2019); Southern Water (2012-2017, including as its Chair from 2014); 3i Infrastructure plc (2018-2021); and Chapter Zero (2019-2021). His role as Chair of the Company is his sole remaining public engagement.

**E M N**



**SANDRA PLATTS**  
Senior Independent Director

Sandra Platts is a resident of Guernsey. In her role as an independent director, she holds three London listed investment funds, one of which is Sequoia. Sandra was previously MD of Kleinwort Benson in Guernsey and undertook a number of strategic roles as Chief Operating Officer for the wider Kleinwort Benson Group. She holds a Master of Business Administration and is a member of the Institute of Directors.

**A E M N**



**SARIKA PATEL**  
Non-executive Director

Sarika Patel is a resident of the United Kingdom and has over 30 years' experience in a mixture of public and private organisations. She is a Chartered Accountant and a Chartered Marketer and a graduate in law. She is a non-executive director and chairs the audit committees at Foresight Sustainable Forestry Company plc, SDCL Energy Efficiency Income Trust plc and abrdn Equity Income Trust. Sarika is the Chair of Action for Children and is a Board Member of the Office for Nuclear Regulation where she chairs the Audit, Risk and Assurance Committee. She is a member of the Expert Advisory Panel, chaired by the Cabinet Officer Minister for Government Efficiency, focused on the Public Bodies Reform Program.

**A E M R**



**TIM DRAYSON**  
Non-executive Director

Tim Drayson is a resident of the United Kingdom and has over 30 years' experience in the US and European debt capital markets. He was most recently Global Head of Corporate Sales & Deputy Head of the European Corporate Loan and DCM Platform at BNP Paribas and had been a member of the Fixed Income Transaction Approval Committee, screening complex transactions and interacting with the bank's credit committee. He joined BNP Paribas as Global Head of Securitization in 2005, with responsibility for managing all origination and structuring teams, including infrastructure. Prior to joining BNP Paribas, Tim held senior roles at Morgan Stanley in London as Head of Securitized Products Syndication and Paine Webber in New York, where he traded mortgage products.

**A R**



**JAMES STEWART**  
Non-executive Director

James Stewart is a resident of the United Kingdom and brings a wealth of leadership, international and infrastructure experience across both the public and private sectors. Between 2011 and 2021, James held several senior level positions in KPMG, including as a non-executive member of the KPMG LLP Board and chair of KPMG's Global Infrastructure practice. Prior to this, James was Chief Executive of Infrastructure UK and of Partnerships UK, responsible for supporting major infrastructure projects and the PPP programme in the UK. His earlier experience includes 16 years in investment banking, where he was involved in lending, investing equity and advising on infrastructure projects. James is currently a Trustee of the Shaw Trust and Chair and Trustee of Power for the People.

**A E R N**

**KEY**

- A** Audit Committee
- E** ESG and Stakeholder Engagement Committee
- M** Management Engagement Committee
- R** Risk Committee
- N** Remuneration and Nomination Committee
- Chair



## BOARD LEADERSHIP AND PURPOSE

# The Sequoia Investment Management Company team

Sequoia Investment Management Company Limited (“Sequoia”) is an experienced investment adviser, which has acted as Investment Adviser to the Company from its inception. Sequoia’s management team and Investment Committee are as follows:



**RANDALL SANDSTROM**

Director and CEO/CIO

30 years of experience in the international and domestic credit markets and infrastructure debt markets. Has managed global high yield and investment grade bonds, leveraged loans, ABS and money market securities. Board of Directors, LCF Rothschild and MD of Structured Finance. Former CEO/CIO, Eiger Capital. Head of Euro Credit Market Strategy, Morgan Stanley. Institutional Investors “All-American” senior Industrial Credit Analyst, CS First Boston (energy and transportation). Has worked in London, New York and Tokyo.



**STEVE COOK**

Director and Head of Portfolio Management

20 years of infrastructure experience. European Head of Whole Business Securitisation and CMBS and Co-Head of Infrastructure Finance at UBS. Head of European Corporate Securitisation at Morgan Stanley with lending and balance sheet responsibility. Wide variety of infrastructure projects in the UK and across Europe as a lender, arranger and adviser.



**DOLF KOHNHORST**

Director and Co-Head of Infrastructure Debt

38 years of experience in investment banking, debt capital markets and project finance commercial lending. Head of Société Générale’s Financial Institutions Group covering UK, Irish, Benelux and Scandinavian banks, insurance companies, pension funds and investment management companies. 16 years at Morgan Stanley heading Benelux and Scandinavian sales teams and DCM Structured Solutions Group. Commercial lending to shipping, construction and project finance sectors.



**GREG TAYLOR**

Director and Co-Head of Infrastructure Debt

More than 30 years of infrastructure experience. Head of Infrastructure Finance at Merrill Lynch and Co-Head of Infrastructure Finance at UBS. Developed Moody’s methodology for rating regulated infrastructure companies. Broad perspective as bond arranger, direct lender, credit analyst and financial adviser to both borrowers and public sector. Includes lending in Europe, the UK, North America and Latin America.

## Independent consultants

The independent consultants to the Company are as follows:



**ANURAG GUPTA**  
Chief Risk Officer (“CRO”)

Over 20 years of experience in project finance, infrastructure investment and appraisal, risk management, M&A and financial advisory.

Extensive transactional experience across infrastructure sectors such as transportation, power and utilities, renewables, TMT and social infrastructure.

Former KPMG in Canada Infrastructure Advisory Partner and Global Sector Head of Power within the KPMG Global Infrastructure Practice; previous infrastructure industry roles in both public and private sectors in multiple geographies.

MBA (Tulane University, USA), Bachelors in Mechanical Engineering (Engineering Council, UK) and BSc (Calcutta University, India).



**KATE THURMAN**  
Independent consultant

Kate Thurman is a highly experienced and respected credit market professional, having spent over 30 years identifying and analysing credit risk in bond and loan instruments for institutional portfolios. Kate has broad experience across industry sectors, credit grades, legal structures and jurisdictions, having special expertise in the assessment of quantitative and qualitative credit factors and downside risks. She is a former board and audit committee member of Colne Housing Society, a not-for-profit Housing Association with 3,000 units under management and c. £150 million of commercial debt. Her former executive career included senior roles in asset management and investment banking organisations.



**ANDREA FINEGAN**  
Independent consultant

Andrea Finegan has a strong background in infrastructure finance, including over 20 years spent in the management of infrastructure funds. She currently serves as a non-executive director of Pantheon Infrastructure plc, and is independent chair of the Schroders Greencoat Capital Valuation Committee. Andrea previously served as COO of Greencoat, in which capacity she was responsible for overseeing the establishment of listed and unlisted investment fund products. Prior to Greencoat, Andrea was responsible for similar management functions at Climate Change Capital and ING Infrastructure Funds.

# Statement of Directors' responsibilities

We confirm that to the best of our knowledge:

- the unaudited condensed interim Financial Statements (the "Financial Statements") have been prepared in accordance with IAS 34, "Interim Financial Reporting" and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Interim Report, together with the Financial Statements, meet the requirements of an interim management report, and include a fair review of the information required by:
  - DTR 4.2.7R of the Disclosure Guidance and Transparency Rules ("DTR") of the UK's FCA, being an indication of important events that have occurred during the period ended 30 September 2022 and their impact on the Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - DTR 4.2.8R of the DTR of the UK's FCA, being related party transactions that have taken place during the period ended 30 September 2022 and have materially affected the financial position or performance of the Company during that period, and any changes since the related party transactions described in the last Annual Report that could do so.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, and for the preparation and dissemination of financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board by:

**SARIKA PATEL**

Director

24 November 2022

# Independent review report

to Sequoia Economic Infrastructure Income Fund Limited

## CONCLUSION

We have been engaged by Sequoia Economic Infrastructure Income Fund Limited (the "Company") to review the unaudited condensed interim financial statements in the interim report for the six months ended 30 September 2022 of the Company which comprises the unaudited condensed interim statement of comprehensive income, unaudited condensed interim statement of changes in shareholders' equity, unaudited condensed interim statement of financial position, unaudited condensed interim statement of cash flows and the related notes 1 to 17.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 30 September 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34 (IAS 34 Interim Financial Reporting) and the Disclosure Guidance and Transparency Rules (the "DTR") of the United Kingdom's Financial Conduct Authority (the "UK FCA").

