2019

ANNUAL REPORT AND ACCOUNTS

Diversified
Sustainable
Growth

SEQUOIA
ECONOMIC
INFRASTRUCTURE
INCOME FUND LIMITED

Purpose

Our purpose is to generate attractive and sustainable returns for a wide range of investors through responsible and disciplined investment into a growing portfolio of diverse economic infrastructure debt. These assets would otherwise be difficult for investors to access, given the specialist nature of the necessary credit rating and advisory skills needed. Our investments support the operation and development of infrastructure, benefitting societies across the range of geographies where we invest.

Contents

Overview

ABOUT SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND LIMITED

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

Portfolio summary (as at 31 March 2019)

69	£56.4m	£16.5m	5.8 years
Investments	Largest investment	Average size	Average maturity
4.4 years	1.3	35%	16.2%
Average life	Portfolio mod. duration	Average equity cushion	Construction risk

Quote from the Chairman

“The Board is pleased to report another strong set of results for the year, underpinned by the continued portfolio performance. In light of ongoing confidence in the Company’s portfolio and strong NAV growth to 103.41p, the Board has increased the target dividend to 6.25p per Share per annum. We are appreciative of the continuing support of Shareholders, demonstrated by our recent successful fund raises. As a result, we were able to use the funds raised to pay down debt and execute on the pipeline of opportunities.

Economic infrastructure debt remains an underinvested and attractive asset class, given its low correlation to the volatility of the wider equity markets and statistically higher recovery rates. The balance of floating rate and shorter term fixed investments means that the portfolio is also well positioned to benefit from a rising interest rate environment over time. The Board has confidence in the long-term direction of SEQI and in the Investment Adviser’s ability to grow the diversified portfolio and source high quality, stable, cash-generative economic infrastructure debt investment opportunities.”

Robert Jennings Chairman of the Company

Highlights

2019 FINAL RESULTS

Continued portfolio growth and performance – increased dividend target

Highlights for the year ended 31 March 2019

- Annualised portfolio yield-to-maturity of 8.6% as at 31 March 2019
- Dividend of 6p per Ordinary Share paid during the year in line with target. Increased annual target dividend of 6.25p per Ordinary Share per annum announced in May 2019
- Over 2p per Ordinary Share NAV accretion achieved during the year after payment of dividends
- Raised gross proceeds of £75.7 million through an over-subscribed capital raise in May 2018
- Announced an additional capital raise in August 2018 which closed, significantly over-subscribed, in October 2018 with gross proceeds of £253 million
  - Proceeds used to repay the outstanding balance of approximately £116 million of the £150 million multi-currency revolving credit facility ("RCF")
  - Remaining proceeds have since been fully deployed into the strong pipeline of attractive investment opportunities
- Diversified portfolio of 69 investments across 8 sectors, 26 sub-sectors and 13 mature jurisdictions
  - 85% of investments in private debt
  - 69% floating rate investments, capturing short-term rate rises
  - Short weighted average life of 4.4 years creating re-investment opportunities
  - Weighted average equity cushion of 35%
- Ongoing charges ratio of 1.02% (calculated in accordance with AIC guidance)[1]

Post-year-end

- Successful oversubscribed capital raise in June 2019 raised gross proceeds of £216 million
- Revolving credit facility ("RCF") increased to £200 million from £150 million in August 2018
- In line with the Company's commitment to implementing an ESG policy, the Investment Adviser signed up to the United Nations Principles of Responsible Investment ("UNPRI")

Financial highlights

	31 March 2019	31 March 2018
Total net assets	**£1,097,139,421**	£758,170,202
Net Asset Value ("NAV") per Ordinary Share *	**103.41p**	101.32p
Ordinary Share price *	**113.00p**	106.00p
Ordinary Share premium to NAV	**9.3%**	4.6%

1 See appendix
** Cum dividend*

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, 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 6.25p per Ordinary Share per annum with effect from the quarter ended 30 June 2019 (increased from 6p per Ordinary Share) 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 of operations ended 31 March 2019.

CONSISTENT GROWTH AND PERFORMANCE

Since the Company's initial public offering ("IPO"), in March 2015, the Company's market capitalisation has grown from approximately £150 million to approximately £1.2 billion, with a net asset value ("NAV") of approximately £1.1 billion as at 31 March 2019. This growth has enabled the Company to build an increasingly diversified portfolio of investments, reducing the Company's exposure to any one single asset from approximately 10% at the time of the IPO, to approximately 5% at 31 March 2019.

The Company's Shares have consistently traded at a premium to its NAV, averaging 9.2% over the last year and also standing at 9.3% on 31 March 2019. 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 21.5p per Share and have seen the Share price increase from 100.0p to 113.0p as at 31 March 2019, representing a total gain of 34.5p per Share and an annualised return ("IRR") of 8.2% (6.7% calculated on a NAV basis, based on an IPO NAV of 98.0p per Share).

NET ASSET VALUE PERFORMANCE

Over the year, the Company's NAV per Share has increased from 101.32p to 103.41p. Over the same period, the Company has paid dividends of 6p per Share, resulting in a total return of 8.0%.This performance is predominantly the result of five factors: the portfolio consists of stable, cash generative assets which generate an annual return of over 8%; costs and expenses are moderate with an ongoing charges ratio of just over 1%; growing fee income resultant from originated investments; positive market movements on many of the Company's investments; and a contribution of 0.78p from the issuance of Shares at a premium during the year.

The Board continues to be pleased with the progress made by Sequoia Investment Management Company, our Investment Adviser, in building a portfolio of attractive infrastructure debt investments. As at 31 March 2019, the invested portfolio comprised 69 investments, diversified by borrower, jurisdiction, sector and sub-sector, and generating an average yield-to-maturity of 8.6% from a portfolio of loans and bonds with an average equity cushion of 35%. The yield on the portfolio has the potential to increase if LIBOR increases, since 69% of the assets have floating-rate interest income.

I would now like to address certain risk factors which have the potential to affect Shareholders' returns to a significant extent, and to comment on how we seek to address these.

CREDIT RISK

As with any fund that invests in the debt markets, credit risk is arguably the single largest risk factor in our investment strategy. I am pleased to say that since the IPO, the Company has not had a single loan default, but we fully recognise that we cannot be complacent about credit risk.

Prior to making any new loan, our Investment Adviser undertakes thorough due diligence and credit analysis, culminating in a review of the proposed loan by their Investment Committee. Loans which are recommended by the Investment Committee and supporting reports are then forwarded to International Fund Management ("IFM"), our Investment Manager, who, if they consider it appropriate, will authorise the investment. However, in any case where the proposed investment falls outside pre-determined parameters as to size, credit quality and other considerations, IFM will invite the views of the full Board, supported by Tim Drayson and Kate Thurman, our independent consultants, before reaching a conclusion on whether the transaction should proceed.


The Board also feels strongly that thorough investment monitoring by the Investment Adviser and regular engagement of the Directors, independent consultants and our Investment Manager in this process further mitigates credit risk. To this end we hold portfolio review days semi-annually. These provide an invaluable forum for the Investment Adviser to present updates on each investment in the portfolio to our full team, and for considered discussion of market conditions, trends and other strategic considerations. In addition, at its quarterly meetings the Risk Committee reviews any individual investments and issues that merit its consideration.

Bearing in mind the long period of relatively benign credit conditions we have seen since the Company's IPO, it has recently been agreed amongst our full team that, over the first half of the 2019/20 financial year, our Investment Adviser will seek to rebalance the portfolio marginally toward higher credit quality investments within our investment spectrum.

LIQUIDITY RISK

Liquidity is a further matter to which we pay close attention. We recognise that a large proportion of our investments, currently some 85%, are private debt investments. Private debt typically enjoys a higher yield (an "illiquidity premium") compared to rated, listed bonds. This illiquidity premium is a significant source of alpha for the Company.

In addition, in order to mitigate the potentially adverse impact of cash drag, we typically draw on our RCF on a short-term basis, and in theory such drawings, all of which are repayable by 6 December 2021, could amount to £200 million.

To mitigate the potential risk of holding a high proportion of our portfolio in illiquid assets, and at times borrowing on our RCF for a finite period, we hold approximately 15 per cent of our portfolio in listed bonds, which are usually more liquid than private debt, should a need for cash arise. But we also have to plan for more extreme circumstances, and our main defence against illiquidity is our diversified and highly cash-generative portfolio. The cash generated by the portfolio arises from not just the investments' regular, contractual and therefore predictable interest payments, but also as a result of the portfolio's short duration, which means that many of the underlying loans in our portfolio mature over a short time frame.

Our Investment Adviser estimates that the portfolio will, over the next twelve months and twenty-four months respectively, generate over £109 million (c.10% of NAV) and £158 million of free cash based on contractual repayments and excluding prepayments, after payment of its operating expenses and our target dividend to our Shareholders. This affords us considerable comfort that even if credit markets were to deteriorate and to turn illiquid for an extended period of time, we would have sufficient cash flow to meet our obligations to our advisers, our banks and our shareholders. Our status as a closed end fund further protects us against unexpected redemption pressure that from time to time afflicts other structures.

Our cash-generative portfolio also positions the Company well to reinvest principle at higher rates in a rising interest environment.

ENVIRONMENTAL RISK

The issue of climate change and carbonisation of the World's atmosphere is one which has become a greater concern even over the relatively short period since our IPO. It naturally impacts our credit assessment processes but, more importantly, it also impacts the way we believe our capital should be deployed. Accordingly, at the end of 2018, we invited our Investment Adviser to implement a thorough ESG review of our policies and procedures for future investments, as well as a one-off review or our current portfolio. The process of this programme is described more fully in the Investment Adviser's report.

In general, our investment portfolio has strong environmental credentials, with a meaningful allocation to renewable energy and related sectors such as electricity grid stabilisation and even highly-specialised ships needed for the maintenance of offshore windfarms. We have historically avoided assets such as the infrastructure for oil and gas exploration and production (oil rigs, for example). However, it would be fair to say that we have not to date had as comprehensive an ESG framework as we are now putting in place.

We are delighted that just after our year end, our Investment Adviser signed up to the United Nations Principles of Responsible Investments.

CURRENCY RISK

Currently, only about 19% of the portfolio consists of UK assets denominated in Sterling, with the balance diversified across assets denominated in US Dollars, Australian Dollars, Euros, Norwegian Kroner, and Polish Złoty. 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 approximately 100% of the Company's assets were denominated in Sterling.

