Sequoia Economic Infrastructure Income Fund Limited 2018 Annual Report and Accounts

2018

ANNUAL REPORT AND ACCOUNTS

Diversified
Sustainable
Growth

SEQUOIA
ECONOMIC
INFRASTRUCTURE
INCOME FUND LIMITED

Portfolio summary

As at 31 March 2018

56 Investments	£49.2m Largest investment	£12.8m Average size	7.3 years Average maturity
5.1 years Average life	1.6 Portfolio mod. duration	31% Average equity cushion	18.0% Construction risk

Contents

Highlights

Highlights for the year ended 31 March 2018

- Annualised portfolio yield-to-maturity of 8.2% as at 31 March 2018
- Dividend yield of 6p per share
- Deployed £157.4 million raised via Open Offer, Placing and Offer for Subscription in May 2017
- Diversified portfolio of 56 investments made across 8 sectors, 23 sub-sectors and 10 jurisdictions
- 79% of investments in private debt and 64% with floating rate linkage
- Ongoing charges figure is 0.94% (calculated in accordance with AIC guidance), down from 1.05% for the year ended 31 March 2017

Post-year-end

- Successful oversubscribed Placing in May 2018 raised net proceeds of approximately £74.8 million

Financial highlights

£758,170,202

Total net assets

101.32p

Net Asset Value ("NAV") per Ordinary Share*

106.00p

Ordinary Share price*

4.6%

Ordinary Share premium to NAV

**Cum dividend*

Quote from the Chairman

"The Board is pleased to report another good year for SEQI. This is reflected in a portfolio yield of over 8%, we have maintained our dividend at 6p per share, and we successfully raised £157.4 million in May 2017 and a further £74.8m in May 2018. We are delighted both with the rate at which we are allocating our capital and the pipeline of opportunities we have identified. Looking forward, the opportunity for SEQI in economic infrastructure debt is exciting. The asset class remains under-invested and continues to offer attractive risk-adjusted returns. The Board has conviction in the long-term direction of SEQI and believes that Shareholders will continue to benefit from the resilience afforded by an attractive pipeline of infrastructure projects."

Robert Jennings, Chairman of the Company

Company summary



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 subsidiary Sequoia IDF Asset Holdings S.A. (the "Subsidiary", together the "Group" or the "Fund"). The Company controls the Subsidiary through a holding of 100% of its shares.

Investment objective

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

Investment policy

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

Dividend policy

In the absence of any significant restricting factors, the Board expects to pay dividends totalling 6p per Ordinary Share per annum for the foreseeable future. The Company pays dividends on a quarterly basis.

Chairman's statement

It is my pleasure to present to you the Annual Report and Audited Financial Statements of the Company for the financial year ended 31 March 2018.

COMPANY PERFORMANCE

Since the Company's initial public offering ("IPO"), in March 2015, the Company's market capitalisation has grown from approximately £150 million to £793.2 million, with a net asset value ("NAV") of approximately £758.2 million as at 31 March 2018. This growth meant that the Company entered the FTSE 250 Index in September 2017.

Advised by an Investment Adviser with significant prior experience in that asset class, **Sequoia Investment Management Company Limited** (the "Investment Adviser"), the Company has grown its portfolio, which focuses exclusively on infrastructure debt through several successful fund raises.

Including our recent placing which closed in May 2018, we have deployed £834 million to date through equity raises.

The Company's shares have consistently traded at a premium to its NAV, averaging 9.4% over the past year and standing at 4.6% on 31 March 2018. The Board of Directors of the Company (the "Board") believes that this is a reflection of the Company's strong and consistent dividend policy and the uniqueness of its investment proposition to investors. Investors in the IPO have received total dividends of 15.50p per share and have seen the share price increase from 100p to 106p, representing a total gain of 21.50p per share and an annualised return ("IRR") of 6.9% (6.3% calculated on a NAV basis, based on a day-one NAV of 98p per share).

NET ASSET VALUE

Over the financial year ending 31 March 2018, the Company's NAV per share has declined modestly from 102.72p to 101.32p. Over the same period, the Company has paid dividends of 6p per share, resulting in a total return of 4.1% over the year. This performance is predominantly the result of three factors: the portfolio consists of stable, cash generative assets which generate a return of over 8%; costs and expenses are moderate with a total expense ratio of less than 1%; and growing fee income resultant from originated investments. However, over the year, the appreciation of Sterling against the US Dollar, and market movements, particularly in the high yield bond markets, detracted marginally from performance.

Since the Company's IPO, the NAV per share has increased from 98.0p to 101.32p, delivering, with dividends paid, an IRR of 6.3%. Whilst this is slightly lower than the target of 7-8%, the underperformance is largely the result of the significant cash drag in the first eight months of the Company's life: the IRR of NAV since October 2015 has been 7.9%, compared to -2.3% over the initial "ramp up" period.

THE INVESTMENT PORTFOLIO

The Board continues to be pleased with the progress made by the Investment Adviser in building a portfolio of attractive infrastructure debt investments. As at 31 March 2018, the invested portfolio comprised 56 investments, diversified by borrower, jurisdiction, sector and sub-sector, and generating an average yield-to-maturity of 8.2%. The yield on the portfolio has the potential to increase if LIBOR increases, since 64% of the assets have floating-rate interest income.

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

Pleasingly, approximately 79% of the portfolio consists of private debt investments, surpassing the three-year target of 75%. This is important as private debt typically enjoys a higher yield (an "illiquidity premium") compared to rated, listed bonds. Since the Company's fundamental strategy is buy-and-hold, as opposed to a debt trading strategy, it makes sense to capture this illiquidity premium. At the same time, the infrastructure bonds within the portfolio provide the

Company with considerable liquidity, and the Directors believe there is value in having that ability to raise liquid funds at short notice, should the need arise.

The Investment Adviser will continue to update you on the Company's progress by way of the monthly Investor Reports.

INTEREST RATE RISK AND CURRENCY RISK

The Company has positioned itself defensively for a rising rate environment to reduce NAV volatility, with 64% of the portfolio comprising floating rate investments at year end, and an overall portfolio modified duration of 1.6. As LIBOR rates rise in the Company's eligible jurisdictions, the average cash-on-cash yield of the portfolio will increase. It is worth noting that this potential growth is not relied upon to pay dividends, and the Investment Adviser calculates investment yields on a constant LIBOR basis.

The effect of currency exchange rates on the NAV also deserves further explanation. Currently, only about 29% of the portfolio consists of UK assets denominated in Sterling, with the balance diversified across assets denominated in US Dollars, Euros and Norwegian Kroner. In order to reduce the potential for NAV volatility arising from movements in the exchange rates, the Company has a large currency hedging position, which is designed to rise in value when Sterling strengthens and fall in value when Sterling weakens. The net effect is that the NAV behaves as though 94% of the Company's assets were denominated in Sterling, 1% in US Dollars and only 5% in Euros or Norwegian Kroner, as at 31 March 2018.

THE REVOLVING CREDIT FACILITY

The Board believes that, subject to the ability of the Investment Adviser to source assets of the requisite risk and return profile, it is, in principle, in investors' interests to grow the size of the Company, which will deliver important benefits of scale, including lower cost ratios, greater liquidity and increased asset diversification. To facilitate organic growth, the Company secured a £100 million three-year, multi-currency revolving credit facility (the "RCF") in December 2017 from The Royal Bank of Scotland, ING Bank, and Investec. The RCF has a borrowing cost of 210 basis points over LIBOR, along with a commitment fee payable on the undrawn amount.

In addition to promoting growth, it is intended that the RCF be used to optimise the Company's ongoing operations by reducing the effect cash drag on the Company's NAV. The benefits of the RCF will be most apparent in the periods directly following capital raises whereby the net proceeds can be deployed to repay leverage that was drawn in the interim periods to acquire attractive investments.

One aspect of the Company's portfolio that distinguishes it from many other infrastructure funds is the relatively short maturities of its investments. Whilst this is clearly beneficial in a rising interest rate environment (as maturing investments might be re-invested at a higher yield), it also reduces the refinancing risk of the RCF. In fact, approximately £235 million of the Company's assets will reach their expected maturity over the remaining life of the RCF to December 2020, and in practice more redemptions are likely to occur allowing for prepayments over the period. This implies that, should market conditions change, and the Company be unwilling to pay back future drawings on the RCF by raising more equity capital, the Company will be able to prepay the debt out of cashflow generated naturally by the portfolio.

GOVERNANCE AND COMPLIANCE

The Board recognises the importance of a strong corporate governance culture and continues to apply the principles of good corporate governance as set out in the UK Corporate Governance Code (the "UK Code"), which was updated in April 2016, and the Association of Investment Companies Code of Corporate Governance for Guernsey-domiciled member companies (the "AIC Code"), which was updated in July 2016, and accompanying guide. A copy of the UK Code is available at www.frc.org; a copy of the AIC Code and Guide can be found at www.theaic.co.uk.

One of our most critical risks is the loss of value on account of a deterioration in the credit quality of one or more of the loans we hold. Both our Investment Adviser and our Investment Manager have significantly increased the resources they bring to bear to mitigate this risk since our launch. During the year we considered whether and how the Board should adapt to the greater challenge of a more diversified portfolio of loans, larger in number and value. Our conclusion was that it would make sense to appoint two suitably experienced persons as special consultants to the Board to strengthen and broaden our credit-related oversight capabilities. Consistent with this, on 30 January 2018 we announced the appointment of Tim Drayson and Kate Thurman to these roles and although it is still early days I am delighted with the positive impact that they have had on all stages of our investment selection and credit review processes.

Overall the task facing the Board has increased with the growth in our assets under management. We have considered how our governance arrangements might evolve in response to this to ensure that they remain appropriate to the challenges we face. To this end we have made a number of additional changes including:

- The addition to our annual cycle of Board meetings of three informal Board days, including two days focused on our portfolio and investment strategy;

- The strengthening of the Board's Committees such that all Board members now sit on each Committee;
- The appointment of Sandra Platts as our Senior Independent Director, in part to support me in setting and overseeing the strategic direction of the Board.

We routinely and actively challenge our advisers on all other key issues that affect our NAV per share performance including our potential use of leverage, our policies towards capital raising, our approach to risk and risk allocation and the terms of engagement of all our advisers. We also maintain a focus on costs and expenses in the fund: the ongoing charges figure has been consistently around 1% since the IPO but we have now seen this decline as the Company benefits from economies of scale, as most of our costs should decrease in percentage terms as the Company's NAV increases.

EVENTS AFTER THE END OF THE REPORTING PERIOD AND GROWTH PROSPECTS

The Company announced on 17 April 2018 that it was proposing an additional capital raise to repay existing debt, and acquire assets from the strong pipeline of potential investments for the Company, which will maintain the portfolio's yield at 8% or higher, without taking an undue level of credit risk. In general, the market for infrastructure debt remains strong, especially in the US and in mezzanine lending opportunities in the UK and Europe, across a range of sectors including transportation, power and utilities.

The placing, which closed in May, was significantly oversubscribed and the shares were issued at a premium to NAV, resulting in total gross proceeds of £75.7 million. Of the total gross proceeds raised, approximately £70.5 million was subsequently used to repay substantially all the sums drawn under the RCF, which illustrates well the benefits of the RCF in reducing cash drag that otherwise arises on issuance of new equity.

OUTLOOK FOR THE REST OF THE FINANCIAL YEAR

Global capital markets have been volatile over most of the Company's three year of operations, resulting from the Brexit vote, uncertainty in US politics, the rise of populist political movements in Europe, and heightened tensions in East Asia and the Middle East. Many of these risks continue to be present, but it is in such periods of volatility that the stability of infrastructure debt has historically demonstrated its real value to investors. However, even the infrastructure market is not immune from periods of volatility, as seen with the recent collapse of Carillion. By crafting a well-diversified portfolio, the Investment Adviser positioned the Company to withstand isolated sector shocks, including the PFI sector which represented only 1.5% of the invested portfolio at 31 March 2018. Moreover, some macro-economic and political themes may be advantageous to the Company, such as the gradual global unwinding of quantitative easing, which is likely to increase central bank base rates and the yield on debt investments, and a strong US economy in which the Company holds nearly 40% of its investments.

The Board believes that the Company's portfolio and investment pipeline will continue to deliver an attractive risk-adjusted return with a relatively low correlation to the broader financial markets.

As detailed further in the Directors' Report, a Continuation Resolution was passed by Shareholders at an Extraordinary General Meeting of the Company on 25 May 2016. The Board intends to hold the next Continuation Vote (the "Vote") at the 2018 AGM, in order to align the Vote on an ongoing basis with the date of the Company's AGM. The Board notes the overwhelming majority vote in favour of the Continuation Resolution passed in May 2016, and the strong appetite for the Company's investment proposition, as evidenced by the well-supported equity raises which have occurred to date. The Board further notes that the Company's Shares have consistently traded at a premium to NAV since its launch. The Board believes that the Company should continue and it urges Shareholders to support the Company by voting in favour of the Company's continuation at the forthcoming AGM.

I continue to be delighted with the way in which the Board and our advisers have pulled together as a well-balanced team and with how our approach has evolved over the first three years in our Company's life. This has helped the Company to achieve its target dividend yield while also protecting the NAV per share. We see our duty going forward as being to remain as actively focused as we have been to date so that we can sustain the target yield while also advancing NAV per share. In turn this should help to support the premium at which our shares have traded over the period since our admission to listing on 3 March 2015.

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

Robert Jennings
Chairman

27 June 2018

Investment Adviser's report

THE INVESTMENT ADVISOR'S OBJECTIVES FOR THE YEAR

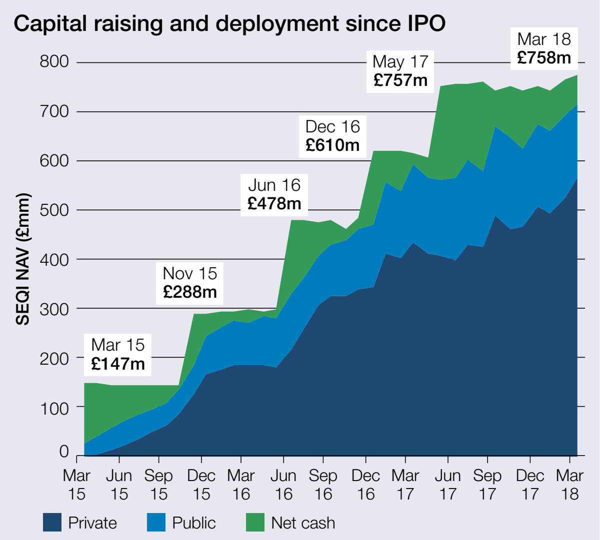
Over the course of the financial year ended 31 March 2018, Sequoia Investment Management Company Limited ("Sequoia") has had a number of objectives for the Company:

SEQUOIA INVESTMENT MANAGEMENT COMPANY

Goal	Commentary	
Gross portfolio return of 8-9%	The Company is fully invested with a portfolio that yields in excess of 8%	✓
Capital growth to deliver economies of scale	Gross proceeds of £160 million raised and deployed from May 2017's over-subscribed capital raise	✓
Timely and transparent investor reporting	Factsheet, commentary, and the full portfolio are provided monthly for full transparency	✓
Dividends of 6p per share	The Company paid 6p of dividends during the year	✓

CAPITAL RAISED AND SHARE PERFORMANCE

The Company completed one capital raise during the year ended 31 March 2018: an Ordinary Share issue in May 2017 which raised gross proceeds of £160 million and was oversubscribed.



As at 31 March 2018, the Company had 748,315,757 Ordinary Shares in issue. The closing share price on the last business day of March was 106.0p per share, implying a market capitalisation for the Company of approximately £793.2 million, compared to £656.7 million a year previously.