## BASIS FOR CONCLUSION

We conducted our review in accordance with International Standard on Review Engagements (ISRE) (UK) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the Financial Reporting Council for use in the United Kingdom. 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 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.

As disclosed in note 2, the annual financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The condensed set of financial statements included in this interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

## CONCLUSIONS RELATING TO GOING CONCERN

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

## RESPONSIBILITY OF DIRECTORS

The Directors are responsible for preparing the interim report in accordance with the DTR of the UK FCA.

In preparing the interim report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITY FOR THE REVIEW OF THE FINANCIAL INFORMATION

In reviewing the interim report, we are responsible for expressing to the Company a conclusion on the unaudited condensed interim financial statements in the interim report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

This report is made solely to the Company in accordance with the guidance contained in International Standard on Review Engagements 2410 (UK) Review of Interim Financial Information Performed by the Independent Auditor of the Entity as issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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 work, for this report, or for the conclusions we have formed.

## CYRIL SWALE

for and on behalf of  
Grant Thornton Limited  
St Peter Port  
Guernsey

24 November 2022



# Unaudited condensed interim statement of comprehensive income

For the period from 1 April 2022 to 30 September 2022

	Note	Period ended 30 September 2022 (unaudited) £	Period ended 30 September 2021 (unaudited) £
<b>Income</b>			
Net gains on non-derivative financial assets at fair value through profit or loss	6	117,439,357	17,490,664
Net (losses)/gains on derivative financial assets at fair value through profit or loss	8	(187,934,965)	(25,433,938)
Investment income	9	27,837,490	68,708,224
Net foreign exchange (losses)/gains		(12,011,438)	(298,335)
<b>Total income</b>		<b>(54,669,556)</b>	60,466,615
<b>Expenses</b>			
Investment Adviser's fees	10	6,176,304	5,945,053
Investment Manager's fees	10	183,668	174,573
Directors' fees and expenses	10	189,726	130,800
Administration fees	10	212,125	234,773
Custodian fees		129,013	124,934
Audit and related non-audit fees		97,452	109,065
Legal and professional fees		1,304,816	271,963
Valuation fees		397,400	424,200
Listing and regulatory fees		42,067	73,101
Other expenses		191,039	286,657
<b>Total operating expenses</b>		<b>8,923,610</b>	7,775,119
Loan finance costs	14	3,806,112	2,001,715
<b>Total expenses</b>		<b>12,729,722</b>	9,776,834
<b>(Loss)/profit and total comprehensive (loss)/income for the period</b>		<b>(67,399,278)</b>	50,689,781
<b>Basic and diluted (loss)/earnings per Ordinary Share</b>	13	<b>(3.82)p</b>	2.87p

All items in the above statement derive from continuing operations.

# Unaudited condensed interim statement of changes in shareholders' equity

For the period from 1 April 2022 to 30 September 2022

For the period from 1 April 2022 to 30 September 2022 (unaudited)	Note	Share capital £	Retained losses £	Total £
<b>At 1 April 2022</b>		<b>1,837,390,531</b>	<b>(60,347,699)</b>	<b>1,777,042,832</b>
Total comprehensive loss for the period		—	<b>(67,399,278)</b>	<b>(67,399,278)</b>
Share buy-backs	12	<b>(19,552,003)</b>	—	<b>(19,552,003)</b>
Dividends paid during the period	5	—	<b>(55,181,915)</b>	<b>(55,181,915)</b>
<b>At 30 September 2022</b>		<b>1,817,838,528</b>	<b>(182,928,892)</b>	<b>1,634,909,636</b>
For the period from 1 April 2021 to 30 September 2021 (unaudited)	Note	Share capital £	Retained losses £	Total £
<b>At 1 April 2021</b>		1,831,856,145	(12,725,764)	1,819,130,381
Issue of Ordinary Shares during the period		3,520,509	—	3,520,509
Total comprehensive income for the period		—	50,689,781	50,689,781
Dividends paid during the period	5	—	(55,125,965)	(55,125,965)
<b>At 30 September 2021</b>		1,835,376,654	(17,161,948)	1,818,214,706

The accompanying notes on pages 36 to 52 form an integral part of the Unaudited Condensed Interim Financial Statements.

# Unaudited condensed interim statement of financial position

At 30 September 2022

	Note	30 September 2022 (unaudited) £	31 March 2022 (audited) £
<b>Non-current assets</b>			
Non-derivative financial assets at fair value through profit or loss	6	<b>1,842,784,530</b>	1,770,022,999
<b>Current assets</b>			
Cash and cash equivalents		<b>7,920,800</b>	8,759,040
Trade and other receivables	7	<b>116,436,226</b>	143,092,101
Derivative financial assets at fair value through profit or loss	8	<b>3,172,164</b>	17,536,684
<b>Total current assets</b>		<b>127,529,190</b>	169,387,825
<b>Total assets</b>		<b>1,970,313,720</b>	1,939,410,824
<b>Current liabilities</b>			
Trade and other payables	15	<b>4,607,397</b>	3,855,430
Derivative financial liabilities at fair value through profit or loss	8	<b>137,840,495</b>	37,143,642
<b>Total current liabilities</b>		<b>142,447,892</b>	40,999,072
<b>Non-current liabilities</b>			
Loan payable	14	<b>192,956,192</b>	121,368,920
<b>Total liabilities</b>		<b>335,404,084</b>	162,367,992
<b>Net assets</b>		<b>1,634,909,636</b>	1,777,042,832
<b>Equity</b>			
Share capital	12	<b>1,817,838,528</b>	1,837,390,531
Retained losses		<b>(182,928,892)</b>	(60,347,699)
<b>Total equity</b>		<b>1,634,909,636</b>	1,777,042,832
<b>Number of Ordinary Shares</b>	12	<b>1,746,023,939</b>	1,768,238,998
<b>Net asset value per Ordinary Share</b>		<b>93.64p</b>	100.50p

The unaudited condensed interim Financial Statements on pages 32 to 52 were approved and authorised for issue by the Board of Directors on 24 November 2022 and signed on its behalf by:

**SARIKA PATEL**

Director

# Unaudited condensed interim statement of cash flows

For the period from 1 April 2022 to 30 September 2022

	Note	Period ended 30 September 2022 (unaudited) £	Period ended 30 September 2021 (unaudited) £
<b>Cash flows from operating activities</b>			
Profit for the period		<b>(67,399,278)</b>	50,689,781
Adjustments for:			
Net losses/(gains) on non-derivative financial assets at fair value through profit or loss	6	<b>(117,439,357)</b>	(17,490,664)
Net (gains)/losses on derivative financial assets at fair value through profit or loss	8	<b>187,934,965</b>	25,433,938
Net foreign exchange losses		<b>12,011,438</b>	298,335
Investment Adviser's fees settled through issue of Ordinary Shares		—	578,340
Loan finance costs	14	<b>3,806,112</b>	2,001,715
Decrease/(increase) in trade and other receivables (excluding loan finance costs)		<b>26,180,002</b>	(19,026,951)
Increase/(decrease) in trade and other payables		<b>92,721</b>	(30,125)
		<b>45,186,603</b>	42,454,369
Cash received on settled forward contracts		<b>12,016,690</b>	29,872,681
Cash paid on settled forward contracts		<b>(84,890,282)</b>	(3,568,266)
Purchases of investments	6	<b>(227,862,945)</b>	(262,100,275)
Sales of investments	6	<b>272,540,771</b>	232,600,275
<b>Net cash inflow from operating activities</b>		<b>16,990,837</b>	39,258,784
<b>Cash flows from financing activities</b>			
Proceeds from loan drawdowns	14	<b>118,712,919</b>	6,000,000
Loan repayments		<b>(60,000,000)</b>	—
Payments of loan finance costs		<b>(2,695,376)</b>	(1,848,674)
Share buy-backs		<b>(19,552,003)</b>	—
Dividends paid <sup>1</sup>	5	<b>(55,181,915)</b>	(52,183,796)
<b>Net cash outflow from financing activities</b>		<b>(18,716,375)</b>	(48,032,470)
<b>Net decrease in cash and cash equivalents</b>		<b>(1,725,538)</b>	(8,773,686)
<b>Cash and cash equivalents at beginning of period</b>		<b>8,759,040</b>	20,018,189
Effect of foreign exchange rate changes on cash and cash equivalents during the period		<b>887,298</b>	(7,216)
<b>Cash and cash equivalents at end of period<sup>2</sup></b>		<b>7,920,800</b>	11,237,287

1. Excludes non-cash transactions. For details refer to note 5.

2. Includes restricted cash of £2,909,147 (31 March 2022: £nil).

# Notes to the unaudited condensed interim financial statements

For the period from 1 April 2022 to 30 September 2022

## 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 and Guidance, 2021. 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”, together the “Fund”). 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.

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

During the prior year, as a result of the restructuring of a borrower group in which the Subsidiary had invested, the Subsidiary acquired 100% of the shares of three newly incorporated Delaware-domiciled investment holding entities (the “Underlying Subsidiaries”), as follows:

- Fussell Circus Capital, Inc.
- Mears Square Advisors, Inc.
- Bajtos Lane Management, Inc.

With effect from 28 January 2015, Sequoia Investment Management Company Limited (the “Investment Adviser”) was appointed as the Investment Adviser and FundRock Management Company (Guernsey) Limited (formerly Sanne Fund Management (Guernsey) Limited) (the “Investment Manager”) was appointed as the Investment Manager.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation and statement of compliance

These unaudited condensed interim Financial Statements (the “Financial Statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting”, as required by DTR 4.2.4R of the UK’s FCA, with the Listing Rules of the London Stock Exchange (“LSE”) and with applicable legal and regulatory requirements. They do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company’s annual audited Financial Statements for the year ended 31 March 2022.

The accounting policies applied in these Financial Statements are consistent with those applied in the annual audited Financial Statements for the year ended 31 March 2022, which were prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

The Directors have reassessed the principal and emerging risks and considered the Company’s financial position as at 30 September 2022 and the factors that may impact its performance in the forthcoming year, including consideration of the revaluation losses arising on certain investments as a result of the Russian invasion of Ukraine and the cost of living crisis.

### Going concern

The Directors have reviewed the Company’s holdings in cash and cash equivalents and investments, including a consideration of the impact on the portfolio of the market uncertainty related to the Russian invasion of Ukraine and of the current economic environment of increasing interest rates and inflation. The Directors have also considered the impact on the Company’s liquidity arising from margin calls relating to the Company’s forward foreign exchange positions. In conducting this review, the Board has also considered the sustainability of the environmental and social impact of the Company’s activities. The Company has a strong balance sheet, with a low level of gearing. As with the effects of the COVID-19 pandemic, the losses that have been incurred – which have and will reverse as the investments move closer to maturity and their valuations accrete to par – are unrealised, and therefore have no direct effect on the solvency of the business.



The risk of realised losses arising through loans defaulting is limited to a few specific investments, representing a small proportion of the Company's investment portfolio. The Directors also note that the interest income cash flow of the Fund has increased substantially during the period, as several borrowers who had been permitted to capitalise interest during the COVID-19 pandemic and other economic issues of the last two years have resumed paying cash interest. The interest income cash flow of the Fund remain sufficient to cover operating costs and to pay the Company's target dividend.

As a result of this review, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the Financial Statements, as the Company, despite the currently challenging economic environment, retains a strong balance sheet and adequate financial resources to meet its liabilities as they fall due.

These Financial Statements were authorised for issue by the Company's Board of Directors on 24 November 2022.

### Significant judgements and estimates

There have been no changes to the significant accounting judgements, estimates and assumptions from those applied in the Company's audited annual Financial Statements for the year ended 31 March 2022.

### Amended accounting standards effective and adopted

- IAS 37 (amended), "Provisions, Contingent Liabilities and Contingent Assets" (amendments regarding the costs to include when assessing whether a contract is onerous, effective for accounting periods commencing on or after 1 January 2022).

In addition, the IASB has completed the following project:

- "Annual Improvements to IFRS Standards 2018-2020", published in May 2020. This project has amended certain existing standards effective for accounting periods commencing on or after 1 January 2022.

The adoption of these amended standards has had no material impact on the financial statements of the Company.

### Amended accounting standards applicable to future reporting periods

- IAS 1 (amended), "Presentation of Financial Statements" (amendments regarding the classification of liabilities and the disclosure of accounting policies, effective for periods commencing on or after 1 January 2023); and
- IAS 8 (amended), "Accounting Policies, Changes in Accounting Estimates and Errors" (amendments regarding the definition of accounting estimates, effective for accounting periods commencing on or after 1 January 2023).

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

## 3. SEGMENTAL REPORTING

The Chief Operating Decision Maker, which is the Board, is of the opinion that the Group 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, with the aim of providing sustained long-term distributions and capital appreciation. The financial information used by the Chief Operating Decision Maker to manage the Group presents the business as a single segment.

Segment information is measured on the same basis as that used in the preparation of the Group's financial statements.

The Company receives no revenues from external customers. Other than the Subsidiary, which is a Luxembourg company, and its Underlying Subsidiaries, which are Delaware companies, the Company holds no non-current assets in any geographical area other than Guernsey.

## 4. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the Company's audited annual Financial Statements for the year ended 31 March 2022.

# Notes to the unaudited condensed interim financial statements

continued

For the period from 1 April 2022 to 30 September 2022

## 5. DIVIDENDS

During the period, the Company paid dividends totalling 3.125p in accordance with its existing dividend target of 6.25p per Ordinary Share per annum. In November 2022, the Board resolved to increase its dividend target by 0.625p to 6.875p per Ordinary Share per annum. Accordingly, with effect from the dividend relating to the quarter ended 31 December 2022, the Company's dividend policy, in the absence of any significant restricting factors, is to pay dividends totalling 6.875p per Ordinary Share per annum for the foreseeable future. The Company pays dividends on a quarterly basis.

The Company declared the following dividends on its Ordinary Shares during the period ended 30 September 2022:

Period to	Payment date	Dividend rate per Ordinary Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date
31 March 2022	<b>9 June 2022</b>	<b>1.5625</b>	<b>27,628,734</b>	<b>29 April 2022</b>	<b>28 April 2022</b>
30 June 2022	<b>26 August 2022</b>	<b>1.5625</b>	<b>27,553,181</b>	<b>29 July 2022</b>	<b>28 July 2022</b>

The Company declared the following dividends on its Ordinary Shares during the period ended 30 September 2021:

Period to	Payment date	Dividend rate per Ordinary Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date
31 March 2021	8 June 2021	1.5625	27,548,730	30 April 2021	29 April 2021
30 June 2021	6 September 2021	1.5625	27,577,235	30 July 2021	29 July 2021

Under Guernsey law, the Company can pay dividends in excess of its retained earnings 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 all dividends declared and paid in the period.