ONGOING CHARGES RATIO ("OCR")

It is pleasing to report that our OCR in the year to 31 March 2019 was 1.02%. The single largest cost we face is the fee charged by our Investment Adviser. During the year we agreed a streamlined fee arrangement, which shareholders approved at our Annual General Meeting, and which provided for a significantly lower charge on funds under management of over £1 billion. The benefits of the new arrangement are now beginning to become apparent. At 31 May 2019, approximately £227 million of our assets under management were subject to investment advisory charges of 0.56%, so reducing the blended rate of the entire portfolio to 0.71%. If assets under management continue to increase, the blended rate payable to our Investment Adviser will fall further.

EVENTS AFTER THE END OF THE REPORTING PERIOD

The Company announced on 14 May 2019 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. On 25 June 2019, the Company announced that the capital raise, which was significantly over-subscribed, had been successfully completed, raising gross proceeds of £216 million.

The Company also announced on 14 May 2019 that it has increased its Revolving Credit Facility ("RCF") to £200 million (from £150 million previously). This increase is in line with the growth of the Company since the RCF was originally executed. In addition to its increase, the tenor of the RCF was also increased by twelve months. These changes will allow the Company to reduce the risk of cash holdings reducing its performance. There remains no intention though to run any structural leverage on the Fund.

In April 2019, the Investment Adviser signed the United Nations Principles of Responsible Investment (UNPRI) and is in the process of thoroughly incorporating these principles into its investment processes.

Finally, on 22 May 2019, the Company announced that it had increased the Company's dividend target from 6 pence to 6.25p per Share per annum. It is expected that the first dividend to be declared under the new target will be in respect of the quarter ending 30 June 2019.

THE BOARD

We have now worked together as a Board for four years. I have in previous years commented on how it has seemed to me that our Board and advisers have pulled together as a well balanced team, a circumstance which I am pleased to report is still as present today as it has ever been. I believe that this has and will continue to benefit Shareholder returns to a significant extent.

In 2018 we used the services of Duncan Read, an expert external Board effectiveness reviewer, to assess the performance of our Board and to advise us where we might beneficially make changes. Generally the feedback from that review was very positive, and it confirmed our suspicion that, with the growth of the Company's asset base, it would be appropriate to appoint Sandra Platts as our Senior Independent Director.

This year we have undertaken an internal review of our effectiveness, led by Sandra, which has again shown the Board to be functioning effectively.

The Board supports the recommendations of the Davies Report and notes the recommendations of the Parker Review into ethnic diversity, and the Hampton-Alexander Review on gender balance in FTSE leadership. The Board supports the widening of its diversity whilst ensuring the capabilities, experience and background of each member remains appropriate to the Company and continues to contribute to overall Board effectiveness. During 2018, the Board appointed Kate Thurman and Tim Drayson as Independent Consultants. Kate and Tim have a specific mandate to the Board on the overall approach to risk management across the portfolio. The appointment of the Independent Consultants to the Board means further strengthening the Board's governance framework, in both skills and diversity.

Having considered all aspects of the recent Board reviews, the Board is confident that it is functioning effectively and that it would not be in the interests of the Company's shareholders to change the Boards composition at this point in time, after only four years of the Company's existence.

The Board recently made a statement on Board Composition and Diversity, which can be found on the Company's website https://www.seqifund.com/investors/documents-circulars.

SHAREHOLDER COMMUNICATIONS

The Company has recently revamped its website (www.seqifund.com), at which Shareholders can find news and information on the Company. We also post our monthly factsheets on our website. These are usually issued by the 10th working day of each month, and provide updates on the portfolio's performance to the end of each preceding month. It is our intention to continue providing these regular and timely monthly updates. In addition, the Board, in conjunction with the Company's key advisers, maintains regular dialogue with major Shareholders.

POSITIVE OUTLOOK

Since the Company's listing over four years ago, the portfolio has faced bouts of volatility in global capital markets resulting from circumstances including 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. For example, in the fourth quarter of 2018, the global corporate bond and loan markets declined, caused by a flight of capital to lower risk investments. During that quarter, the Bloomberg Barclays Global High Yield Total Return Index fell by approximately 3.5%. However, over the same period, the Company's NAV total return was 1.5%, an outperformance of 5%. Moreover, the Investment Adviser was able to acquire a number of cheap investments in the secondary markets during that period of weakness.

Nevertheless, at some point in the future there is a high probability that market circumstances could deteriorate and we would not be immune from a severe general market sell off. The Board regularly assesses such risk and, were such circumstances to hit us in the near future, the Board believes that the Company is well placed and that its portfolio and investment pipeline should, over the long term, continue to deliver an attractive risk-adjusted return with a relatively low correlation to the broader financial markets.

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

Robert Jennings
Chairman

4 July 2019

Investment Adviser's report

THE INVESTMENT ADVISOR'S OBJECTIVES FOR THE YEAR

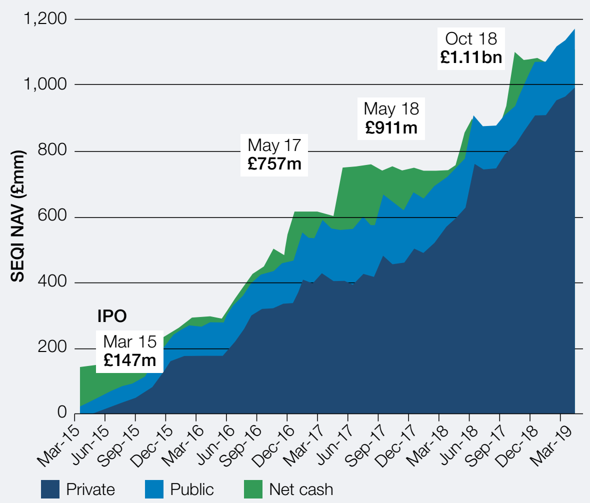
Over the course of the financial year ended 31 March 2019, Sequoia Investment Management Company Limited ("Sequoia") has had a number of objectives for the Company:

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 and broader benefits	Gross proceeds of £328.7 million raised during the year across two over-subscribed capital raises ✓
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 per Ordinary Share during the year ✓

CAPITAL RAISED AND SHARE PERFORMANCE

The Company completed two capital raises during the financial year ended 31 March 2019, both of which were very significantly oversubscribed: an Ordinary Share placing in May 2018 which raised gross proceeds of £75.7 million, and an Ordinary Share open offer, placing and offer for subscription in October 2018 which raised gross proceeds of £253.0 million.

Capital raising and deployment since IPO



As at 31 March 2019, the Company had 1,060,975,849 Ordinary Shares in issue. The closing Share price on that day was 113.0p per Share, implying a market capitalisation for the Company of approximately £1.2 billion, compared to £793.2 million a year previously.

The Company announced on 20 August 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. The open offer, placing and offer for subscription, which closed in October, was significantly oversubscribed and the Shares were issued at a premium to NAV, resulting in total gross proceeds of £253.0 million. Of the total gross proceeds raised, approximately £116.0 million was subsequently used to repay all the sums drawn under the RCF and the accordion facility. The remaining proceeds have since been fully deployed to acquire investments from the attractive pipeline of opportunities.

NAV PERFORMANCE

Over the financial year, the Company's NAV increased from 101.32p per Share to 103.41p per Share, driven by the following effects:

Factor	NAV effect
Interest income on the Company's investments	8.70p
Losses on foreign exchange movements, net of the effect of hedging	(0.44)p
Positive market movements	1.08p
IFRS adjustment from mid-price at acquisition to bid price	(0.63)p
Operating costs	(1.40)p
Gains from issuing Shares at a premium to NAV	0.78p
Gross increase in NAV	8.09p
Less: Dividends paid	(6.00)p
Net increase in NAV after payments of dividends	2.09p

The Company made a loss of 0.44p from foreign exchange movements, largely due to the cost of hedging nearly 100% of non-GBP assets back into Sterling. On 31 March 2019, approximately 100% of the Company's NAV consisted of either Sterling assets or was hedged into Sterling through foreign exchange forward contracts (up from 94% as at 31 March 2018). The values of these contracts are marked-to-market along with the investments on a monthly basis in

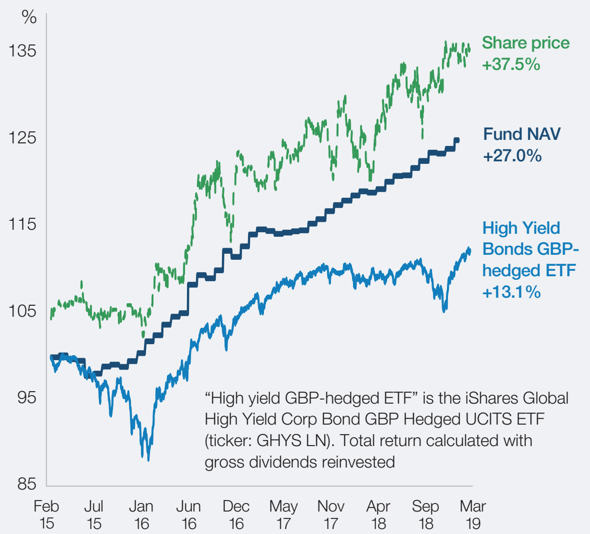
order to reduce the potential for foreign exchange rate volatility in the Company's NAV over the longer term.

After the payment of 6.0p of dividends, and accounting for the 0.44p loss from foreign exchange movements, the Company's NAV increased by 2.09p per Share.

THE MARKET ENVIRONMENT DURING THE YEAR

The Company has operated in a volatile environment over the last six months, with the liquid credit markets especially experiencing wider lending margins and bond spreads in the fourth quarter of 2018, followed by a swift recovery in the first quarter of 2019. While the private debt markets did not in general see the same volatility, the Investment Adviser was able to make some investments in infrastructure bonds at historically attractive prices.

Total return since the inception of the Fund



Primary market issuance in the infrastructure loan markets has been exceptionally strong, with deal volumes of USD111 billion over the last six months, split approximately 32.2% in North America, 36.5% in Europe, 11.2% in Asia and 20.1% in the rest of the world[2]. 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.