On 6 December 2017, the Company announced the closing of a three-year, multi-currency revolving credit facility ("RCF") of £100 million from The Royal Bank of Scotland, ING Bank, and Investec, with a borrowing cost of 210 basis points over LIBOR, along with a commitment fee payable on the undrawn amount. The £40m term loan from JPMorgan was repaid in full prior to the close of the RCF, and as at year end, the Company had gross leverage of £39.2 million.

NAV PERFORMANCE

The Company's assets delivered a total return of 4.1% over the financial year, comprised of 6p paid in dividends, offset partly by a decline in NAV of 1.4%. This decline was attributable to:

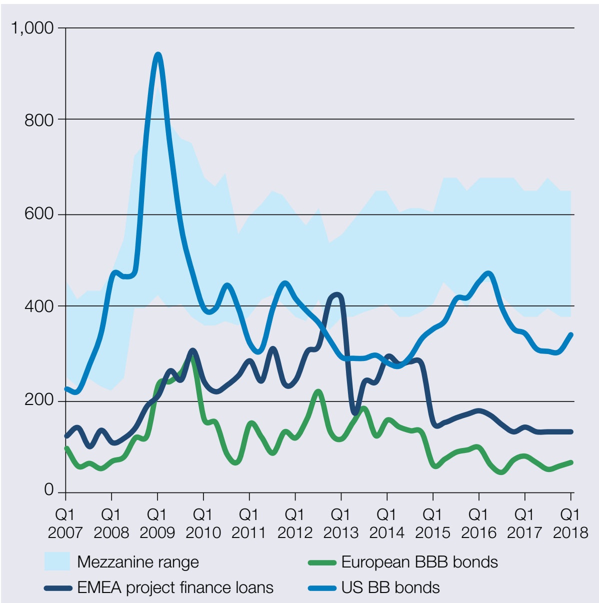
- Interest income on the Company's investments of 7.78p per share; plus
- Losses on foreign exchange movements of 1.57p per share, partially offset by the effect of the Company's hedges; less
- Negative market movements of 0.70p per share; less
- The one-off cost of 0.52p arising from writing down acquired assets to their bid price; less
- Operating costs of 1.09p per share; less
- Dividends of 6p per share; plus
- Gains of 0.70p received from issuing shares in May at a premium to NAV.

Notably, the Company made a loss of 1.57p from foreign exchange movements, which is a direct result of the gradual strengthening of Sterling over the year. On 31 March 2018, approximately 94% of the Company's NAV consisted of either Sterling assets or was hedged into Sterling through foreign exchange forward contracts. The value of these contracts is marked-to-market along with the investments on a monthly basis in order to reduce the potential for foreign exchange rate volatility in the Company's NAV over the longer term.

THE MARKET ENVIRONMENT DURING THE YEAR

The Fund has operated in a relatively calm environment over the last year, with some market volatility in Q1 2018. Credit spreads widened in February and March due to increasing government yields driven by concerns of rising inflation, particularly in the US. On balance, however, the markets were calm for most of the year, with the credit markets especially experiencing historically tight lending margins and bond spreads.

The infrastructure debt markets are not entirely insulated from this trend, with sectors such as social infrastructure, core wind and solar projects, and European toll roads continuing to be funded at very low interest rates. This is primarily a result of institutional investors expanding beyond the corporate bond market in the search for yield, however there is still significant value in other areas of the infrastructure debt market. The US markets, the mezzanine lending market, and certain industry sectors in particular continue to offer excellent risk-adjusted returns, relatively stable cash flows, and are often backed by real assets.



Primary market issuance in the infrastructure loan markets has been strong, with deal volumes of $175 billion over the last year, split approximately 38% in the Americas, 35% in EMEA and 27% in Asia[1]. In addition, there were significant amounts of infrastructure debt issued in the bond markets, and through bilateral loans and private placements that are not always captured in the market data. The opportunity for the Company to deploy capital, therefore, is exceedingly large.

THE PORTFOLIO

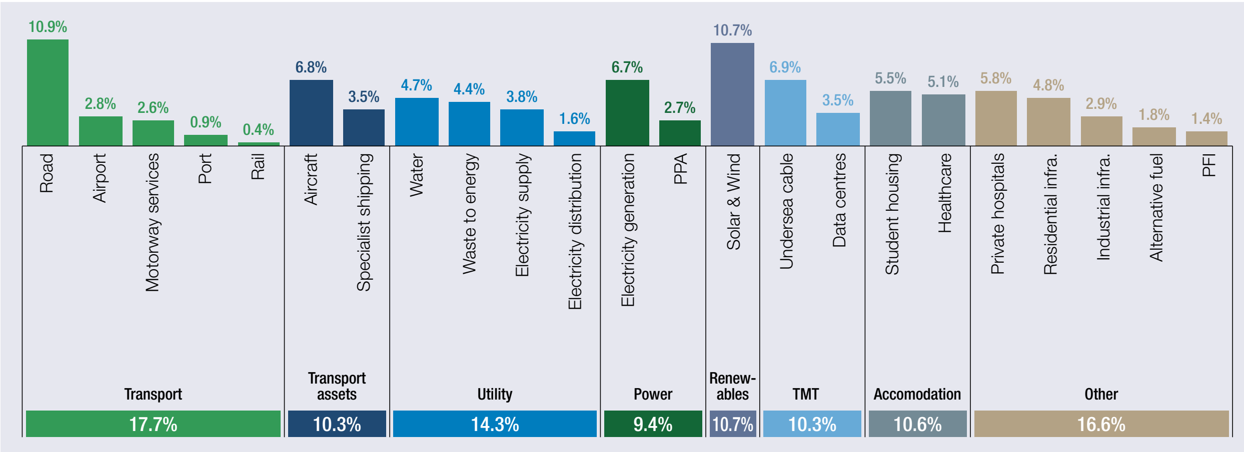
The Company has taken advantage of these favourable market conditions to assemble a diversified portfolio of infrastructure loans and bonds over its three years of operations. These investments are capable of providing the regular, sustained, and long-term distributions of income which is the primary stated investment objective of the Company. In addition, the Company has acquired in the secondary loan markets a number of assets at a material discount to their par value which offer the potential for appreciation over time.

The Company's focus is in economic infrastructure, which includes transportation, utility, power, telecommunication, renewable and other related sectors that exhibit infrastructure characteristics and typically have demand exposure. Sequoia believes that lending into these sectors is more attractive than lending into availability-based PFI/PPP projects, which are often heavily contested among lenders and therefore offer lower yields. Moreover, economic infrastructure projects usually have much more conservative capital structures than availability-based PFI/PPP projects, with equity cushions of typically 20-30% rather than 10%, and in Sequoia's opinion this compensates for the potentially higher revenue risk.

Lending into the economic infrastructure sector has delivered an investment portfolio with equity-like returns but with the protections of debt, including lower volatility and less downside risk than equity. None of the loans or bonds acquired has defaulted and were selected, in part, based on their prospects for high recovery in the event of a default. Each loan and bond in the portfolio is to a borrower with an adequate equity cushion which helps to protect the Company from credit losses. Sequoia believes that diversification is an important risk management tool for an infrastructure debt portfolio, since a large component of credit risk in infrastructure is idiosyncratic or project-specific risk, and is typically not highly correlated to exogenous factors such as the broader economy. As such, a properly diversified portfolio ought to have a more stable performance than one which is concentrated in one jurisdiction or sector (for example, a debt portfolio that was largely focused on financing UK renewable projects might be highly exposed to specific risks such as regulatory changes).

The Company's investment portfolio is therefore diversified by borrower, jurisdiction, sector and sub-sector, with strict investment limits in place to ensure that this remains the case. The chart overleaf shows portfolio sectors and sub-sectors as at 31 March 2018:

[1] *IJGlobal: Transaction Data 01/04/2017 – 31/03/2018.*



Geographically, the Company invests in stable low-risk jurisdictions. Under the terms of its investment criteria, the Company is limited to investment-grade countries, but Sequoia has chosen not to pursue any opportunities in Portugal or Italy, but is considering selective opportunities in Spain. The Company has been focused on the United States, the UK, Northern and Western Europe and Australia. In particular, the Company views the US as a strategic target for economic infrastructure assets, with 39.6% of the Company's invested portfolio as at 31 March 2018 comprising assets in the US.

The Company focuses predominantly on private debt, which on 31 March 2018 represented approximately 79.3% of its portfolio (compared to 73.0% 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 Company'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. And, thirdly, having some liquid assets in the portfolio can position the Company to take advantage of future opportunities.

The Company remains committed to limiting exposure to greenfield construction risk in the portfolio. Whilst up to 20% of the NAV can consist of lending to such projects, the actual exposure to assets which are pre-operational on 31 March 2018 was 17.9% of the portfolio. Sequoia is careful to select projects where it believes the Company is well compensated for taking a moderate level of risk before operations have commenced, and where the underlying strength of the borrower's business or project mitigates the risk.

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 Company is increasingly focused on the primary loan markets as a source of attractive economic infrastructure debt opportunities. The Investment Adviser has sourced bilateral loans and participated in "club" deals, where a small number of lenders join together, and 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.

SECONDARY MARKET ORIGINATION

Some of the Company's investments were acquired from banks or other lenders in the secondary markets. However, as the Company has grown it has become harder to source secondary market opportunities of a suitable scale – but where they can be found, secondary market loans have performance history that permits credit analysis on actual results rather than financial forecasts. Additionally, research shows that infrastructure loans improve in credit quality over time so secondary loans in many cases have improved in credit quality from the time of their origination.

CASE STUDY:

Hawaiki Submarine Cable Partnership

Hawaiki Submarine Cable Partnership is building a submarine fibre-optic cable to transmit bandwidth across the Pacific from Oceania to Oregon. The cable will be 14,000km long and will link Australia and New Zealand to mainland United States as well as Hawaii and American Samoa.

This Pacific cable route benefits from the fact that there are only two other cables in operation, one of which is owned by a telecom company and the other is nearing the end of its design life. The Hawaiki cable is scheduled to be ready for service in June 2018.

The Company has invested £50.6 million (US$67.6 million) in the junior debt facility, with an overall yield at acquisition in excess of 10% and a maturity in June 2028. The junior facility security package comprises second ranking security over the same assets as the senior security package.

FUND PERFORMANCE

		31 March 2018	30 September 2017	31 March 2017
Net asset value	*per Ordinary Share*	101.32p	101.24p	102.72p
	£ million	£758.2	£757.0	£611.8
Invested portfolio	*percentage of net asset value*	94.4%	88.5%	97.0%
Total portfolio	*including investments in settlement*	108.6%	95.4%	98.5%

INVESTED PORTFOLIO CHARACTERISTICS

		31 March 2018	30 September 2017	31 March 2017
Number of investments		56	53	45
Single largest investment	*£ million*	£49.2	£38.2	£37.1
	percentage of NAV	6.5%	5.0%	6.1%
Average investment size	*£ million*	£12.8	£12.6	£13.2
Sectors	*by number of invested assets*	8	8	8
Sub-sectors		23	25	25
Jurisdictions		10	8	7
Private debt	*percentage of invested assets*	79.3%	73.0%	73.0%
Senior debt		56.5%	57.0%	68.4%
Floating rate		64.3%	57.0%	50.2%
Construction risk		18%	16%	12%
Weighted-average maturity	*years*	7.3	6.7	5.8
Weighted-average life		5.1	4.5	4.6
Yield-to-maturity		8.2%	8.1%	8.3%
Modified duration		1.6	1.9	2.3



OUTLOOK

Sequoia has developed a very strong pipeline of mostly private debt infrastructure lending opportunities, which are expected to become executable mostly over the next three to nine months. Pricing on these opportunities is consistent with the Company generating a gross return in excess of 8%. The potential investments are widely spread across a range of sectors and jurisdictions. Sequoia is especially excited about potential investments in the United States, and in the transport, accommodation and TMT sectors where the current portfolio is arguably underweight, lending opportunities are often attractive and additional investments would be desirable.

Sequoia expects project finance senior lending margins, especially in the UK and Europe and for "core" infrastructure projects and availability-based PFI/PPP projects to remain tight, driven by sustained commercial bank appetite for these types of assets and by increasing demand from institutional investors such as continental European insurance companies. However, spreads in the mezzanine market, and for senior debt in the US and some asset classes in the UK and Europe, are expected to remain more attractive.

US Dollar LIBOR is continuing to increase and Sequoia expects this trend to continue over time, increasing the average cash-on-cash yield of the portfolio. Note that this potential growth is not being relied upon to pay dividends, and Sequoia's estimations of investment yields are based on constant LIBOR.

Overall, the opportunity for the Company in economic infrastructure debt is strong and the asset class remains under-invested and attractive. Sequoia is optimistic about the prospects for growing the Company without jeopardising its track record of sourcing suitable investments and delivering to Shareholders a total return of 7-8%.

Sequoia Investment Management Company Limited
Investment Adviser

27 June 2018

THE SEQUOIA INVESTMENT MANAGEMENT COMPANY TEAM

An experienced Investment Adviser:

Randall Sandstrom CEO / CIO

24 years of experience in the international and domestic credit markets and infrastructure debt markets.

Managed US$6 billion notional in global High Yield and Investment grade bonds, leveraged loans, ABS and money market securities in a credit fund, several CDOs and a cash portfolio. Exposures included Europe, the US, UK and Australia.

Board of Directors, LCF Rothschild and MD of Structured Finance. Former CEO/CIO, Eiger Capital.

Head of Euro Credit Market Strategy, Morgan Stanley. 'I/I'-ranked senior Industrial Credit Analyst, CS First Boston (energy and transportation).

Dolf Kohnhorst

34 years of experience in investment banking, debt capital markets and project finance commercial lending.

Head of Société Generale'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 DOM Structured Solutions Group.

Commercial lensing to shipping, construction and project finance centres.

Steve Cook

17 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. Strong structuring and credit analysis skills.

Greg Taylor

28 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.

Board of Directors and independent consultants

The Directors of Sequoia Economic Infrastructure Income Fund Limited, all of whom are non-executive and independent, are as follows:

ROBERT JENNINGS, CBE (CHAIRMAN)

Robert Jennings is a resident of the United Kingdom and 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; in 2001/02 during Railtrack's administration and again in 2007/08 in relation to Crossrail. Mr Jennings is also a non executive director of Crossrail, and was until February 2017 Chairman of Southern Water. Mr Jennings was appointed to the Board of 3i Infrastructure plc in a non-executive role with effect from 1 February 2018.

JAN PETHICK

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

JONATHAN (JON) BRIDEL

Jon Bridel is a resident of Guernsey. Mr Bridel is currently a non executive director of a number of London-listed investment funds. Mr Bridel was previously Managing Director of Royal Bank of Canada's investment businesses in the Channel Islands.

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

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

SANDRA PLATTS

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

The independent consultants of Sequoia Economic Infrastructure Income Fund Limited are as follows:

TIM DRAYSON

Tim Drayson has over thirty 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 Debt 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 Distribution and Paine Webber in New York.

KATE THURMAN

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. In recent years, she has been employed as a credit researcher and debt portfolio specialist by Rogge Global Partners, New Bond Street Asset Management, Dresdner Bank and independently as a consultant.