During the period ended 30 September 2022, the scrip dividend alternative was suspended, and therefore the amount of dividends settled in scrip was £nil (2021: £2,942,169).

On 19 October 2022, the Company declared a dividend of 1.5625p per Ordinary Share in respect of the quarter ended 30 September 2022. The dividend is due to be paid on 25 November 2022.

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

	Period ended 30 September 2022 (unaudited) £	Year ended 31 March 2022 (audited) £
Cost at the start of the period/year	<b>1,863,609,180</b>	1,796,521,620
VFNs purchased during the period/year	<b>227,862,945</b>	399,588,003
VFNs redeemed during the period/year	<b>(272,540,771)</b>	(339,810,204)
Realised gains and capitalised interest on VFNs during the period/year	<b>4,365,933</b>	7,309,761
Cost at the end of the period/year	<b>1,823,297,287</b>	1,863,609,180
Net unrealised (losses)/gains on non-derivative financial assets at the end of the period/year	<b>19,487,243</b>	(93,586,181)
<b>Non-derivative financial assets at fair value through profit or loss at the end of the period/year</b>	<b>1,842,784,530</b>	1,770,022,999

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:

	<b>30 September 2022 (unaudited) £</b>	31 March 2022 (audited) £
Subsidiary's non-derivative financial assets at fair value through profit or loss	<b>1,897,641,867</b>	1,804,532,561
Subsidiary's net current liabilities	<b>(54,857,337)</b>	(34,509,562)
<b>Company's non-derivative financial assets at fair value through profit or loss</b>	<b>1,842,784,530</b>	1,770,022,999

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 net gains on non-derivative financial assets at fair value through profit or loss in the period comprises the following:

	<b>Period ended 30 September 2022 (unaudited) £</b>	Period ended 30 September 2021 (unaudited) £
Realised and unrealised foreign exchange gains on VFNs	<b>212,499,373</b>	27,593,625
Unrealised losses on revaluation of the Subsidiary	<b>(95,060,016)</b>	(10,102,961)
<b>Net gains on non-derivative financial assets at fair value through profit or loss</b>	<b>117,439,357</b>	17,490,664

On a look-through basis, the Fund's net gains on non-derivative financial assets at fair value through profit or loss as at 30 September 2022 comprises the following:

	<b>Period ended 30 September 2022 (unaudited) £</b>	Year ended 31 March 2022 (audited) £
<b>Subsidiary</b>		
Investment income during the period/year	<b>78,202,765</b>	131,663,372
Net return on financial assets and liabilities during the year, including foreign exchange and VFN expenses payable	<b>(180,069,784)</b>	(217,749,529)
Net other income during the period/year	<b>6,807,003</b>	14,446,122
Subsidiary losses during the year	<b>(95,060,016)</b>	(71,640,035)
Subsidiary losses brought forward	<b>(99,767,698)</b>	(28,127,663)
<b>Subsidiary losses carried forward at the end of the year</b>	<b>(194,827,714)</b>	(99,767,698)
<b>Company</b>		
Unrealised foreign exchange gains/(losses) on VFNs brought forward	<b>6,181,517</b>	(37,938,406)
Unrealised foreign exchange gains on VFNs in the period/year	<b>208,133,440</b>	44,119,923
<b>Net gains/(losses) on non-derivative financial assets at fair value through profit or loss carried forward at the end of the period/year</b>	<b>19,487,243</b>	(93,586,181)

# Notes to the unaudited condensed interim financial statements continued

For the period from 1 April 2022 to 30 September 2022

## 6. NON-DERIVATIVE 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; and
- 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 2022 (unaudited)			
	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Assets</b>				
Non-derivative financial assets at fair value through profit or loss	—	—	1,842,784,530	1,842,784,530
Derivative financial assets at fair value through profit or loss	—	3,172,164	—	3,172,164
<b>Total</b>	—	3,172,164	1,842,784,530	1,845,956,694
<b>Liabilities</b>				
Derivative financial liabilities at fair value through profit or loss	—	137,840,495	—	137,840,495
<b>Total</b>	—	137,840,495	—	137,840,495

	31 March 2022 (audited)			
	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Assets</b>				
Non-derivative financial assets at fair value through profit or loss	—	—	1,770,022,999	1,770,022,999
Derivative financial assets at fair value through profit or loss	—	17,536,684	—	17,536,684
<b>Total</b>	—	17,536,684	1,770,022,999	1,787,559,683
<b>Liabilities</b>				
Derivative financial liabilities at fair value through profit or loss	—	37,143,642	—	37,143,642
<b>Total</b>	—	37,143,642	—	37,143,642

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.

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

	30 September 2022 (unaudited)			
	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Assets</b>				
Non-derivative financial assets at fair value through profit or loss	—	<b>669,869,740</b>	<b>1,227,772,127</b>	<b>1,897,641,867</b>

	31 March 2022 (audited)			
	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Assets</b>				
Non-derivative financial assets at fair value through profit or loss	—	773,506,515	1,031,026,046	1,804,532,561

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.

The Subsidiary's Level 3 investment valuations are calculated by discounting future cash flows at a yield appropriate to comparable infrastructure loans or bonds (with such yield assessed primarily from publicly 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. When identifying comparable loans or bonds, for the purpose of assessing market yields, structural and credit characteristics and project type are also considered.

The equity investments arising from the restructuring of a borrower group during the prior year have been fair valued principally on a discounted cash flow basis.

The following tables summarise the significant unobservable inputs the Company used to value its Subsidiary's underlying investments categorised within Level 3 at 30 September 2022 and at 31 March 2022. The tables are not intended to be all-inclusive but instead capture the significant unobservable inputs relevant to the determination of fair values.



# Notes to the unaudited condensed interim financial statements continued

For the period from 1 April 2022 to 30 September 2022

## 6. NON-DERIVATIVE FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS CONTINUED

### Fair value measurement continued

30 September 2022 Type	Sector	Fair value £	Primary valuation technique	Significant unobservable inputs	Range input
Private debt	Accommodation	61,970,821	Discounted cash flow	Discount rate	6.7%-10.9%
Private debt	Power	247,077,817	Discounted cash flow	Discount rate	7.3%-19.1%
Private debt	Renewable energy	149,738,520	Discounted cash flow	Discount rate	4.0%-10.4%
Private debt	TMT	354,144,394	Discounted cash flow	Discount rate	6.5%-12.0%
Private debt	Transport	99,796,955	Discounted cash flow	Discount rate	6.2%-10.3%
Private debt	Transport assets	121,266,955	Discounted cash flow	Discount rate	6.1%-17.9%
Private debt	Utilities	103,955,163	Discounted cash flow	Discount rate	8.0%-9.5%
Private equity	Utilities	27,138,129	Discounted cash flow	Discount rate	20.0%-30.0%
Private debt	Other	50,260,324	Discounted cash flow	Discount rate	11.2%-15.9%
Securitisations (ABS)	Transport assets	12,423,049	Unadjusted broker quote <sup>1</sup>	N/A	N/A
		<b>1,227,772,127</b>			
31 March 2022 Type	Sector	Fair value £	Primary valuation technique	Significant unobservable inputs	Range input
Private debt	Accommodation	4,536,829	Discounted cash flow	Discount rate	7.2%-7.2%
Private debt	Power	233,183,201	Discounted cash flow	Discount rate	6.7%-12.6%
Private debt	Renewable energy	137,697,394	Discounted cash flow	Discount rate	4.0%-8.5%
Private debt	TMT	312,833,991	Discounted cash flow	Discount rate	5.4%-9.0%
Private debt	Transport	93,657,988	Discounted cash flow	Discount rate	0.0%-9.0%
Private debt	Transport assets	59,249,231	Discounted cash flow	Discount rate	5.6%-15.2%
Private debt	Utilities	43,137,892	Discounted cash flow	Discount rate	8.0%-9.5%
Private equity	Utilities	15,353,710	Discounted cash flow	Discount rate	20.0%-30.0%
Private debt	Other	109,982,545	Discounted cash flow	Discount rate	6.2%-19.3%
Securitisations (ABS)	Transport assets	21,393,265	Unadjusted broker quote	N/A	N/A
		<b>1,031,026,046</b>			

1. Securitisations (ABS) held by the Company have been fair valued using third-party pricing information without adjustment; therefore, in accordance with IFRS 13.93(d), the Company is not required to disclose significant unobservable inputs since they have not been developed by the Company.