DIVERSIFIED PORTFOLIO

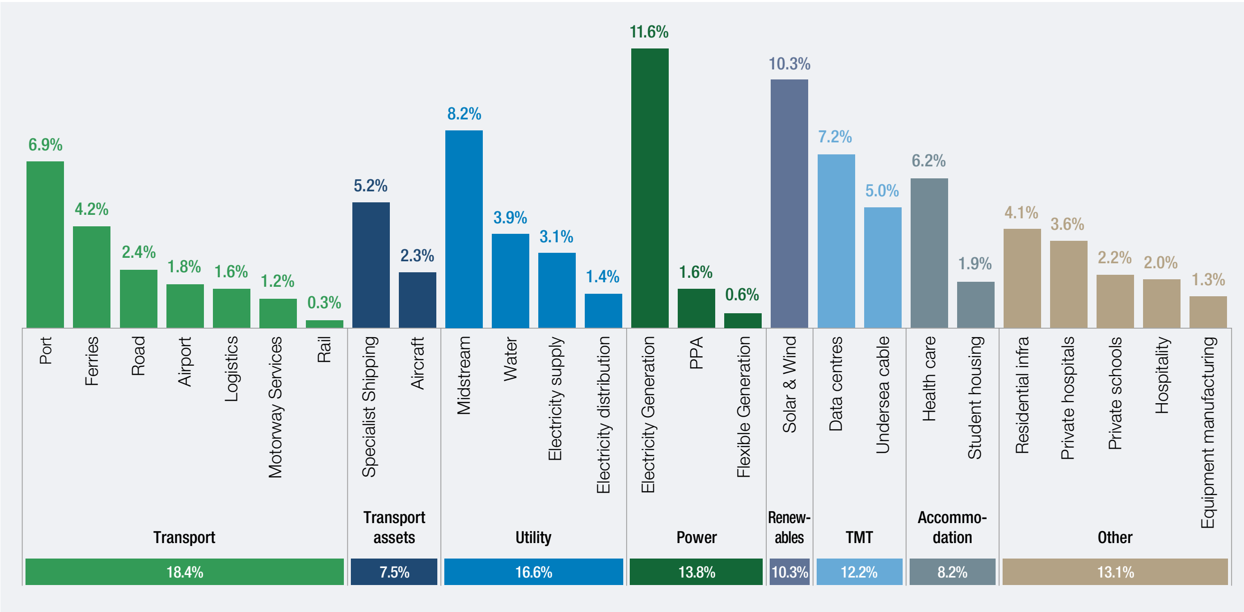
The Company has taken advantage of these favourable market conditions to assemble a diversified portfolio of infrastructure loans and bonds over its four-and-a-half years of operations. These investments are capable of providing the regular, sustained, and long-term distributions of income which is the 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 hotly 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, e.g. 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 below shows portfolio sectors and sub-sectors on 31 March 2019:

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

2 Preqin Quarterly Infrastructure Update : Q1 2019 Data Pack



DIVERSIFIED PORTFOLIO CONTINUED

The Company focuses predominantly on private debt, which on 31 March 2019 represented approximately 85% of its portfolio (compared to 79% a year previously). This is because, typically, private debt enjoys an illiquidity premium: i.e. a higher yield than a liquid bond with otherwise similar characteristics. Since the Fund's main investment strategy is "buy and hold", it makes sense to capture this illiquidity premium. Sequoia's research indicates that infrastructure private debt instruments yield approximately 1% more than public, rated bonds. However, in some cases, bonds can also be an attractive investment for three reasons. Firstly, some bonds are "private placements" which, whilst in bond format, have an attractive yield that is comparable to loans. Secondly, some sectors, such as US utility companies, predominantly borrow through the bond markets, and therefore having an allocation to bonds can improve the diversification of the portfolio. Thirdly, having some liquid assets in the portfolio enables the Company to take advantage of future opportunities and can also be used to satisfy the Company's potential tender obligations.

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 in construction on 31 March 2019 was 16.2% of the portfolio. Sequoia is careful to select projects where it believes the Company is well compensated for taking a moderate level of construction risk, and where the underlying strength of the borrower's business or project mitigates the risk.

ESG 2020

The Company has begun a comprehensive programme of establishing and incorporating broad ESG considerations into its approach to investment.

The Board and the Investment Adviser takes their corporate and social responsibilities seriously. The Company already has strong ESG credentials. For example, it is invested in a number of renewable energy assets, such as solar panels and wind turbines, as well as specialist vessels used in the maintenance of offshore wind turbines. It is also invested in assets necessary for the transition to a lower-carbon world such as natural gas pipelines in the United States, which are needed to reduce the amount of coal-fired electricity generation. Other investments have societal benefits such as the provision of healthcare or education.

The Board and Investment Adviser therefore intend to establish a number of appropriate policies to demonstrate to shareholders how the Company takes into account the risks associated with climate change when deploying its capital.

The intention is for 2019 to be a year of implementation, with the goal of the programme being fully in place by 2020.

As a first step in this process, the Investment Adviser signed up to the United Nations Principles of Responsible Investments in April 2019. These principles now cover investments in private debt, and as such are highly relevant to the Company's business. In addition, the Investment Adviser has started incorporating these principles into all stages of its investment process:

- The origination of new investments will include enhanced negative and positive screening.
- Due diligence and credit analysis will include assessing thoroughly the potential impact of climate change, enhanced environmental impact and technical assessments, and ESG questionnaires for borrowers.
- Loan documentation can include, where appropriate, ESG considerations. For example, these could include enhanced reporting by borrowers in relation to their environmental impact.
- The Company's reporting to its shareholders will be expanded to cover ESG. In particular, it will take account of the recommendations of the Task Force on Climate-related Disclosures (TCFD), including those recommendations specific to the banking sector, and the Company aims to provide best-in-class disclosure.

In parallel with this, the Investment Adviser will retrospectively review the Company's existing portfolio and assess whether it is currently holding investments which, had these policies been in place at the time, would not have made. These "red flag" investments will then either be sold or, if a satisfactory price in the secondary market cannot be found, put into a segregated part of the portfolio and allowed to run off over their natural life. Based on its preliminary review, the Investment Adviser does not believe this process will materially change the investment portfolio's yield or diversification given the portfolio's existing ESG credentials and lack of investments in oil & gas E&P investments, military or tobacco, gambling and alcohol.

The Company therefore views its ESG 2020 initiative as building upon solid foundations and being an evolutionary change, rather than revolutionary.

The Company's ESG policy comprises the following guidelines:

Guidelines	Considerations
Alignment with community goals	• Health & safety of residents: pollution & noise • Historical and cultural elements preservation and project's visual impact
Commitment to sustainability goals	• Counterparties' commitment to sustainability, including an adequate maintenance plan • Other indicators of commitment to sustainability
Efficient use of resources	• Materials recycling, reduction of energy & water consumption and limitation on use of landfills • Alternative water sources usage and consumption of renewable energy
Reduced environmental footprint	• Emissions of greenhouse gasses and air pollutants • Usage of environmentally friendly and biodegradable materials • Use of farmland and natural buffer zones
Sustainable economic development	• Job creation and workforce skills development • Support of local social and business community

In connection with the Company's commitment to ESG, the Investment Adviser successfully signed up to the United Nations Principles of Responsible Investment ("UNPRI") in April 2019. Whilst these have historically been tailored towards equity investors, their scope has expanded to private debt. The UNPRI encompass all stages of the private debt process (origination, due diligence, documentation, holding period and exit decisions).

CASE STUDY:

Forsa Energy: flexible generation technology

Forsa Energy is a provider of flexible generation technology, an emerging asset class which is expected to become increasingly important as renewables increase the intermittency of the grid. Gas reciprocating engines benefit from being an established technology for over 100 years, with the ability to power up quickly, offer strong efficiency and are much cleaner than their diesel counterparts.

As the UK energy market moves towards greater renewable capacity, flexible generation is best placed to meet the gap between baseload and peak-load power demand. Diversified revenue streams also allow for a mix of stable long-term cash flows, whilst still being able to take advantage of intra-day volatility in power prices.

Sequoia originated a £30 million facility (with a c. £7 million initial draw) at HoldCo to finance the construction of the first three 20 MW plants. As the borrower's roll-out of sites continues across the UK, Sequoia will have the option to extend further financing to construct subsequent plants.

£30m

Sequoia originated a £30 million facility (with a c. £7 million initial draw)

ORIGINATION ACTIVITIES

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

Primary market origination

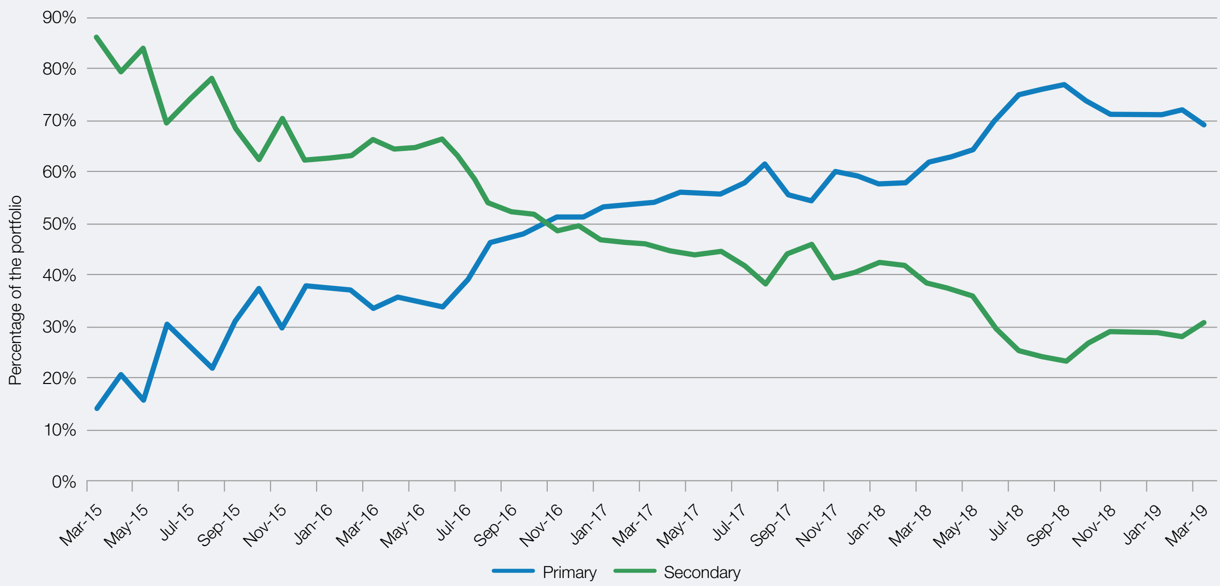
The primary loan markets are an increasingly important opportunity for the Company. The Investment Adviser has sourced bilateral loans and participated in "club" deals, where a small number of lenders join together. The Company has also participated in more widely-syndicated infrastructure loans.