DISCLOSURE OF DIRECTORSHIPS IN PUBLIC COMPANIES LISTED ON RECOGNISED STOCK EXCHANGES

The Directors hold the following directorships in other public companies:

Director	Company name	Stock Exchange
Robert Jennings, CBE	3i Infrastructure plc	London Stock Exchange – Main Market
Jan Pethick	None	
Jon Bridel	Alcentra European Floating Rate Income Fund Limited DP Aircraft 1 Limited Fair Oaks Income Limited Funding Circle SME Income Fund Phaunos Timber Fund Limited * Starwood European Real Estate Finance Limited The Renewables Infrastructure Group Limited	London Stock Exchange – Main Market London Stock Exchange – SFS London Stock Exchange – SFS London Stock Exchange – Main Market London Stock Exchange – Main Market London Stock Exchange – Main Market London Stock Exchange – Main Market
Sandra Platts	NB Global Floating Rate Income Fund Limited UK Commercial Property Trust Marble Point Loan Financing Limited	London Stock Exchange – Main Market London Stock Exchange – Main Market London Stock Exchange – SFS

* In managed wind-down

Directors' report

The Directors of Sequoia Economic Infrastructure Income Fund Limited (the "Company") are pleased to submit their Annual Report and the Audited Financial Statements (the "Financial Statements") for the year ended 31 March 2018.

GOING CONCERN

The Company has been incorporated with an unlimited life. In accordance with the Company's Articles of Incorporation, the Directors were required to propose an ordinary resolution (the "Continuation Resolution") on or before 3 September 2016 that the Company continues as a registered closed-ended collective investment scheme. The Continuation Resolution was passed by Shareholders at an Extraordinary General Meeting of the Company on 25 May 2016. Further Continuation Resolutions must be proposed within every three years thereafter. The Board intends to hold the next Continuation Vote (the "Vote") at the 2018 AGM, in order to align the Vote on an ongoing basis with the date of the Company's AGM, and thereby to avoid the additional cost of holding Extraordinary General Meetings. Should a Continuation Resolution not be passed, the Directors are required to put forward proposals within six months for the reconstruction or reorganisation of the Company to the Shareholders for their approval. These proposals may or may not involve winding up the Company and, accordingly, failure to pass a Continuation Resolution will not necessarily result in the winding up of the Company.

The Directors have considered the possibility that the Continuation Resolution, to be proposed at the 2018 AGM, may not be passed by Shareholders, however they noted the overwhelming majority vote in favour of the Continuation Resolution passed in May 2016 and the strong appetite for the Company's investment proposition, evidenced by the successful launch in March 2015; two subsequent well-supported C Share issues; the significantly over-subscribed Placing in December 2016, Open Offer, Placing and Offer for Subscription in May 2017 and Placing in May 2018; and that the Company's Shares have consistently traded at a premium since launch.

After a review of the Company's holdings in cash and cash equivalents, investments and a consideration of the income deriving from those investments and the likelihood that future Continuation Resolutions will be passed, the Directors believe that it is appropriate to adopt the going concern basis in preparing the Financial Statements as the Company has adequate financial resources to meet its liabilities as they fall due.

VIABILITY STATEMENT

The Directors have assessed the viability of the Company over a five year period to May 2023, taking account of the Company's current position and the potential impact of the principal risks outlined in this statement.

In making this statement, the Directors have considered the resilience of the Company, taking into account its current position, the principal risks facing the Company in severe but reasonable scenarios and the effectiveness of any mitigating actions. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period.

The Directors have determined that the five year period to May 2023 is an appropriate period over which to provide its viability statement as the average remaining life to maturity of the Group's portfolio of investments is 5.1 years. In making their assessment, the Directors have taken into account the Company's NAV, net income, cash flows, dividend cover, regulatory compliance and other key financial ratios over the period. These metrics are subject to sensitivity analysis, which involves flexing a number of main assumptions underlying the forecast. This analysis is carried out to evaluate the potential impact of the Company's principal risks actually occurring, primarily the following: severe changes in macro-economic conditions, including a Sterling FX shock; inability to refinance leverage facilities; increased defaults; deterioration in underlying credit ratings; and downgrading or illiquidity of loans. This analysis included stress-testing to simulate the combined effects of the recession of the early 2000s and the 2008 global financial crisis.

The Directors have also considered the possibility that a Continuation Resolution, to be proposed at the 2018 AGM, may not be passed by Shareholders. The Directors noted the overwhelming majority vote in favour of the Continuation Proposal passed in May 2016 and the strong appetite for the Company's investment proposition evidenced by the successful launch in March 2015, two subsequent well-supported C Share issues, the significantly over-subscribed Placing in December 2016, Open Offer, Placing and Offer for Subscription in May 2017 and Placing in May 2018. They also noted that the rejection of a Continuation Proposal by Shareholders does not necessarily oblige the Directors to wind up the Company.

Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to May 2023.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board has established a Risk Committee, which is responsible for reviewing the Company's overall risks and monitoring the risk control activity designed to mitigate these risks. The Risk Committee has carried out a robust assessment of the principal risks facing the Company, including those that would threaten the Company's business model, future performance, solvency or liquidity. The Board has appointed International Fund Management Limited ("IFML" or the "Investment Manager") as the Alternative Investment Fund Manager ("AIFM") to the Company. IFML is also responsible for providing risk management services compliant with that defined in the Alternative Investment Fund Managers Directive ("AIFMD") and as deemed appropriate by the Board.

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

The principal risks associated with the Company are as follows:

Market Risk

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

Credit Risk

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

Liquidity Risk

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

Counterparty Risk

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

Leverage Risk

Leverage risk arises where the Company takes on additional exposure to other risks because of the leverage of exposures, along with the specific potential for loss arising from a leverage counterparty being granted a charge over assets. The Board monitors the level of leverage on an ongoing basis as well as the credit ratings of any leverage counterparties.

Compliance & Regulatory Risk

Compliance and Regulatory risk can arise where processes and procedures are not followed correctly or where incorrect judgement causes the Company to be unable to fulfil its objectives or obligation, exposing the Company to the risk of loss, sanction or action by Shareholders, counterparties or regulators. The Investment Adviser and the Administrator monitor compliance with regulatory requirements and the Administrator presents a report at quarterly Board meetings.

Operational Risk

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

A detailed review of the main financial risks faced by the Company, and how they are managed or mitigated, is set out in note 5 to the Financial Statements.

RESULTS AND DIVIDENDS

The results for the year are shown in the Statement of Comprehensive Income on page 32.

The Directors have declared and paid dividends of £42,584,207 during the year ended 31 March 2018 (2017: £24,303,425). Further details of dividends declared or paid are detailed in note 4 to the Financial Statements.

The Company's dividend policy, in the absence of any significant restricting factors, is to pay dividends totalling 6p per Ordinary Share per annum for the foreseeable future. The Company pays dividends on a quarterly basis.

INDEPENDENT AUDITOR

KPMG Channel Islands Limited was appointed as Auditor on 28 January 2015. A resolution to re-appoint KPMG Channel Islands Limited as Auditor will be put to the forthcoming Annual General Meeting ("AGM").

INVESTMENT MANAGER AND INVESTMENT ADVISER

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's activities. The Company has entered into an Investment Management Agreement with the Investment Manager with effect from 28 January 2015. On the same date, the Investment Manager, with the consent of the Company, entered into an Investment Advisory Agreement with Sequoia Investment Management Company Limited (the "Investment Adviser") to manage the assets of the Company in accordance with the Company's investment policy. The Investment Adviser is responsible for the day-to-day management of the Company's portfolio and the provision of various other management services to the Company, subject to the overriding supervision of the Directors.

The Directors consider that the interests of Shareholders, as a whole, are best served by the continued appointment of the Investment Manager and the Investment Adviser to achieve the Company's investment objectives. A summary of the terms of their appointments, including the investment management and advisory fees and notice of termination periods, is set out in note 10 to the Financial Statements.

CUSTODY ARRANGEMENTS

The Company's assets are held in custody by The Bank of New York Mellon (the "Custodian") pursuant to a Custody Agreement dated 27 February 2015. A summary of the terms, including fees and notice of termination period, is set out in note 10 to the Financial Statements.

The Company's assets are registered in the name of the Custodian within a separate account designation and may not be appropriated by the Custodian for its own account.

The Board conducts an annual review of the custody arrangements as part of its general internal control review and is pleased to confirm that the Company's custody arrangements continue to operate satisfactorily. The Board also monitors the credit rating of the Custodian, to ensure the financial stability of the Custodian is being maintained to acceptable levels. As at 31 March 2018, the long-term credit rating of the Custodian as reported by Standard and Poor's is AA- (2017: AA-), which is deemed to be an acceptable level.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors, all of whom are independent and non-executive, are listed on page 12.

None of the Directors has a service contract with the Company and no such contracts are proposed. During the year, Robert Jennings received a fee of £56,000 per annum for his services as Chairman of the Board of Directors. The remaining Directors each received a fee of £36,500 per annum for their services as Directors.

Robert Jennings serves as Chairman of the Nomination Committee; Jan Pethick as Chairman of the Management Engagement Committee; Jon Bridel as Chairman of the Risk Committee; and Sandra Platts as Chairman of the Audit Committee and the Remuneration Committee. Jan Pethick, Jon Bridel and Sandra Platts are each entitled to an additional fee of £7,000 per annum in relation to their roles as Committee Chairman.

During the year, Robert Jennings, Jan Pethick, Jon Bridel and Sandra Platts each received a listing fee of £6,000, which was subject to admission, in connection with the Open Offer, Ordinary Share Placing and Offer for Subscription on 31 May 2017.

For further information related to Directors' remuneration, please refer to the Directors' Remuneration Report on pages 24 to 25.

As at 31 March 2018, the Directors had the following interests in the Shares of the Company.

Name	Number of Ordinary Shares	Percentage of Ordinary Shares in issue
Robert Jennings (Chairman) (with other members of his family)	217,200	0.03%
Jan Pethick (with his spouse)	219,504	0.03%
Jon Bridel (with his spouse)	10,452	0.00%
Sandra Platts (in a family RATS)	16,139	0.00%

During the year, the Directors (including family members) acquired the following holdings in the Open Offer, Placing and Offer for Subscription on 31 May 2017: Robert Jennings 36,200 Ordinary Shares; and Sandra Platts 5,687 Ordinary Shares.

Subsequent to the year end, Jan Pethick acquired an additional holding of 30,380 Ordinary Shares in the Placing of Ordinary Shares on 9 May 2018.

There have been no other changes to the Directors' shareholdings since 31 March 2018.

SUBSTANTIAL SHAREHOLDINGS

As at 31 March 2018, the Company had the following shareholdings in excess of 5% of the issued Share Capital:

Name	Number of Ordinary Shares	Percentage
SEB Pensionsforsikring	66,236,639	8.85%
Smith & Williamson Investment Management	63,643,794	8.50%
Old Mutual Global Investors	58,470,405	7.81%
Investec Wealth & Investment	54,595,475	7.30%
Quilter Cheviot Investment Management	40,085,426	5.36%
Rathbone Investment Management	39,485,994	5.28%
Sarasin & Partners	37,687,933	5.04%

RELATED PARTIES

Details of transactions with related parties are disclosed in note 10 to the Financial Statements.

LISTING REQUIREMENTS

Since its listing on the Main Market of the London Stock Exchange and admission to the premium segment of the Official List of the UK Listing Authority, the Company has complied with the Prospectus Rules, the Disclosure Guidance and Transparency Rules ("DTR") and the European Union's Market Abuse Regulation (as implemented in the UK through the Financial Services and Markets Act 2000 (Market Abuse) Regulations 2016).

FOREIGN ACCOUNT TAX COMPLIANCE ACT

The Foreign Account Tax Compliance Act ("FATCA") became effective on 1 January 2013. The legislation is aimed at determining the ownership of US assets in foreign accounts and improving US tax compliance with respect to those assets. On 13 December 2013, the States of Guernsey entered into an intergovernmental agreement ("IGA") with US Treasury, in order to facilitate the requirements of FATCA. The Company registered with the Internal Revenue Service ("IRS") on 25 February 2015 as a Foreign Financial Institution ("FFI") and a Sponsoring Entity.

UNITED KINGDOM-GUERNSEY INTERGOVERNMENTAL AGREEMENT

On 22 October 2013, the Chief Minister of Guernsey signed an intergovernmental agreement with the United Kingdom ("UK-Guernsey IGA") under which certain disclosure requirements may be imposed in respect of certain Shareholders in the Company who are, or are entities that are controlled by one or more, residents of the United Kingdom. The UK-Guernsey IGA is implemented through Guernsey's domestic legislation, in accordance with guidance which came into force with effect from July 2014.

COMMON REPORTING STANDARD

The Common Reporting Standard ("CRS"), formerly the Standard for Automatic Exchange of Financial Account Information, became effective on 1 January 2016. CRS is an information standard for the automatic exchange of information developed by the Organisation for Economic Co-operation and Development ("OECD"). CRS is a measure to counter tax evasion and it builds upon other information sharing legislation, such as FATCA, the UK-Guernsey IGA for the Automatic Exchange of Information and the European Union Savings Directive. The first reporting under CRS for Guernsey was made during 2017.

ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE

The Company is categorised as a non-EU Alternative Investment Fund ("AIF"). The AIFMD seeks to regulate managers of AIFs, such as the Company. It imposes obligations on AIFMs who manage AIFs in a member state of the European Economic Area ("EEA state"), or who market shares in AIFs to investors who are domiciled, or with a registered office, in an EEA state. Under the AIFMD, an AIFM must be appointed and must comply with various organisational, operational and transparency requirements.

On 28 January 2015, the Company appointed the Investment Manager to act as AIFM on behalf of the Company. The Investment Manager is responsible for fulfilling the role of the AIFM and ensuring the Company complies with the AIFMD requirements. Details of the total amount of remuneration for the financial year, split into fixed and variable remuneration, paid by the AIFM to its staff, and the number of beneficiaries, are made available to Shareholders on request to the Investment Manager.

By order of the Board

Sandra Platts
Director

27 June 2018

Corporate governance

COMPLIANCE

The Board has taken note of the Finance Sector Code of Corporate Governance issued by the Guernsey Financial Services Commission (the "Guernsey Code"). The Guernsey Code provides a governance framework for GFSC licensed entities, authorised and registered collective investment schemes. Companies reporting against the UK Code or the AIC Code, as updated in July 2016, are deemed to satisfy the provisions of the Guernsey Code.

The Board places a high degree of importance on ensuring that high standards of corporate governance are maintained, and has considered the principles and recommendations of the AIC Code by reference to the AIC Corporate Governance Guide for Investment Companies (the "AIC Guide"). The AIC Code, as explained in the AIC Guide, addresses all the principles set out in the UK Code. The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Code), will provide better information to Shareholders.

For the year ended 31 March 2018, the Company has complied with the recommendations of the AIC Code and the relevant provisions of the UK Code. Issues that are not reported on in detail here are excluded because they are deemed to be irrelevant to the Company, as explained in the AIC Guide.

COMPOSITION OF THE BOARD AND INDEPENDENCE OF DIRECTORS

As at 31 March 2018, the Board of Directors comprised four non-executive and independent Directors as set out below. The Company has no executive Directors or any employees. The Directors' biographies are disclosed on page 12.

Robert Jennings is the Chairman of the Board and of the Nomination Committee.

Jan Pethick is the Chairman of the Management Engagement Committee.

Jon Bridel is the Chairman of the Risk Committee.

Sandra Platts is the Chairman of the Audit Committee and of the Remuneration Committee.

Following a review of the size, structure and composition of the Board by the Nomination Committee, in consultation with the Company's advisers it was determined following the year-end that the Board would appoint Sandra Platts to act as the Company's Senior Independent Director ("SID"). The role of the SID is primarily to provide support to the Chairman, and to be available to Shareholders as an addition point of contact or to communicate any concerns to the Board. The Board expects that the role and duties of the SID will be enshrined in the Company's governance framework over time.

In considering the independence of the Chairman, the Board has taken note of the provisions of the AIC Code relating to independence and has determined that Robert Jennings is an Independent Director.