The following table shows the Directors' best estimate of the sensitivity of the Subsidiary's Level 3 investments to changes in the principal unobservable input, with all other variables held constant.

<b>Unobservable input</b>	Possible reasonable change in input	<b>30 September 2022 (unaudited) effect on net assets and profit or loss £</b>	31 March 2022 (audited) effect on net assets and profit or loss £
Yield	+2% (31 March 2022: +1%)	<b>(48,447,770)</b>	(30,045,418)
	-2% (31 March 2022: -1%)	<b>52,611,472</b>	32,266,790

The possible changes in the yield of 2% (31 March 2022: 1%) are regarded as reasonable in view of the increased level of global interest rates.

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

With effect from 18 April 2017, the Company engaged PricewaterhouseCoopers LLP ("PwC") as Valuation Agent, with responsibility for reviewing the valuations applied by the Investment Adviser in relation to the acquisition of loans and bonds on a monthly basis. The principles and techniques utilised by the Investment Adviser and reviewed by PwC during the year in calculating the valuations are described below.

#### Performing portfolio assets

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 cash flows at a yield appropriate to comparable infrastructure loans or bonds (with such yield assessed primarily from publicly 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.

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, facility management 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 cash flows on loans with uncertain cash flows (such as cash-sweep mechanisms), "banking base case" cash flows are used unless there is clear evidence that the market is using a valuation based upon another set of cash flows.

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 cash flows, 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.

The equity investments arising from the restructuring of a borrower group during the prior year have been fair valued principally on a discounted cash flow basis.

# Notes to the unaudited condensed interim financial statements continued

For the period from 1 April 2022 to 30 September 2022

## 6. NON-DERIVATIVE FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS CONTINUED

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

#### Non-performing portfolio assets

Valuations of non-performing portfolio loans and bonds are based on actual market prices obtained from third-party brokers if available, otherwise the net present value of future expected loan cash flows 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 cash flows, 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 cash flows with regard to, for example, interest or principal recoveries and timing. The Investment Adviser will work closely with the Valuation Agent and they will have access to the Investment Adviser's own model, analysis and internal valuations. These valuations are subject to a high degree of management oversight and ultimate approval by the Investment Manager.

In the opinion of the Investment Adviser, as at 30 September 2022, there were two non-performing assets in the portfolio (31 March 2022: three) with a total value of £67.2 million (31 March 2022: £86.6 million). For further details, please refer to the Investment Adviser's report.

#### 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).

## 7. TRADE AND OTHER RECEIVABLES

	<b>30 September 2022 (unaudited) £</b>	31 March 2022 (audited) £
VFN income receivable	<b>111,981,916</b>	140,058,541
Other receivables	<b>2,371,148</b>	500,000
Prepaid loan finance costs	<b>1,924,992</b>	2,400,865
Other prepaid expenses	<b>158,170</b>	132,695
<b>Total trade and other receivables</b>	<b>116,436,226</b>	143,092,101

Other receivables principally comprises an amount of USD 2.6 million due from the Subsidiary in respect of the repayment of a VFN. The receivable was settled on 3 October 2022.

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

The Company uses forward foreign exchange contracts to hedge its exposure to currency risk. The net gains/(losses) on forward foreign exchange contracts in the period comprises both realised and unrealised losses as follows:

	Period ended 30 September 2022 (unaudited) £	Period ended 30 September 2021 (unaudited) £
Net realised gains/(losses) on forward foreign exchange contracts during the period	<b>(72,873,592)</b>	26,304,415
Net unrealised losses on forward foreign exchange contracts during the period	<b>(115,061,373)</b>	(51,738,353)
<b>Net losses on forward foreign exchange contracts during the period</b>	<b>(187,934,965)</b>	(25,433,938)

As at 30 September 2022, the Company had the following outstanding commitments in respect of open forward foreign exchange contracts, by currency and by counterparty.

30 September 2022 (unaudited) Selling currency	Currency amount	Buying currency	GBP amount £	Unrealised gains £	Unrealised losses £	Net unrealised gains/(losses) £
USD	1,181,700,000	GBP	924,941,156	770,608	(120,161,527)	(119,390,919)
EUR	617,600,000	GBP	535,089,952	—	(15,393,111)	(15,393,111)
AUD	5,000,000	GBP	2,926,372	31,837	—	31,837
CHF	45,000,000	GBP	39,144,050	—	(2,033,274)	(2,033,274)
PLN	90,500,000	GBP	15,301,682	94,760	(252,583)	(157,823)
			1,517,403,212	897,205	(137,840,495)	(136,943,290)

Buying currency	Currency amount	Selling currency	GBP amount £	Unrealised gains £	Unrealised losses £	Net unrealised gains/(losses) £
USD	40,000,000	GBP	(34,180,439)	1,621,272	—	1,621,272
EUR	59,000,000	GBP	(51,222,092)	653,687	—	653,687
			(85,402,531)	2,274,959	—	2,274,959
			1,432,000,681	3,172,164	(137,840,495)	(134,668,331)

30 September 2022 (unaudited) Counterparty	Unrealised gains £	Unrealised losses £	Net unrealised gains/(losses) £
Investec Bank	—	(3,949,187)	(3,949,187)
Macquarie	—	(32,981,017)	(32,981,017)
Morgan Stanley	865,369	(25,409,015)	(24,543,646)
Nomura	2,032,052	(48,074,848)	(46,042,796)
RBSI	274,743	(27,426,428)	(27,151,685)
	3,172,164	(137,840,495)	(134,668,331)

# Notes to the unaudited condensed interim financial statements

continued

For the period from 1 April 2022 to 30 September 2022

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

31 March 2022 (audited) Selling currency	Currency amount	Buying currency	GBP amount £	Unrealised gains £	Unrealised losses £	Net unrealised gains/(losses) £
USD	1,374,767,700	GBP	1,011,565,915	2,149,958	(35,119,600)	(32,969,642)
EUR	657,100,000	GBP	571,624,503	12,740,907	(1,147,537)	11,593,370
NOK	218,000,000	GBP	18,312,662	—	(612,065)	(612,065)
AUD	16,500,000	GBP	9,174,312	—	(264,440)	(264,440)
			1,610,677,392	14,890,865	(37,143,642)	(22,252,777)

Buying currency	Currency amount	Selling currency	GBP amount £	Unrealised gains £	Unrealised losses £	Net unrealised gains/(losses) £
USD	60,000,000	GBP	(43,012,294)	2,645,819	—	2,645,819
			(43,012,294)	2,645,819	—	2,645,819
			1,567,665,098	17,536,684	(37,143,642)	(19,606,958)

31 March 2022 (audited) Counterparty	Unrealised gains £	Unrealised losses £	Net unrealised gains/(losses) £
Global Reach	—	(1,371,023)	(1,371,023)
Investec Bank	3,614,476	(9,539,921)	(5,925,445)
Macquarie	12,483,675	(3,863,531)	8,620,144
Morgan Stanley	—	(490,671)	(490,671)
Nomura	980,010	(15,032,218)	(14,052,208)
RBSI	458,523	(6,846,278)	(6,387,755)
	17,536,684	(37,143,642)	(19,606,958)

All forward foreign exchange positions at the period end were held with Investec Bank plc, Macquarie Bank Limited, Morgan Stanley, Nomura International plc or the Royal Bank of Scotland International (31 March 2022: Global Reach, Investec Bank plc, Macquarie Bank Limited, Morgan Stanley, Nomura International plc or the Royal Bank of Scotland International), as noted above. There are no master netting arrangements in place.