Primary market loans often have favourable economics because the Company, as lender, benefits from upfront lending fees. As the Company has grown, primary market investment activity has grown to surpass secondary market investments, with 70% of the portfolio comprising primary investments as at 31 March 2019.

Secondary market origination

Some of the Company's investments were acquired from banks or other lenders in the secondary markets. This enabled a relatively rapid deployment of capital, since primary market transactions in infrastructure debt can often take a considerable time to execute. In addition, secondary market loans have performance history that permits credit analysis on actual results rather than financial forecasts. Finally, research[3] shows that infrastructure loans improve in credit quality over time so secondary loans in many cases have improved in credit quality from the time of their initial origination.

Primary and secondary investments



3 Average annual European broad infrastructure and global project finance default rates. Moody's, "Default and Recovery Rates for Project Finance Bank Loans 1983-2016," March 2018 and 1983-2016 Addendum, September 2018.

Investment Adviser's report

Continued

FUND PERFORMANCE

		31 March 2019	30 September 2018	31 March 2018
Net asset value	*per Ordinary Share*	**103.41p**	101.86p	101.32p
	£ million	**£1,097.1**	£837.1	£758.2
Invested portfolio	*percentage of net asset value*	**103.8%**	109.2%	94.4%
Total portfolio	*including investments in settlement*	**112.9%**	123.4%	108.6%

PORTFOLIO CHARACTERISTICS

		31 March 2019	30 September 2018	31 March 2018
Number of investments		**69**	58	56
Single largest investment	*£ million*	**£56.4**	£54.5	£49.2
	percentage of NAV	**5.1%**	6.5%	6.5%
Average investment size	*£ million*	**£16.5**	£15.8	£12.8
Sectors	*by number of invested assets*	**8**	8	8
Sub-sectors		**26**	25	23
Jurisdictions		**13**	13	10
Private debt	*percentage of invested assets*	**85.1%**	86.6%	79.3%
Senior debt		**64.3%**	53.8%	56.5%
Floating rate		**69.4%**	66.5%	64.3%
Construction risk		**16.2%**	11.2%	17.9%
Weighted-average maturity	*years*	**5.8**	7.0	7.3
Weighted-average life		**4.4**	5.0	5.1
Yield-to-maturity		**8.6%**	8.4%	8.2%
Modified duration		**1.3**	1.4	1.6


STRONG PIPELINE OF OPPORTUNITIES

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.

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

4 July 2019

THE SEQUOIA INVESTMENT MANAGEMENT COMPANY TEAM

Sequoia Investment Management Company Limited ("Sequoia") is an experienced investment adviser, which has acted as Investment Adviser to the Company from its inception. The key members of the team, all of whom were founders of Sequoia, are as follows:

Randall Sandstrom
CEO / CIO

27 years of experience in the international and domestic credit markets and infrastructure debt markets.
Has managed global high yield and investment grade bonds, leveraged loans, ABS and money market securities.

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

Head of Euro Credit Market Strategy, Morgan Stanley. Institutional Investors "All-American" senior Industrial Credit Analyst, CS First Boston (energy and transportation). Has worked in London, New York and Tokyo.

Dolf Kohnhorst
Chief Risk Officer

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

Head of Société Générale's Financial Institutions Group covering UK, Irish, Benelux and Scandinavian banks, insurance companies, pension funds and investment management companies.

16 years at Morgan Stanley heading Benelux and Scandinavian sales teams and DCM Structured Solutions Group.

Commercial lending to shipping, construction and project finance sectors.

Greg Taylor
Head of Infrastructure, Portfolio Manager

29 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.

Steve Cook
Portfolio Manager

18 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.

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 served as one of the Department for Transport appointed non-executives on the Board of Crossrail, and was Chair of Southern Water until February 2017. He was appointed to the Board of 3i Infrastructure plc in a non-executive role with effect from 1 February 2018, which is ongoing. In June 2019, he became one of the founding directors of Chapter Zero, whose aim is to provide non-executive directors and other parties a forum by which they can conveniently access guidance on carbonisation, climate change and the role of boards in responding to these challenges, having been a member of its executive committee since November 2018.

SANDRA PLATTS (SENIOR INDEPENDENT DIRECTOR)

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

JAN PETHICK

Jan Pethick is a resident of the United Kingdom and has over 35 years' experience in the debt sector. Mr Pethick was Chair 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 Chair 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.

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. She is a board and audit committee member of Colne Housing Society, a not-for-profit Housing Association with 3,000 units under management and ca. £150 million of commercial debt. Her former executive career included senior roles in asset management and investment banking organisations.

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
Sandra Platts	NB Global Floating Rate Income Fund Limited	London Stock Exchange – Main Market
	UK Commercial Property Trust	London Stock Exchange – Main Market
	Marble Point Loan Financing Limited	London Stock Exchange – SFS
Jan Pethick	None	
Jon Bridel	DP Aircraft 1 Limited	London Stock Exchange – SFS
	Fair Oaks Income Limited	London Stock Exchange – SFS
	SME Credit Realisation Fund Limited (in wind-down)	London Stock Exchange – Main Market
	Starwood European Real Estate Finance Limited	London Stock Exchange – Main Market
	The Renewables Infrastructure Group Limited	London Stock Exchange – Main Market

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 2019.

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, and to propose further Continuation Resolutions within every three years thereafter. The first Continuation Resolution was passed by Shareholders at an Extraordinary General Meeting of the Company on 25 May 2016, and the second on 16 August 2018 at the Company's Annual General Meeting ("AGM"). 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 next Continuation Resolution, to be proposed at the 2021 AGM, may not be passed by Shareholders, however they noted the overwhelming majority vote in favour of the Continuation Resolutions passed in May 2016 and August 2018, the consistently strong appetite for the Company's investment proposition, evidenced by a number of successful share issues, 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 2024, 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 2024 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 has historically generally fallen within the range of 4 to 5 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 2021 AGM, may not be passed by Shareholders. The Directors noted the overwhelming majority vote in favour of the Continuation Proposals passed in May 2016 and August 2018 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, Placing in May 2018 and Open Offers, Placings and Offers for Subscription in October 2018 and June 2019. 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 2024.

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.

Since their appointment on 30 January 2018, Tim Drayson and Kate Thurman, independent consultants to the Company, have provided guidance to the Board on the overall approach to risk management across the Company's portfolio. Part of their focus has been to assist the Investment Manager in scrutinising certain of the Investment Adviser's credit evaluations.

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.

Political and economic risk

The Risk Committee reviews risks as they relate to Brexit and the impact of Brexit on the above risks.

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 36.

The Directors have declared and paid dividends of £55,365,515 during the year ended 31 March 2019 (2018: £42,584,207). Further details of dividends declared or paid are detailed in note 4 to the Financial Statements.

Further to the Company's announcement of 22 May 2019, its dividend policy, in the absence of any significant restricting factors, is to pay dividends totalling 6.25p per Ordinary Share per annum with effect from the quarter ended 30 June 2019 (increased from 6p per Ordinary Share) 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 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 2019, the long-term credit rating of the Custodian as reported by Standard and Poor's is AA- (2018: 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 16.

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 £65,000 per annum for his services as Chairman of the Board of Directors. The remaining Directors each received a fee of £43,000 per annum for their services as Directors.

Robert Jennings serves as Chair of the Nomination Committee; Jan Pethick as Chair of the Management Engagement Committee; Jon Bridel as Chair of the Risk Committee; and Sandra Platts as Chair 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 Chair.

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 12 October 2018.

For further information related to Directors' remuneration, please refer to the Directors' Remuneration Report on pages 28 to 29.

As at 31 March 2019, 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)	240,000	0.02%
Jan Pethick (with his spouse)	263,820	0.02%
Jon Bridel (with his spouse)	10,452	0.00%
Sandra Platts (in a family RATS)	19,073	0.00%

During the year, Jan Pethick acquired 30,380 Ordinary Shares in the Placing of Ordinary Shares on 9 May 2018, and Robert Jennings and Sandra Platts acquired 22,800 Ordinary Shares and 2,934 Ordinary Shares respectively in the Open Offer, Placing and Offer for Subscription on 12 October 2018.

Subsequent to the year end, Sandra Platts acquired 2,384 Ordinary Shares in the Open Offer, Placing and Offer for Subscription on 27 June 2019.

SUBSTANTIAL SHAREHOLDINGS

As at 31 March 2019, the Company had the following Shareholdings in excess of 5% of the issued Share capital:

Name	Number of Ordinary Shares	Percentage
Smith & Williamson Investment Management	90,520,467	8.53%
Investec Wealth & Investment	83,075,260	7.83%
SEB Pensionsforsikring	66,236,639	6.24%

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.

COMMON REPORTING STANDARD

The Common Reporting Standard ("CRS"), formerly the Standard for Automatic Exchange of Financial Account Information, became effective on 1 January 2016, and 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 and the European Union Savings Directive, and has superseded the UK-Guernsey IGA for the Automatic Exchange of Information with effect from 1 January 2016. 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

4 July 2019

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.

The Board also acknowledges the new AIC Code of Corporate Governance which was issued in February 2019 (the "2019 AIC Code") and notes that the 2019 AIC Code is effective for financial periods beginning on or after 1 January 2019. During the coming financial year, the Board intends to review its policies and procedures against the 2019 AIC Code and comply or explain against the relevant provisions in the Company's annual report for the year ended 31 March 2020.

For the year ended 31 March 2019, 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 2019, 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 16.

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

Jan Pethick is the Chair of the Management Engagement Committee.

Jon Bridel is the Chair of the Risk Committee.

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

Sandra Platts is appointed to act as the Company's Senior Independent Director ("SID"). The role of the SID is primarily to provide support to the Chairman and assisting with setting the Board agenda, and to be available to Shareholders as an additional point of contact or to communicate any concerns to the Board. The Board expects that the role and duties of the SID will be continued to be embedded 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 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 its 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 28 to 29.

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 Chair, 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.