Under the terms of their appointment, all non-executive Directors were subject to re-election at the first Annual General Meeting ("AGM"). Thereafter, in accordance with the Company's Articles of Incorporation, two Directors shall retire each year and may offer themselves for re-election. In accordance with the AIC Code, when a Director has served for nine years or more, the Board shall review whether that Director can be considered to remain independent, however there is no formal finite limit to the length of tenure of the Directors.

Although no formal training is given to Directors by the Company, the Directors are kept up to date on various matters such as Corporate Governance issues through bulletins and training materials provided from time to time by the Company Secretary, the AIC and other professional firms.

The Board receives quarterly reports and meets at least quarterly to review the overall business of the Company and to consider matters specifically reserved for its disposal. At these meetings the Board monitors the investment performance of the Company. The Directors also review the Company's activities every quarter to ensure that it adheres to the Company's investment policy. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with.

The Board monitors the level of the share price premium or discount to determine what action, if any, is required.

The Board and relevant personnel of our Investment Adviser and our other advisers acknowledge and adhere to the Market Abuse Regulation, which was implemented on 3 July 2016.

DIRECTORS' PERFORMANCE EVALUATION

The Board has established an informal system for the evaluation of its own performance and that of the Company's individual Directors, which is led by the Chairman and, as regards the Chairman's performance evaluation, by the Senior Independent Director. It considers this to be appropriate having regard to the non-executive role of the Directors and the significant outsourcing of services by the Company to external providers.

The Directors undertake, on an annual basis, an assessment of the effectiveness of the Board particularly in relation to its oversight and monitoring of the performance of the Investment Manager, Investment Adviser and other key service providers. The evaluations consider the balance of skills, experience, independence and knowledge of the Company. The Board also evaluates the effectiveness of each of the Directors.

To augment this process, on 28 November 2017, the Board engaged Condign Board Consulting Limited to conduct a review of the Board's performance, including such aspects as the quality of the Board's engagement with the Investment Advisory team concerning investment strategy, and the monitoring of performance; the balance of Shareholder returns with other measures of success, including yields, assets under management and NAV; the ongoing cohesiveness of the Board and our key advisers; its oversight of Shareholder relationships and communications; and to look at issues of transitioning and long-term succession planning.

The findings from the independent performance evaluation were presented to the Board in May 2018 and it was concluded that the Company maintained high standards of corporate governance practice and, in the context of the Company, the main principles of the AIC Code continued to be applied effectively. Whilst the findings from the independent review did not raise any areas for concern, the Board remains cognisant of the need to anticipate and respond to evolving challenges, and therefore the governance framework in place by the Company is subject to regular review to ensure it remains appropriate in the context of the Company.

DIRECTORS' REMUNERATION

It is the responsibility of the Remuneration Committee to debate and make recommendations to the Board in relation to the Directors' remuneration, having regard to the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of Board and Committee responsibilities and the time committed to the Company's affairs. No Director who is a member of the Committee takes part in discussions relating to his own remuneration. The Directors periodically benchmark the remuneration policy of the Company against comparable information on listed investment companies, particularly those operating in similar or adjacent market sectors, in addition to giving due regard to the individual circumstances of the Company which may warrant a departure from industry norms.

No Director has a service contract with the Company and details of the Directors' remuneration, and changes thereto reflecting the increased time commitment required of the Board, can be found in the Directors' Remuneration Report on pages 24 to 25.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains insurance in respect of Directors' and officers' liability in relation to the Directors' actions on behalf of the Company.

RELATIONS WITH SHAREHOLDERS

The Company reports to Shareholders twice a year by way of the Interim and Annual Reports. In addition, net asset values are published monthly and the Investment Adviser publishes monthly reports to Shareholders on its website www.seqifund.com.

The Board receives quarterly reports on the Shareholder profile of the Company and regular contact with major Shareholders is undertaken by the Company's corporate brokers and the executives of the Investment Adviser. Any issues raised by major Shareholders are reported to the Board on a regular basis.

The Chairman and individual Directors are willing to meet major Shareholders to discuss any particular items of concern regarding the performance of the Company. Members of the Board, including the Chairman and the Audit Committee Chairman, and the Investment Adviser, are also available to answer any questions which may be raised by any Shareholder at the Company's Annual General Meeting.

DIRECTORS' MEETINGS AND ATTENDANCE

The table below shows the Directors' attendance at Board and Committee meetings during the year.

Name	Board - scheduled	Board - ad hoc/ committee	Audit Committee	Risk Committee	Nomination Committee	Remuneration Committee	Management Engagement Committee
Number of meetings held	4	11	3	5	1	1	2
Robert Jennings*	4	11	3	5	1	1	N/A
Jan Pethick*	4	10	N/A	5	N/A	N/A	2
Jon Bridel	4	11	3	5	1	1	N/A
Sandra Platts	4	11	3	5	1	1	2

** Onshore resident Directors*
'N/A' – attendance record not applicable, as the Director concerned is not a member of the stated Committee.

BOARD COMMITTEES

Audit Committee

As at 31 March 2018, the Audit Committee comprised Sandra Platts, Jon Bridel and Robert Jennings and was chaired by Sandra Platts. The Committee meets at least three times a year.

The key objectives of the Audit Committee include a review of the Financial Statements to ensure they are prepared to a high standard and comply with all relevant legislation and guidelines, where appropriate, and to maintain an effective relationship with the Auditor. The Audit Committee also reviews, considers and, if appropriate, recommends for the purposes of the Company's Financial Statements the valuations prepared by the Investment Manager and Investment Adviser. With respect to the Auditor, the Audit Committee's role will include the assessment of their independence and the effectiveness of the audit, and a review of the Auditor's engagement letter and remuneration and any non-audit services provided by the Auditor. For the principal duties and report of the Audit Committee please refer to the Report of the Audit Committee on pages 26 to 28.

Risk Committee

As at 31 March 2018, the Risk Committee comprised Jon Bridel, Robert Jennings, Jan Pethick and Sandra Platts and was chaired by Jon Bridel. The Committee meets at least twice a year.

The principal function of the Risk Committee is to identify, assess, monitor and, where possible, oversee the management of risks to which the Company's investments are exposed, principally to enable the Company to achieve its target investment objective of regular, sustained, long-term distributions over the planned life of the Company, with regular reporting to the Board. As the Company is an externally managed non-EU AIF for the purposes of AIFMD, the Directors have appointed the Investment Manager as AIFM to manage the additional risks faced by the Company as well as the relevant disclosures to be made to investors and the necessary regulators. On 30 January 2015, the FCA confirmed that the Company was eligible to be marketed via the FCA's National Private Placement Regime and the Company will comply with Article 22 and 23 of the AIFMD for the year ended 31 March 2018.

The Risk Committee works closely with IFML and provides oversight of the Company's risk management function. During the year a high volume of transactions were completed which, particularly in certain cases where the profile of the transaction met the internally agreed criteria for escalation, required extensive liaison between the Directors and IFML to ensure the investment proposition was appropriately scrutinised and did not expose the Company to undue credit risk.

Nomination Committee

As at 31 March 2018, the Nomination Committee comprised Robert Jennings, Jon Bridel and Sandra Platts and was chaired by Robert Jennings. The Committee meets at least once a year.

The Committee's key duties include, but are not limited to, reviewing the structure, size and composition of the Board, to consider the succession planning for Directors and senior executives, reviewing the leadership needs of the organisation and identifying candidates for appointment to the Board.

During the year it was concluded by the Nomination Committee that the existing Board structure and composition remained appropriate in the context of the Company in its current environment, and that the Directors would consider rotating one of their number during the coming two years with the objective of providing for an orderly and phased succession of the Board without undue disruption to the Company.

The Nomination Committee welcomes the appointment of Mrs Platts as the Company's SID as a means of further strengthening the governance framework employed by the Board.

Remuneration Committee

As at 31 March 2018, the Remuneration Committee comprised Sandra Platts, Jon Bridel and Robert Jennings and was chaired by Sandra Platts. The Committee meets at least once a year.

The Committee is responsible for considering the remuneration of the Directors and determining the Company's remuneration policy. For details of the remuneration of the Directors during the year, please refer to the Directors' Remuneration Report on pages 24 to 25.

Management Engagement Committee

As at 31 March 2018, the Management Engagement Committee comprised Jan Pethick and Sandra Platts and was chaired by Jan Pethick. The Committee meets at least once a year.

The Committee is responsible for the regular review of the terms of the Investment Advisory and Investment Management Agreements, along with the performance of the Administrator, Investment Adviser and the Investment Manager and the Group's other service providers.

With the assistance of IFML, during March 2018 a detailed assessment of the performance and the terms of engagement of the Company's service providers was undertaken to ensure each remained fair and reasonable insofar as the Company and Shareholders were concerned. In addition, the Management Engagement Committee is actively involved in monitoring and reviewing the overall basis of remuneration for the Investment Adviser, particularly to ensure this continues to motivate and incentivise the level of performance expected of the Investment Adviser.

CHANGES TO COMMITTEE COMPOSITION

At the end of the financial year it was determined by the Directors that there would be a marked benefit to the Board's formally constituted Committees if all Directors were to serve as members of each Committee. Whilst continuing to appropriately divide the responsibility for chairing each Committee, this change is expected to provide additional resource and will strengthen the effectiveness of each Committee in discharging their delegated duties. This change was effective from 26 June 2018.

INTERNAL CONTROL REVIEW AND RISK MANAGEMENT SYSTEM

The Board of Directors is responsible for putting in place a system of internal controls relevant to the Company and for reviewing the effectiveness of those systems. The review of internal controls is an on going process for identifying and evaluating the risks faced by the Company, and which are designed to manage risks rather than eliminate the risk of failure to achieve the Company's objectives.

It is the responsibility of the Board to undertake risk assessment and review of the internal controls in the context of the Company's objectives that cover business strategy, operational, compliance and financial risks facing the Company. These internal controls are implemented by the Company's four main service providers, the Investment Adviser, the Investment Manager, the Administrator and the Custodian. The Board receives periodic updates from these main service providers at the quarterly Board meetings of the Company. The Board is satisfied that each service provider has effective controls in place to control the risks associated with the services that they are contracted to provide to the Company and are therefore satisfied with the internal controls of the Company.

The Board of Directors considers the arrangements for the provision of Investment Advisory, Investment Management, Administration and Custody services to the Company on an on-going basis and a formal review is conducted annually. As part of this review the Board considered the quality of the personnel assigned to handle the Company's affairs, the investment process and the results achieved to date.

ANTI-BRIBERY AND CORRUPTION

The Board acknowledge that the Company's international operations may give rise to possible claims of bribery and corruption. In consideration of The Bribery Act 2010, enacted in the UK, at the date of this report the Board had conducted an assessment of the perceived risks to the Company arising from bribery and corruption to identify aspects of business which may be improved to mitigate such risks. The Board has adopted a zero tolerance policy towards bribery and has reiterated its commitment to carry out business fairly, honestly and openly.

CRIMINAL FINANCES ACT

The Board has a zero tolerance commitment to preventing persons associated with it from engaging in criminal facilitation of tax evasion and will not work with any service provider who does not demonstrate the same commitment. The Board has satisfied itself in relation to its key service providers that they have reasonable provisions in place to prevent the criminal facilitation of tax evasion by their own staff or any associated persons.

UK MODERN SLAVERY ACT

The Board acknowledges the requirement to provide information about human rights in accordance with the UK Modern Slavery Act. The Board conducts the business of the Company ethically and with integrity, and has a zero tolerance policy towards modern slavery in all its forms. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no further disclosures to be made in respect of employees and human rights.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and Financial Statements in accordance with applicable law, International Financial Reporting Standards ("IFRS") as issued by the IASB and the Companies (Guernsey) Law, 2008 (the "Company law").

Under Company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and its profit or loss for that year.

In preparing Financial Statements the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting, unless they either intend to liquidate the Company or cease operations, or have no realistic alternative but to do so.

The Directors are also responsible for the keeping of proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Company Law. They are responsible for such internal control as they determine as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors confirm that they have complied with these requirements in preparing the Financial Statements.

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

The Directors who hold office at the date of approval of the Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware, and that they have each taken all the steps they ought to have taken as a director to make themselves aware of any relevant audit information and for establishing that the Company's Auditor is aware of that information..

Responsibility Statement of the Directors in respect of the Annual Report

Each of the Directors, who are listed on page 12, confirms to the best of their knowledge and belief:

- the Financial Statements, prepared in accordance with IFRS as issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit of the Company, as required by DTR 4.1.12R; and
- the Management Report (comprising the Chairman's Statement, the Investment Adviser's Report, the Directors' Report and other Committee Reports) includes a fair review of the development and performance of the business during the year, and the position of the Company at the end of the year, together with a description of the principal risks and uncertainties that the Company faces, as required by DTR 4.1.8R and DTR 4.1.9R.

The Directors consider that the Annual Report, comprising the Financial Statements and the Management Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

Sandra Platts
Director

27 June 2018

Directors' remuneration report

The Company's policy in regard to Directors' remuneration is to ensure that the Company maintains a competitive fee structure in order to recruit, retain and motivate non-executive Directors of excellent quality in the overall interests of Shareholders and the long-term success of the Company.

No element of the Directors' remuneration is performance related, nor does any Director have any entitlement to pensions, share options or any long term incentive plans from the Company.

The Directors received the following remuneration in the form of Directors' fees:

	Year ended 31 March 2018 Per annum £	Year ended 31 March 2017 Actual £	Actual £
Robert Jennings (Chairman of the Board and the Nomination Committee)	**56,000**	56,000	52,000
Jan Pethick (Chairman of the Management Engagement Committee)	**43,500**	43,500	40,500
Jon Bridel (Chairman of the Risk Committee)	**43,500**	43,500	40,500
Sandra Platts (Chairman of the Audit and Remuneration Committees)	**43,500**	43,500	40,500
Total	**186,500**	186,500	173,500

In addition, Robert Jennings, Jan Pethick, Jon Bridel and Sandra Platts each received a listing fee of £6,000, which was subject to admission, in connection with the Open Offer, Ordinary Share Placing and Offer for Subscription on 31 May 2017.

The remuneration policy set out above is the one applied for the year ended 31 March 2018.

As noted in the Chairman's Statement, in light of the increasing demands placed on the Board as the Company continues to grow in terms of size, scale and complexity, it was decided that the Directors should devote three extra days per annum attending meetings of the Board. In addition to maintaining oversight of the internal credit processes of an enlarged portfolio, the corporate calendar has increased to include additional scheduled meetings with advisers, dedicated specifically to in-depth reviews of the investment portfolio and to the long-term strategy of the Company.

Reflective of the increased commitment of the Directors and the additional responsibility assumed as the Company continues its current growth trajectory, an internal review of Director remuneration was undertaken during March 2018, supported by information on peer companies and those with similar features to the Company, which resulted in an increase to the levels of Director remuneration. Accordingly, with effect from 1 April 2018 and conditional on receiving Shareholder approval to the Remuneration Report at the 2018 AGM, Robert Jennings' annual fee increased to £65,000 per annum, and the annual fees for Jan Pethick, Jon Bridel and Sandra Platts increased to £50,000 each, comprising a basic fee of £43,000 per annum and a fee for their services as Committee Chairman of £7,000 per annum.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

The Directors were appointed as non-executive Directors by letters issued on 6 January 2015. Each Director's appointment letter provides that, upon the termination of their appointment, they must resign in writing and all records remain the property of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. The notice period for the removal of Directors is two months as specified in the Director's appointment letter. The Articles provide that the office of Director shall be terminated by, among other things: (a) written resignation; (b) unauthorised absences from Board meetings for twelve months or more; (c) unanimous written request of the other Directors; and (d) an ordinary resolution of the Company.