The forward foreign exchange positions at the period/year end have various maturity dates ranging from 3 October 2022 to 27 September 2024 (31 March 2022: 8 April 2022 to 14 December 2023).

## 9. INVESTMENT INCOME

	Period ended 30 September 2022 (unaudited) £	Period ended 30 September 2021 (unaudited) £
Investment income on financial assets carried at amortised cost:		
Cash and cash equivalents	767	—
Investment income on the Company's non-derivative financial assets at fair value through profit and loss	27,836,723	68,708,224
	27,837,490	68,708,224



## 10. RELATED PARTIES AND OTHER MATERIAL CONTRACTS

### Directors' fees

In March 2022, the Directors determined that their remuneration packages should remain largely unchanged for the current time and that a further review of remuneration levels would be conducted later in the year. That review took place in October 2022.

During the period, the Directors' fee entitlements were as follows:

- Robert Jennings was entitled to a fee of £75,000 per annum (2021: £75,000 per annum) in remuneration for his services as Chair of the Board of Directors (increasing to £78,000 per annum with effect from 1 October 2022);
- the remaining Directors were entitled to a basic fee of £48,000 each per annum (2021: £48,000 per annum) in remuneration for their services as Directors (increasing to £50,000 per annum with effect from 1 October 2022);
- until their retirements on 3 August 2022, Jan Pethick and Jon Bridel were each entitled to a fee of £6,300 per annum (2021: £10,000 per annum) in respect of their roles as Chair of the Management Engagement Committee and Chair of the Risk Committee respectively;
- until 31 July 2022, Sandra Platts was entitled to a fee of £6,300 per annum (2021: £6,300 per annum) in respect of her role as Chair of the Remuneration and Nomination Committee, and with effect from 1 August 2022 to a combined fee of £10,000 per annum for serving as Chair of the Remuneration and Nomination Committee and of the Management Engagement Committee (remaining at £10,000 per annum with effect from 1 October 2022). She is also entitled to a fee of £4,000 per annum (2021: £7,700 per annum) for serving as the Senior Independent Director (remaining at £4,000 with effect from 1 October 2022);
- Sarika Patel was entitled to a fee of £10,000 per annum (2021: £10,000 per annum) in respect of her role as Chair of the Audit Committee (remaining at £10,000 per annum with effect from 1 October 2022);
- James Stewart was entitled to a fee of £6,300 per annum (2021: N/A) in respect of his role as Chair of the ESG and Stakeholder Engagement Committee (remaining at £6,300 per annum with effect from 1 October 2022); and
- with effect from 1 August 2022, Tim Drayson was entitled to a fee of £6,300 per annum (2021: N/A) in respect of his role as Chair of the Risk Committee (remaining at £6,300 per annum with effect from 1 October 2022).

With effect from 1 April 2022, all Directors have committed to contributing 1% of their fees to support the Company's carbon offsetting initiatives.

### Ordinary Shares held by related parties

The shareholdings of the Directors in the Company were as follows:

Name	30 September 2022 (unaudited)		31 March 2022 (audited)	
	Number of Ordinary Shares	Percentage of Ordinary Shares in issue	Number of Ordinary Shares	Percentage of Ordinary Shares in issue
Robert Jennings (Chair) (with other members of his family)	350,000	0.02%	242,666	0.01%
Sandra Platts (in a family Retirement Annuity Trust Scheme)	27,148	0.00%	27,953	0.00%
Sarika Patel	16,000	0.00%	5,000	0.00%
Tim Drayson	207,000	0.01%	39,000	0.00%
James Stewart (with his spouse)	43,313	0.00%	—	—
Jan Pethick (with his spouse)	N/A	N/A	263,820	0.01%
Jon Bridel (held by a connected party)	N/A	N/A	30,000	0.00%

As at 30 September 2022, the Investment Adviser held an aggregate of 3,731,266 Ordinary Shares (31 March 2022: 3,089,021 Ordinary Shares), which is 0.21% (31 March 2022: 0.17%) of the issued share capital.

As at 30 September 2022, the members of the Investment Adviser's founding team held an aggregate of 792,643 Ordinary Shares (31 March 2022: 692,643 Ordinary Shares), which is 0.05% (31 March 2022: 0.04%) of the issued share capital.

As at 30 September 2022, the Investment Manager held an aggregate of 50,000 Ordinary Shares (31 March 2022: 50,000 Ordinary Shares), which is 0.00% (31 March 2022: 0.00%) of the issued share capital.

# Notes to the unaudited condensed interim financial statements continued

For the period from 1 April 2022 to 30 September 2022

## 10. RELATED PARTIES AND OTHER MATERIAL CONTRACTS CONTINUED

### Transactions with Investment Manager and Investment Adviser

#### Investment Manager

FundRock Management Company (Guernsey) Limited (formerly Sanne Fund Management (Guernsey) Limited) (the "Investment Manager") was appointed as the Investment Manager with effect from 28 January 2015. With effect from 1 December 2016, the Investment Manager was entitled to receive a management fee for AIFM services calculated as follows:

- if the Company's NAV is less than £200 million, 0.075% per annum of the value of the Company's NAV; plus
- if the Company's NAV is more than £200 million and less than £400 million, 0.05% per annum of the Company's NAV not included above; plus
- if the Company's NAV is more than £400 million and less than £500 million, 0.04% per annum of the Company's NAV not included above; plus
- if the Company's NAV is more than £500 million, 0.015% per annum of the Company's NAV not included above.

The fee is subject to an annualised minimum of £80,000 applied on a monthly basis and is payable monthly in arrears. With effect from 2 May 2017, the management fee was capped at £320,000 per annum, subject to an annual inflationary increase (with effect from 1 May 2022: £370,779; with effect from 1 May 2021: £350,121).

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

#### Investment Adviser

Sequoia Investment Management Company Limited (the "Investment Adviser") was appointed as the Investment Adviser with effect from 28 January 2015. With effect from 1 September 2018, the Investment Adviser is entitled to receive from the Company a base fee calculated as follows:

- 0.74% of the market value of the investments (excluding committed but not yet invested investments and cash) owned by the Subsidiary up to £1 billion; plus
- 0.56% of the market value of the investments (excluding committed but not yet invested investments and cash) owned by the Subsidiary in excess of £1 billion.

All such fees are payable quarterly. 10% of the Investment Adviser's fee is 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).

On 10 May 2022, the Investment Adviser acquired 300,644 Ordinary Shares in the market in relation to fees payable for the quarter ended 31 March 2022.

On 21 July 2022, the Investment Adviser acquired 341,601 Ordinary Shares in the market in relation to fees payable for the quarter ended 30 June 2022.