Votes against 2018 AGM resolutions

The Board is aware that a number of votes (approximately 17.57% of those voting) was received against Resolution 12 at the 2018 AGM which related to the change in the Investment Adviser's fee basis (the "Resolution"). As already explained in the Chairman's Statement, the Investment Adviser's fee is the largest fee borne by the Company and the revised fee basis provides for a significantly lower charge on funds under management of over £1.0 billion. On the basis of

RELATIONS WITH SHAREHOLDERS CONTINUED

Votes against 2018 AGM resolutions continued

the Company's assets under management of c. £1.4 billion as at 30 June 2019 (relative to c. £0.9 billion at the time of the last AGM), this difference is already becoming apparent, and if assets under management continue to increase, the percentage payable to the Investment Adviser will continue to fall over time.

The majority of the votes against the resolution were attributable to two institutional investors, with whom the Board has engaged following the 2018 AGM. The Board explained its position to them and is hopeful that, given the increase in the AUM since then, all Shareholders now feel that real benefits are accruing to the Company from the reduced marginal rate on advisory fees payable.

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	4	1	1	1
Robert Jennings*	4	9	3	4	1	1	1
Jan Pethick*	4	9	3	4	1	1	1
Jon Bridel	4	11	3	4	1	1	1
Sandra Platts	4	10	3	4	1	1	1

** Onshore resident Directors*

Kate Thurman and Tim Drayson, the Company's independent consultants, attended a number of Risk Committee and other meetings with the Directors during the year.

BOARD COMMITTEES

Audit Committee

As at 31 March 2019, the Audit Committee comprised Sandra Platts, Jon Bridel, Jan Pethick 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 30 to 32.

Risk Committee

As at 31 March 2019, the Risk Committee comprised Jon Bridel, Robert Jennings, Jan Pethick and Sandra Platts, and was chaired by Jon Bridel. The Committee meets quarterly.

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 has complied with Article 22 and 23 of the AIFMD for the year ended 31 March 2019.

The Risk Committee works closely with IFML and, as required, the independent consultants, 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, the independent consultants 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 2019, the Nomination Committee comprised Jon Bridel, Robert Jennings, Jan Pethick 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 review undertaken by the Nomination Committee during the year of the size, structure and composition and effectiveness of the Board, it was concluded by the Nomination Committee that the incumbent Board, together with its Independent Consultants, continues to provide the breadth of skills, knowledge and experience to discharge its duties effectively, and to meet the leadership needs of the Company.

In order to avoid undue disruption from the departure of multiple directors in the same year, and for reasons of continuity, the Nomination Committee confirmed the Board's approach to an orderly and gradual phasing of its membership, as set out in its formal succession plan, whereby the first of those Directors appointed at the Company's launch would retire without seeking re-appointment at the 2021 AGM. Shareholders will be asked to approve the appointment of his or her successor at this meeting.

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

Board Diversity

The Board supports the recommendations of the Davies Report and notes the recommendations of the Parker review into ethnic diversity and the Hampton-Alexander review on gender balance in FTSE leadership. The Board supports the widening of its diversity, whilst ensuring the capabilities, experience and background of each member remain appropriate to the Company and continue to contribute to overall Board effectiveness.

The Board believes that it is currently functioning in a highly effective manner, and that it would not currently be in Shareholders' best interests to change the structure or composition of the Board at this point in time. In addition, the Board notes the role played by Kate Thurman as Independent Consultant to the Board, and that including Sandra Platts' role as SID, a third of the overall independent oversight of the Company is provided by women.

Remuneration Committee

As at 31 March 2019, the Remuneration Committee comprised Jon Bridel, Robert Jennings, Jan Pethick and Sandra Platts, 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 28 to 29.

Management Engagement Committee

As at 31 March 2019, the Management Engagement Committee comprised Jon Bridel, Robert Jennings, 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 key service providers. A detailed assessment of the performance and the terms of engagement of the Company's service providers is undertaken on at least an annual basis to ensure each remains fair and reasonable. 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.

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 and regulations. The Companies (Guernsey) Law, 2008 (the "Company law") requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB and applicable law.

Under the 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 these 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 responsible for keeping 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 is 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 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 this 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 each Director has 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 16, 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

4 July 2019

Directors’ remuneration report

The Company’s policy in regard to Directors’ remuneration is to ensure that the Company maintains a transparent and 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:

	Per annum £	**Year ended 31 March 2019 Actual £**	Year ended 31 March 2018 Actual £
Robert Jennings (Chairman of the Board and the Nomination Committee)	65,000	**65,000**	56,000
Jan Pethick (Chair of the Management Engagement Committee)	50,000	**50,000**	43,500
Jon Bridel (Chair of the Risk Committee)	50,000	**50,000**	43,500
Sandra Platts (Chair of the Audit and Remuneration Committees)	50,000	**50,000**	43,500
Total	215,000	**215,000**	186,500

In addition, Robert Jennings, Jan Pethick, Jon Bridel and Sandra Platts each received a listing fee of £6,000, subject to admission, in connection with the Open Offer, Ordinary Share Placing and Offer for Subscription on 12 October 2018.

The remuneration policy set out above is the one applied for the year ended 31 March 2019.

In consultation with the Company’s advisers during March 2019, the Remuneration Committee undertook an internal review of the Company’s remuneration policy, which included receiving reports benchmarking the Company’s position relative to peers and other vehicles in the listed infrastructure and debt sectors. Having reviewed the level of activity over the prior year and the time requirement placed on the Directors in attending to matters as the Company continued to gain scale, it was agreed that a marginal increase should be applied to the base fees payable to each of the Directors. The change in aggregate represents an increase of less than 5%, and was considered by the Remuneration Committee to be reasonable in the circumstances. No Director was involved in determining his or her own remuneration.

Accordingly, with effect from 1 April 2019 and conditional on receiving Shareholder approval to the Remuneration Report at the 2019 AGM, Robert Jennings’ annual fee increased to £66,800 per annum; the annual fees for Jan Pethick, Jon Bridel and Sandra Platts increased to £51,300 each, comprising a basic fee of £44,300 per annum and a fee for their services as Committee Chair of £7,000 per annum; and Sandra Platts will receive an additional fee of £5,000 per annum for her additional time commitment of 5 days per annum as Senior Independent Director.

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 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 2019 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 Chair

4 July 2019

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

As at 31 March 2019, the Audit Committee comprised Jon Bridel, Robert Jennings, Jan Pethick and Sandra Platts, and was chaired by Sandra Platts. 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 16 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 £1,118,045,818 as at 31 March 2019, 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 68.9% (2018: 66.0%) 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 2019, 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 2019, 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 Auditor's 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 2019, 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 2019 £	For the year ended 31 March 2018 £
Annual audit of the Company	**95,000**	67,000
Interim review of the Company	**25,750**	25,000
Annual audit of the Subsidiary	**28,000**	25,000

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 Chair

4 July 2019

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 2019, 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.

In our opinion, the accompanying financial statements:

- give a true and fair view of the financial position of the Company as at 31 March 2019, 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 2018):

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

£1,118,045,818 (2018: 774,427,676)

Refer to pages 30 to 32 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 £1.1bn, namely private loans ("Private Debt") with a fair value of £969m and publicly traded bonds ("Public Debt") with a fair value of £170m (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 expert 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 expert in performing their work. We obtained and assessed the third party valuation expert'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 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 25% 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 8% 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 publicly 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 £32,700,000, determined with reference to a benchmark of Net Assets, of which it represents approximately 3.0% (2018: 3.0%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1,635,000, 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 18, 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 disclosures describing these risks and explaining how they are being managed or mitigated;
- the Directors' explanation in the viability statement on page 18, 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 27, 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

4 July 2019

Statement of comprehensive income

For the year ended 31 March 2019

	Note	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Revenue			
Net gains/(losses) on non-derivative financial assets at fair value through profit or loss	6	3,634,711	(17,293,682)
Net (losses)/gains on derivative financial assets at fair value through profit or loss	7	(26,634,900)	24,288,499
Investment income	9	106,717,142	31,726,415
Net foreign exchange loss		(1,593,178)	(64,118)
Total revenue		82,123,775	38,657,114
Expenses			
Investment Adviser fees	10	7,312,391	4,826,658
Investment Manager fees	10	320,000	319,119
Directors' fees and expenses	10	216,601	187,457
Administration fees	10	405,541	377,116
Auditor's fees		136,129	82,346
Legal and professional fees		280,542	181,395
Valuation fees		502,000	477,600
Custodian fees		215,114	167,378
Listing, regulatory and statutory fees		105,700	72,436
Loan finance costs	15	3,172,657	1,348,781
Other expenses		286,268	202,462
Total operating expenses		12,952,943	8,242,748
Profit and total comprehensive income for the year		69,170,832	30,414,366
Basic and diluted earnings per Ordinary Share	13	7.48p	4.21p

All items in the above statement are from continuing operations.

The accompanying notes on pages 40 to 69 form an integral part of the Financial Statements.

Statement of changes in Shareholders’ equity

For the year ended 31 March 2019

YEAR ENDED 31 MARCH 2019

	Note	Share capital £	Retained earnings £	Total £
At 1 April 2018		746,867,128	11,303,074	758,170,202
Issue of Ordinary Shares during the year, net of issue costs	*12*	325,163,902	–	325,163,902
Total comprehensive income for the year		–	69,170,832	69,170,832
Dividends paid during the year	*4*	–	(55,365,515)	(55,365,515)
At 31 March 2019		**1,072,031,030**	**25,108,391**	**1,097,139,421**

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

The accompanying notes on pages 40 to 69 form an integral part of the Financial Statements.

Statement of financial position

At 31 March 2019

	Note	31 March 2019 £	31 March 2018 £
Non-current assets			
Non-derivative financial assets at fair value through profit or loss	*6*	**1,118,045,818**	774,427,676
Current assets			
Cash and cash equivalents	*8*	**27,633,414**	2,393,742
Trade and other receivables	*14*	**60,522,481**	8,233,132
Derivative financial assets at fair value through profit or loss	*7*	**10,598,250**	14,432,392
Total current assets		**98,754,145**	25,059,266
Total assets		**1,216,799,963**	799,486,942
Current liabilities			
Loan payable	*15*	**113,875,164**	–
Trade and other payables	*16*	**2,364,618**	1,777,767
Derivative financial liabilities at fair value through profit or loss	*7*	**3,420,760**	300,905
Total current liabilities		**119,660,542**	2,078,672
Non-current liabilities			
Loan payable	*15*	**–**	39,238,068
Total non-current liabilities		**–**	39,238,068
Total liabilities		**119,660,542**	41,316,740
Net assets		**1,097,139,421**	758,170,202
Equity			
Share capital	*12*	**1,072,031,030**	746,867,128
Retained earnings		**25,108,391**	11,303,074
Total equity		**1,097,139,421**	758,170,202
Number of Ordinary Shares	*12*	**1,060,975,849**	748,315,757
Net asset value per Ordinary Share		**103.41p**	101.32p

The Financial Statements on pages 36 to 69 were approved and authorised for issue by the Board of Directors on 4 July 2019 and signed on its behalf by:

Sandra Platts
Director

The accompanying notes on pages 40 to 69 form an integral part of the Financial Statements.