Under the terms of their appointment, each Director was subject to re-election at the first Annual General Meeting ("AGM") and annually thereafter. The Company may terminate the appointment of a Director immediately on serving written notice and no compensation is payable upon termination of office as a Director of the Company becoming effective.

The amounts payable to Directors as at 31 March 2018 are shown in note 10 to the Financial Statements and related to services provided as non-executive Directors.

No Director has a service contract with the Company, nor are any such contracts proposed.

Sandra Platts
Remuneration Committee Chairman

27 June 2018

Report of the audit committee

The Company has established an Audit Committee with formally delegated duties and responsibilities within written terms of reference (which are available from the Company's Secretary).

CHAIRMAN AND MEMBERSHIP

The Audit Committee is chaired by Sandra Platts and its other members are Jon Bridel and Robert Jennings. The Board believes that it is appropriate for the Chairman of the Company to be a member of the Audit Committee as it feels that the breadth of his financial experience is of great value to the work of the Committee in the discharge of its responsibilities. All members of the Committee are independent Directors; have no links with KPMG Channel Islands Limited, the Company's Auditor (the "Auditor" or "KPMG"); and are independent of the Investment Manager and Investment Adviser. The membership of the Audit Committee and its terms of reference are kept under review. The relevant qualifications and experience of each member of the Audit Committee are detailed on page 12 of these Financial Statements. The Audit Committee's intention is to meet three times a year in any full year and to meet with the Auditor as appropriate.

DUTIES

The Audit Committee's main role and responsibility is to provide advice to the Board on whether the Annual Report and Audited Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy. The Audit Committee gives full consideration and recommendation to the Board for the approval of the contents of the Interim and Annual Financial Statements of the Company, which includes reviewing the Auditor's report.

The other principal duties of the Committee are to consider the appointment of the Auditor; to discuss and agree with the Auditor the nature and scope of the audit; to keep under review the scope, results and effectiveness of the audit and the independence and objectivity of the Auditor; and to review the Auditor's letter of engagement, planning report for the financial period and management letter, as applicable.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of the Company's internal control and risk management systems. The Audit Committee also focuses particularly on compliance with legal requirements, accounting standards and the relevant Listing Rules and ensuring that an effective system of internal financial control is maintained.

The Audit Committee also reviews, considers and, if appropriate, recommends for the purposes of the Company's Financial Statements the valuations prepared by the Investment Manager and Investment Adviser. These valuations are the most critical element in the Company's Financial Statements and the Audit Committee considers them carefully.

FINANCIAL REPORTING AND AUDIT

The Audit Committee has an active involvement and oversight in the preparation of both the interim and annual Financial Statements and in doing so is responsible for the identification and monitoring of the principal risks associated with the preparation of the Financial Statements. The principal risk identified in the preparation of these Financial Statements is the valuation of the Company's investment in Sequoia IDF Asset Holdings S.A., its subsidiary company (the "Subsidiary").

The Company's investment in the Subsidiary had a fair value of £774,427,676 as at 31 March 2018, representing a substantial proportion of the net assets of the Company, and as such is the biggest factor in relation to the accuracy of the Financial Statements. PricewaterhouseCoopers LLP was engaged as Valuation Agent throughout the year and was responsible for carrying out a fair market valuation review of the Subsidiary's investments on a monthly basis. Draft pricing for the Subsidiary's investments is provided by the Investment Adviser to the Valuation Agent, who in turn produces a final valuation report for review by the Investment Adviser and the Investment Manager. Final responsibility for the valuation of the Subsidiary's investments, subject to Board approval, rests with the Investment Manager. This report is then submitted to TMF Luxembourg S.A. (the "Sub-Administrator"), for inclusion in the Subsidiary's NAV.

The Audit Committee, on an ongoing basis, discusses with the Investment Manager and Investment Adviser the methods of valuation used, and may challenge them on their methodologies, and reviews the controls and processes in the valuation methods used to value the Subsidiary's investments. The Audit Committee regularly reviews the valuations prepared by the Investment Adviser for investments where market prices are not readily available. At the year end these represented 66.0% (2017: 53.5%) of total investments. Where appropriate these valuations are scrutinised and compared against valuations of investments with similar characteristics or subject to a sensitivity analysis based on changes in key assumptions. The Audit Committee has also considered the Auditor's approach to their audit of the valuation of the Subsidiary's investments and discussed with the Auditor their approach to testing the appropriateness and robustness of the valuation methodologies applied.

The Auditor has not reported any significant differences between the valuations used and the results of the work performed during their testing process.

Based on the review and analysis described above, the Audit Committee is satisfied that, as at 31 March 2018, the fair value of the Subsidiary's investments, and therefore the fair value of the Company's investment in the Subsidiary, as stated in the Financial Statements, is reasonable.

The Audit Committee reviewed the Company's accounting policies applied in the preparation of the Annual Financial Statements, together with the relevant critical judgements, estimates and assumptions made by the Board and, having discussed matters with the Auditor, determined that these were in compliance with International Financial Reporting Standards ("IFRS") as issued by the IASB and were reasonable. The Audit Committee reviewed the materiality levels applied by the Auditor to the financial statements as a whole and was satisfied that these materiality levels were appropriate. The Auditor reports to the Audit Committee all material corrected and uncorrected differences. The Auditor explained the results of their audit and that on the basis of their audit work, there were no adjustments proposed that were material in the context of the Financial Statements as a whole.

The Audit Committee also reviews the Company's financial reports as a whole to ensure that such reports appropriately describe the Company's activities and that all statements contained in such reports are consistent with the Company's financial results and projections. Accordingly, the Audit Committee was able to advise the Board that the Annual Report and Audited Financial Statements are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

EXTERNAL AUDITOR

The Audit Committee has responsibility for making a recommendation on the appointment, re-appointment or removal of the Auditor. KPMG was appointed as the first Auditor of the Company. During the year, the Audit Committee received and reviewed the audit plan and report from the Auditor.

To assess the effectiveness of the Auditor, the Audit Committee reviewed:

- The Auditor's fulfilment of the agreed audit plan and variations from it, if any;
- The Auditor's assessment of its objectivity and independence as auditor of the Company;
- The Auditor's report to the Audit Committee highlighting their significant areas of focus in the conduct of their audit and findings thereon that arose during the course of the audit; and
- Feedback from the Investment Manager, Investment Adviser and Administrator evaluating the performance of the audit team.

For the year ended 31 March 2018, the Audit Committee was satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process as good.

Where non-audit services are to be provided to the Company by the Auditor, full consideration of the financial and other implications on the independence of the Auditor arising from any such engagement will be considered before proceeding. All non-audit services are pre-approved by the Audit Committee if it is satisfied that relevant safeguards are in place to protect the Auditors' objectivity and independence.

To fulfil its responsibility regarding the independence of the Auditor, the Audit Committee considered:

- a report from the Auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the Auditor.

During the year ended 31 March 2018, other than the Interim review, no non-audit services were provided by KPMG.

The following table summarises the remuneration paid to KPMG and to other KPMG member firms for audit and non-audit services.

	For the year ended 31 March 2018 £	For the year ended 31 March 2017 £
Annual audit of the Company	**67,000**	62,500
Interim review of the Company	**25,000**	17,500
Annual audit of the Subsidiary	**25,000**	18,903
Reporting accountant services – issuance of C shares	**–**	60,000

INTERNAL CONTROLS

As the Company's investment objective is to invest all of its assets into the Subsidiary, the Audit Committee, after consultation with the Investment Manager, Investment Adviser and Auditor, considers the key risk of misstatement in its Financial Statements to be the valuation of its investment in the Subsidiary, but are also mindful of the risk of the override of controls by its service providers, the Investment Manager, the Investment Adviser, the Administrator and the Sub-Administrator.

The Investment Manager, Investment Adviser and Administrator together maintain a system of internal control on which they report to the Board. The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Investment Manager, Investment Adviser and Administrator provide sufficient assurance that a sound system of risk management and internal control, which safeguards Shareholders' investment and the Company's assets, is maintained. An internal audit function specific to the Company is therefore considered unnecessary.

The Audit Committee is responsible for reviewing and monitoring the effectiveness of the internal financial control systems and risk management systems on which the Company is reliant. These systems are designed to ensure proper accounting records are maintained, that the financial information on which the business decisions are made and which is issued for publication is reliable, and that the assets of the Company are safeguarded. Such a system of internal financial controls can only provide reasonable and not absolute assurance against misstatement or loss.

In accordance with the guidance on risk management, internal control and financial and business reporting published by the Financial Reporting Council (the "FRC") in September 2014, which integrated the earlier guidance of the Turnbull Report, the Audit Committee has reviewed the Company's internal control procedures. These internal controls are implemented by the Company's four main service providers, the Investment Manager, the Investment Adviser, the Administrator and the Custodian. The Audit Committee has performed reviews of the internal financial control systems and risk management systems during the year. The Audit Committee is satisfied with the internal financial control systems of the Company.

Sandra Platts

Audit Committee Chairman

27 June 2018

Independent Auditor's report

to the members of Sequoia Economic Infrastructure Income Fund Limited

OUR OPINION IS UNMODIFIED

We have audited the financial statements of Sequoia Economic Infrastructure Income Fund Limited (the "Company"), which comprise the statement of financial position as at 31 March 2018, the statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information (the "Financial Statements").

In our opinion, the accompanying Financial Statements:

- give a true and fair view of the financial position of the Company as at 31 March 2018, and of the Company's financial performance and the Company's cash flows for the year then ended;
- are prepared in accordance with International Financial Reporting Standards (IFRS); and
- comply with the Companies (Guernsey) Law, 2008.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including FRC Ethical Standards as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

KEY AUDIT MATTERS: OUR ASSESSMENT OF THE RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matter was as follows (unchanged from 2017):

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

£774,427,676 (2017: £604,801,618)

Refer to pages 26 to 28 of Report of the Audit Committee, note 2 (significant accounting policies), note 3 (use of judgements and estimates) and note 6 (non-derivative financial assets at fair value through profit or loss)

THE RISK

Basis:

The Company's investment in its Subsidiary is carried at fair value through profit or loss and represents a significant proportion of the Company's net assets. The fair value of the Subsidiary reflects its net asset value, the most significant component of which is its underlying portfolio of senior and subordinated economic infrastructure debt investments valued at £716m, namely private loans ("Private Debt") with a fair value of £568m and publicly traded bonds ("Public Debt") with a fair value of £148m (together, the "Portfolio").

Private Debt is primarily valued using third party broker quotes and syndication desks. Where such market information is not externally available, the valuations are based on yields derived from comparable loans and bonds taking into consideration the instrument's project type and structural and credit characteristics. Public Debt is valued using market pricing data sourced from approved third party pricing vendors.

OUR RESPONSE

Our audit procedures included, but were not limited to:

Internal Controls:

We evaluated the design, implementation and operating effectiveness of the key controls over the valuation of the Portfolio.

Evaluating experts engaged by management:

We assessed the objectivity, capabilities and competence of the third party valuation agent engaged by the Company to review the reasonableness of the valuation of the Portfolio. With the support of our KPMG valuation specialist we considered the methodology applied by the third party valuation agent in performing their work. We obtained and assessed the third party valuation agent's findings, held discussions with them and considered the impact, if any, on our audit work.

Assessing fair value of infrastructure debt investments:

With the support of our KPMG valuation specialists, we assessed the appropriateness of the valuation methodology applied against our own expectations based on our knowledge of the asset class and experience in the industry. With the support of our KPMG valuation specialist, we held discussions with the Investment Advisor in relation to all Private Debt positions to identify any credit or other operational issues, if any, that may impact on the valuation of those positions.

THE RISK CONTINUED	**OUR RESPONSE** CONTINUED
Risk: The valuation of the Company's investment at fair value through profit and loss is considered a significant area of our audit, given that it represents the majority of the net assets of the Company. Inherent in that valuation is the use of significant estimates and judgments in determining the fair value of the Subsidiary's Portfolio. There is a risk of error through the inappropriate selection and application of inputs and/or assumptions in deriving a fair value for debt instruments.	For 100% by fair value of the Public Debt and 17% by fair value of the Private Debt our KPMG valuation specialist either independently obtained prices from pricing vendors or, where this pricing information was not available, derived an independent mark to model valuation based on market inputs for comparable instruments with similar structural and credit characteristics. For 14% by fair value of Private Debt, we noted the proximity of transactions to the year end and considered whether these were an appropriate representation of fair value. For the remaining Private Debt positions: • We assessed each loan for significant movements in valuation, which may indicate evidence of a credit event, by evaluating changes in value since the previous reporting date or the date of acquisition for those acquired in the current year and considered the impact, if any, on our audit work. • We agreed key contractual terms such as coupon and repayment terms to supporting documentation. We also compared all expected loan interest receipts versus actual cash flows and evaluated the Investment Advisor's credit memorandums, to assess whether there had been any specific credit events which would impact their fair value. We performed research to publically available information for contradictory evidence. Assessing disclosures: We also considered the Company's disclosures (see note 3) in relation to the use of estimates and judgements in determining the fair value of the Portfolio and the Company's valuation policies adopted in note 2 and fair value disclosures in notes 5 and 6 for compliance with IFRS.

OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Financial Statements as a whole was set at £22,711,000, determined with reference to a benchmark of Net Assets, which it represents approximately 3% (2017: 3%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1,135,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the Company was undertaken to the materiality level specified above, which has informed our identification of significant risks of material misstatement and the associated audit procedures performed in those areas as detailed above.

WE HAVE NOTHING TO REPORT ON GOING CONCERN

We are required to report to you if we have anything material to add or draw attention to in relation to the Directors' statement in note 2 to the Financial Statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the Financial Statements. We have nothing to report in this respect.

WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT

The Directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

DISCLOSURES OF PRINCIPAL RISKS AND LONGER-TERM VIABILITY

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement on page 14, that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;

- the Principal Risks and Uncertainties disclosures describing these risks and explaining how they are being managed or mitigated;
- the Directors' explanation in the viability statement on page 14, as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

CORPORATE GOVERNANCE DISCLOSURES

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the 2016 UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report to you in these respects.

WE HAVE NOTHING TO REPORT ON OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- the Company has not kept proper accounting records; or
- the Financial Statements are not in agreement with the accounting records; or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit.

RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 23, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE PURPOSE OF THIS REPORT AND RESTRICTIONS ON ITS USE BY PERSONS OTHER THAN THE COMPANY'S MEMBERS AS A BODY

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 and, in respect of any further matters on which we have agreed to report, on terms we have agreed with the Company. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Dermot Dempsey
For and on behalf of KPMG Channel Islands Limited
Chartered Accountants and Recognised Auditors

Glategny Court
St Peter Port
Guernsey GY1 1WR
Channel Islands

27 June 2018

Statement of comprehensive income

For the year ended 31 March 2018

	Note	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Revenue			
Net (losses)/gains on non-derivative financial assets at fair value through profit or loss	6	**(17,293,682)**	43,736,615
Net gains/(losses) on derivative financial assets at fair value through profit or loss	7	**24,288,499**	(24,911,786)
Investment income	9	**31,726,415**	28,195,214
Net foreign exchange (loss)/gain		**(64,118)**	508,958
Total revenue		**38,657,114**	47,529,001
Expenses			
Investment Adviser fees	10	**4,826,658**	3,482,915
Investment Manager fees	10	**319,119**	271,786
Directors' fees and expenses	10	**187,457**	181,351
Administration fees	10	**377,116**	358,286
Audit fees		**82,346**	84,771
Legal and professional fees		**181,395**	190,650
Valuation fees		**477,600**	248,670
Custodian fees		**167,378**	140,408
Listing, regulatory and statutory fees		**72,436**	60,804
Loan finance costs	15	**1,348,781**	527,090
Other expenses		**202,462**	175,212
Total operating expenses		**8,242,748**	5,721,943
Profit and total comprehensive income for the year		**30,414,366**	41,807,058
Basic and diluted earnings per Ordinary Share	13	**4.21p**	8.74p

All items in the above statement are from continuing operations.