On 20 October 2022, the Investment Adviser acquired 370,465 Ordinary Shares in the market in relation to fees payable for the quarter ended 30 September 2022.

The Investment Advisory Agreement can be terminated by either party giving not less than six 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

Sanne Fund Services (Guernsey) Limited (the "Administrator") was appointed as the Administrator with effect from 28 January 2015. With effect from 1 June 2016, the Administrator is entitled to receive from the Company a base fee, calculated as follows and paid monthly:

- if the Company's NAV is less than £300 million, 0.07% per annum of the value of the Company's NAV; plus
- if the Company's NAV is more than £300 million and less than £400 million, 0.05% per annum of the Company's NAV not included above; plus
- if the Company's NAV is more than £400 million, 0.04% per annum of the Company's NAV not included above.

The base fee is subject to a minimum of £65,000 applied on a monthly basis and was capped at £300,000 per annum, subject to an annual inflationary increase (with effect from 1 May 2022: £331,178; with effect from 1 May 2021: £312,728). The Administrator is also entitled to a fee for company secretarial services based on time costs.

The Administration Agreement can be terminated by either party giving not less than 90 days' written notice.

### Subsidiary Administrator

With effect from 28 January 2015, TMF Luxembourg S.A. (the "Subsidiary Administrator") was appointed as the administrator of the Subsidiary. With effect from 1 January 2022, the Subsidiary Administrator is entitled to receive an annual fee of €80,051 (with effect from 1 January 2021: €60,074 per annum).

### Custodian

With effect from 27 February 2015, The Bank of New York Mellon (the "Custodian") was appointed as the Custodian. The Custodian is entitled to receive fees, as agreed from time to time, for services provided as portfolio administrator, depositary, calculating agent, account bank and custodian.

The Custodian Agreement can be terminated by either party giving not less than 60 days' written notice.

The amounts charged for the above-mentioned fees during the period ended 30 September 2022 and outstanding at 30 September 2022 are as follows:

	Charge for the period ended 30 September 2022 (unaudited) £	Amounts outstanding at 30 September 2022 (unaudited) £	Charge for the period ended 30 September 2021 (unaudited) £	Amounts outstanding at 31 March 2022 (audited) £
Investment advisory fee	6,176,304	3,167,994	5,945,053	2,961,858
Investment management fee	183,668	—	174,573	—
Directors' fees and expenses	189,726	—	130,800	—
Administration fee	212,125	—	234,773	—
Sub-administration fee <sup>1</sup>	58,180	1,384	40,671	49,013
Fees payable to the Custodian <sup>1</sup>	323,620	183,106	368,020	236,000
	<b>7,143,623</b>	<b>3,352,484</b>	6,893,890	3,246,871

1. Includes expenses of both the Subsidiary and the Company.

### Overdraft facility

On 15 February 2016, the Company entered into an overdraft facility with the Royal Bank of Scotland International Limited with a limit of £1,500,000. As at 30 September 2022, this facility had not been utilised.

### Loan collateral

With effect from 15 November 2021, security for a revolving credit facility of £325 million (previously £280 million) (see note 14) with a consortium of banks led by the Royal Bank of Scotland International Limited was provided by, inter alia, a charge over the bank accounts of the Company, a charge over the shares in the Subsidiary held by the Company and a charge on the assets of the Subsidiary.

# Notes to the unaudited condensed interim financial statements continued

For the period from 1 April 2022 to 30 September 2022

## 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 and C Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares and C Shares are recognised as a deduction in equity and are charged to the relevant share capital account. The Company undertakes that it shall ensure that its records and bank accounts are operated in such a way that the assets attributable to the Ordinary Shares and the C Shares can be separately identified. On the conversion of C Shares to Ordinary Shares, C Shareholders shall be allocated an appropriate number of Ordinary Shares, calculated by reference to the conversion ratio.

The authorised share capital of the Company is represented by an unlimited number of Shares of nil par value, to which are attached the following rights:

- (a) dividends: Ordinary Shareholders and C Shareholders are entitled to receive, and participate in, any dividends or other distributions resolved to be distributed from their respective pools of assets 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 Ordinary Shareholders and C Shareholders shall be entitled to the surplus assets remaining in their respective pools of assets after payment of creditors.
- (c) voting: Ordinary Shareholders have the right to receive notice of and to attend, speak and vote at general meetings of the Company and each holder being present in person or by proxy shall upon a show of hands have one vote and upon a poll one vote in respect of every Ordinary Share held. C Shareholders have no right to attend or vote at any meeting of the Company, except that the consent of C Shareholders is required for any alteration to the Memorandum or Articles of the Company; for the passing of any resolution to wind up the Company; and for the variation or abrogation of the rights attached to the C Shares.

The Company may acquire its own Ordinary Shares, up to a maximum number of 14.99% per annum of the Ordinary and C Shares in issue.

There were no C Shares in issue during either the current period or prior year.

Issued share capital Ordinary Shares	<b>Period ended 30 September 2022 (unaudited) Number</b>	Year ended 31 March 2022 (audited) Number
Share capital at the beginning of the period/year	<b>1,768,238,998</b>	1,763,120,710
Share capital issued and fully paid	—	5,118,288
Share capital bought back and held in treasury	<b>(22,215,059)</b>	—
<b>Total share capital at the end of the period/year</b>	<b>1,746,023,939</b>	1,768,238,998

Issued share capital	<b>Period ended 30 September 2022 (unaudited) £</b>	Year ended 31 March 2022 (audited) £
Share capital at the beginning of the period/year	<b>1,837,390,531</b>	1,831,856,145
Share capital issued and fully paid	—	5,534,386
Share capital bought back and held in treasury	<b>(19,552,003)</b>	—
<b>Total share capital at the end of the period/year</b>	<b>1,817,838,528</b>	1,837,390,531

No Ordinary Shares were issued during the period (31 March 2022: 802,196 Ordinary Shares issued to the Investment Adviser in relation to fees payable for the period 1 April 2021 to 31 December 2021 at an average issue price of 109.46p per Ordinary Share; and 4,316,092 Ordinary Shares issued to Shareholders as a scrip dividend alternative in respect of dividends totalling £4,656,286).

During the period, the Company acquired 22,215,059 of its own Ordinary Shares at an average cost of 88.01p per Ordinary Share. These Ordinary Shares are held in treasury.

**13. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE**

	Period ended 30 September 2022 (unaudited) Number	Period ended 30 September 2021 (unaudited) Number
<b>Ordinary shares</b>		
(Loss)/profit for the financial period	<b>£(67,399,278)</b>	£50,689,781
Weighted average number of Ordinary Shares	<b>1,762,591,096</b>	1,764,510,157
<b>Basic and diluted (loss)/earnings per Ordinary Share</b>	<b>(3.82)p</b>	2.87p

The weighted average number of Ordinary Shares 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. LOAN PAYABLE**

In November 2021, the Company refinanced its £280 million multi-currency revolving credit facility ("RCF") with the Royal Bank of Scotland International Limited ("RBSI") as lead arranger, which was due to mature in December 2021. The facility was increased to £325 million for a further term of three years with a £75 million accordion facility. The proceeds of the loan are to be used in or towards the making of investments in accordance with the Company's investment policy.

The loan imposes an interest cover test and is secured by, inter alia, a charge over the bank accounts of the Company, a charge over the shares in the Subsidiary held by the Company and a charge on the assets of the Subsidiary. In accordance with the Company's investment policy, any borrowings undertaken by the Company will not exceed 20% of the value of the assets of the Company less its liabilities. Should the value of the underlying assets held in the Subsidiary fall below a certain level, further margin calls may be made by RBSI, however no margin calls were made during the current or prior years.