Statement of cash flows

For the year ended 31 March 2019

	Note	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Cash flows from operating activities			
Profit for the year		69,170,832	30,414,366
Adjustments for:			
Net (gains)/losses on non-derivative financial assets at fair value through profit or loss	6	(3,634,711)	17,293,682
Net losses/(gains) on derivative financial assets at fair value through profit or loss	7	26,634,900	(24,288,499)
Investment Adviser fees settled through issue of Ordinary Shares	12	1,279,907	1,119,508
Net foreign exchange loss		1,593,178	64,118
Loan finance costs	15	3,172,657	1,348,781
(Increase)/decrease in trade and other receivables (excluding finance costs)	14	(52,430,820)	1,191,169
Increase in trade and other payables (excluding finance costs)	16	571,320	350,337
		46,357,263	27,493,462
Cash received on settled forward contracts		17,278,070	14,935,862
Cash paid on settled forward contracts		(36,958,973)	(11,257,922)
Purchases of investments	6	(534,891,241)	(252,978,738)
Sales of investments	6	194,907,810	66,058,998
Net cash outflow from operating activities		(313,307,071)	(155,748,338)
Cash flows from financing activities			
Net proceeds from issue of Ordinary Shares		323,883,995	157,393,258
Proceeds from drawdown of loan	15	260,249,614	39,647,046
Repayment of loan	15	(186,730,072)	(40,000,000)
Loan finance costs paid		(3,022,861)	(2,576,164)
Dividends paid	4	(55,365,515)	(42,584,207)
Net cash inflow from financing activities		339,015,161	111,879,933
Net increase/(decrease) in cash and cash equivalents		25,708,090	(43,868,405)
Cash and cash equivalents at beginning of year		2,393,742	46,734,809
Effect of foreign exchange rate changes on cash and cash equivalents during the year		(468,418)	(472,662)
Cash and cash equivalents at end of year		27,633,414	2,393,742

The accompanying notes on pages 40 to 69 form an integral part of the Financial Statements.

Notes to the financial statements

For the year ended 31 March 2019

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, and to propose further Continuation Resolutions within every three years thereafter. The first Continuation Resolution was passed by Shareholders at an Extraordinary General Meeting of the Company on 25 May 2016, and the second on 16 August 2018 at the Company's Annual General Meeting ("AGM"). 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 next Continuation Resolution, to be proposed at the 2021 AGM, may not be passed by Shareholders, however they noted the overwhelming majority vote in favour of the Continuation Resolutions passed in May 2016 and August 2018, the consistently strong appetite for the Company's investment proposition, evidenced by a number of successful Share issues, 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 EFFECTIVE AND ADOPTED

- IFRS 2 (amended) "Share-based Payment" (amendments to clarify the classification and measurement of share-based payment transactions, effective for periods commencing on or after 1 January 2018);
- IFRS 9, "Financial Instruments" (effective for periods commencing on or after 1 January 2018);

In addition, the IASB completed its Annual Improvements 2014-2016 Cycle project in December 2016. This project has amended certain existing standards and interpretations effective for accounting periods commencing on or after 1 January 2018.

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

The adoption of IFRS 2 has had no material impact on these Financial Statements as the Company's share-based payments are already classified as equity settled and are therefore not impacted by the amendments to IFRS 2.

The adoption of IFRS 9 has had no material impact on these Financial Statements, principally for the following reasons:

- the classification and measurement methodology for all of the Company's assets and liabilities has remained the same under IFRS 9 as under IAS 39;
- the Company's VFN investments are measured at fair value, as the Company is an investment entity and the performance of its portfolio of VFN investments is assessed on a fair value basis, and so the changes in IFRS 9 relating to the assessment of credit losses do not apply to these instruments;
- the Company does not apply hedge accounting, and is therefore unaffected by the hedge accounting-related changes introduced in IFRS 9.

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 tenth (up to 31 August 2018, 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 IFRS 9, "Financial Instruments".

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 IFRS 9.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial assets at amortised cost

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 IFRS 9. 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 2019:

Period to	Payment date	Dividend rate per Ordinary Share (pence)	Net dividend payable (£)	Record date	Ex-dividend date
31 March 2018	25 May 2018	1.5	11,224,736	27 April 2018	26 April 2018
30 June 2018	24 August 2018	1.5	12,321,526	27 July 2018	26 July 2018
30 September 2018	22 November 2018	1.5	15,907,343	26 October 2018	25 October 2018
31 December 2018	22 February 2019	1.5	15,911,910	25 January 2019	24 January 2019

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	1.5	8,934,633	28 April 2017	27 April 2017
30 June 2017	25 August 2017	1.5	11,212,792	28 July 2017	27 July 2017
30 September 2017	24 November 2017	1.5	11,216,322	27 October 2017	26 October 2017
31 December 2017	23 February 2018	1.5	11,220,460	26 January 2018	25 January 2018

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.

On 22 May 2019, the Company announced that it had increased the Company's dividend target from 6 pence to 6.25p per Ordinary Share per annum. It is expected that the first dividend to be declared under the new target will be in respect of the quarter ending 30 June 2019.

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.

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 2019		31 March 2018	
	Range of interest rates	£	Range of interest rates	£
Investments with floating interest rates	0.00% to 12.60%	790,763,073	0.00% to 11.88%	460,434,982
Investments with fixed interest rates	3.88% to 13.94%	348,515,119	0.00% to 10.50%	255,478,022
Financial assets at fair value through profit or loss (note 6)		1,139,278,192		715,913,004

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 2019 effect on net assets and profit or loss £	31 March 2018 effect on net assets and profit or loss £
+1%	**(18,292,303)**	(14,610,813)
–1%	**20,139,211**	16,458,592

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 US Dollar, Euro, Australian Dollar, Polish Złoty 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 2019 £	31 March 2018 £
USD Exposure		
Financial assets at fair value through profit or loss	591,848,993	331,355,043
Forward foreign exchange contracts	(564,652,969)	(334,872,532)
Cash and cash equivalents	20,424,877	51,638,273
Trade and other receivables	4,166,767	1,929,801
Loan payable	(53,875,164)	(39,238,068)
Trade and other payables	(34,141)	(113,538)
Net USD Exposure	(2,121,637)	10,698,979
EUR Exposure		
Financial assets at fair value through profit or loss	248,240,364	156,183,277
Forward foreign exchange contracts	(259,290,882)	(128,370,005)
Cash and cash equivalents	1,420,495	588,176
Trade and other receivables	3,610,808	1,413,746
Trade and other payables	(226,155)	(43,694)
Net EUR Exposure	(6,245,370)	29,771,500
NOK Exposure		
Financial assets at fair value through profit or loss	12,584,566	12,225,698
Forward foreign exchange contracts	(11,503,375)	(11,954,858)
Cash and cash equivalents	1,236	1,332
Trade and other receivables	256,168	233,798
Net NOK Exposure	1,338,595	505,970
PLN Exposure		
Financial assets at fair value through profit or loss	1,019,928	–
Forward foreign exchange contracts	(4,515,099)	–
Cash and cash equivalents	56,485	–
Trade and other receivables	6,112	–
Net PLN exposure	(3,432,574)	–
AUD Exposure		
Financial assets at fair value through profit or loss	40,965,698	–
Forward foreign exchange contracts	(40,141,297)	–
Cash and cash equivalents	279	22
Trade and other receivables	894,261	–
Net AUD exposure	1,718,941	22
Total exposure	(8,742,045)	40,976,471

5. FINANCIAL RISK MANAGEMENT CONTINUED

MARKET RISK CONTINUED

Currency Risk continued

	Possible reasonable change in exchange rate	31 March 2019 net exposure £	31 March 2019 effect on net assets and profit or loss £	Possible reasonable change in exchange rate	31 March 2018 net exposure £	31 March 2018 effect on net assets and profit or loss £
USD/GBP	+/- 5%	(2,121,637)	–/+ 106,082	+/- 10%	10,698,979	+/- 1,069,898
EUR/GBP	+/- 5%	(6,245,370)	–/+ 312,269	+/- 10%	29,771,500	+/- 2,977,150
NOK/GBP	+/- 5%	1,338,595	+/- 66,930	+/- 10%	505,970	+/- 50,597
PLN/GBP	+/- 5%	(3,432,574)	–/+ 171,629	+/- 10%	–	–
AUD/GBP	+/- 5%	1,718,941	+/- 85,947	+/- 10%	22	+/- 2

The decrease in the possible change in exchange rates from 10% to 5% is regarded as reasonable in view of the decrease in the volatility of Sterling against most major currencies during the course of the year.

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 2019 £	31 March 2018 £
Sterling	244,618,643	216,148,986
US Dollar	591,848,993	331,355,043
Euro	248,240,364	156,183,277
Norwegian Krone	12,584,566	12,225,698
Polish Zloty	1,019,928	–
Australian Dollar	40,965,698	–
Total	1,139,278,192	715,913,004

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.

5. FINANCIAL RISK MANAGEMENT CONTINUED

CREDIT AND COUNTERPARTY RISK CONTINUED

Standard & Poor's rating (or equivalent)	31 March 2019 £	31 March 2018 £
BBB- to BBB+	**50,865,441**	32,894,090
BB- to BB+	**85,764,906**	85,493,976
B- to B+	**157,143,472**	99,695,875
Unrated	**845,504,373**	497,829,063
	1,139,278,192	715,913,004

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

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

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

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

	31 March 2019 £	31 March 2018 £
Non-derivative financial assets at fair value through profit or loss	**1,118,045,818**	774,427,676
Cash and cash equivalents	**27,633,414**	2,393,742
Trade and other receivables	**59,789,705**	7,348,213
Derivative financial assets at fair value through profit or loss	**10,598,250**	14,432,392
	1,216,067,187	798,602,023

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 was held with BNP Paribas SA under a cash management agreement with PraxisIFM Treasury Services Limited, with other adequately-rated banks considered should cash levels require, however there were no material amounts of such uninvested cash at 31 March 2019. At the year end the Standard and Poor's short-term credit rating of Bank of New York Mellon was A-1+ (2018: BNP Paribas 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 (2018: RBSI: A-2; IBCI: F2 (Fitch); Monex: B; Global Reach and Moneycorp: no rating).