The accompanying notes on pages 36 to 65 form an integral part of the Financial Statements.

Statement of changes in Shareholders' equity

For the year ended 31 March 2018

YEAR ENDED 31 MARCH 2018

	Note	Share capital £	Retained earnings £	Total £
At 1 April 2017		588,354,362	23,472,915	611,827,277
Issue of Ordinary Shares during the year, net of issue costs	12	158,512,766	–	158,512,766
Total comprehensive income for the year		–	30,414,366	30,414,366
Dividends paid during the year	4	–	(42,584,207)	(42,584,207)
At 31 March 2018		**746,867,128**	**11,303,074**	**758,170,202**

YEAR ENDED 31 MARCH 2017

	Note	Share capital £	Retained earnings £	Total £
At 1 April 2016		291,136,398	5,969,282	297,105,680
Issue of Ordinary Shares during the year, net of issue costs	12	125,018,266	–	125,018,266
Issue of C Shares converted to Ordinary Shares during the year, net of issue costs	12	172,199,698	–	172,199,698
Total comprehensive income for the year		–	41,807,058	41,807,058
Dividends paid during the year	4	–	(24,303,425)	(24,303,425)
At 31 March 2017		588,354,362	23,472,915	611,827,277

The accompanying notes on pages 36 to 65 form an integral part of the Financial Statements.

Statement of financial position

At 31 March 2018

	Note	31 March 2018 £	31 March 2017 £
Non-current assets			
Non-derivative financial assets at fair value through profit or loss	6	**774,427,676**	604,801,618
Current assets			
Cash and cash equivalents	8	**2,393,742**	46,734,809
Trade and other receivables	14	**8,233,132**	8,584,225
Derivative financial assets at fair value through profit or loss	7	**14,432,392**	2,886,733
Total current assets		**25,059,266**	58,205,767
Total assets		**799,486,942**	663,007,385
Current liabilities			
Loan payable	15	**–**	40,000,000
Trade and other payables	16	**1,777,767**	1,814,303
Derivative financial liabilities at fair value through profit or loss	7	**300,905**	9,365,805
Total current liabilities		**2,078,672**	51,180,108
Non-current liabilities			
Loan payable	15	**39,238,068**	–
Total non-current liabilities		**39,238,068**	–
Total liabilities		**41,316,740**	51,180,108
Net assets		**758,170,202**	611,827,277
Equity			
Share capital	12	**746,867,128**	588,354,362
Retained earnings		**11,303,074**	23,472,915
Total equity		**758,170,202**	611,827,277
Number of Ordinary Shares	12	**748,315,757**	595,642,196
Net asset value per Ordinary Share		**101.32p**	102.72p

The Financial Statements on pages 32 to 65 were approved and authorised for issue by the Board of Directors on 27 June 2018 and signed on its behalf by:

Sandra Platts
Director

The accompanying notes on pages 36 to 65 form an integral part of the Financial Statements.

Statement of cash flows

For the year ended 31 March 2018

	Note	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Cash flows from operating activities			
Profit for the year		**30,414,366**	41,807,058
Adjustments for:			
Net losses/(gains) on non-derivative financial assets at fair value through profit or loss	6	**17,293,682**	(43,736,615)
Net (gains)/losses on derivative financial assets at fair value through profit or loss	7	**(24,288,499)**	24,911,786
Investment Adviser fees settled through issue of Ordinary Shares	12	**1,119,508**	755,714
Net foreign exchange loss/(gain)		**64,118**	(508,958)
Loan finance costs	15	**1,348,781**	527,090
Decrease/(increase) in trade and other receivables (excluding finance costs)	14	**1,191,169**	(6,908,459)
Increase in trade and other payables (excluding finance costs)	16	**350,337**	601,399
		27,493,462	17,449,015
Cash received on settled forward contracts	7	**14,935,862**	2,179,061
Cash paid on settled forward contracts	7	**(11,257,922)**	(24,077,709)
Purchases of investments	6	**(252,978,738)**	(412,036,161)
Sales of investments	6	**66,058,998**	143,170,514
Net cash outflow from operating activities		**(155,748,338)**	(273,315,280)
Cash flows from financing activities			
Net proceeds from issue of Ordinary Shares	12	**157,393,258**	296,462,250
Proceeds from drawdown of loan	15	**39,647,046**	40,000,000
Repayment of loan	15	**(40,000,000)**	–
Loan finance costs		**(2,576,164)**	–
Dividends paid	4	**(42,584,207)**	(24,303,425)
Net cash inflow from financing activities		**111,879,933**	312,158,825
Net (decrease)/increase in cash and cash equivalents		**(43,868,405)**	38,843,545
Cash and cash equivalents at beginning of year		**46,734,809**	7,382,306
Effect of foreign exchange rate changes on cash and cash equivalents during the year		**(472,662)**	508,958
Cash and cash equivalents at end of year		**2,393,742**	46,734,809

The accompanying notes on pages 36 to 65 form an integral part of the Financial Statements.

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 2015. The Company is listed and began trading on the Main Market of the London Stock Exchange and was admitted to the premium segment of the Official List of the UK Listing Authority on 3 March 2015.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The Annual Financial Statements (the "Financial Statements"), which give a true and fair view, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and are in compliance with the Companies (Guernsey) Law, 2008, the Prospectus Rules, the Disclosure Guidance and Transparency Rules and the Market Abuse Directive (as implemented in the UK through Financial Services and Markets Authority).

BASIS OF PREPARATION

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

GOING CONCERN

The Company has been incorporated with an unlimited life. In accordance with the Company's Articles of Incorporation, the Directors were required to propose an ordinary resolution (the "Continuation Resolution") on or before 3 September 2016 that the Company continues as a registered closed-ended collective investment scheme. The Continuation Resolution was passed by Shareholders at an Extraordinary General Meeting of the Company on 25 May 2016. Further Continuation Resolutions must be proposed within every three years thereafter. The Board intends to hold the next Continuation Vote (the "Vote") in the 2018 AGM, in order to align the Vote on an ongoing basis with the date of the Company's AGM, and thereby to avoid the additional cost of holding Extraordinary General Meetings. Should a Continuation Resolution not be passed, the Directors are required to put forward proposals within six months for the reconstruction or reorganisation of the Company to the Shareholders for their approval. These proposals may or may not involve winding up the Company and, accordingly, failure to pass a Continuation Resolution will not necessarily result in the winding up of the Company.

The Directors have considered the possibility that the Continuation Resolution, to be proposed at the 2018 AGM, may not be passed by Shareholders, however they noted the overwhelming majority vote in favour of the Continuation Resolution passed in May 2016 and the strong appetite for the Company's investment proposition, evidenced by the successful launch in March 2015; two subsequent well-supported C Share issues; the significantly over-subscribed Placing in December 2016, Open Offer, Placing and Offer for Subscription in May 2017 and Placing in May 2018; and that the Company's Shares have consistently traded at a premium since launch.

After a review of the Company's holdings in cash and cash equivalents, investments and a consideration of the income deriving from those investments and the likelihood that future Continuation Resolutions will be passed, the Directors believe that it is appropriate to adopt the going concern basis in preparing the Financial Statements as the Company has adequate financial resources to meet its liabilities as they fall due.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS APPLICABLE TO FUTURE REPORTING PERIODS

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

- IFRS 9, "Financial Instruments" (relating to the classification and measurement of financial assets and liabilities, effective for periods commencing on or after 1 January 2018). This standard specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39 'Financial Statements: Recognition and Measurement' ("IAS 39").
- The IASB completed its Annual Improvements 2014-2016 Cycle project in December 2016 and its Annual Improvements 2015-2017 Cycle project in December 2017. These projects have amended certain existing standards and interpretations effective for accounting periods commencing on or after 1 January 2018 or 1 January 2019.

The Directors intend to adopt these standards when they become effective. They do not anticipate that the adoption of these standards will have a material impact on the Financial Statements of the Company. Specifically, the adoption of IFRS 9 will have no material impact, as the majority of the Company's financial assets are measured at fair value. As explained further in note 3, the Company meets the criteria to be classified as an investment entity, and as a result is not permitted to consolidate the Subsidiary, but must measure its investment in the Subsidiary at fair value through profit or loss in accordance with IAS 39. As the business model of the Company will continue to be managed on the same basis going forward, the classification and measurement of the Company's investment in the Subsidiary will be largely unchanged when IFRS 9 replaces IAS 39.

The following amended standards have been applied for the first time in these financial statements:

- IAS 7 (amended) "Statement of Cash Flows" (amendments arising as a result of the disclosure initiative, effective for periods commencing on or after 1 January 2017).
- The IASB completed its Annual Improvements 2014-2016 Cycle project December 2016. This project has amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2017.

The adoption of these amended standards has had no material impact on the Financial Statements of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

INVESTMENT INCOME

Investment income is recognised in profit or loss of the Statement of Comprehensive Income on the effective interest rate method basis and includes interest income from the Company's investment in VFNs issued by the Subsidiary and from cash and cash equivalents.

VFN interest

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

NET GAINS/(LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

EXPENSES

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

SHARE-BASED PAYMENTS (EQUITY-SETTLED)

In accordance with the terms of the Investment Advisory Agreement, one quarter of the Investment Adviser's fee is settled through the issue of Ordinary Shares in the Company. Services received in exchange for the grant of any share-based payments are measured indirectly by reference to the fair value of the Ordinary Shares at the date of issue. Share-based payments are recognised as an expense in profit or loss of the Statement of Comprehensive Income.

ORDINARY SHARES

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

CASH AND CASH EQUIVALENTS

Cash comprises current deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes. Certain amounts of the Company's cash are held as collateral against the Company's forward foreign exchange trading facilities (see note 8).

FINANCIAL INSTRUMENTS

Classification

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

Financial assets and liabilities at fair value through profit and loss

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Loans and receivables

This category comprises cash and cash equivalents and trade and other receivables.

Financial liabilities at amortised cost

This category comprises loans payable and trade and other payables.

Recognition and initial measurement

Financial assets and financial liabilities at fair value through profit or loss are measured initially at fair value, being the transaction price, on the trade date. Transaction costs on financial assets at fair value through profit or loss are expensed immediately. Financial assets or financial liabilities not at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Non-derivative financial instruments – fair value and subsequent measurement

After initial measurement, the Company measures non-derivative financial assets classified at fair value through profit or loss at their fair values. Changes in fair value are recorded within "Net gains/(losses) on non-derivative financial assets at fair value through profit or loss" in the Statement of Comprehensive Income. This account includes foreign exchange differences but excludes VFN interest income.

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

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

Non-derivative financial instruments – amortised cost measurement

After initial measurement, other financial liabilities are measured at amortised cost using the effective interest rate method. The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Derivative financial instruments – fair value and subsequent measurement

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

Derecognition

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FOREIGN CURRENCY

Functional and presentation currency

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

Transactions and balances

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

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

DIVIDENDS

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

SEGMENTAL REPORTING

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

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

3. USE OF JUDGEMENTS AND ESTIMATES

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

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

The principal judgements and estimates are as follows:

JUDGEMENTS

Functional currency

Refer to note 2 ‘Functional and presentation currency’.

Investment Entity

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

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

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

The Subsidiary serves as an asset holding company and does not provide investment-related services.

Accordingly, when the Subsidiary is assessed based on the structure of the Company and its Subsidiary as a whole as a means of carrying out activities, the Board has concluded that the Company satisfies sufficient of the criteria above to meet the definition of an investment entity. As a result, under the terms of IFRS 10, the Company is not permitted to consolidate the Subsidiary, but must measure its investment in the Subsidiary at fair value through profit or loss. The Company has determined that the fair value of the Subsidiary is the Subsidiary’s net asset value and has concluded that the Subsidiary meets the definition of an unconsolidated subsidiary under IFRS 12 and has made the necessary disclosures.

ESTIMATES

Fair value of non-derivative and derivative financial instruments at fair value through profit or loss

The Company records its investment in the Subsidiary and in forward foreign exchange contracts at fair value. The valuations of the investments held by the Subsidiary, and thus the net asset value of the Subsidiary itself, are prepared in accordance with the methodologies described in note 6. The valuations of forward foreign exchange contracts are prepared with reference to prevailing exchange rates. The Directors consider that these valuations represent the best estimate of the fair values of the Company’s investment in the Subsidiary and in forward foreign exchange contracts.

4. DIVIDENDS

The Company's dividend policy, in the absence of any significant restricting factors, is to pay dividends totalling 6p per Ordinary Share per annum for the foreseeable future. The Company pays dividends on a quarterly basis.

The Company paid the following dividends on its Ordinary Shares during the year ended 31 March 2018:

Period to	Payment date	Dividend rate per Ordinary Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date
31 March 2017	24 May 2017	1.50	8,934,633	28 April 2017	27 April 2017
30 June 2017	25 August 2017	1.50	11,212,792	28 July 2017	27 July 2017
30 September 2017	24 November 2017	1.50	11,216,322	27 October 2017	26 October 2017
31 December 2017	23 February 2018	1.50	11,220,460	26 January 2018	25 January 2018

The Company paid the following dividends during the year ended 31 March 2017:

Period to	Payment date	Dividend rate per Ordinary Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date
31 March 2016	25 May 2016	1.50	4,538,231	29 April 2016	28 April 2016
30 June 2016	26 August 2016	1.50	4,540,113	29 July 2016	28 July 2016
30 September 2016	25 November 2016	1.50	4,542,174	28 October 2016	27 October 2016
31 December 2016	24 February 2017	1.50	8,931,189	27 January 2017	26 January 2017

Period to	Payment date	Dividend rate per C Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date
30 September 2016	25 November 2016	1.00	1,751,718	28 October 2016	27 October 2016

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 or paid in the year.

5. FINANCIAL RISK MANAGEMENT

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

MARKET RISK

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

5. FINANCIAL RISK MANAGEMENT CONTINUED

MARKET RISK CONTINUED

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

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

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

Interest Rate Risk

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

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

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

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

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

The following table shows the profile of the Subsidiary's investment portfolio:

	31 March 2018		31 March 2017	
	Range of interest rates	£	Range of interest rates	£
Investments with floating interest rates	0.00% to 11.88%	460,434,982	0.99% to 12.09%	298,073,616
Investments with fixed interest rates	0.00% to 10.50%	255,478,022	0.00% to 12.00%	295,115,376
Financial assets at fair value through profit or loss (note 6)		715,913,004		593,188,992

5. FINANCIAL RISK MANAGEMENT CONTINUED

MARKET RISK CONTINUED

Interest Rate Risk continued

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

Possible reasonable change in interest rate	**31 March 2018 effect on net assets and profit or loss £**	31 March 2017 effect on net assets and profit or loss £
+1%	**(14,610,813)**	(15,422,914)
–1%	**16,458,592**	17,202,481

The possible change in the interest rate of 1% is regarded as reasonable in view of the current low level of global interest rates.