	Period ended 30 September 2022 (unaudited)		
	GBP facility GBP	USD facility GBP	Total GBP
Balance brought forward	<b>78,742,568</b>	<b>42,626,352</b>	<b>121,368,920</b>
Drawdowns	<b>61,000,000</b>	<b>57,712,919</b>	<b>118,712,919</b>
Repayments	<b>(60,000,000)</b>	—	<b>(60,000,000)</b>
Foreign exchange revaluations	—	<b>12,874,353</b>	<b>12,874,353</b>
<b>Balance carried forward</b>	<b>79,742,568</b>	<b>113,213,624</b>	<b>192,956,192</b>

	Year ended 31 March 2022 (audited)		
	GBP facility GBP	USD facility GBP	Total GBP
Balance brought forward	72,300,000	11,594,203	83,894,203
Drawdowns	6,000,000	30,023,268	36,023,268
Capitalised loan interest and fees	442,568	5,039	447,607
Foreign exchange revaluations	—	1,003,842	1,003,842
<b>Balance carried forward</b>	<b>78,742,568</b>	<b>42,626,352</b>	<b>121,368,920</b>

Interest on the loan is charged at a rate of SONIA (or equivalent) plus 2.0% per annum (2021: LIBOR (or EURIBOR for any loan denominated in Euro) plus 2.1% per annum). The facility is sustainability-linked, with margin premium or discount of up to 0.05% linked to the ESG score of the SEQI investment portfolio as verified by an independent assurance process, with effect from 1 July 2022. The sustainability feature of the RCF underlines the Company's commitment to its long-term sustainable investment initiative. Loan interest of £3,351,932 (2021: £1,577,389) and upfront, facility and break fees of £454,180 (2021: £424,325) have been charged on the loan during the period.

The carrying value of the loan is considered to be a reasonable approximation of its fair value.



# Notes to the unaudited condensed interim financial statements

continued

For the period from 1 April 2022 to 30 September 2022

## 15. TRADE AND OTHER PAYABLES

	<b>30 September 2022 £</b>	31 March 2022 £
Investment advisory fee payable	<b>3,167,994</b>	2,961,858
Loan interest payable	<b>1,180,698</b>	521,452
Other payables	<b>258,705</b>	372,120
	<b>4,607,397</b>	3,855,430

## 16. COMMITMENTS

As at 30 September 2022, £89.9 million (31 March 2022: £66.3 million) was committed by the Fund to new or existing investments. These commitments will be settled from the existing cash reserves of the Company and the Subsidiary and through drawdowns from the Company's revolving credit facility.

## 17. SUBSEQUENT EVENTS

On 19 October 2022, the Company declared a dividend of 1.5625p per Ordinary Share in respect of the quarter ended 30 September 2022. The dividend is due to be paid on 25 November 2022.

On 20 October 2022, the Investment Adviser acquired 370,465 Ordinary Shares in the market in relation to fees payable for the quarter ended 30 September 2022.

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

# Officers and advisers

## DIRECTORS

Robert Jennings, CBE  
(Independent non-executive Chair)

Sandra Platts  
(Senior Independent non-executive Director)

Sarika Patel  
(Independent non-executive Director)

Tim Drayson  
(Independent non-executive Director)

James Stewart  
(Independent non-executive Director)

Jan Pethick  
(Independent non-executive Director, retired 3 August 2022)

Jon Bridel  
(Independent non-executive Director, retired 3 August 2022)

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## Appendix

### ALTERNATIVE PERFORMANCE MEASURES USED IN THE INTERIM REPORT

#### Portfolio yield-to-maturity/gross portfolio return

Portfolio yield-to-maturity is the total annualised return anticipated on a portfolio of interest-bearing investments, discounted for the time value of money and based on the assumption that the investments are held to their maturity. This provides a useful measure of likely projected returns on a portfolio.

#### NAV per Ordinary Share

NAV per Ordinary Share is a calculation of the Company's NAV divided by the number of Ordinary Shares in issue and provides a measure of the value of each Ordinary Share in issue.

#### Ordinary Share (discount)/premium to NAV

Ordinary Share (discount)/premium to NAV is the amount by which the Ordinary Share price is lower/higher than the NAV per Ordinary Share, expressed as a percentage of the NAV per Ordinary Share, and provides a measure of the Company's share price relative to the NAV.

#### Internal rate of return ("IRR")

Internal rate of return is a calculation of the prospective or retrospective annualised profitability of an investment over a number of years, the IRR being the discount rate that would make the net present value of the actual or potential cash flows from the investment equal to zero. This provides a useful measure of the profitability of an investment, on either a NAV or share price basis.

#### Total NAV/share price return

Total NAV return/total share price return are calculations showing how the NAV/share price per share has performed over a period of time, taking into account dividends paid to shareholders. This provides a useful measure to allow shareholders to compare performances between investment funds where the dividend paid may differ.

		Period ended 30 September 2022	
		Total NAV return	Total share price return
Opening NAV/share price per share	(a)	<b>100.50p</b>	102.80p
Closing NAV/share price per share	(b)	<b>93.64p</b>	81.90p
Dividends paid	(c)	<b>3.125p</b>	3.125p
Weighted average NAV per share	(d)	<b>95.85p</b>	89.44p
Dividend adjustment factor	(e)	<b>1.0326</b>	1.0349
Adjusted closing NAV/share price per share	(f)	<b>96.69p</b>	84.76p
<b>Total NAV/share price return (f / a -1)</b>		<b>(3.8)%</b>	(17.5)%

## Cash dividend cover

Cash dividend cover is the ratio of a company's operating cash flow divided by its total dividend payments, and is used as a measure of the extent to which a company is able to generate sufficient cash flow to pay its dividends.

The dividend cash cover calculation for the period ended 30 September 2022 and the year ended 31 March 2022 was as follows:

Item	Period ended 30 September 2022 £m	Year ended 31 March 2022 £m
Cash interest received	81.76	112.02
Consent fees received in cash	1.01	1.19
Prepayment fees	0.96	4.47
Upfront fees/discounts amortised	5.93	15.43
Cash expenses	(12.17)	(21.04)
<b>Net cash income</b>	<b>77.49</b>	112.07
Cash dividends paid	55.18	105.68
<b>Dividend cash cover</b>	<b>1.40x</b>	1.06x

## Ongoing charges ratio ("OCR")

The ongoing charges ratio of an investment company is the annual percentage reduction in shareholder returns as a result of recurring operational expenditure. Ongoing charges are classified as those expenses which are likely to recur in the foreseeable future, and which relate to the operation of the company, excluding investment transaction costs, financing charges and gains or losses on investments. The OCR is calculated as the total ongoing charges for a period divided by the average net asset value over that period.

	12 month period ended 30 September 2022			12 month period ended 30 September 2021		
	The Company £	The Subsidiary £	Total £	The Company £	The Subsidiary £	Total £
Total expenses	23,678,608	911,482	24,590,090	19,346,842	873,372	20,220,214
Non-recurring expenses	(8,759,466)	—	(8,759,466)	(5,102,772)	—	(5,102,772)
Total ongoing expenses	14,919,142	911,482	15,830,624	14,244,070	873,372	15,117,442
Average NAV			1,747,007,199			1,751,675,800
<b>Ongoing charges ratio (using AIC methodology)</b>			<b>0.91%</b>			0.86%

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**ABOUT SEQUOIA ECONOMIC  
INFRASTRUCTURE INCOME  
FUND LIMITED**

The Company seeks to provide investors with regular, sustained, long-term distributions and capital appreciation from a diversified portfolio of senior and subordinated economic infrastructure debt investments. The Company is advised by Sequoia Investment Management Company Limited.

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