5. FINANCIAL RISK MANAGEMENT CONTINUED

CREDIT AND COUNTERPARTY RISK CONTINUED

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 2019 £	31 March 2018 £
United States of America/Canada	524,924,316	283,733,778
Europe	296,559,291	171,300,683
United Kingdom	213,564,143	205,023,986
Australia	104,230,442	55,854,557
Subsidiary financial assets at fair value through profit or loss (note 6)	1,139,278,192	715,913,004

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 2019	4.95	1.45

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

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

	31 March 2019 £	31 March 2018 £
Accommodation	115,728,584	75,940,714
Power	157,481,970	67,400,226
Renewable Energy	116,822,042	76,560,995
Telecommunication, Media and Technology	138,676,788	74,067,749
Transport	209,451,538	126,463,248
Transportation Equipment	85,139,689	74,030,021
Utilities	189,437,264	102,632,449
Other	126,540,317	118,817,602
Subsidiary financial assets at fair value through profit or loss (note 6)	1,139,278,192	715,913,004

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.

5. FINANCIAL RISK MANAGEMENT CONTINUED

LIQUIDITY RISK

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

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

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

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

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

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

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 2019 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.

5. FINANCIAL RISK MANAGEMENT CONTINUED

CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the Company. The Company's capital is represented by 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 increased its revolving credit facility with a consortium of three banks led by Royal Bank of Scotland International Limited from £100 million to £150 million (see note 15). Subsequent to the year end, the facility was increased further to £200 million.

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

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Cost at the start of the year	738,117,560	548,018,390
VFNs purchased during the year	534,891,241	252,978,738
VFNs redeemed during the year	(194,907,810)	(66,058,998)
Realised gains on VFNs redeemed during the year	–	3,179,430
Cost at the end of the year	1,078,100,991	738,117,560
Net unrealised gains on non-derivative financial assets at the end of the year	39,944,827	36,310,116
Non-derivative financial assets at fair value through profit or loss at the end of the year	1,118,045,818	774,427,676

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 2019 £	31 March 2018 £
Subsidiary's non-derivative financial assets at fair value through profit or loss	1,139,278,192	715,913,004
Subsidiary's net current (liabilities)/assets	(21,232,374)	58,514,672
Company's non-derivative financial assets at fair value through profit or loss	1,118,045,818	774,427,676

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

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

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Unrealised gains/(losses) on VFNs	24,351,316	(34,843,728)
Realised gains on VFNs redeemed	–	3,179,430
Unrealised (loss)/gain on revaluation of the Subsidiary	(20,716,605)	14,370,616
Net gains/(losses) on non-derivative financial assets at fair value through profit or loss	3,634,711	(17,293,682)

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 2019 comprises the following:

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Subsidiary		
Investment income during the year	71,930,640	44,406,029
Net return on financial assets and liabilities during the year, including foreign exchange and VFN interest payable	(100,983,218)	(35,714,816)
Net other income during the year	8,335,973	5,679,403
Subsidiary (losses)/gains during the year	(20,716,605)	14,370,616
Subsidiary gains brought forward	23,377,889	9,007,273
Subsidiary gains carried forward at the end of the year	2,661,284	23,377,889
Company		
Unrealised foreign exchange gains on VFNs brought forward	12,933,227	47,775,955
Unrealised foreign exchange gains/(losses) on VFNs during the year	24,351,316	(34,843,728)
Net gains on non-derivative financial assets at fair value through profit or loss carried forward at the end of the year	39,944,827	36,310,116

FAIR VALUE MEASUREMENT

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

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

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

The determination of what constitutes 'observable' requires 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.

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

FAIR VALUE MEASUREMENT CONTINUED

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 2019			
	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Non-derivative financial assets at fair value through profit or loss	–	–	1,118,045,818	1,118,045,818
Derivative financial assets at fair value through profit or loss	–	10,598,250	–	10,598,250
Total	–	10,598,250	1,118,045,818	1,128,644,068
Liabilities				
Derivative financial liabilities at fair value through profit or loss	–	3,420,760	–	3,420,760
Total	–	3,420,760	–	3,420,760

	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

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 2019 £	Year ended 31 March 2018 £
Opening balance	774,427,676	604,801,618
Purchases	534,891,241	252,978,738
Sales	(194,907,810)	(66,058,998)
Net gains/(losses) on non-derivative financial assets in the year	3,634,711	(17,293,682)
Closing balance	1,118,045,818	774,427,676

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

	31 March 2019			
	Level 1 £	Level 2 £	Level 3 £	Total £
Assets				
Non-derivative financial assets at fair value through profit or loss	46,767,939	332,561,459	759,948,794	1,139,278,192

	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

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.

There were no transfers of investments between levels of the fair value hierarchy during the year. 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 2019 effect on net assets and profit or loss £	31 March 2018 effect on net assets and profit or loss £
Yield	+1%	(10,241,221)	(3,825,307)
	–1%	11,266,545	4,211,632

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 2019, 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 foreign 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 2019, the Company had the following outstanding commitments in respect of open forward foreign exchange contracts, by currency and by counterparty.

31 March 2019

Selling currency	Currency amount	Buying currency	GBP amount £	Unrealised gains £	Unrealised losses £	Net unrealised gains £
USD	735,967,700	GBP	564,652,969	4,617,878	(2,640,923)	1,976,955
EUR	293,600,000	GBP	259,290,881	5,743,006	(71,560)	5,671,446
NOK	129,900,000	GBP	11,503,375	24,025	(84,391)	(60,366)
PLN	21,500,000	GBP	4,515,099	213,341	–	213,341
AUD	75,000,000	GBP	40,141,297	–	(623,886)	(623,886)
			880,103,621	10,598,250	(3,420,760)	7,177,490

Counterparty	Unrealised gains £	Unrealised losses £	Net unrealised gains £
Global Reach	1,070,672	(132,659)	938,013
Investec Bank	3,740,521	(150,498)	3,590,023
Monex	1,614,879	(223,915)	1,390,964
Moneycorp	1,053,554	(925,653)	127,901
RBSI	3,118,624	(1,988,035)	1,130,589
	10,598,250	(3,420,760)	7,177,490

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

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

All forward foreign exchange positions at the year end were held with Investec Bank plc, Monex Europe Limited, the Royal Bank of Scotland International, TTT Moneycorp Limited or Global Reach Partners, 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 8 April 2019 to 14 April 2020 (2018: 3 April 2018 to 16 December 2019).

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

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Net realised (losses)/gains on forward foreign exchange contracts during the year	**(19,680,903)**	3,677,940
Net unrealised (losses)/gains on forward foreign exchange contracts during the year	**(6,953,997)**	20,610,559
Net (losses)/gains on forward foreign exchange contracts during the year	**(26,634,900)**	24,288,499

8. CASH AND CASH EQUIVALENTS

	31 March 2019 £	31 March 2018 £
Cash held on call or overnight deposit accounts	27,633,414	2,393,742
	27,633,414	2,393,742

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 2019, no amounts (2018: £Nil) were held in collateral accounts.

9. INVESTMENT INCOME

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Interest income on financial assets carried at amortised cost:		
Cash and cash equivalents	48,771	109,044
Interest income on the Company's non-derivative financial assets at fair value through profit and loss	106,668,371	31,617,371
	106,717,142	31,726,415

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 £65,000 per annum (increasing to £66,800 per annum with effect from 1 April 2019). The remaining Directors are entitled to a fee in remuneration for their services as Directors at a rate of £43,000 each per annum (increasing to £44,300 per annum with effect from 1 April 2019).

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 Chair of the Management Engagement Committee, Chair of the Risk Committee and Chair of the Audit and Remuneration Committees respectively.

With effect from 1 April 2019, Sandra Platts is entitled to an additional fee of £5,000 per annum for serving as the Senior Independent Director.

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 12 October 2018.

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 2019		31 March 2018	
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)	240,000	0.02%	217,200	0.03%
Jan Pethick (with his spouse)	263,820	0.02%	233,440	0.03%
Jon Bridel (with his spouse)	10,452	0.00%	10,452	0.00%
Sandra Platts (in a family Retirement Annuity Trust Scheme)	19,073	0.00%	16,139	0.00%

During the year, Jan Pethick acquired an additional holding of 30,380 Ordinary Shares in the Placing of Ordinary Shares on 9 May 2018; and Robert Jennings and Sandra Platts acquired additional holdings of 22,800 Ordinary Shares and 2,934 Ordinary Shares respectively in the Open Offer, Placing and Offer for Subscription of Ordinary Shares on 12 October 2018.

Subsequent to the year end, Sandra Platts acquired 2,384 Ordinary Shares in the Open Offer, Placing and Offer for Subscription on 27 June 2019.

As at 31 March 2019, the Investment Adviser held an aggregate of 3,073,079 Ordinary Shares (2018: 1,892,232 Ordinary Shares), which is 0.28% (2018: 0.25%) of the issued share capital.

As at 31 March 2019, the members of the Investment Adviser's founding team held an aggregate of 681,643 Ordinary Shares (2018: 681,643 Ordinary Shares), which is 0.06% (2018: 0.09%) of the issued share capital.

As at 31 March 2019, the Investment Manager held an aggregate of 50,000 Ordinary Shares (2018: 50,000 Ordinary Shares), which is 0.00% (2018: 0.01%) of the issued share capital.

TRANSACTIONS WITH INVESTMENT MANAGER AND INVESTMENT ADVISER

Investment Manager

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

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

The fee is subject to an annualised minimum of £80,000 applied on a monthly basis and is payable monthly in arrears. With effect from 2 May 2017, the management fee was capped at £320,000 per annum.