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

Currency Risk

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

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

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

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

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

5. FINANCIAL RISK MANAGEMENT CONTINUED

MARKET RISK CONTINUED

Currency Risk continued

	31 March 2018 £	31 March 2017 £
USD Exposure		
Financial assets at fair value through profit or loss	331,355,043	287,417,335
Forward foreign exchange contracts	(334,872,532)	(198,253,283)
Cash and cash equivalents	51,638,273	9,452,997
Trade and other receivables	1,929,801	4,416,321
Loan payable	(39,238,068)	–
Trade and other payables	(113,538)	–
Net USD Exposure	10,698,979	103,033,370
EUR Exposure		
Financial assets at fair value through profit or loss	156,183,277	101,725,454
Forward foreign exchange contracts	(128,370,005)	(102,144,794)
Cash and cash equivalents	588,176	5,025,022
Trade and other receivables	1,413,746	1,033,581
Trade and other payables	(43,694)	(7,466)
Net EUR Exposure	29,771,500	5,631,797
NOK Exposure		
Financial assets at fair value through profit or loss	12,225,698	–
Forward foreign exchange contracts	(11,954,858)	–
Cash and cash equivalents	1,332	–
Trade and other receivables	233,798	–
Net NOK Exposure	505,970	–
AUD Exposure		
Financial assets at fair value through profit or loss	–	26,926,275
Forward foreign exchange contracts	–	(13,731,529)
Cash and cash equivalents	22	172,806
Trade and other receivables	–	9,942
Net AUD exposure	22	13,377,494
Total exposure	40,976,471	122,042,661

	Possible reasonable change in exchange rate	31 March 2018 net exposure £	31 March 2018 effect on net assets and profit or loss £	31 March 2017 net exposure £	31 March 2017 effect on net assets and profit or loss £
USD/GBP	+/- 10%	10,698,979	+/- 1,069,898	103,033,370	+/- 10,303,337
EUR/GBP	+/- 10%	29,771,500	+/- 2,977,150	5,631,797	+/- 563,180
NOK/GBP	+/- 10%	505,970	+/- 50,597	–	–
AUD/GBP	+/- 10%	22	+/- 2	13,377,494	+/- 1,337,749

The possible change in exchange rates of 10% is regarded as reasonable in view of the recent volatility of Sterling against most major currencies.

5. FINANCIAL RISK MANAGEMENT CONTINUED

MARKET RISK CONTINUED

Currency Risk continued

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

Currency	31 March 2018 £	31 March 2017 £
Sterling	216,148,986	177,119,928
US Dollar	331,355,043	287,417,335
Euro	156,183,277	101,725,454
Norwegian Krone	12,225,698	–
Australian Dollar	–	26,926,275
Total	715,913,004	593,188,992

CREDIT AND COUNTERPARTY RISK

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

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

The Investment Manager's management of the Subsidiary's portfolio is underpinned by the ongoing monitoring and mitigation of credit risk in the portfolio to ensure that any credit events or institutional ratings changes are identified in a timely manner.

The following table analyses the external ratings of the Subsidiary's portfolio investments, calculated using all available ratings for the portfolio investments from Standard and Poor's, Moody's and Fitch.

Standard & Poor's rating (or equivalent)	31 March 2018 £	31 March 2017 £
AA- to AA+	–	11,784,860
BBB- to BBB+	32,894,090	19,686,451
BB- to BB+	85,493,976	72,419,579
B- to B+	99,695,875	105,674,308
Unrated	497,829,063	383,623,794
	715,913,004	593,188,992

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

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

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

5. FINANCIAL RISK MANAGEMENT CONTINUED

CREDIT AND COUNTERPARTY RISK CONTINUED

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

	31 March 2018 £	31 March 2017 £
Non-derivative financial assets at fair value through profit or loss	774,427,676	604,801,618
Cash and cash equivalents	2,393,742	46,734,809
Trade and other receivables	7,348,213	8,558,623
Derivative financial assets at fair value through profit or loss	14,432,392	2,886,733
	798,602,023	662,981,783

In line with the Company's original Prospectus a Cash Management Policy has been put in place. Cash deposits will only be placed with banks that hold a short-term rating of at least A-1, P-1 or F1 from Standard and Poor's, Moody's or Fitch respectively and no more than 40% of net assets may be placed with any one bank at any time. The Investment Manager carefully manages this process ensuring uninvested cash is dispersed to adequately rated banks whilst maximising interest received. The Bank of New York Mellon, as custodian, holds cash in relation to the portfolio operations and in order to settle investment transactions. At 31 March 2018, uninvested cash is held with BNP Paribas SA ("BNP Paribas") (2017: Lloyds Bank International ("LBI") and ABN Amro Bank NV ("ABN Amro")) under a cash management agreement with PraxisIFM Treasury Services Limited, with other adequately-rated banks considered should cash levels require. At the year end the Standard and Poor's short-term credit ratings of the institutions were as follows: BNP Paribas A-1 and Bank of New York Mellon: A-1+ (2017: LBI: A-2; ABN Amro: A-1; and Bank of New York Mellon: A-1+).

For operational purposes, the Fund's policy is to utilise banks with an investment grade rating or higher (A-3, P-3 or F3 from Standard and Poor's, Moody's or Fitch respectively). The Company's operational cash is held with The Royal Bank of Scotland International Limited ("RBSI"). During the year, the Company has used Monex Europe Limited ("Monex"), RBSI, Investec Bank (Channel Islands) Limited ("IBCI"), Global Reach Partners ("Global Reach") and TTT Moneycorp Limited ("Moneycorp") to undertake forward foreign exchange transactions. Hedging collateral may be held with these institutions if required, however no cash collateral was held at the year end. At the year end the short-term credit ratings of these institutions were as follows (Standard & Poors unless otherwise specified): RBSI: A-2; IBCI: F2 (Fitch); Monex: B; Global Reach and Moneycorp: no rating (2017: RBSI: A-3; IBCI: F2 (Fitch); Monex: B; and Global Reach: no rating).

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

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

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

	31 March 2018 £	31 March 2017 £
United States of America/Canada	283,733,778	274,022,542
Europe	171,300,683	99,079,743
United Kingdom	205,023,986	179,765,638
Australia	55,854,557	40,321,069
Subsidiary financial assets at fair value through profit or loss (note 6)	715,913,004	593,188,992

5. FINANCIAL RISK MANAGEMENT CONTINUED

CREDIT AND COUNTERPARTY RISK CONTINUED

The table below summarises the Subsidiary's portfolio concentrations:

	Largest portfolio holding of a single asset % of total portfolio	Average portfolio holding % of total portfolio
31 March 2018	**6.87**	**1.64**

	Largest portfolio holding of a single asset % of total portfolio	Average portfolio holding % of total portfolio
31 March 2017	6.26	2.22

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

	31 March 2018 £	31 March 2017 £
Accommodation	**75,940,714**	62,608,274
Power	**67,400,226**	77,064,984
Renewable Energy	**76,560,995**	52,061,633
Telecommunication, Media and Technology	**74,067,749**	90,603,924
Transport	**126,463,248**	103,409,776
Transportation Equipment	**74,030,021**	91,606,081
Utilities	**102,632,449**	52,374,469
Other	**118,817,602**	63,459,851
Subsidiary financial assets at fair value through profit or loss (note 6)	**715,913,004**	593,188,992

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

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

LIQUIDITY RISK

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

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

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

5. FINANCIAL RISK MANAGEMENT CONTINUED

LIQUIDITY RISK CONTINUED

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

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

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

There are no Company assets subject to special arrangements arising from their illiquid nature.

With the exception of the loan payable (see note 15) and certain forward foreign exchange contracts (see note 7), the Company's accounts receivable and financial liabilities at 31 March 2018 will all mature within four months of the reporting date.

OPERATIONAL RISK

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

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

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

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

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

CAPITAL MANAGEMENT

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

The Company may employ leverage for short term liquidity or investment purposes. During the year, the Company has repaid an 18 month £40 million loan with JP Morgan Chase Bank and has executed a £100 million revolving credit facility with a consortium of three banks led by Royal Bank of Scotland International Limited (see note 15).

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

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Cost at the start of the year	548,018,390	279,073,491
VFNs purchased during the year	252,978,738	412,036,161
VFNs redeemed during the year	(66,058,998)	(143,170,514)
Realised gains on VFNs redeemed during the year	3,179,430	79,252
Cost at the end of the year	738,117,560	548,018,390
Net unrealised gains on non-derivative financial assets at the end of the year	36,310,116	56,783,228
Non-derivative financial assets at fair value through profit or loss at the end of the year	774,427,676	604,801,618

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:

	31 March 2018 £	31 March 2017 £
Subsidiary's non-derivative financial assets at fair value through profit or loss	715,913,004	593,188,992
Subsidiary's net current assets	58,514,672	11,612,626
Company's non-derivative financial assets at fair value through profit or loss	774,427,676	604,801,618

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 (losses)/gains on non-derivative financial assets at fair value through profit or loss in the year comprises the following:

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Unrealised (losses)/gains on VFNs	(34,843,728)	33,043,413
Realised gains on VFNs redeemed	3,179,430	79,252
Unrealised gain on revaluation of the Subsidiary	14,370,616	10,613,950
Net (losses)/gains on non-derivative financial assets at fair value through profit or loss	(17,293,682)	43,736,615

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

On a look-through basis, the Group's cumulative net gains on non-derivative financial assets at fair value through profit or loss as at 31 March 2018 comprises the following:

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Subsidiary		
Investment income	44,406,029	28,242,532
Realised gains on non-derivative financial assets at fair value through profit or loss	1,638,240	12,824,516
Unrealised (losses)/gains on non-derivative financial assets at fair value through profit or loss	(32,603,101)	30,014,630
Foreign exchange gains/(losses)	30,046,846	(32,419,787)
Interest on VFNs	(34,796,801)	(28,007,811)
Net other income/(expenses)	5,679,403	(40,130)
Subsidiary gains during the year	14,370,616	10,613,950
Subsidiary gains/(losses) brought forward	9,007,273	(1,606,677)
Subsidiary gains carried forward at the end of the year	23,377,889	9,007,273
Company		
Unrealised foreign exchange gains on VFNs brought forward	47,775,955	14,732,542
Unrealised foreign exchange (losses)/gains on VFNs during the year	(34,843,728)	33,043,413
Net gains on non-derivative financial assets at fair value through profit or loss carried forward at the end of the year	36,310,116	56,783,228

FAIR VALUE MEASUREMENT

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

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

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

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

FAIR VALUE MEASUREMENT CONTINUED

The determination of what constitutes 'observable' requires the exercise of 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.

	31 March 2018			
	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Non-derivative financial assets at fair value through profit or loss	–	–	774,427,676	774,427,676
Derivative financial assets at fair value through profit or loss	–	14,432,392	–	14,432,392
Total	–	14,432,392	774,427,676	788,860,068
Liabilities				
Derivative financial liabilities at fair value through profit or loss	–	300,905	–	300,905
Total	–	300,905	–	300,905

	31 March 2017			
	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Non-derivative financial assets at fair value through profit or loss	–	–	604,801,618	604,801,618
Derivative financial assets at fair value through profit or loss	–	2,886,733	–	2,886,733
Total	–	2,886,733	604,801,618	607,688,351
Liabilities				
Derivative financial liabilities at fair value through profit or loss	–	9,365,805	–	9,365,805
Total	–	9,365,805	–	9,365,805

During the year there have been no transfers between Levels of the fair value hierarchy. Such transfers are recognised at the end of the reporting period in which the change has occurred.

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

FAIR VALUE MEASUREMENT CONTINUED

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

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Opening balance	604,801,618	292,199,356
Purchases	252,978,738	412,036,161
Sales	(66,058,998)	(143,170,514)
Net (losses)/gains on non-derivative financial assets in the year	(17,293,682)	43,736,615
Closing balance	774,427,676	604,801,618

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

	31 March 2018			
	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Non-derivative financial assets at fair value through profit or loss	20,993,660	222,477,821	472,441,523	715,903,004

	31 March 2017			
	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Non-derivative financial assets at fair value through profit or loss	60,738,269	225,880,018	306,570,705	593,188,992

The Subsidiary's Level 3 investment valuations are calculated by discounting future cashflows 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.

During the year there was a transfer of one investment with a value of £20,646,804 from Level 2 to Level 3 of the fair value hierarchy. Such transfers are recognised at the end of the reporting period in which the change has occurred.

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.

Unobservable input	Possible reasonable change in input	31 March 2018 effect on net assets and profit or loss £	31 March 2017 effect on net assets and profit or loss* £
Yield	+1%	(3,825,307)	(3,376,740)
	–1%	4,211,632	3,755,287

** The basis for the calculation of the sensitivity of the fair value of the Level 3 investments at 31 March 2018 has been updated to further improve its relevance. The comparative amounts as at 31 March 2017 have been restated to amend the previously reported amounts to the new basis of calculation and disclosure.*

The possible changes in the yield of 1% are regarded as reasonable in view of the current low level of global interest rates.

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

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. 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 Loans and Bonds

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

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

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

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

Non-performing Portfolio Loans and Bonds

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 cashflows will be calculated, estimated on the basis of the median outcome and discount rate that reflects the market yield of distressed/defaulted loans or bonds.

In assessing the median outcome cashflows, a project/corporate model that reflects the distressed state of the project will be used in order to assess a range of potential outcomes for expected future cashflows with regards to, for example, interest or principal recoveries and timing. The Investment Adviser will work closely with the 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.

As at 31 March 2018, there were no non-performing loans or bonds in the portfolio.

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

VALUATION TECHNIQUES FOR THE INVESTMENT PORTFOLIO OF THE SUBSIDIARY CONTINUED

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. DERIVATIVE FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 March 2018, the Company had the following outstanding commitments in respect of open forward foreign exchange contracts, by currency and by counterparty.

31 March 2018

Selling currency	Currency amount	Buying currency	GBP amount £	Unrealised gains £	Unrealised losses £	Net unrealised gains £
USD	455,367,700	GBP	334,872,532	13,020,231	(59,109)	12,961,122
EUR	144,600,000	GBP	128,370,005	1,260,816	(241,796)	1,019,020
NOK	129,900,000	GBP	11,954,858	151,345	–	151,345
			475,197,395	14,432,392	(300,905)	14,131,487

Counterparty	Unrealised gains £	Unrealised losses £	Net unrealised gains £
Investec Bank	2,698,811	(76,341)	2,622,470
Monex	3,529,601	(224,564)	3,305,037
Moneycorp	3,732,728	–	3,732,728
RBSI	4,471,252	–	4,471,252
	14,432,392	(300,905)	14,131,487

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

31 March 2017

Selling currency	Currency amount	Buying currency	GBP amount £	Unrealised gains £	Unrealised losses £	Net unrealised gains £
USD	248,737,800	GBP	194,400,866	1,609,959	(5,462,376)	(3,852,417)
EUR	119,600,000	GBP	101,268,150	1,276,774	(2,153,419)	(876,645)
AUD	22,500,000	GBP	11,981,519	–	(1,750,010)	(1,750,010)
			307,650,534	2,886,733	(9,365,805)	(6,479,072)

Counterparty	Unrealised gains £	Unrealised losses £	Net unrealised gains £
Global Reach	244,624	(53,026)	191,598
Investec Bank	1,196,382	(258,548)	937,834
Monex	138,243	(8,924,702)	(8,786,459)
RBSI	1,307,484	(129,529)	1,177,955
	2,886,733	(9,365,805)	(6,479,072)

All forward foreign exchange positions at the year end were held with Investec Bank plc, Monex Europe Limited, the Royal Bank of Scotland International or TTT Moneycorp Limited, as noted above. There are no master netting arrangements in place.

The forward foreign exchange positions at the year end have various maturity dates ranging from 3 April 2018 to 16 December 2019 (2017: 6 April 2017 to 18 December 2017).