10. RELATED PARTIES AND OTHER MATERIAL CONTRACTS CONTINUED

TRANSACTIONS WITH INVESTMENT MANAGER AND INVESTMENT ADVISER CONTINUED

Investment Manager continued

During the year, the Investment Manager received a fee of £2,500 for services rendered in connection with the Placing of Ordinary Shares on 9 May 2018, and a fee of £10,000 for services rendered in connection with the Open Offer, Placing and Offer for Subscription of Ordinary Shares on 12 October 2018. During the prior year, the Investment Manager received a fee 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

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

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

Prior to 1 September 2018, and with effect from 5 May 2016, the Investment Adviser was entitled to receive from the Company a base fee calculated as follows:

- 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.

All such fees are payable quarterly. With effect from 1 September 2018, 10% of the Investment Adviser's fee (prior to 1 September 2018: 25%) is applied in subscribing for Ordinary Shares in the Company, which the Investment Adviser shall retain with a three-year rolling lock-up (such that those Ordinary Shares may not be sold or otherwise disposed of by the Investment Adviser without the prior consent of the Company before the third anniversary of the date of issue of the relevant Ordinary Shares).

On 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.

On 19 July 2018, the Company issued 375,200 Ordinary Shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 30 June 2018.

On 18 October 2018, the Company issued 304,485 Ordinary Shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 30 September 2018.

10. RELATED PARTIES AND OTHER MATERIAL CONTRACTS CONTINUED

TRANSACTIONS WITH INVESTMENT MANAGER AND INVESTMENT ADVISER CONTINUED

Investment Adviser continued

On 17 January 2019, the Company issued 181,852 Ordinary Shares of no par value to the Investment Adviser, in relation to fees payable for the period ended 31 December 2018.

As at 31 March 2019, the Investment Adviser held 3,073,079 Ordinary Shares (2018: 1,892,232 Ordinary Shares) in the Company.

On 18 April 2019 the Company issued 177,165 Ordinary Shares to the Investment Adviser in relation to fees payable for the quarter ended 31 March 2019 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.

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 fees during the year of £5,869 for services rendered in connection with the Placing of Ordinary Shares on 9 May 2018 and £18,000 for services rendered in connection with the Open Offer, Placing and Offer for Subscription of Ordinary Shares on 12 October 2018.

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

Subsidiary Administrator

With effect from 28 January 2015, TMF Luxembourg S.A. (the "Subsidiary Administrator") was appointed as the administrator of the Subsidiary. With effect from 1 January 2019, the Subsidiary Administrator is entitled to receive an annual fee of €25,434 (with effect from 1 January 2018: €24,935 per annum, prior to 1 January 2018 €24,600) and, in addition, a fee for NAV reconciliation and reporting services based on time costs but capped at €6,150 per annum.

10. RELATED PARTIES AND OTHER MATERIAL CONTRACTS CONTINUED

OTHER MATERIAL CONTRACTS CONTINUED

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 2019 and outstanding at 31 March 2019 are as follows:

Year ended 31 March 2019	Charge for the year £	Amounts outstanding at 31 March 2019 £
Investment Adviser's fees	7,312,391	1,986,030
Administration fee	405,541	15,010
Investment Manager's fees	320,000	–
Directors' fees and expenses	216,601	–
Sub-administration fee*	32,852	10,683
Fees payable to the Custodian*	498,449	116,732
	8,785,834	2,128,455

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

** Includes expenses of the Subsidiary*

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 2019, this facility had not been utilised.

LOAN COLLATERAL

With effect from 14 May 2019, security for a revolving credit facility of £200 million (with effect from 9 August 2018, £150 million, with effect from 6 December 2017, £100 million) (see note 15) with the Royal Bank of Scotland International Limited was provided by, inter alia, a charge over the bank accounts of the Company, a charge over the shares in the Subsidiary held by the Company and a charge on the assets of the Subsidiary.

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.

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

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

ISSUED SHARE CAPITAL

Ordinary Shares

	31 March 2019 Ordinary Shares Number	31 March 2018 Ordinary Shares Number
Share capital at the beginning of the year	748,315,757	595,642,196
Share capital issued and fully paid	312,660,092	152,673,561
Total Share capital at the end of the year	1,060,975,849	748,315,757

12. SHARE CAPITAL CONTINUED

ISSUED SHARE CAPITAL CONTINUED

Ordinary Shares continued

	31 March 2019 Ordinary Shares £	31 March 2018 Ordinary Shares £
Share capital at the beginning of the year	746,867,128	588,354,362
Share capital issued and fully paid	329,991,907	161,119,508
Share issue costs	(4,828,005)	(2,606,742)
Total Share capital at the end of the year	1,072,031,030	746,867,128

On 9 May 2018, 72,800,000 Ordinary Shares were issued through a Placing of Ordinary Shares at an issue price of 104.0p per Share.

On 12 October 2018, the Company issued 238,679,245 Ordinary Shares at an issue price of 106.0p, of which 113,061,369 Ordinary Shares were issued pursuant to an Open Offer (including the Excess Application Facility) and 125,617,876 Ordinary Shares were issued pursuant to a Placing and Offer for Subscription.

During the year, 1,180,847 Ordinary Shares have been issued to the Investment Adviser in relation to fees payable for the period from 1 January 2018 to 31 December 2018, at an average issue price of 108.4p per Ordinary Share (see note 10). Subsequent to the year end, 177,165 Ordinary Shares were issued to the Investment Advisor at an issue price of 112.1p per Ordinary Share in relation to fees payable for the quarter ended 31 March 2019.

Subsequent to the year end, 200,000,000 Ordinary Shares were issued through an Open Offer, Placing and Offer for Subscription of Ordinary Shares on 27 June 2019 at an issue price of 108.0p per Share.

13. BASIC AND DILUTED EARNINGS PER SHARE

	Year ended 31 March 2019	Year ended 31 March 2018
Profit for the financial year	£69,170,832	£30,414,366
Weighted average number of Ordinary Shares	925,240,797	722,505,738
Basic and diluted earnings per Ordinary Share	7.48p	4.21p

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

On 27 June 2019, the Company issued 200,000,000 Ordinary Shares through an Open Offer, Placing and Offer for Subscription 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 2019.

14. TRADE AND OTHER RECEIVABLES

	31 March 2019 £	31 March 2018 £
VFN interest receivable	59,789,705	6,967,757
Other receivables	–	380,456
Prepaid finance costs	716,679	840,075
Other prepaid expenses	16,097	44,844
	60,522,481	8,233,132

15. LOAN PAYABLE

On 6 December 2017, the Company executed a 36 month £100 million multi-currency revolving credit facility ("RCF") with the Royal Bank of Scotland International Limited ("RBSI") as lead arranger. On 9 August 2018, the Company exercised a £50 million incremental accordion tranche of the RCF, with the same maturity date as the initial RCF. Subsequent to the year end, the facility was extended by a further £50 million and the maturity date extended by a year to 6 December 2021. The proceeds of the loan are to be used in or towards the making of investments in accordance with the Company's investment policy. The loan is secured by, inter alia, a charge over the bank accounts of the Company, a charge over the shares in the Subsidiary held by the Company and a charge on the assets of the Subsidiary. 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. 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 £2,713,261 (2018: £303,423) and upfront, facility and break fees of £459,396 (2018: £97,425) have been incurred on the loan during the year.

	For the year ended 31 March 2019		
	GBP facility GBP	USD facility GBP	Total GBP
Balance brought forward	–	39,238,068	39,238,068
Drawdowns	187,532,967	72,716,647	260,249,614
Repayments	(127,532,967)	(59,197,105)	(186,730,072)
	60,000,000	52,757,610	112,757,610
Foreign exchange revaluations	–	1,117,554	1,117,554
Balance carried forward	60,000,000	53,875,164	113,875,164

	For the year ended 31 March 2018		
	GBP facility GBP	USD facility GBP	Total GBP
Balance brought forward	40,000,000	–	40,000,000
Drawdowns	–	39,647,046	39,647,046
Repayments	(40,000,000)	–	(40,000,000)
	–	39,647,046	39,647,046
Foreign exchange revaluations	–	(408,978)	(408,978)
Balance carried forward	–	39,238,068	39,238,068

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

16. TRADE AND OTHER PAYABLES

	31 March 2019 £	31 March 2018 £
Investment Advisory fee payable	1,986,030	1,318,755
Loan interest payable	155,748	140,217
Bank overdraft	–	137,904
Other payables	222,840	180,891
	2,364,618	1,777,767

17. COMMITMENTS

As at 31 March 2019, £98.7 million (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 18 April 2019, the Company declared an interim dividend of 1.5p per Ordinary Share in respect of the quarter ended 31 March 2019. The dividend was paid on 30 May 2019.

On 18 April 2019, the Company issued 177,165 Ordinary Shares to the Investment Adviser at an issue price of 112.1p per Share, in relation to fees payable for the quarter ended 31 March 2019.

On 14 May 2019, the Company announced that it had increased the size of its revolving credit facility ("RCF") from £150 million to £200 million, and extended the term of the RCF by one year to 6 December 2021.

On 22 May 2019, the Company announced that it had increased the Company's dividend target from 6 pence to 6.25p per Ordinary Share per annum. It is expected that the first dividend to be declared under the new target will be in respect of the quarter ending 30 June 2019.

On 27 June 2019, the Company raised net proceeds of approximately £213.0 million through an Open Offer, Placing and Offer for Subscription of Ordinary Shares. A total of 200,000,000 Ordinary Shares were issued at an Issue Price of 108.0p per Share.

Following the Open Offer, Placing and Offer for Subscription of Ordinary Shares on 27 June 2019, on 3 July 2019 the full outstanding US Dollar revolving credit facility balance of US$70 million was repaid, as was £115 million of the outstanding Sterling balance of £140 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.

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Appendix

ALTERNATIVE PERFORMANCE MEASURES USED IN THE ANNUAL REPORT

Portfolio yield-to-maturity/Gross portfolio return

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

Internal rate of return ("IRR")

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

Ongoing charges ratio ("OCR")

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

	Year ended 31 March 2019			Year ended 31 March 2018		
	The Company £	**The Subsidiary £**	**Total £**	The Company £	The Subsidiary £	Total £
Total expenses	**12,952,943**	**391,096**	**13,344,039**	8.242.748	356,726	8,599,474
Non-recurring expenses	**(3,642,374)**	**–**	**(3,642,374)**	(1,717,302)	–	(1,717,302)
Total ongoing expenses	**9,310,569**	**391,096**	**9,701,665**	6,525,446	356.726	6,882,172
Average NAV			**951,775,752**			733,409,172
Ongoing charges ratio (using AIC methodology)			**1.02%**			0.94%

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