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

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Net realised gains/(losses) on forward foreign exchange contracts during the year	**3,677,940**	(21,898,648)
Net unrealised gains/(losses) on forward foreign exchange contracts during the year	**20,610,559**	(3,013,138)
Net gains/(losses) on forward foreign exchange contracts during the year	**24,288,499**	(24,911,786)

8. CASH AND CASH EQUIVALENTS

	31 March 2018 £	31 March 2017 £
Cash held on call or overnight deposit accounts	2,393,742	46,734,809
	2,393,742	46,734,809

Under the terms of its forward foreign exchange trading agreements with Investec Bank plc, Royal Bank of Scotland International, Monex Europe, Global Reach Partners and TTT Moneycorp Limited, the Company may be required in certain circumstances to retain balances in collateral accounts representing the applicable margin on each facility. As at 31 March 2018, no amounts (31 March 2017: £6,270,139) were held in collateral accounts.

9. INVESTMENT INCOME

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Interest income on financial assets carried at amortised cost:		
Cash and cash equivalents	109,044	187,403
Interest income on the Company's non-derivative financial assets at fair value through profit and loss	31,617,371	28,007,811
	31,726,415	28,195,214

10. RELATED PARTIES AND OTHER MATERIAL CONTRACTS

DIRECTORS' FEES

Robert Jennings is entitled to a fee in remuneration for his services as Chairman of the Board of Directors at a rate payable of £56,000 per annum (increasing to £65,000 per annum with effect from 1 April 2018). The remaining Directors are entitled to a fee in remuneration for their services as Directors at a rate of £36,500 each per annum (increasing to £43,000 per annum with effect from 1 April 2018).

Jan Pethick, Jon Bridel and Sandra Platts are also each entitled to a fee of £7,000 per annum in respect of their roles as Chairman of the Management Engagement Committee, Chairman of the Risk Committee and Chairman of the Audit and Remuneration Committees respectively.

During the year, Robert Jennings, Jan Pethick, Jon Bridel and Sandra Platts each received a listing fee of £6,000, which was subject to admission, in connection with the Open Offer, Ordinary Share Placing and Offer for Subscription on 31 May 2017.

10. RELATED PARTIES AND OTHER MATERIAL CONTRACTS CONTINUED

ORDINARY SHARES HELD BY RELATED PARTIES

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

	31 March 2018		31 March 2017	
Name	Number of Ordinary Shares	Percentage of Ordinary Shares in issue	Number of Ordinary Shares	Percentage of Ordinary Shares in issue
Robert Jennings (Chairman) (with other members of his family)	217,200	0.03%	181,000	0.03%
Jan Pethick (with his spouse)	219,504	0.03%	219,504	0.04%
Jon Bridel (with his spouse)	10,452	0.00%	10,452	0.00%
Sandra Platts (in a family RATS)	16,139	0.00%	10,452	0.00%

During the year, the Directors (including family members) acquired the following holdings in the Open Offer, Placing and Offer for Subscription of Ordinary Shares on 31 May 2017: Robert Jennings 36,200 Ordinary Shares; and Sandra Platts 5,687 Ordinary Shares.

Jan Pethick acquired an additional holding of 30,380 Ordinary Shares in the Placing of Ordinary Shares on 9 May 2018.

There have been no other changes to the Directors' shareholdings since 31 March 2018.

During the year, a member of the Investment Adviser's founding team acquired a further holding of 11,428 Ordinary Shares in the Open Offer, Placing and Offer for Subscription of Ordinary Shares on 31 May 2017. As at 31 March 2018, the members of the Investment Adviser's founding team held an aggregate of 681,643 Ordinary Shares (2017: 670,215 Ordinary Shares), which is 0.09% (2017: 0.11%) of the issued share capital.

As at 31 March 2018, the members of the Investment Manager held an aggregate of 50,000 Ordinary Shares (2017: 50,000 Ordinary Shares), which is 0.01% (2017: 0.01%) of the issued share capital.

TRANSACTIONS WITH INVESTMENT MANAGER AND INVESTMENT ADVISER

Investment Manager

With effect from 28 January 2015, International Fund Management Limited (the "Investment Manager") was appointed as the Investment Manager. With effect from 1 May 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, 0.04% per annum of the Company's NAV not included above.

Prior to 1 May 2016, the rate applied to the first £200 million of the NAV was 0.064%.

10. RELATED PARTIES AND OTHER MATERIAL CONTRACTS CONTINUED

TRANSACTIONS WITH INVESTMENT MANAGER AND INVESTMENT ADVISER CONTINUED

Investment Manager continued

With effect from 1 December 2016, the fee receivable is 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 fee was capped at £320,000 per annum.

In addition, the Investment Manager received a fee during the year of £7,500 for services rendered in connection with the Open Offer, Placing and Offer for Subscription of Ordinary Shares on 31 May 2017.

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

Investment Adviser

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

- 0.5% per annum of the value of the listed debt securities owned by the Subsidiary; plus
- if the Company's NAV is less than £250 million, 0.9% per annum of the value of the Company's other investments (excluding listed debt securities and cash); plus
- if the Company's NAV is more than £250 million and less than £500 million, 0.8% per annum of the value of the Company's other investments (excluding listed debt securities and cash) not included above; plus
- if the Company's NAV is more than £500 million and less than £750 million, 0.7% per annum of the value of the Company's other investments (excluding listed debt securities and cash) not included above; plus
- if the Company's NAV is more than £750 million, 0.6% per annum of the value of the Company's other investments (excluding listed debt securities and cash) not included above.

One quarter of the Investment Adviser's fee will be applied in subscribing for Ordinary Shares in the Company, which the Investment Adviser shall retain with a three-year rolling lock-up (such that those Ordinary Shares may not be sold or otherwise disposed of by the Investment Adviser without the prior consent of the Company before the third anniversary of the date of issue of the relevant Ordinary Shares). If the Company raises further capital or otherwise increases its net asset value, the Investment Adviser will receive a reduced percentage fee. The fair value of the Ordinary Shares issued, and therefore of the services received, is measured by reference to the ex-dividend price of the Ordinary Shares at the date of issue.

On 20 April 2017, the Company issued 218,497 Ordinary Shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 31 March 2017 under the Investment Advisory Agreement.

10. RELATED PARTIES AND OTHER MATERIAL CONTRACTS CONTINUED

TRANSACTIONS WITH INVESTMENT MANAGER AND INVESTMENT ADVISER CONTINUED

Investment Adviser continued

On 20 July 2017, the Company issued 235,335 Ordinary Shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 30 June 2017 under the Investment Advisory Agreement.

On 18 October 2017, the Company issued 275,886 Ordinary Shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 30 September 2017 under the Investment Advisory Agreement.

On 18 January 2018, the Company issued 285,075 Ordinary Shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 31 December 2017 under the Investment Advisory Agreement.

As at 31 March 2018, the Investment Adviser held 1,892,232 Ordinary Shares (2017: 877,439 Ordinary Shares) in the Company.

On 19 April 2018 the Company issued 319,310 Ordinary Shares to the Investment Adviser in relation to fees payable for the quarter ended 31 March 2018 under the Investment Advisory Agreement.

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

OTHER MATERIAL CONTRACTS

Administrator

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

Prior to 1 June 2016, the base fee was calculated at a single rate of 0.07% of the Company's NAV. The base fee is subject to a minimum of £65,000 applied on a monthly basis and is capped at £300,000 per annum. The Administrator is also entitled to a fee for Company secretarial services based on time costs.

In addition, the Administrator received a fee during the year of £18,500 for services rendered in connection with the Open Offer, Placing and Offer for Subscription of Ordinary Shares on 31 May 2017.

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

10. RELATED PARTIES AND OTHER MATERIAL CONTRACTS CONTINUED

OTHER MATERIAL CONTRACTS CONTINUED

Subsidiary Administrator

With effect from 28 January 2015, TMF Luxembourg S.A. (the "Subsidiary Administrator") was appointed as the administrator of the Subsidiary. With effect from 1 January 2017, the Subsidiary Administrator is entitled to receive an annual fee of €24,600 (prior to 1 January 2017: €24,000 per annum) and, in addition, a fee for NAV reconciliation and reporting services based on time costs but capped at €6,150 per annum (prior to 1 January 2017: €6,000 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 amounts charged for the above-mentioned fees during the year ended 31 March 2018 and outstanding at 31 March 2018 are as follows:

Year ended 31 March 2018	Charge for the year £	Amounts outstanding at 31 March 2018 £
Directors' fees and expenses	187,457	–
Investment Manager's fees	319,119	–
Investment Adviser's fees	4,826,658	1,318,754
Administration fee	377,116	8,453
Sub-administration fee*	21,822	5,261
Fees payable to the Custodian*	365,164	77,043
	6,097,336	1,409,511

Year ended 31 March 2017	Charge for the year £	Amounts outstanding at 31 March 2017 £
Directors' fees and expenses	181,351	–
Investment management fee	271,786	26,056
Investment advisory fee	3,482,915	1,060,127
Administration fee	358,286	35,628
Sub-administration fee*	60,965	2,950
Fees payable to the Custodian*	295,447	96,632
	4,650,750	1,221,393

** Includes expenses of the Subsidiary*

10. RELATED PARTIES AND OTHER MATERIAL CONTRACTS CONTINUED

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 31 March 2018, this facility had not been utilised.

LOAN COLLATERAL

During the year, the Company served as guarantor of a Senior VFN in the sum of £40 million, which served as collateral for a loan of £40 million payable to JP Morgan Chase Bank, London Branch (see note 15). This loan was repaid on 24 November 2017.

With effect from 6 December 2017, collateral for a revolving credit facility of £100 million with the Royal Bank of Scotland International Limited (see note 15) was provided by a Senior VFN in the sum of £100 million.

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, including the initial set up costs.

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 the following rights are attached:

(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.

12. SHARE CAPITAL CONTINUED

ISSUED SHARE CAPITAL

Ordinary Shares

	31 March 2018		31 March 2017	
	C shares Number	Ordinary shares Number	C shares Number	Ordinary shares Number
Share Capital at the beginning of the year	–	**595,642,196**	–	302,548,728
Share Capital issued and fully paid	–	**152,673,561**	175,171,834	120,689,349
Conversion from C to Ordinary Shares	–	–	(175,171,834)	172,404,119
Total Share Capital at the end of the year	–	**748,315,757**	–	595,642,196

	31 March 2018		31 March 2017	
	C shares £	Ordinary shares £	C shares £	Ordinary shares £
Share Capital at the beginning of the year	–	**588,354,362**	–	291,136,398
Share Capital issued and fully paid	–	**161,119,508**	175,171,834	126,755,714
Share issue costs	–	**(2,606,742)**	(2,962,136)	(1,737,448)
Conversion from C to Ordinary Shares	–	–	(172,209,698)	172,199,698
Total Share Capital at the end of the year	–	**746,867,128**	–	588,354,362

On 31 May 2017, 151,658,768 Ordinary Shares were issued in the Company's Open Offer, Placing and Offer for Subscription of Ordinary Shares at an issue price of 105.5p per Share.

During the year, 1,014,793 Ordinary Shares have been issued to the Investment Adviser in relation to fees payable for the period from 1 January 2017 to 31 December 2017, at an average issue price of 110.3p per Ordinary Share (see note 10).

Subsequent to the year end, 72,800,000 Ordinary Shares were issued through a Placing of Ordinary Shares on 9 May 2018 at an issue price of 104.0p per Share.

13. BASIC AND DILUTED EARNINGS PER SHARE

	Year ended 31 March 2018	Year ended 31 March 2017
Profit for the financial year	**£30,414,366**	£41,807,058
Weighted average number of Ordinary Shares	**722,505,738**	478,586,965
Basic and diluted earnings per Ordinary Share	**4.21p**	8.74p

The weighted average number of Ordinary Shares is based on the number of Ordinary and C Shares in issue during the year under review, as detailed in note 12.

On 9 May 2018, the Company issued 72,800,000 Ordinary Shares through a Placing of Ordinary Shares. Had these Ordinary Shares been issued during the year, the basic and diluted earnings per Ordinary Share would have been reduced.

There was no dilutive effect for potential Ordinary Shares for the year ended 31 March 2018.

14. TRADE AND OTHER RECEIVABLES

	31 March 2018 £	31 March 2017 £
VFN interest receivable	6,967,757	8,558,623
Other receivables	380,456	–
Prepaid finance costs	840,075	–
Other prepaid expenses	44,844	25,602
	8,233,132	8,584,225

15. LOANS PAYABLE

On 17 October 2016, the Company executed an 18 month £40 million loan with JP Morgan Chase Bank, London Branch ("JP Morgan Chase"). The proceeds of the loan were used in or towards the making of investments in accordance with the Company's investment policy. Collateral for the loan was provided by a Senior VFN in the sum of £40 million issued by the Subsidiary to the Company. Should the value of the underlying assets held in the Subsidiary have fallen below a certain level, further margin calls may have been made by JP Morgan Chase, however no margin calls were made during the year. Interest on the loan was charged at a rate of LIBOR plus 2.5% per annum. Loan interest of £781,358 (2017: £527,090) has been incurred on the loan during the year. No upfront fees or commitment fees were payable on the loan. The loan was repaid in full on 24 November 2017, incurring an early repayment fee of £166,575.

On 6 December 2017, the Company executed a 36 month £100 million multi-currency revolving credit facility with the Royal Bank of Scotland International Limited ("RBSI") as lead arranger. The proceeds of the loan are to be used in or towards the making of investments in accordance with the Company's investment policy. Collateral for the loan is provided by a Senior VFN in the sum of £100 million issued by the Subsidiary to the Company. 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 year. Drawdowns of US$30 million and US$25 million were made during the year, equivalent to £39,647,046 at the dates of drawdown. The outstanding balance at 31 March 2018 was US$55 million (£39,238,068). Interest on the loan was charged at a rate of LIBOR (or EURIBOR for any loan denominated in Euro) plus 2.1% per annum. Loan interest of £303,423 (2017: £Nil) has been incurred on the loan during the year. Upfront fees of £937,500 (including an annual commitment fee of £675,000) were payable on the loan, of which £97,425 has been recognised in the Statement of Comprehensive Income during the year.

On 6 April 2018, a further amount of £35 million was drawn down from the facility. Following the Placing of Ordinary Shares on 9 May 2018, on 11 May 2018 the outstanding US Dollar loan balance of US$55 million was repaid in full, as was £30 million of the outstanding Sterling balance.

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

16. TRADE AND OTHER PAYABLES

	31 March 2018 £	31 March 2017 £
Investment Advisory fee payable	**1,318,755**	1,060,127
Loan interest payable	**140,217**	527,090
Bank overdraft	**137,904**	–
Other payables	**180,891**	227,086
	1,777,767	1,814,303

17. COMMITMENTS

As at 31 March 2018, £107.7 million was committed 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.

18. SUBSEQUENT EVENTS

On 6 April 2018, £35 million was drawn down from the Company's revolving credit facility.

On 19 April 2018, the Company declared an interim dividend of 1.5p per Ordinary Share in respect of the quarter ended 31 March 2018. The dividend was paid on 25 May 2018.

On 30 April 2018, the Company issued 319,310 Ordinary Shares to the Investment Adviser at an issue price of 103.25p per Share, in relation to fees payable for the quarter ended 31 March 2018.

On 9 May 2018, the Company raised net proceeds of approximately £74.8 million through a Placing of Ordinary Shares. A total of 72,800,000 Ordinary Shares have been issued at an Issue Price of 104.0p per Share.

Jan Pethick acquired an additional holding of 30,380 Ordinary Shares in the above Placing.

Following the Placing of Ordinary Shares on 9 May 2018, on 11 May 2018 the outstanding US Dollar revolving credit facility balance of US$55 million was repaid in full, as was £30 million of the outstanding Sterling balance of £35 million (see note 15).

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

Officers and advisers

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Robert Jennings, CBE (Independent non-executive Chairman)
Jan Pethick (Independent non-executive Director)
Jon Bridel (Independent non-executive Director)
Sandra Platts (Independent non-executive Director)

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